

South Carolina State University

Orangeburg, South Carolina

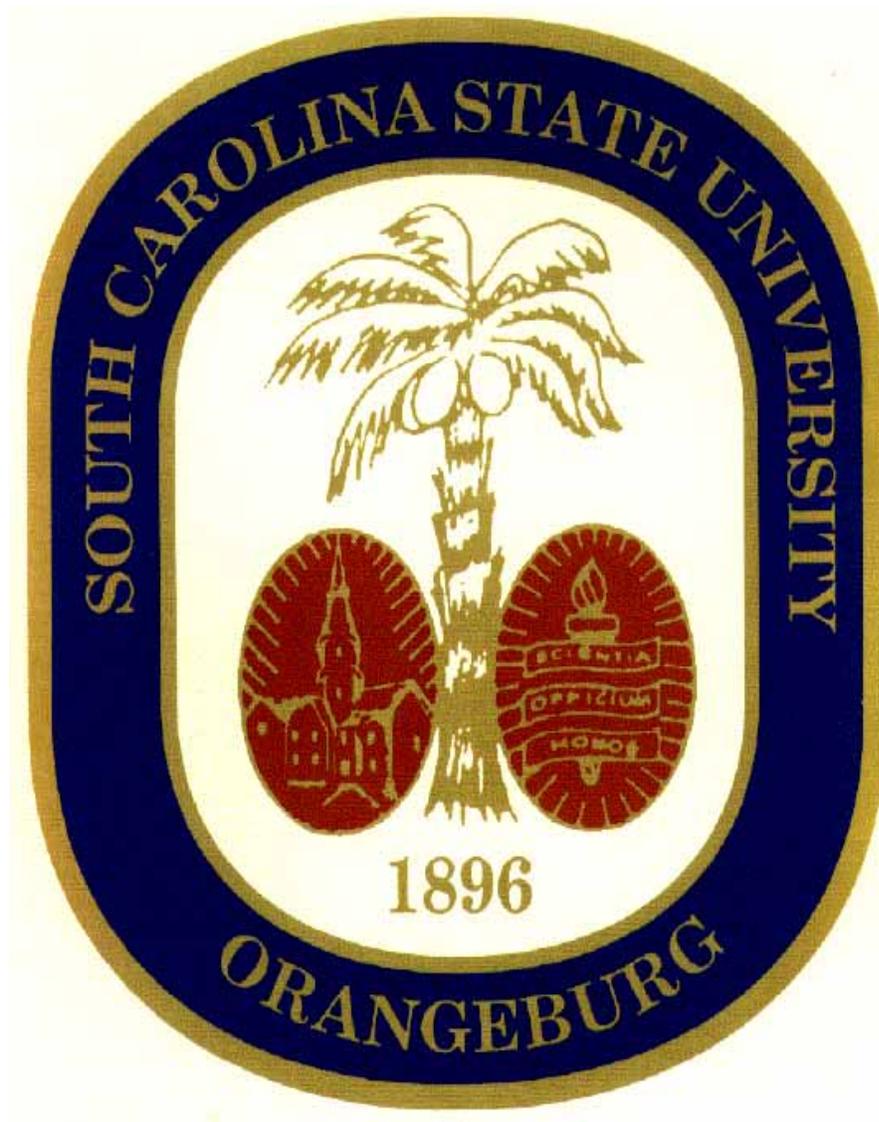


Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For The Year Ended June 30, 2008

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



Comprehensive Annual Financial Report
Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina
For The Year Ended June 30, 2008
Prepared By
The Office of the Controller

South Carolina State University
 Comprehensive Annual Financial Report
 For The Year Ended June 30, 2008

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South Carolina State University Comprehensive Annual Financial Report



Introductory Section



OFFICE OF
THE PRESIDENT

South Carolina State University

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300 COLLEGE STREET NORTHEAST
ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 536-7013 / 7014

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President's Letter 2008

October 10, 2008

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



South Carolina State University continues to excel at producing high quality graduates who go on to become productive members of society. Over the last several years, the University has maintained fiscal accountability as evidenced by the awarding of the third consecutive *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada. The Certificate of achievement is the highest form of recognition in governmental accounting and financial reporting. This honor speaks to our improved efforts related to manageability of funds.

Over the 2007-2008 fiscal year, the University has continued to make tremendous strides. Much of what has occurred was attainable despite the challenges we faced with declining financial resources. In the face of declining appropriations from the State, the University performed in a manner in which all its constituents can be proud. Throughout the year, we focused on the highest priority –academic achievement—and the institution reached an even higher level of excellence. As President of South Carolina State University, I am pleased to share with you several of our accomplishments for the 2007-2008 academic year.

The Department of Energy/National Nuclear Security Administration (DOE/NNSA) and Shaw Engineering/Mixed Oxide (MOX) presented SC State a five-year grant of \$654,533 for six University students. These students received full tuition scholarships, book stipends, and guaranteed summer internships. This type of contribution signifies a vote of confidence in the institution and its ability to manage resources and to provide educational opportunities to students.

Additionally, the South Carolina State Board of Nursing gave full approval to the SC State nursing program through June 30, 2009, contiguous with its accreditation by the Commission on Collegiate Nursing Education (CCNE). The Board cited significant improvement and excellence in preparing students for the profession as evidenced by high pass rates on the National Council Licensure Examination (NCLEX).

Based on the Carnegie classification South Carolina State University also earned the distinction of the only Historically Black College or University ranked in Tier 3 of *U.S. News and World Report's America's Best Colleges 2008*. Of the 242 institutions ranked, S.C. State University is second among the 8 HBCUs listed.

S.C. State University is the third highest HBCU securing Pell grant support with 69% of the students receiving Pell Grants. Because the University continues to graduate a large number of students who receive Pell Grants, the institution was ranked number 1 in Social Mobility for the second consecutive year by *Washington Monthly Magazine*.

We will continue to build upon our legacy of excellence by producing leaders and contributors in a effort to improve upon the quality of life and provide assistance to the economic development of our state and nation.

I hope you find this report helpful in highlighting excellence made possible through the dedication of efforts of our outstanding faculty, staff and students.

Sincerely,

George E. Cooper
President



Senior Vice President
of
Finance, Facilities and Management
Information Systems

South Carolina State University

DR. M. MACEO NANCE, JR. HIGHWAY
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October 10, 2008

LETTER OF TRANSMITTAL

To the President and
Members of the Board of Trustees:

Management is pleased to present to you the Comprehensive Annual Financial Report of South Carolina State University for the fiscal year ended June 30, 2008.

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

Profile of the University

South Carolina State University (SC State), a senior comprehensive teaching and 1890 land-grant institution, is committed to providing affordable and accessible quality undergraduate and graduate degree programs. SC State is a public university, with a student population of approximately 5,000 located in Orangeburg, SC. Orangeburg is a small rural/agricultural city in the middle of the state that has evolved to include businesses and industries that are national and international in scope. The University currently offers 54 undergraduate degree programs through three academic colleges and nine graduate degree programs (1 doctoral degree and 8 master's degree programs).

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

Economic Environment

SC State realized an overall enrollment increase of approximately 12% in fiscal year 2008. We anticipate the growth of enrollment will continue, spurred primarily by the construction of a new apartment-style residential community (thirteen buildings), new and improved marketing and recruiting strategies and the policy to keep tuition and fee increases at a minimum. Due to the concern of the administration and the Board of Trustees for rising costs for tuition and fees, there was no increase in either for FY 2008. SC State was the only institution in the state that did not increase tuition. We were still able to balance the budget without any increases by aggressive costs containment, efficient and effective budget management enhancements and efforts.

The State has experienced a major decline in collections and revenues for the first half of 2008, resulting in a decrease in state appropriations for SC State along with other state institutions and agencies. We anticipate the potential of further reductions before the end of the fiscal year. Consequently, funds will be used conservatively and strategically to maximize reserves which may be needed to absorb further reductions. When revenue streams improve for the State, we anticipate the majority of the state's education budget will be designated for K-12 and human services programs. The legislature has earmarked South Carolina Education Lottery funds for tuition assistance directly to students, and to institutional technology projects, but has steadily decreased funding for general operations. The fiscal year 2008 state budget appropriated to SC State operations represents only 82% of the amount appropriated for fiscal year 2001.

With respect to tuition revenue, SC State's in-state tuition is in the lower range for its South Carolina peers. As stated above, for fiscal year 2008 the Board of Trustees voted to keep the tuition at the 2007 level, thus a zero increase for fiscal year 2008. The Board of Trustees realizes that it is becoming a major burden on many families we serve to continue with the annual increases in tuition. Although the board continues to express concerns over the need to increase tuition and fees, however, with the major decrease in the University's budget coupled with the decline in the State current and projected revenues, a modest increase of 5% was approved for FY-08-09. The governing body will continue monitoring the issue of whether or not to raise resident tuition while still striving to remain competitive with other colleges and universities in the state on an on-going basis.

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

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

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

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

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

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

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

FINANCIAL INFORMATION

Internal Controls

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

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

Budgetary Controls

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

Debt Management

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

Cash Management

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

Risk Management

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

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

Relevant Financial Policies

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

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

Major Initiatives

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

1. Strengthen Financial Management

- A. The 2008 audit report was completed on time. For the third time in recent years, the University's annual report was able to be included in the state of South Carolina's Comprehensive Annual Financial Report (CAFR).
- B. A \$2 million contingency fund is maintained.

2. Capital Improvement and Deferred Maintenance

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

A. Classroom Buildings

1. Plans for Hodge Hall Science Building will begin in the summer of 2008
Plans for the Engineering/Computer Science Building architecture and engineering design services are underway. Both of these projects are funded, in part, from a \$32 million Institutional Bond issue.

B. Administrative and Research Buildings

1. Construction began in the spring of 2008 for restoration of Lowman Hall, one of the oldest building on the campus, and listed on the National Register of Historic places and sites. Upon completion, scheduled for fall 2009, this facility will house various administrative offices including the president's office.
2. The James E. Clyburn Transportation Research and Conference Center, Phase I is under construction with site work completed and the transit center is scheduled to begin construction in winter 2008.

C. Dining Facilities

1. The third dining facility was opened in Truth Hall during the fall of 2008.
This facility provides a different dining atmosphere and environment for the students that includes access to computers for studying in a more casual environment.

3. Improve quality of academic programs

Academic quality is a result of a dedicated faculty and the leadership provided by the University's Vice President of Academic Affairs. The faculty continually strives for excellence as noted by their peers throughout national publications. The accomplishments of the faculty are numerous. For example, in addition to having 93% of creditable programs accredited, the university continues to receive high ranks in the production of doctorates in education administration, in mathematics and statistics, and in biological and biomedical sciences programs. The most recent program to receive accreditation is the nuclear engineering program. Moreover, whereas colleges and universities are expected to be engines of "social mobility" and produce the academic minds and scientific research that advance knowledge and drive economic growth, the University ranks 1st (*The Washington Monthly College Third Annual College Ranking 2008*). The Board of Trustees approved \$10 million in tuition bonds for the

renovations of various buildings on campus to include Wilkinson Hall, which is currently vacant. Wilkinson Hall houses a variety of student services. Expected completion in the summer of 2009.

4. Strategically planning for the future.

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

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

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

5. Enhance student life and performance.

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

OTHER INFORMATION

Independent Audit

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

The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2008, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation.

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

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

Certificate of Achievement for Excellence in Financial Reporting

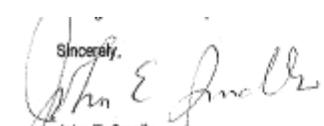
The Government Finance Officers Association of the United States and Canada, for the third year in a row awarded a Certificate of Achievement for Excellence in Financial Reporting to South Carolina State University for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2007, 2006 and 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

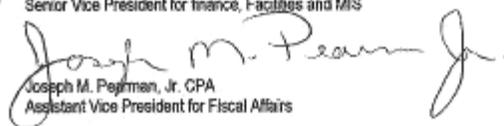
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

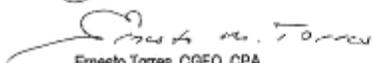
Acknowledgments

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

Sincerely,


John E. Smalls
Senior Vice President for finance, Facilities and MIS


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


Ernesto Torres, CGFO, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Carolina State University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



President

Executive Director

South Carolina State University Board of Trustees 2007-2008



Governor Mark Sanford



Maurice G. Washington
Chairman, Sixth District



Jonathan N. Pinson
Vice Chairman



Dr. Walter Tobin
Seat 11 At-Large



Reggie Gallant
Second District



Lancelot D. Wright
Seat 12 At-Large



Robert M. Nance
Seat 7 At-Large



Martha S. Smith
Gubernatorial Appointee



Dr. John H. Corbitt
Fourth District



Linda K. Edwards Duncan
Fifth District



Lumus Byrd Jr.
Third District



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

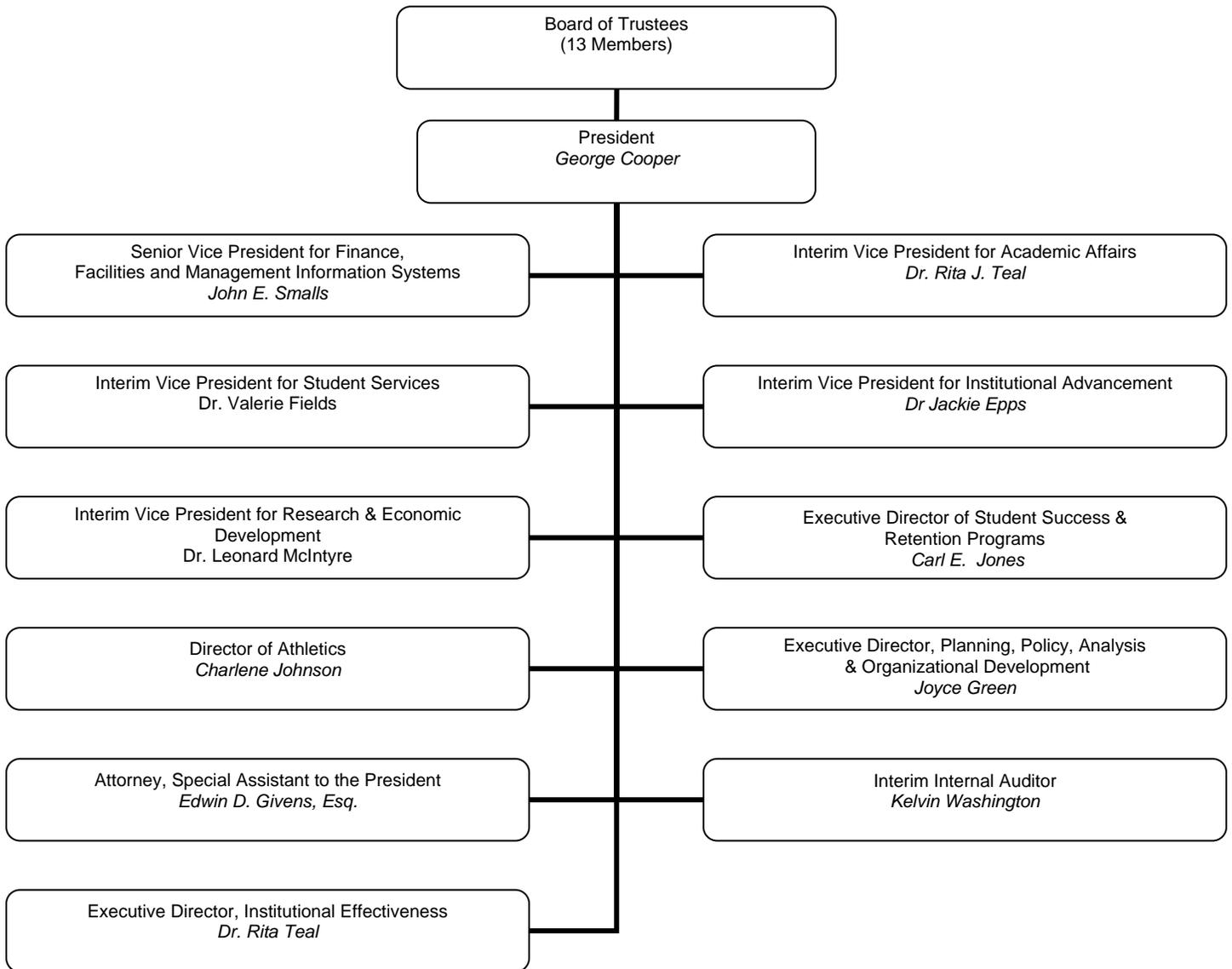


Karl V. Green
First District



Dr. Shirley Portee Martin
Seat 8 At-Large

South Carolina State University Organizational Structure



South Carolina State University Business and Finance Officers

John E. Smalls

Senior Vice President for Finance, Facilities and MIS

Joseph M. Pearman, CPA

Assistant Vice President for Finance, Facilities and MIS

Ernesto M. Torres, CGFO, CPA

Controller

South Carolina State University Comprehensive Annual Financial Report



Financial Section



Independent Auditors' Report

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

We have audited the accompanying financial statements of the business type activity and the discretely presented component unit of **South Carolina State University**, (The University) as of and for the year ended June 30, 2008 which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of South Carolina State University Foundation, Inc. a component unit of The University. South Carolina State University Foundation, Inc.'s financial statements reflect 4% of total assets as of June 30, 2008 and 2% of total revenues for the year then ended. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for this component unit, are based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of South Carolina State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements of The University are intended to present the financial position, the changes in its financial position, and cash flows of only that portion of the business type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of The University. They do not purport to and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activity and the aggregate discretely presented component unit of South Carolina State University as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008 on our consideration of The University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18 through 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina
October 9, 2008

SOUTH CAROLINA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

Introduction

We are pleased to submit the annual Financial Statements for South Carolina State University (SCSU) for the fiscal year ended 2008. The following discussion and analysis have been prepared by the management of South Carolina State University to provide an overview of the financial activities of the University for the fiscal year ended June 30, 2008. Audited financial statements for fiscal year 2007 are not presented with this report; condensed operations and financial position will be presented in this section in order to illustrate pertinent increases and decreases. Please read this section in conjunction with the financial statements and the accompanying notes to the financial statements. The financial presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statement's and Management's Discussion and Analysis for Public Colleges and Universities*. During fiscal year 2004, the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – An Amendment of GASB 14*. The University has incorporated one non-governmental component unit, South Carolina State University's Foundation. Two of the Foundation's statements: (1) Statement of Financial Position and (2) Statement of Activities are presented separately in the University's report. Management's discussion and analysis addresses the activity of the University and does not include financial activity of the Foundation. Information presented in the Financial Statements is designed to aid a wide variety of readers in assessing the effectiveness of the University's management in using its resources to meet its primary mission of instruction, research, and public service, and to provide a comprehensive picture of the University's financial activities and soundness.

Using this Annual Report

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

Statement of Net Assets

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

The "Condensed Statement of Net Assets" as shown below, presents a comparison of assets, liabilities, and net assets between June 30, 2007 and June 30, 2008.

Condensed Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase Decrease</u>	<u>Percent Change</u>
Assets:				
Current Assets	\$ 11,493,107	\$ 14,176,522	\$ (2,683,415)	-18.93%
Non-current Assets	47,128,436	50,511,323	(3,382,887)	-6.70%
Capital Assets, Net	87,276,965	83,600,797	3,676,168	4.40%
Total Assets	\$ 145,898,508	\$ 148,288,642	\$ (2,390,134)	-1.61%
Liabilities:				
Current Liabilities	\$ 12,498,624	\$ 14,295,356	\$ (1,796,732)	-12.57%
Non-current Liabilities	79,662,794	78,882,246	780,548	0.99%
Total Liabilities	\$ 92,161,418	\$ 93,177,602	\$ (1,016,184)	-1.09%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 46,665,057	\$ 48,647,429	\$ (1,982,372)	-4.07%
Restricted-Nonexpendable	980,621	901,382	79,239	8.79%
Restricted—Expendable	5,642,474	4,504,203	1,138,271	25.27%
Unrestricted	448,938	1,058,026	(609,088)	-57.57%
Total Net Assets	\$ 53,737,090	\$ 55,111,040	\$ (1,373,950)	-2.49%

The vast majority of current assets (97%) are composed of cash and cash equivalents and accounts receivable, net of allowance for doubtful accounts. Current liabilities consist primarily of accounts payable, accrued payroll and compensated absences, accrued interest payable, and deferred unearned student revenues (80%).

The decrease in current assets is almost wholly attributable to the decrease in student and grant receivables. This is a reflection of the University's commitment to collecting outstanding debts. Timely grant invoicing and consistent, vigilant student debt collections have resulted in a decrease in receivables. The decrease in Non-current Assets is specific to a reduction in cash and cash equivalents. The decrease in cash and cash equivalents is directly related to the increase in capital assets. This is a result of payment for capital projects during the year. Overall assets remained consistent with only a 1.61% decline from the prior year. The University experienced unrestricted expenditures above unrestricted revenues resulting in a decrease in unrestricted assets of \$.6 million. An explanation of the expenditure increase is contained in the narrative below entitled Statement of Revenues, Expenses, and Changes in Net Assets.

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

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Student tuition and fees (net of allowance)	\$ 31,714,139	\$ 31,047,783	\$ 666,356	2.15%
Grants and contracts	39,084,526	31,569,027	7,515,499	23.81%
Sales and services (net of allowance)	15,544,075	12,934,230	2,609,845	20.18%
Other operating revenues	949,265	1,039,700	(90,435)	-8.70%
Total Operating Revenues	\$ 87,292,005	\$ 76,590,740	\$ 10,701,265	13.97%
Operating Expenses				
Salaries and wages and related fringe benefits	61,553,524	54,803,833	6,749,691	12.32%
Services, supplies, and others	42,249,528	39,481,023	2,768,505	7.01%
Utilities	3,626,492	3,893,158	(266,666)	-6.85%
Scholarships	11,818,481	10,928,770	889,711	8.14%
Depreciation	3,084,837	2,515,799	569,038	22.62%
Total Operating Expenditures	\$ 122,332,862	\$ 111,622,583	\$ 10,710,279	9.60%
Operating Loss	\$ (35,040,857)	\$ (35,031,843)	\$ (9,014)	0.03%
Non-Operating Revenues (Expenses)				
State appropriations	31,677,606	27,248,187	4,429,419	16.26%
Federal grants	834,292	1,770,590	(936,298)	-52.88%
Gifts	-	168,514	(168,514)	100.00%
Interest and other investment income (loss)	(1,580,775)	1,263,321	(2,844,096)	-225.13%
Remittances to the State	-	(225,932)	225,932	-100.00%
Other non-operating income	623,905	-	623,905	100.00%
Loss on disposal of assets and other non-operating	(715,386)	(53,057)	(662,329)	1248.33%
Non-Operating Revenues (Expenses)	\$ 30,839,642	\$ 30,171,623	\$ 668,019	2.21%
Income before other revenues, expenses, gains or losses	(4,201,215)	(4,860,220)	659,005	-13.56%
Capital grants and gifts and Capital Improvement Bonds	2,827,265	3,869,231	(1,041,966)	-26.93%
Increase in Net Assets	\$ (1,373,950)	\$ (990,989)	\$ (382,961)	38.64%
Net Assets at Beginning of Year	\$ 55,111,040	\$ 56,102,029	\$ (990,989)	-1.77%
Net Assets at End of Year	\$ 53,737,090	\$ 55,111,040	\$ (1,373,950)	-2.49%

Operating revenues for Student Tuition and Fees and the Auxiliary Enterprises have been shown net of Scholarship Allowances. This is a calculation and reporting requirement as a result of the implementation of GASB 34/35. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student. Overall operating revenues increased by \$10.7 million or 14%. This increase is mainly attributable increased Federal Title IV (federal financial aid) funding and other grants and contracts. The remainder was primarily due to an increase in student tuition and fees resulting from a Board approved 5% increase from the prior year.

There was an increase of \$10.7 million in operating expenses from fiscal year 2007 to fiscal year 2008. Salaries and wage expenses increased by \$6.7 million due to a 3% legislative mandated cost of living increase. It is noted that as a result of the economic downturn and a reduction in hiring in South Carolina, our employee turnover rate is less than in past years. Service, supplies and others experienced a \$2.7 million or 7% increase. This is attributed to inflationary factors. Approximately \$.9 million of the increase was a result of increased scholarship costs due to the 5% tuition and fee increase.

Non-operating revenues (expenses) increased by \$8.3 million or 21%. This decrease is mainly attributable to a reclassification of Pell and FSEOG Title IV Federal Funding (\$10.5 million) from non-operating revenue to operating revenue. This decrease was offset by increases relating to the net increase in State Appropriations of \$4.4 million (see Note 15 for details) and a decrease of \$2.8 million in Interest and Other Investment Income. The increase in interest expense is mainly attributable to \$2.09 million in interest paid for the student residential life building in fiscal year 2008, as compared to \$746,443 in the prior fiscal year.

The University's "Operating Loss" of \$35.0 million is mostly attributable to the fact that State Appropriations (\$31.7 million) and certain Federal grants (\$11.5 million) were determined not to be operating revenues for colleges and universities according to GASB 35. These two revenue lines appear under "Non-operating Revenues." The increase in operating expenditures of \$10.7 million over the increase in operating revenues of \$9 million for fiscal year 2008 increased the operating loss from 2007 by \$1.7 million.

Statement of Cash Flows

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

Capital Asset and Debt Administration

The University's "Statement of Net Assets" reflects total Capital Assets, net of accumulated depreciation, as of June 30, 2008 of \$87.3 million. This amount is presented net of accumulated depreciation and includes land, plant (facilities), equipment, and construction in progress. Significant to the facilities total is the reality that 57% of the sixty three buildings listed in the financial records are over 30 years old.

The University's financial statements indicate \$75.7 million in notes and bonds payable. The University's bonded indebtedness consisted of: State Institution bonds of \$35 million, stadium improvement revenue bonds of \$1 million, student residential life building revenue notes of \$38.5 million, and State Treasurer's Office Master Loan Program of \$1.04 million. Revenue bonds for stadium improvement and student housing notes are paid with pledged net revenues. For additional information on Debt Administration, see Notes 9, 10 and 11 in the notes to the financial statements.

The University had \$6.4 million in construction in progress as of June 30, 2008. Specific components of the construction in progress are: Renovation of Hodge Hall (\$1.1 million), Architecture and Engineering and construction of the James E. Clyburn Transportation Center (\$3.6 million), renovation of Lowman Hall (\$992,000), Library Expansion (\$227,000), and Camp Daniel (\$411,000). New capital equipment and machinery, with an individual cost of \$5,000 per item, was increased during the fiscal year by \$3.2 million offset by write offs amounting to \$533,697 for disposal of equipment. See Note 5 for further detail of the capital assets.

Economic Outlook

There are no known conditions that will significantly affect the economic outlook for the University. The University recognized an increase in undergraduate headcount enrollment from the 2006-2007 fiscal year to the 2007-2008 fiscal year. The University reinvented its recruiting strategy in fiscal year 2008. This is reflected in the increased enrollment over the prior fiscal year. The University anticipates a sustained, if not increased, enrollment in the upcoming years. University management is taking a frugal approach to spending in fiscal year 2009. Due to an unexpected lack of revenue growth within the state, the Board of Economic Advisors recommended budget cuts for state agencies. In order to maintain services at the current level, in the face of legislative base budget cuts amounting \$1.7 million and an additional supplemental funding cut of \$1.5 million from deferred maintenance funding, significant operational cuts have been put into place at the University. Departments are asked to travel only if absolutely necessary. A hiring freeze has been established. Employees will receive no salary adjustments, bonuses etc. Departments are asked to look closely for energy saving strategies. Non-essential renovations using state funds are being deferred. The Board of Trustees is taking a conservative approach to tuition increases to ensure that the minimum amount of financial burden is placed on our students. With the economy continuing to remain in a downturn and rising fuel prices, the University is considering a performance contract that will result in significant utility cost savings in the future. There is no anticipated increase in base appropriations and no expectation of the State Legislature issuing new Capital Improvement Bonds in the upcoming year. Therefore, to accommodate the rising costs of utilities and building materials, the University is taking a frugal approach to spending in order to enhance academics at the University and to continue to fund deferred maintenance projects on the campus, to the greatest extent possible.

More Information

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

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS**Current Assets**

Cash and cash equivalents	\$	4,502,251
Accounts receivable (net of allowance for bad debts \$ 1,476,950)		1,816,839
Federal grants receivable		3,748,209
State grants receivable		114,156
Private receivables		53,441
Other receivables		942,808
Prepaid items		315,403
Total Current Assets		<u>11,493,107</u>

Non-Current Assets

Restricted cash and cash equivalents		42,452,115
Student loans receivable (net of allowance for bad debts \$ 436,938)		4,013,241
Investments		102,232
Capital assets Net of Accumulated Depreciation		87,276,965
Note issue costs (net of amortization \$ 170,250)		560,848
Total Non-Current Assets		<u>134,405,401</u>

Total Assets145,898,508**LIABILITIES****Current Liabilities**

Accounts payable and Retainage payable		2,278,344
Accrued payroll and related liabilities		1,693,617
Deferred and unearned student revenue		3,555,058
Student deposits		198,049
Compensated absences payable		1,266,160
Accrued interest payable		1,164,172
Capital Lease payable		382,252
Notes and bonds payable		1,960,972
Total Current Liabilities		<u>12,498,624</u>

Non-Current Liabilities

Compensated absences payable		2,701,684
Capital lease payable		1,208,343
Notes and bonds payable		73,789,502
Federal loan fund contributions		1,963,265
Total Non-Current Liabilities		<u>79,662,794</u>

Total Liabilities92,161,418**NET ASSETS**

Invested in capital assets, net of related debt		46,665,057
Restricted for:		
Nonexpendable:		
Endowed professorships		980,621
Expendable:		
Student loans		2,675,658
Debt service		2,966,816
Unrestricted		448,938
Total Net Assets	\$	<u>53,737,090</u>

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30,2008

Student tuition and fees (net of scholarship allowance of \$8,842,167)	\$28,738,093
Student tuition, fees and other pledged for revenue bonds	2,976,046
Federal grants and contracts	29,779,019
State grants and contracts	9,211,485
Non-governmental grants and contracts	94,022
Sales and services of educational departments and other activities	2,435,937
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,110,201)	10,614,915
Sales and services of auxiliary enterprises -pledged for revenue bonds	2,493,223
Other operating revenues	949,265
Total operating revenues	\$87,292,005
Salaries and wages	48,706,147
Fringe benefits	12,847,377
Services, supplies, and others	42,249,528
Utilities	3,626,492
Scholarship	11,818,481
Depreciation and Amortization	3,084,837
Total Operating Expenses	122,332,862
Operating (Loss)	(35,040,857)
State appropriations	31,677,606
Federal grants	834,292
Interest expense	(3,774,593)
Investment income	2,193,818
Other non-operating income	623,905
Loss on disposal of assets	(715,386)
Net Non-operating Revenue	30,839,642
Loss before other revenues, expenses, gains or losses	(4,201,215)
Capital grants and gifts	1,471,028
Capital improvement bond proceeds	1,356,237
Decrease in net assets	(1,373,950)
Net Assets- Beginning of Year	55,111,040
Net Assets-End of Year	\$ 53,737,090

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS
For the year ended June 30, 2008

	2008
Cash Flow From Operating Activities	
Tuition and fees	\$ 32,892,625
Federal Grants and contracts	32,092,214
State Grants and contracts	9,726,884
Other Grants and contracts	673,094
Sales and services of education and other activities	2,435,937
Sales and services of auxiliary and enterprises	10,579,185
Other operating revenues	949,265
Payments to employees for salaries and benefits	(60,802,590)
Payments to suppliers	(42,308,744)
Payments for utilities	(3,626,492)
Payments to students for scholarships and fellowships	(11,818,481)
Loans issued to students	(673,998)
Collection of loans to students	917,031
Funds held for others	(14,980)
Other	(25,031)
Net Cash (Used) By Operating Activities	(29,004,081)
Cash Flows From Non-Capital Financing Activities	
State appropriations	31,677,606
Federal Grants and contracts	834,292
Gifts	-
Indirect cost transfer and other non-operating revenues (expenses)	623,905
Net Cash Provided by Non-Capital Financing Activities	33,135,803
Cash Flows From Capital Debt and Related Financing Activities	
Proceeds from federal/donated capital projects	1,471,028
Purchases of capital assets	(5,455,621)
Proceeds from note	1,100,207
State Capital Bond Proceeds	1,356,237
Principal paid on capital debt and issuance costs	(1,881,732)
Principal paid on capital lease payable	(372,425)
Interest paid on capital related debt	(3,846,620)
Net Cash (Used) by Capital Debt and Related Financing Activities	(7,628,926)
Cash Flows From Investing Activities	
Interest on investments	2,340,877
Sale of investments	2,951
Net Cash Provided by Investing Activities	2,343,828
Net change in cash	(1,153,376)
Cash and cash equivalents - Beginning of the Year	48,107,742
Cash and Cash Equivalents - End of the Year	\$ 46,954,366
Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) By Operating Activities	
Operating income (loss)	\$ (35,040,857)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	3,027,088
Loan Amortization expense	57,749
Changes in assets and liabilities:	
Accounts receivable, net	1,602,075
Allowance for doubtful accounts	-
Grants and other receivables	2,719,005
Student loan receivable - net	243,033
Prepaid expenses	346,706
Accounts payable and accrued expenses	(2,294,642)
Compensated absences payable	248,825
Deferred revenue	126,948
Student deposits	(14,980)
Other	(25,031)
Net Cash (Used) by Operating Activities	(29,004,081)
Reconciliation of Cash and Cash Equivalent Balances:	
Current Assets:	
Cash and cash equivalents	4,502,251
Non-current Assets:	
Restricted cash and equivalents	42,452,115
Total Cash and Cash Equivalents	\$ 46,954,366

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Cash and cash equivalents - Note 7	\$	860,327
Investments - Note 3		1,899,961
Accounts receivable		50,558
Unconditional promises to give - Note 2		239,238
Interest receivable		23,503
Cash value of life insurance		8,437
Investments restricted for long term purposes - Notes 3 & 6		76,225
Endowment investments - Note 3		2,619,818
Endowment unconditional promise to give - Note 2		661,593
Art collections - Note 4		224,015
Land - Note 4		23,700
		<hr/>
Total assets	\$	<u><u>6,687,375</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable - Note 5	\$	22,914
Payroll taxes payable		1,849
Due to South Carolina State University - Note 5		53,441
		<hr/>
Total liabilities		<u>78,204</u>

Net assets:

Unrestricted		368,069
Temporarily restricted		2,676,109
Permanently restricted		3,564,993
		<hr/>
Total net assets		<u>6,609,171</u>
		<hr/>
Total liabilities and net assets	\$	<u><u>8,687,375</u></u>

The Accompanying Notes are an Integral Part of this Statement.

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications				
Contributions	\$ 125,757	\$ 1,389,240	\$ 445,273	\$ 1,960,270
Investment income	174,094	177,627	-	351,721
Unrealized gains	39,664	-	-	39,664
Net assets released from restrictions:	-	-	-	-
Satisfaction of purpose restrictions	873,197	(1,080,305)	207,108	-
	<u>1,212,712</u>	<u>486,562</u>	<u>652,381</u>	<u>2,351,655</u>
Total public support, revenues, and reclassifications				
	1,212,712	486,562	652,381	2,351,655
Expenses				
Programs:				
Scholarships	274,331	-	-	274,331
Educational programs and development	563,014	-	-	563,014
	<u>837,345</u>	<u>-</u>	<u>-</u>	<u>837,345</u>
Total programs				
	837,345	-	-	837,345
Administration	171,638	-	-	171,638
Fund-raising	126,187	-	-	126,187
	<u>1,135,170</u>	<u>-</u>	<u>-</u>	<u>1,135,170</u>
Total expenses				
	1,135,170	-	-	1,135,170
Change in net assets	77,542	486,562	652,381	1,216,485
Net assets at beginning of year	<u>290,527</u>	<u>2,189,547</u>	<u>2,912,612</u>	<u>5,392,686</u>
Net assets at end of year	<u>\$ 368,069</u>	<u>\$ 2,676,109</u>	<u>\$ 3,564,993</u>	<u>\$ 6,609,171</u>

The Accompanying Notes are an Integral Part of this Statement.

**SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,216,485
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized (gains) losses on investments	(39,664)
Realized (gains) losses on investments	(94,449)
Donated investments	(8,804)
(Increase) decrease in accounts receivable	(7,546)
(Increase) decrease in interest receivable	(12,854)
(Increase) decrease in unconditional promise to give	(127,560)
Increase (decrease) in accounts payable	(2,111)
Increase (decrease) in payroll taxes payable	1,130
Contributions restricted for long-term purposes	<u>(230,401)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>694,226</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	1,079,168
Purchases of investments	<u>(2,593,689)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,514,521)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Increase (decrease) in due to SCSU	(11,872)
Collections of permanently restricted contribution	<u>230,401</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>218,529</u>

**NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS**

(601,766)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

1,462,093

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 860,327

The Accompanying Notes are an Integral Part of this Statement.

SOUTH CAROLINA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

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

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

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

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

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

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

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

Accounts Receivable

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

Capital Assets

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

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

The University capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with the capital projects; therefore asset values in capital assets include such interest costs.

Deferred Revenues

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

Compensated Absences and Related Benefits

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

Perkins Loans Receivable and Related Liability

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

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

Income Taxes

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

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

Classification of Revenues and Expenses

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

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

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

Sales and Services of Educational Departments and Other Activities

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

Auxiliary Enterprises and Internal Service Activities

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

Use of Estimates

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

Donor Restricted Assets

The University policy for the treatment of net appreciation (depreciation) on investments of donor restricted endowments increases or decreases the principal.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	South Carolina State Univ.	South Carolina State Univ. Foundation, Inc.
Cash and cash equivalents (current)	\$ 4,502,251	\$ 860,327
Restricted cash and cash equivalents:		
Loan funds	635,048	-
Debt service	2,966,816	-
Cash for capital project	37,974,024	-
Endowment	876,227	-
Restricted cash and cash equivalents	42,452,115	-
Investments:		
Investments	102,232	1,899,961
Endowment Investments	-	2,619,818
Restricted Investments	-	76,225
Investments	102,232	4,596,004
Total	\$ 47,056,598	\$ 5,456,331

Deposits

Custodial Credit Risk

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

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

Other Deposits

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

Investment Type	Fair Value	Maturity
Common Stock	6,332	
Series 1984 Agricultural College Stock	95,900	2035
	\$ 102,232	

Investments Held by State Treasurer

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS – CONTINUED

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

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

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

Investments-Non Governmental Discretely Presented Component Units

The South Carolina State University Foundation, Inc.

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

At December 31, 2007, South Carolina State University Foundation, Inc.'s investments are as follows:

Investments carried at fair value	Cost	Fair Value
Equity Funds and individual securities	\$ 2,618,818	\$ 3,062,612
Fixed income funds and individual debt securities	1,526,384	1,533,392
Total investments carried at fair value	<u>\$ 4,145,202</u>	<u>\$ 4,596,004</u>

Investment markets have experienced significant turmoil since December 31, 2007. As a result of this turmoil the Foundation's investment asset values have declined by a significant amount. The management of the University believes the investment markets will recover in time and an other than temporary impairment has not occurred.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008, are summarized as follows:

Tuition and fees	\$ 2,658,324
Less allowance for doubtful accounts	(1,267,522)
Auxiliary enterprises	635,465
Less allowance for doubtful accounts	<u>(209,428)</u>
Net accounts receivable	<u>\$ 1,816,839</u>

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

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

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2008, the allowance for uncollectible student accounts is valued at \$1,476,950

NOTE 4 – LOANS RECEIVABLE

Loans receivable at June 30, 2008 consist of the following:

Perkins Loan Program	\$	1,729,614
African American Loan Fund		1,065,416
Education Improvement Act		1,655,149
Less allowance for doubtful accounts		(436,938)
Net Loans Receivable	\$	<u>4,013,241</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 is summarized as follows:

	Beginning Balance July 1, 2007	Increases	Decreases	Ending Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 2,471,814	101,366	-	2,573,180
Construction in-progress	7,776,302	2,204,569	(3,574,066)	6,406,806
Total capital assets not being depreciated	<u>10,248,116</u>	<u>2,305,935</u>	<u>(3,574,066)</u>	<u>8,979,986</u>
Other capital assets:				
Land Improvements		2,207,145		2,207,145
Buildings and improvements	111,445,517	2,858,225	(2,644,021)	111,659,721
Machinery, equipment, and other	7,290,144	3,260,445	(533,697)	10,016,893
Vehicles	1,490,643	360,956	(10,675)	1,840,924
Total other capital assets at historical cost	<u>120,226,304</u>	<u>8,686,771</u>	<u>(3,188,393)</u>	<u>125,724,683</u>
Less accumulated depreciation for:				
Land Improvements	-	(52,181)		(52,181)
Buildings	(40,351,619)	(1,983,395)	1,933,002	(40,402,012)
Machinery, equipment, and other	(5,678,042)	(827,679)	531,999	(5,973,722)
Vehicles	(843,962)	(163,834)	8,006	(999,789)
Total accumulated depreciation	<u>(46,873,622.74)</u>	<u>(3,027,088)</u>	<u>2,473,007</u>	<u>(47,427,704)</u>
Other capital assets, net of accumulated depreciation	<u>73,352,681</u>	<u>5,659,684</u>	<u>(715,386)</u>	<u>78,296,979</u>
Capital assets, net of accumulated depreciation	<u>\$ 83,600,798</u>	<u>\$ 7,965,619</u>	<u>\$ (4,289,451)</u>	<u>\$ 87,276,965</u>

NOTE 6 - PENSION PLAN

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

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

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

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 12.48 percent which included a 3.42 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2008, 2007, and 2006, were approximately \$2,893,062, \$2,283,135 and \$2,176,691, respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$47,898 in the current fiscal year at the rate of .15 percent of compensation.

NOTE 6 - PENSION PLAN - CONTINUED

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included the 3.35 percent surcharge. The University's actual contributions to the PORS for the years ended June 30, 2008, 2007 and 2006 were approximately \$81,093, \$76,023 and 71,392, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$1,575 and accidental death insurance contributions of approximately \$1,575 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008.

Certain employee's of the University have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$338,386 (excluding the surcharge) from the University as employer and approximately \$541,571 from its employees as plan members. 6.4 percent of the total contributions was remitted to the Retirement Division of the State Budget and Control Board. The balance was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Also, the University paid employer group-life insurance contributions of approximately \$12,502 in the current fiscal year at the rate of .15 percent of compensation.

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

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

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

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

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,400 retirees met these requirements as of June 30, 2008.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of approximately \$2,979,453 for the year ended June 30, 2008. As discussed in Note 6, the University paid approximately \$1,092,083 applicable to the 3.42 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

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

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

The University had outstanding commitments under construction contracts of approximately \$6,942,493 on projects that will be capitalized, and \$334,238 which will not be capitalized at June 30, 2008. The University anticipates funding these projects out of current resources, private gifts, student fees and State capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$8,126,341 of un-drawn State capital improvement bonds.

The University is contingently liable, under the Capital Project Loan Agreement described in Note 10, for a portion of certain notes payable of other Historically Black Colleges and Universities (HBCU) under the HBCU Capital Financing program. The liability is limited to five percent of the cumulative advances under the Capital Project Loan Agreement. The contingent liability is secured by the South Carolina State University Escrow Account, also described in Note 10. At June 30, 2008 the maximum liability was \$2,966,817. As of June 30, 2008 total charges of \$147,423 have been made against the Escrow Account pursuant to the default of another borrower in the HBCU Capital Finance Program.

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

NOTE 9 - LEASE OBLIGATIONS

The University acquired copying equipment under capital lease which commenced on July 17, 2007. The economic substance of the lease is that the University is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the University's assets and liabilities.

Future minimum payments required under capital lease together with their aggregate present values as of June 30, 2008 are as follows:

<u>2009</u>	\$	420,086
<u>2010</u>		420,086
<u>2011</u>		420,086
<u>2012</u>		<u>420,086</u>
Total minimum lease payments		1,680,344
Less amount representing interest		<u>(89,749)</u>
Present value of minimum lease payments	\$	<u>1,590,595</u>
Current		382,252
Non-current		<u>1,208,343</u>
	\$	<u>1,590,595</u>

Amortization of assets held under capital lease is included with depreciation expense. Equipment purchased through capital lease financing during the year ended June 30, 2008 was \$1,963,020. At June 30, 2008, the leased equipment is carried at a cost of \$1,963,020 with accumulated depreciation of \$392,608.

Total rental payments under operating leases were approximately \$140,888 for fiscal year 2008.

NOTE 10 – BONDS AND NOTES PAYABLE

Bonds and Notes Payable consisted of the following at June 30, 2008:

	Interest Rates	Maturity Dates	Balance
Stadium Improvement Revenue Bonds, Series 1993A	5.15 - 5.5%	2006-2013	\$ 1,055,000
State Institution Bonds, Series 2003G	3.0 - 5.0%	2006-2023	3,330,000
Bonds Series 2006D	4.00 - 5.0%	2007-2027	<u>31,765,000</u>
Total Bonds Payable			<u>36,150,000</u>
Note Payable Part 1 Commerce Capital	3.679%	2005-2012	1,739,250
Note Payable Part 2 Commerce Capital	5.830%	2005-2035	36,813,552
Note Payable Bank of America Part 1	3.888%	2007-2017	637,026
Note Payable Bank of America Part 2	3.888%	2007-2017	<u>410,646</u>
Total Notes Payable			<u>39,600,474</u>
Total Bonds and Notes Payable			<u>75,750,474</u>
Current			<u>1,960,972</u>
Non-Current			<u>\$ 73,789,502</u>

NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED

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

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

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

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

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

Scheduled amounts including interest required to complete payment of the stadium improvement revenue bonds as of June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Totals
2009	\$ 190,000	\$ 56,640	\$ 246,640
2010	200,000	46,855	246,855
2011	210,000	36,255	246,255
2012	220,000	24,915	244,915
2013	235,000	12,925	247,925
Totals	<u>\$ 1,055,000</u>	<u>\$ 177,590</u>	<u>\$ 1,232,590</u>

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

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

S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed 90 percent of sums received from tuition and fees for the preceding fiscal year. Tuition fee revenue for June 30, 2007 was \$2,445,521, which results in a legal debt limit of \$2,200,969. The University's maximum annual debt service requirement of \$2,731,225 will occur during the fiscal year ending June 30, 2009. The tuition fee revenue for June 30, 2008 was \$2,767,974 which results in a legal debt limit of \$2,491,177. The University will adjust tuition fees in subsequent years to cover the debt requirement.

Scheduled amounts including interest required to complete payment of the State Institution bonds as of June 30, 2008 are as follows:

	Principal	Interest	Total
2009	\$ 1,260,000	\$ 1,471,225	\$ 2,731,225
2010	1,305,000	1,418,762	2,723,762
2011	1,355,000	1,364,450	2,719,450
2012	1,405,000	1,309,668	2,714,668
2013	1,460,000	1,254,269	2,714,269
2014-2018	8,225,000	5,238,594	13,463,594
2019-2023	10,150,000	3,234,821	13,384,821
2024-2027	9,935,000	867,150	10,802,150
Totals	<u>\$ 35,095,000</u>	<u>\$ 16,158,939</u>	<u>\$ 51,253,939</u>

NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED

The University reported principal retirements and interest expense related to the bonds payable for the year ended June 30, 2008 as follows:

<u>Bond And Note</u>	<u>Principal</u>	<u>Interest</u>
Student and Faculty Housing Revenue Note	\$ 395,900	\$ 75,631
Student and Faculty Housing Revenue Note		2,021,692
Stadium Improvement Revenue Bonds	180,000	65,640
State Institution Bonds	150,000	133,748
State Institution Bonds	1,060,000	1,386,000
Equipment Acquisition Note 1	58,210	27,028
Equipment Acquisition Note 2	37,622	17,193
Capital Lease	372,425	47,661
	<u>\$ 2,254,157</u>	<u>\$ 3,774,593</u>

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

The second part, amounting to \$36,813,473 will be advanced as construction of the 750 bed student housing facility progresses. This part will be repaid in semi-annual installments of approximately \$1,431,416 beginning in 2009 and ending in 2035. Repayments of principal and interest of the two parts is based on the amortization of the two underlying tax-exempt bonds issued by the lender. Accordingly the schedules of future maturities disclosed below estimate the payments of principal and interest necessary to provide for the retirement of the underlying tax-exempt bonds as they come due. The loan under the Agreement is secured by the revenues from the housing facility.

The Agreement requires the establishment of the South Carolina State University Escrow Account (the "Escrow Account"), into which, a deposit, amounting to five percent of each advance under the Agreement, inclusive of deposit, will be made from each advance under the Agreement. The University has assigned all of its rights and interests to the Escrow account to the Trustee for the Lender. The use of the Escrow funds are governed, in part, by a trust indenture which provides for claims against the Escrow Account for a share of defaulted loans of other borrowers participating ion the HBCU Capital Financing Program (see Note 8). The Agreement also requires the establishment of the South Carolina State University Debt Service Account. Monthly deposits into this account are required to be sufficient to accumulate the total principal and interest payment due under the Agreement 60 days prior to the semi-annual due date of each payment. The loan also requires a Replacement Reserve to be established at the time the housing facility is placed in service. Gross revenues from the housing facility are to be held in a separate account by the Treasurer of the State of South Carolina and used only to pay expenses of the housing facility and make the required deposits into the Debt Service Account and Replacement Reserve account, as well as replenish any deficiency in the Escrow Account. The balances of these accounts are included in restricted assets at June 30, 2008.

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

The Agreement contains various performance covenants and limits the incurrence of new debt by the University. Certain of the covenants require the submission of financial and enrollment information within specified time periods. The University failed to meet these covenants during the year ended June 30, 2008. However, the lender has granted a waiver for the violations.

NOTE 10 – BONDS AND NOTES PAYABLE - CONTINUED

Scheduled amounts including interest required to complete payment of housing note as of June 30, 2008.

Part 1

	Principal	Interest	Totals
2009	411,433	60,097	\$ 471,530
2010	426,668	44,862	471,530
2011	442,373	29,157	471,530
2012	458,776	12,755	471,531
Totals	<u>\$ 1,739,250</u>	<u>\$ 146,871</u>	<u>\$ 1,886,121</u>

Part 2

	Principal	Interest	Totals
2009	\$ -	\$ 1,974,851	1,974,851
2010	-	1,974,851	1,974,851
2011	-	1,980,276	1,980,276
2012	-	1,985,702	1,985,702
2013	106,202	2,756,630	2,862,832
2014-2018	4,653,624	9,660,537	14,314,161
2018-2023	6,736,196	7,577,965	14,314,161
2024-2028	8,699,918	5,614,242	14,314,160
2029-2033	11,245,911	3,076,250	14,322,161
2034-2035	5,371,701	354,041	5,725,742
Totals	<u>\$ 36,813,552</u>	<u>\$ 36,955,345</u>	<u>\$ 73,768,897</u>

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

Note 1

	Principal	Interest	Totals
2009	\$ 60,473	\$ 24,764	\$ 85,237
2010	62,823	22,414	85,237
2011	65,266	19,971	85,237
2012	67,803	17,434	85,237
2013	70,439	14,798	85,237
2014-2017	310,222	30,725	340,947
Totals	<u>\$ 637,026</u>	<u>\$ 130,106</u>	<u>\$ 767,132</u>

Note 2

	Principal	Interest	Totals
2009	\$ 39,065	\$ 15,750	\$ 54,815
2010	40,564	14,252	54,816
2011	42,120	12,696	54,816
2012	43,735	11,081	54,816
2013	45,413	9,403	54,816
2014-2017	199,749	19,514	219,263
Totals	<u>\$ 410,646</u>	<u>\$ 82,696</u>	<u>\$ 493,342</u>

NOTE 11- LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows:

Additional information regarding bonds payable is included in Note 10.

	June 30, 2007	Additions	Reductions	June 30, 2008	Due within One year
Accrued compensated absences and related benefits	\$ 3,719,019	\$ 248,825		3,967,844	\$ 1,266,160
Revenue bonds payable	1,235,000	-	180,000	1,055,000	190,000
State institutional bond payable	36,305,000	-	1,210,000	35,095,000	1,260,000
Notes payable	38,947,050	1,145,156	491,732	39,600,474	510,972
Capital lease		1,963,020	372,425	1,590,595	382,252
	<u>\$ 80,206,069</u>	<u>\$ 3,357,001</u>	<u>\$ 2,254,157</u>	<u>\$ 81,308,913</u>	<u>\$ 3,609,384</u>

NOTE 12 - RELATED PARTIES

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

NOTE 13 - COMPONENT UNIT

The University's financial statements include \$53,441 due from the Foundation for reimbursement of various personnel and other costs. The amount of \$53,441 is included in the current assets.

Various financial activities occurred between the University and the Foundation. A summary of transactions for the year ended June 30, 2008 follows:

Scholarships were awarded by the University and funded by the Foundation. \$ 28,348

Reimbursements for University employee time and other costs were paid by the University on behalf of the Foundation and reimbursed by the Foundation. The University recorded these reimbursements as a reduction of the applicable operating expenses. \$94,584

The Foundation and the S.T.A.T.E. Club purchased football tickets from the University that is recorded as ticket sales. \$71,050

NOTE 14 - RISK MANAGEMENT

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

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

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

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

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

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

Note 15- STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the year ended June 30, 2008.

Current years appropriations for South Carolina State University:

Original appropriations per Annual Approp Act	\$21,111,622
Felton Lab	535,534
From State Dept of Education for Felton Lab	165,659

State Appropriations:

State Health & Employer	795,742
MRR Parity	672,864
Program and Deferred Maintenance <i>(Proviso 73.12 (11))</i>	1,500,000

Total State Appropriations for South Carolina State University **24,781,421**

Supplemental Appropriations:

Proviso 73.12(11)	
I95 Corridor	250,000
J.E.C. Transportation Center	821,270
S.C. Bridge Program	250,000
SCAMP	200,000

Transportation Center Match	870,977
Obesity Program	400,000

PSA FY-07-08 Appropriations:

Original Appropriations Act	3,879,778
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PSA Supplemental:

PSA Pay Plan Allocation-Health Insurance	24,160
Lower Orangeburg/Upper Dorchester Communities <i>(Proviso 73.12 (30))</i>	200,000

Total Supplemental Appropriations fy2007-2008 **6,896,185**

Total non-capital appropriations recorded as current **\$31,677,606**

Received from CHE:

HOPE Scholarships	\$379,050
Life Scholarships	2,747,500
Palmetto Scholarships	13,400
Teaching Fellows	22,800
Need Based Grants	673,145
Access & Equity	112,373
Excellence Enhancement	587,500
Minority Teacher Recruitment	459,924
African American Teacher Loans	149,485
Lottery Funds	3,094,560
Education for Economic Development	30,000
S. C. National Guard CAP	95,055

Received from other agencies:

Department of Education	616,255
Clemson	82,975
Midland Center	89,734
Other	57,729

Total **\$9,211,485**

NOTE 16 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2008 are summarized as follows:

	<u>Compensation and Employee Benefits</u>	<u>Service and Supplies</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 27,276,215	\$ 4,520,255	\$ -	\$ -	\$ -	\$ 31,796,470
Research	5,305,090	3,366,913	-	-	-	8,672,003
Public Service	2,851,171	4,528,633	-	-	-	7,379,804
Academic Support	4,181,618	1,643,179	-	-	-	5,824,797
Student Services	10,053,301	3,266,600	-	-	-	13,319,901
Operations and Maintenance of Plant	1,787,986	7,653,621	1,970,056	-	-	11,411,663
Institutional Support	9,898,661	1,904,492	-	-	-	11,803,153
Scholarships and Fellowships (Net of discounts and Allowances)	-	-	-	11,818,481	-	11,818,481
Auxiliary Enterprises	199,482	15,365,835	1,656,436	-	-	17,221,753
Depreciation and Amortization	-	-	-	-	3,084,837	3,084,837
Total Operating Expenses	<u>\$ 61,553,524</u>	<u>\$ 42,249,528</u>	<u>\$ 3,626,492</u>	<u>\$ 11,818,481</u>	<u>\$ 3,084,837</u>	<u>\$122,332,862</u>

NOTE 17 - STATEMENT OF ACTIVITIES

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Increase / Decrease</u>
Charges for services	\$ 86,342,740	\$ 62,086,251	\$ 24,256,489
Operating grants, contributions and investment income	4,601,280	19,587,524	(14,986,244)
Capital operating grants and contributions	1,471,028	1,369,231	101,797
Less expenses	(126,822,841)	(113,556,250)	(13,266,591)
Net program revenue (expenses)	<u>\$ (34,407,793)</u>	<u>\$ (30,513,244)</u>	<u>\$ (3,894,549)</u>
Transfers:			
State appropriations	\$ 31,677,606	\$ 27,248,187	\$ 4,429,419
Capital improvement bond proceeds	1,356,237	2,500,000	(1,143,763)
Transfers to/from other state agencies	-	(225,932)	225,932
Total transfers:	<u>\$ 33,033,843</u>	<u>\$ 29,522,255</u>	<u>\$ 3,511,588</u>
Change in net assets	(1,373,950)	(990,989)	(382,961)
Net assets-beginning	55,111,040	56,102,029	(990,989)
Net assets-ending	<u>\$ 53,737,090</u>	<u>\$ 55,111,040</u>	<u>\$ (1,373,950)</u>

NOTE 18 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

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

b. Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. "Agency" paid approximately \$1,092,083 and \$991,740 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

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

South Carolina State University Comprehensive Annual Financial Report



Statistical Section

Statistical Section

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

CONTENTS	Page
Revenue Capacity Data These schedules help the reader determine the main source of the University's generated revenue from student tuition and fees.	41
Financial Trends These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.	41-44
Debt Capacity These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue additional debt in the future.	45-51
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the Environment within which the University's and the State's financial activities take place	52-54

Schedule of Revenues By Source

For the Year Ended June 30,

(amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues							
Operating Revenues:							
Student Tuition and Fees (net of scholarship allowance)	\$ 31,714	\$ 28,602	\$ 24,965	\$ 24,380	\$ 19,793	\$ 17,052	\$ 15,347
Federal Grants and Contracts	29,779	14,408	26,590	25,535	22,440	21,886	20,541
State Grants and Contracts	9,212	8,129	5,329	7,141	3,980	3,236	2,598
Local Grants and Contracts	-	-	-	-	-	-	1
Non-Government Grants and Contracts	94	48	362	154	95	45	27
Sales and Services of Educational and Other Activities	2,436	1,779	398	485	456	323	352
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	10,615	9,120	9,680	10,758	8,492	4,046	6,994
Other Operating Revenue	3,442	5,520	3,664	3,021	1,864	1,661	1,059
Total Operating Revenue	87,292	67,606	70,988	71,474	57,120	48,249	46,919
Non-Operating Revenues:							
State Appropriations	31678	27,248	27,216	23,170	22,576	24,642	27,562
Gifts, Grants and Contracts	834	14,173	4,318	5,365	453	375	291
Interest Income	2194	1,263	341	262	76	539	260
Other Non-Operating Revenue	3451	2,500	119	233	5,679	5,556	1,141
Total Non-Operating Revenue	38,157	45,184	31,994	29,030	28,784	31,112	29,254
Total Revenues	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361	\$ 76,173

Schedule of Revenue by Source %

For the Year Ended June 30,

(percent of total revenue)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues							
Operating Revenues:							
Student Tuition and Fees (net of scholarship allowance)	25.28%	25.36%	24.26%	24.26%	23.04%	21.49%	20.15%
Federal Grants and Contracts	23.74%	12.77%	25.41%	25.41%	26.12%	27.58%	26.97%
State Grants and Contracts	7.34%	7.21%	7.11%	7.11%	4.63%	4.08%	3.41%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-Government Grants and Contracts	0.07%	0.04%	0.15%	0.15%	0.11%	0.06%	0.04%
Sales and Services of Educational and Other Activities	1.94%	1.58%	0.48%	0.48%	0.53%	0.41%	0.46%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	8.46%	8.09%	10.70%	10.70%	9.89%	5.10%	9.18%
Other Operating Revenue	2.74%	4.89%	3.01%	3.01%	2.17%	2.09%	1.39%
Total Operating Revenue	69.58%	59.94%	71.12%	71.12%	66.49%	60.80%	61.60%
Non-Operating Revenues:							
State Appropriations	25.25%	24.16%	23.05%	23.05%	26.28%	31.05%	36.18%
Gifts, Grants and Contracts	0.66%	12.57%	5.34%	5.34%	0.53%	0.47%	0.38%
Interest Income	1.75%	1.12%	0.26%	0.26%	0.09%	0.68%	0.34%
Other Non-Operating Revenue	2.75%	2.22%	0.23%	0.23%	6.61%	7.00%	1.50%
Total Non-Operating Revenue	30.42%	40.06%	28.88%	28.88%	33.51%	39.20%	38.40%
Total Revenues	100.00%						

South Carolina State University
Schedule of Expenses by Use

	For the Year Ended June 30,						
	(amounts expressed in thousands)						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:							
Operating Expenses:							
Compensation and Employee Benefits	\$ 61,554	\$ 54,804	\$ 52,514	\$ 48,571	\$ 44,877	\$ 46,243	\$ 48,627
Service and Supplies	42,250	39,481	32,965	33,447	22,469	16,332	18,892
Utilities	3,626	3,893	3,943	3,026	2,308	2,370	1,844
Depreciation and Amortization	3,085	2,516	1,748	1,920	1,795	1,801	1,902
Scholarships and Fellowship	11,818	10,929	9,252	8,478	8,967	9,182	7,768
Bad Debts, Loan Cancel and Others			-	-	307	208	1,698
Total Operating Expenses	\$ 122,333	\$ 111,623	\$ 100,422	\$ 95,442	\$ 80,723	\$ 76,136	\$ 80,731
Non-Operating Expenses:							
Interest and Other	4490	2,158	530	604	436	333	334
Total Non-Operating Expenses	4490	2,158	530	604	436	333	334
Total Expenses	\$ 126,823	\$ 113,781	\$ 100,952	\$ 96,046	\$ 81,159	\$ 76,469	\$ 81,065

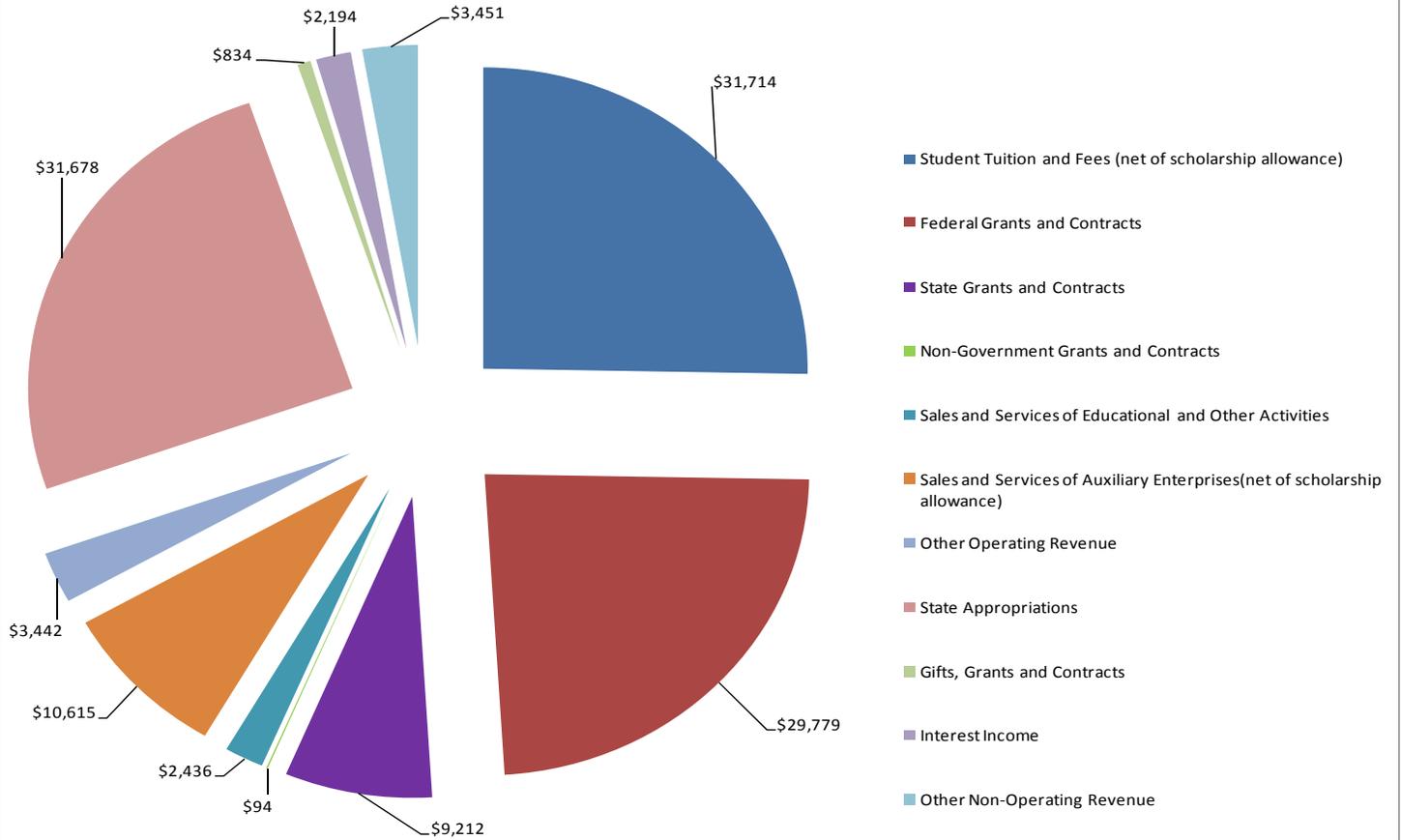
Schedule of Expenses by Use %

	For the Year Ended June 30,						
	(percent of total expenses)						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:							
Operating Expenses:							
Compensation and Employee Benefits	48.54%	48.17%	52.02%	50.57%	55.30%	60.47%	59.99%
Service and Supplies	33.31%	34.70%	32.65%	34.82%	27.69%	21.36%	23.30%
Utilities	0	3.42%	3.91%	3.15%	2.84%	3.10%	2.27%
Depreciation	2.43%	2.21%	1.73%	2.00%	2.21%	2.36%	2.35%
Scholarships and Fellowship	9.32%	9.61%	9.16%	8.83%	11.05%	12.01%	9.58%
Bad Debts, Loan Cancel and Others	0.00%	0.00%	0.00%	0.00%	0.38%	0.27%	2.09%
Total Operating Expenses	96.46%	98.10%	99.47%	99.37%	99.46%	99.56%	99.59%
Non-Operating Expenses:							
Interest and Capital Asset Related Debt	\$ 0.04	1.90%	0.53%	0.63%	0.54%	0.44%	0.41%
Total Non-Operating Expenses	\$ 0.04	1.90%	0.53%	0.63%	0.54%	0.44%	0.41%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: South Carolina State University Financial Statement

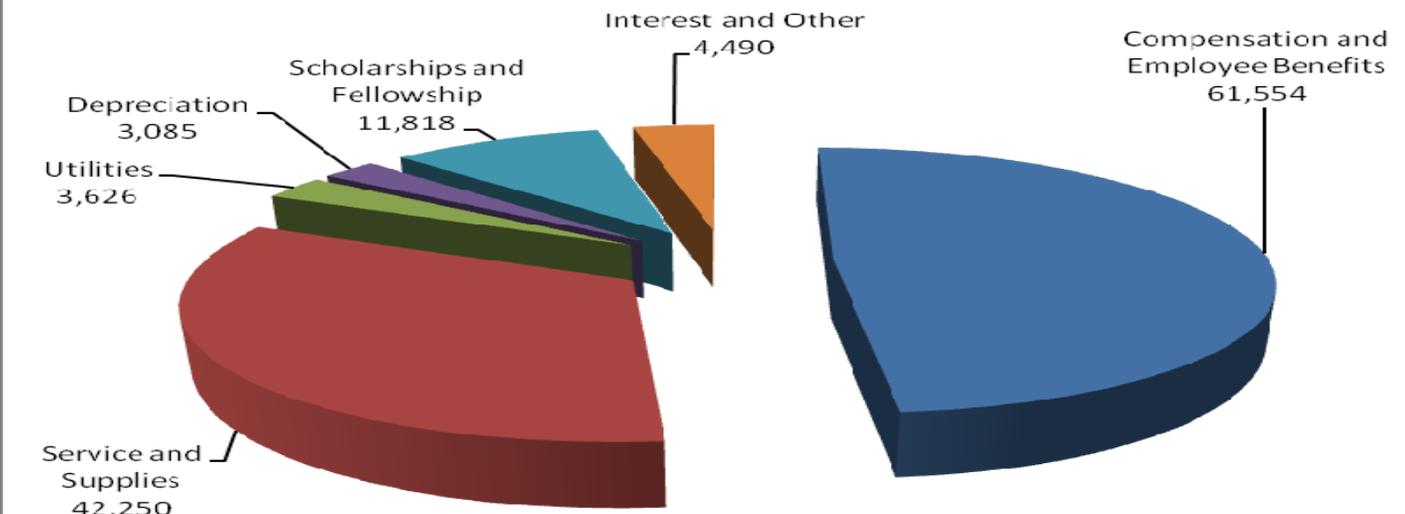
Statistical Update 2008 Revenue

Revenue by Source Fiscal Year 2008



Amounts expressed in thousands

Expenses by Use Fiscal Year 2008



Amounts expressed in thousands

Source: The Audited Financial Statements of South Carolina State University for the year ending June 30, 2008.

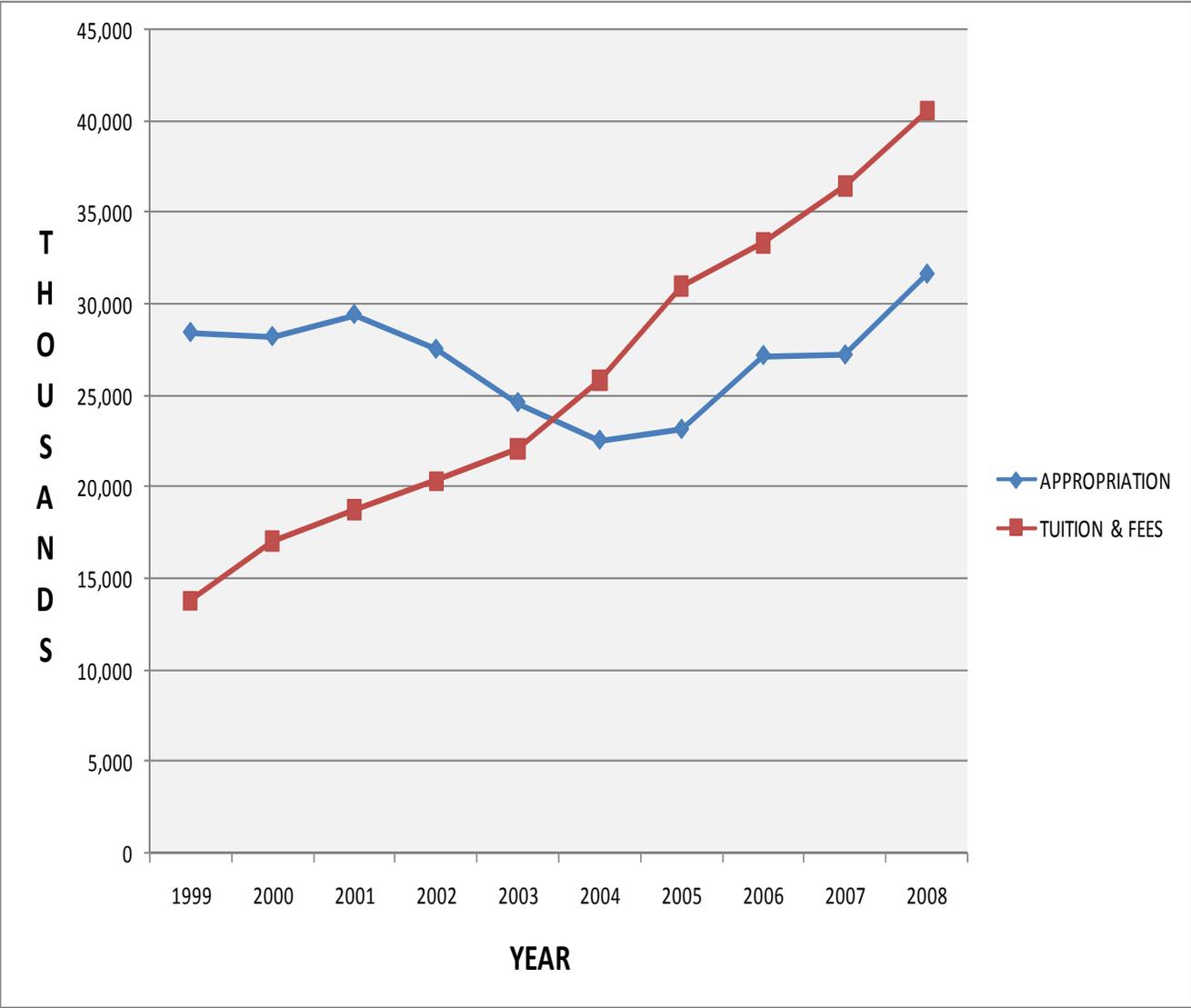
South Carolina State University

Schedule Of Net Assets And Changes In Net Assets

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total revenues (from schedule of revenues by source)	\$ 125,449	\$ 112,790	\$ 102,982	\$ 100,504	\$ 85,904	\$ 79,361	\$ 76,173
Total expenses (from schedule of expenses by use and function)	<u>126,823</u>	<u>113,781</u>	<u>100,952</u>	<u>96,046</u>	<u>81,159</u>	<u>76,469</u>	<u>81,065</u>
Total changes in net assets	(1,374)	(991)	2,030	4,458	4,745	2,892	(4,892)
Net assets, beginning	<u>55,111</u>	<u>56,102</u>	<u>54,072</u>	<u>49,614</u>	<u>44,869</u>	<u>41,977</u>	<u>46,869</u>
Net assets, ending	<u>\$ 53,737</u>	<u>\$ 55,111</u>	<u>\$ 56,102</u>	<u>\$ 54,072</u>	<u>\$ 49,614</u>	<u>\$ 44,869</u>	<u>\$ 41,977</u>
Invested in capital assets, net of related debt	\$ 49,632	\$ 50,580	\$ 47,888	\$ 46,481	\$ 41,384	\$ 40,383	\$ 40,750
Restricted-expendable	2,676	2,572	2,128	2,248	2,595	2,896	1,957
Restricted-nonexpendable	980	901	868	783	440	437	438
Unrestricted	<u>449</u>	<u>1,058</u>	<u>5,218</u>	<u>4,560</u>	<u>5,195</u>	<u>1,153</u>	<u>(1,168)</u>
Total	<u>\$ 53,737</u>	<u>\$ 55,111</u>	<u>\$ 56,102</u>	<u>\$ 54,072</u>	<u>\$ 49,614</u>	<u>\$ 44,869</u>	<u>\$ 41,977</u>

South Carolina State University State Appropriations and Gross Tuition Fees 1999-2008



Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 1999 through 2008.

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Institution - Resident										
The Citadel	\$21,031	\$19,291	\$17,487	\$15,918	\$14,518	\$13,410	\$11,538	\$10,402	\$9,426	\$8,993
Coastal Carolina University	\$18,090	\$16,590	\$16,190	\$15,100	\$14,150	\$12,870	\$11,760	\$10,680	\$9,810	\$9,280
College of Charleston	\$20,418	\$18,732	\$16,800	\$15,342	\$14,140	\$13,032	\$10,974	\$8,540	\$7,910	\$7,210
Francis Marion University	\$14,979	\$13,841	\$12,839	\$11,833	\$10,945	\$10,029	\$8,530	\$7,410	\$7,060	\$6,610
Lander University	\$15,840	\$14,616	\$13,538	\$13,608	\$12,034	\$11,050	\$9,648	\$8,520	\$7,776	\$6,660
SC State University	\$15,298	\$14,362	\$14,322	\$13,288	\$12,978	\$10,850	\$8,820	\$7,902	\$7,262	\$6,702
USC Aiken	\$14,896	\$13,922	\$13,250	\$12,270	\$11,264	\$10,224	\$9,084	\$8,264	\$8,084	\$7,844
USC Beaufort	\$14,576	\$13,912	\$12,756	\$12,130	\$11,060	\$10,112	\$7,328	\$5,730	\$5,452	\$5,198
USC Upstate	\$16,684	\$15,752	\$14,656	\$13,474	\$12,304	\$11,086	\$9,640	\$8,760	\$8,416	\$7,886
Winthrop University	\$20,610	\$19,034	\$17,564	\$16,150	\$14,410	\$12,258	\$10,310	\$8,756	\$7,680	\$7,434

Undergraduate Tuition and Fees - Non Resident - 2008

UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Institution - Resident										
The Citadel	\$8,428	\$7,735	\$7,168	\$6,522	\$5,900	\$4,999	\$4,067	\$3,727	\$3,404	\$3,396
Coastal Carolina University	\$8,650	\$7,600	\$7,500	\$6,860	\$6,100	\$5,190	\$4,350	\$3,770	\$3,500	\$3,340
College of Charleston	\$8,400	\$7,778	\$7,234	\$6,668	\$6,202	\$5,770	\$4,858	\$3,780	\$3,630	\$3,520
Francis Marion University	\$7,632	\$7,038	\$6,512	\$5,984	\$5,540	\$5,082	\$4,340	\$3,790	\$3,600	\$3,350
Lander University	\$8,380	\$7,728	\$7,162	\$6,668	\$5,866	\$5,400	\$4,704	\$4,152	\$3,888	\$3,700
SC State University	\$7,806	\$7,318	\$7,278	\$6,480	\$6,170	\$5,570	\$4,898	\$4,240	\$3,724	\$3,410
USC Aiken	\$7,532	\$7,006	\$6,670	\$6,128	\$5,622	\$5,084	\$4,374	\$3,738	\$3,558	\$3,318
USC Beaufort	\$7,000	\$6,250	\$5,724	\$5,214	\$4,670	\$4,208	\$3,080	\$2,410	\$2,200	\$2,100
USC Upstate	\$8,342	\$7,760	\$7,218	\$6,636	\$6,060	\$5,460	\$4,748	\$4,058	\$3,624	\$3,360
Winthrop University	\$11,060	\$10,210	\$9,500	\$8,756	\$7,816	\$6,652	\$5,600	\$4,868	\$4,262	\$4,126

Undergraduate Tuition and Fees - Resident - 2008

Source: South Carolina Commission on Higher Education

SOUTH CAROLINA STATE UNIVERSITY

SCHEDULE OF BOND COVERAGE

(amounts in thousands)

Revenue, Stadium, Housing, Notes and Bonds

Last Five Fiscal Years ¹

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Defined Net</u> <u>Revenue Available</u> <u>for Debt Service</u>	<u>Total Revenue</u> <u>Available for Debt</u> <u>Service</u>	<u>Debt Service</u> <u>Principal</u>	<u>Payment Interest</u>	<u>Requirements Total</u>	<u>Coverage Total</u>
2008	2,638	2,638	396	2,097	2,493	1.06
2007	1,785	1,785	562	821	1,383	1.29
2006	569	569	334	173	507	1.12
2005	1,888	1,888	430	267	697	2.71
2004	1,780	1,780	415	284	699	2.55
2003	1,505	1,505	385	306	691	2.18
2002	556	556	370	325	695	0.80
2001	976	976	355	347	702	1.39

State Institutional Bonds

Last Two Fiscal Years ²

2008	2768	2768	1210	1520	2,730	1.01
2007	2446	2446	140	1076	1,216	2.01
2006	1044	1044	137	130	267	3.91
2005	879	879	130	144	274	3.21
2004	729	729	120	149	269	2.71

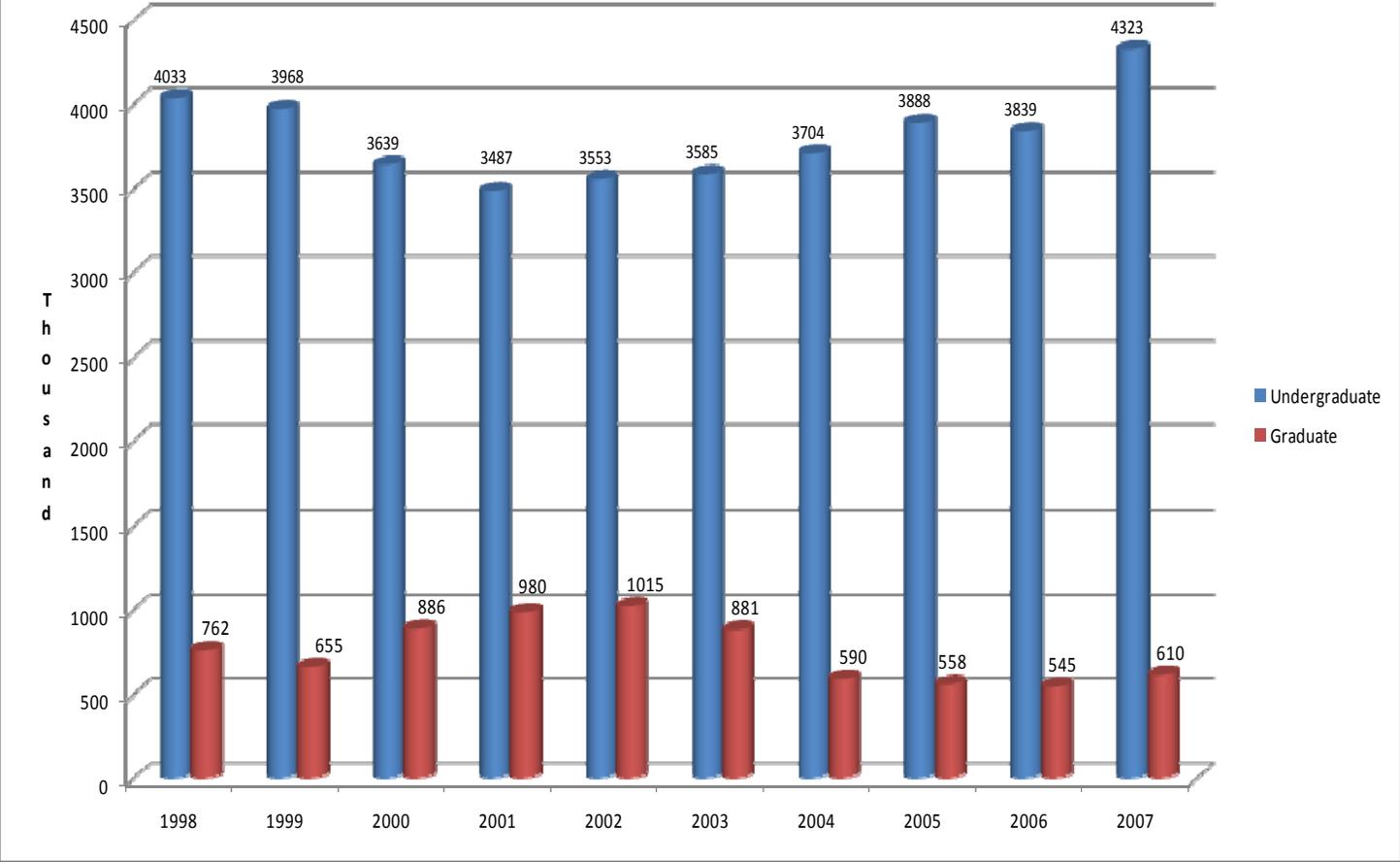
Notes

¹ Only eight years data are currently available and will continually be added

² State Institutional Bonds were issued in FY2003 and 2007

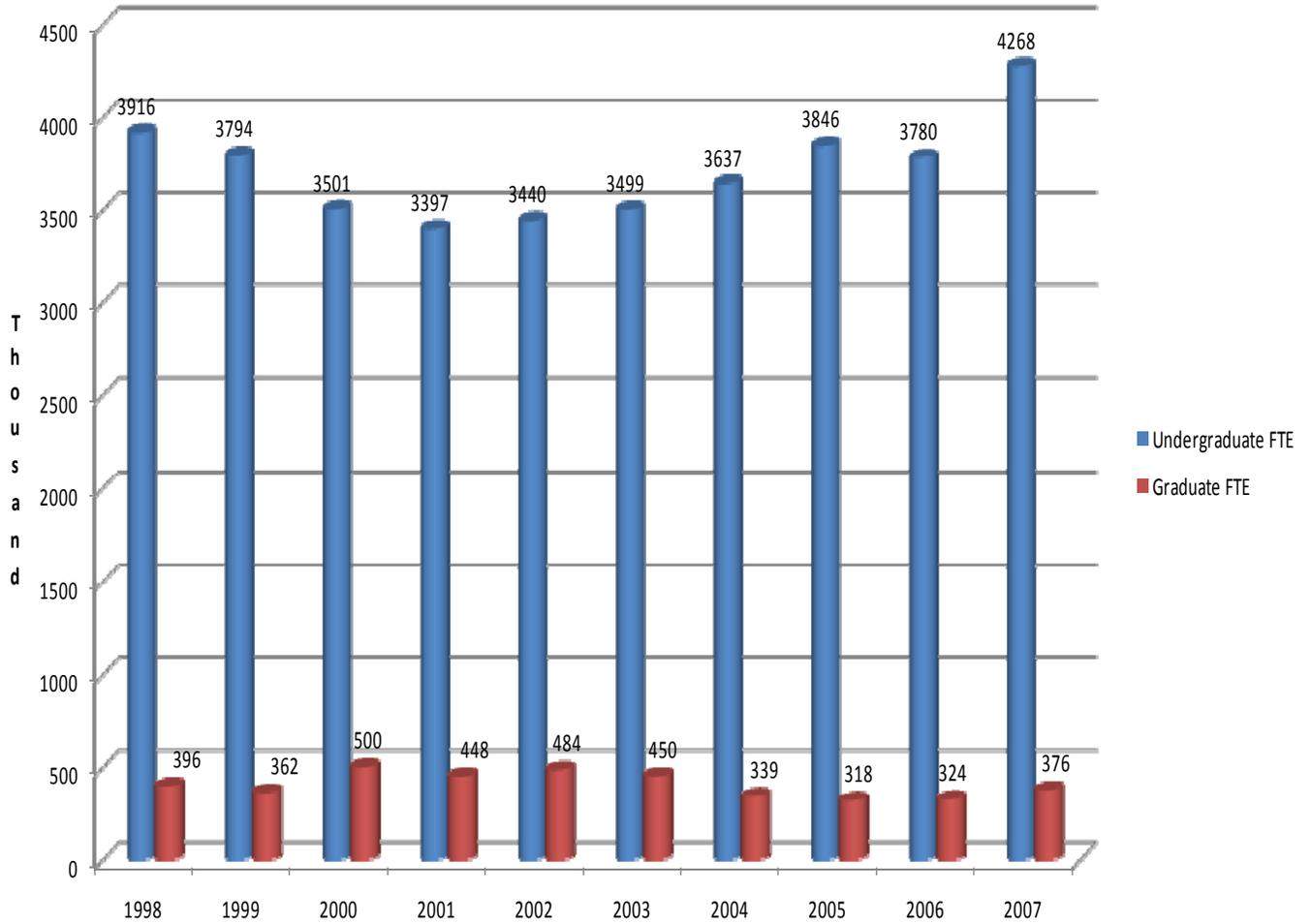
Source: South Carolina State University Financial Statement

**South Carolina State University
Student Head Count
1998-2007**



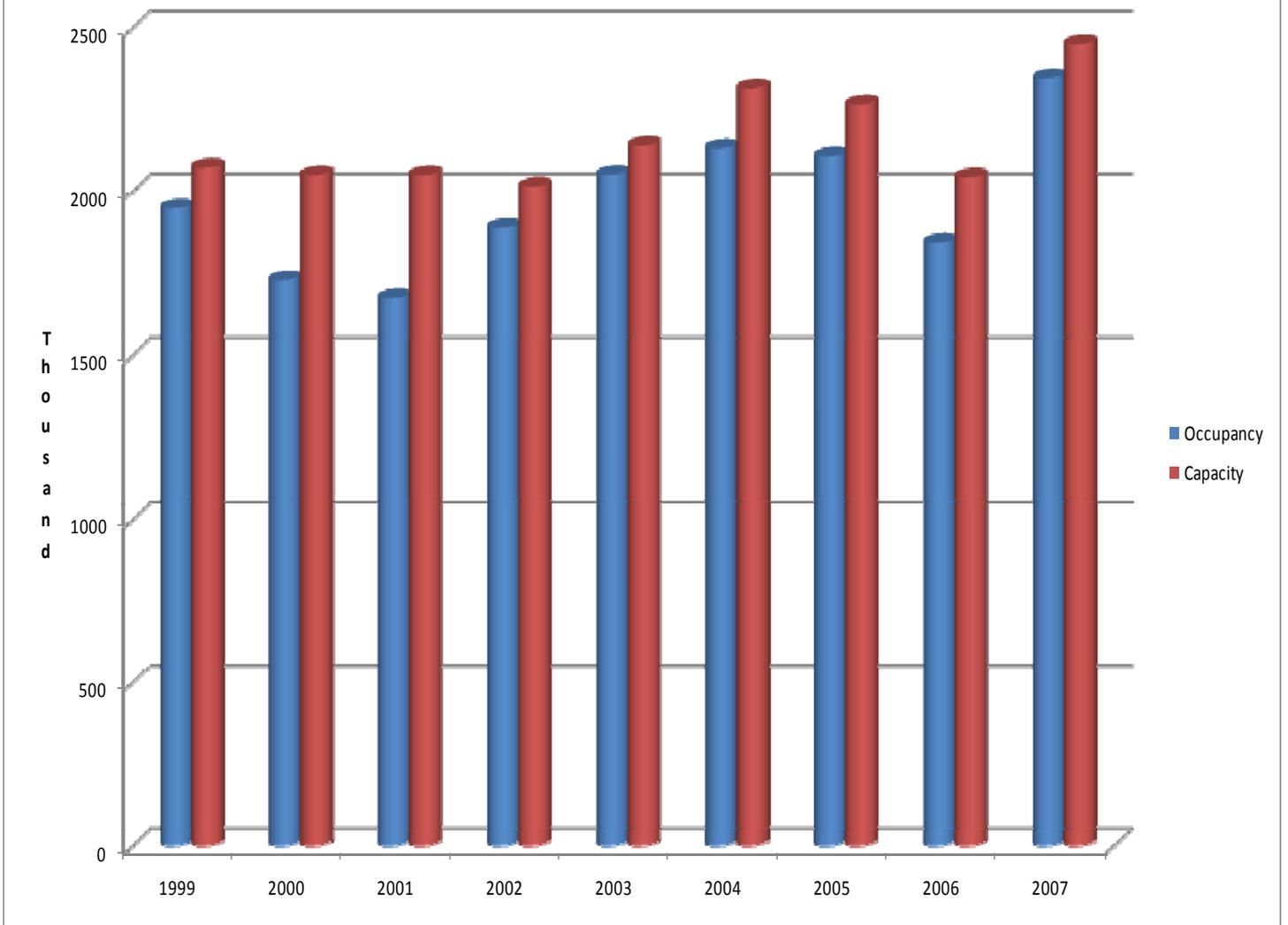
Source: South Carolina State University Office of Institutional Research

South Carolina State University Student Full Time Equivalent 1998-2007



Source: South Carolina State University Office of Institutional Research

South Carolina State University Fall Residence Hall Occupancy/Capacity 1999-2007



Source: South Carolina State University Office of Institutional Research

South Carolina State University
 Full-Time Teaching Faculty, Rank and Administrative Support Staff
 For the Last Nine Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Professors	39	31	36	51	42	50	49	56	57
Associate Professors	64	61	47	48	45	57	55	53	55
Assistant Professors	86	86	83	83	73	83	84	73	76
Instructor	26	25	24	24	26	26	25	29	27
Lecturer	0	0	0	3	0	2	0	0	0
No Academic Rank	0	0	14	2	0	0	0	0	0
Administrative Support	617	607	583	550	616	604	*	*	*
Total	832	810	787	761	802	822	213	211	215

*Data Not Available

Prepared by IR August 2008

Data Sources: SCSU Office of Institutional Research Fact Book 2007-2008 and CHEMIS
 Comparison of Full-time Instructional Faculty by Rank and Administrative Support Staff

South Carolina State University

Academic Subject Areas and Degrees Offered

Fall 2008

UNDERGRADUATE

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

GRADUATE

Agribusiness/Entrepreneurship, MBA	Rehabilitation Counseling, MA, PMCERT
Agribusiness, MS,	Secondary Education, MED, MAT
Counselor Education, Med	Special Education, MED
Early Childhood Education, MAT	Speech Pathology and Audiology, MA
Elementary Education, MAT, Med	Transportation, MS
Individual and Family Development, MS, PM CERT	Education Administration, EDD, EDS
Nutritional Sciences, MS	
BA-Bachelor of Arts	MAT-Master of Arts in Teaching
BS-Bachelor of Science	MBS-Master of Business Administration
BSW-Bachelor of Social Work	MED-Master of Education
EDD-Doctor of Education	MS-Master of Science
EDS-Specialist	PMCERT-Post Masters Certificate
PB-Post Bachelors	

DEMOGRAPHIC STATISTICS

State of South Carolina
Last Ten Calendar Years

Year	Population as of June 30 (a)	Per Capita Income (b)	Average Annual Unemployment Rate (c)
2007	4,407,709	31,013	5.9%
2006	4,330,108	29,767	6.4%
2005	4,254,989	28,460	6.7%
2004	4,201,437	27,039	6.8%
2003	4,146,770	25,852	6.7%
2002	4,104,683	25,348	5.9%
2001	4,062,933	24,974	5.2%
2000	4,023,628	24,423	3.6%
1999	3,974,682	23,075	4.1%
1998	3,919,235	22,161	3.6%

(a) Source U.S. Census Bureau

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

(c) Source U.S. Department of Labor

State of South Carolina Ten Largest Employers

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

<u>2001</u>	<u>2007</u>
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Michelin Tire Corporation	Greenville Hospital System
Springs Industries, Inc.	Palmetto Health Alliance, Inc.
University of South Carolina	University of South Carolina
U.S. Department of Defense	U.S. Department of Defense
U.S. Postal Service	U.S. Postal Service
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc.
Westinghouse Savannah River	Washington Savannah River Company

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

State of South Carolina Employment by Industry

Latest Completed Calendar Year and Nine Years Prior

Sources	1998		2007	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Contract construction.....	109,300	6.1%	127,600	6.5%
Manufacturing:				
Durable goods.....	162,200	9.1%	138,500	7.1%
Nondurable goods.....	179,000	10.0%	111,600	5.7%
Transportation, communication, and public utilities.....	84,800	4.8%	93,800	4.8%
Wholesale and retail trade:				
Wholesale.....	58,800	3.3%	71,600	3.7%
Retail.....	231,300	13.0%	239,200	12.3%
Finance, insurance and real estate.....	82,800	4.6%	106,400	5.5%
Services and mining.....	565,600	31.7%	723,900	37.1%
Government:				
Federal.....	30,500	1.7%	29,600	1.5%
State and local.....	278,800	15.7%	308,100	15.8%
Total wage and salary employment.....	1,783,100	100.0%	1,950,300	100.0%

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Employment Security Commission

