December 6, 1999

The Honorable James H. Hodges, Governor
and
Members of the Board of Visitors
The Citadel, The Military College of South Carolina
Charleston, South Carolina

This report on the audit of the financial statements of The Citadel for the year ended June 30, 1999, was issued by Cherry, Bekaert, & Holland, LLP, Certified Public Accounts, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

THE CITADEL

THE MILITARY COLLEGE OF SOUTH CAROLINA

CHARLESTON, SOUTH CAROLINA

FINANCIAL STATEMENTS,

REQUIRED SUPPLEMENTARY INFORMATION,

AND INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 1999

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Independent Auditor's Report

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

We have audited the accompanying basic financial statements of **The Citadel, The Military College of South Carolina**, (The Citadel) as of June 30, 1999 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of The Citadel's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Citadel Trust, Inc., a component unit of The Citadel, which financial statements reflect the indicated percentages of total assets and total revenues, respectively, of the unrestricted current (31% and 2%), restricted current (93% and 15%), loan (69% and 74%), endowment and similar (99% and 99%), and unexpended plant (7% and 64%) funds. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of the other auditors. We also audited the adjustments described in Note 23 that were applied to restate the June 30, 1998 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The Citadel as of June 30, 1999, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 23 to the financial statements, certain errors resulting in an overstatement of previously reported income for the year ended June 30, 1998 were discovered by The Citadel's management during the current year. Accordingly, an adjustment has been made to the respective fund balances as of July 1, 1998 to correct the errors. Also discussed in Note 23 to the financial statements, during the current year The Citadel's management determined that certain assets and liabilities were not recorded in the proper funds. Accordingly, an adjustment has been made to these asset balances and to the respective fund balances as of July 1, 1998.

These financial statements exclude the related entities listed in Note 17 from the reporting entity because The Citadel is not financially accountable for these entities. As part of its affiliated organizations project, the Governmental Accounting Standards Board is currently studying other circumstances under which organizations that do not meet the financial accountability criteria would be included in the financial reporting entity.

The Year 2000 Issue on pages 47 and 48 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue, its effects, the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established, and the success of remediation efforts will not be fully determinable until the year 2000 and after and because insufficient evidence exists to support disclosures. In addition, we do not provide assurance that The Citadel is or will become year 2000 compliant, that The Citadel's year 2000 remediation efforts will be successful in whole or in part, or that parties with which The Citadel does business are or will become year 2000 compliant.

Florence, South Carolina
September 30, 1999

FINANCIAL STATEMENTS

Exhibit A

THE CITADEL
The Military College of South Carolina
Balance Sheet
June 30, 1999

	Current Funds				Plant Funds					
			Loan	Endowment and Similar		Retirement of	Investment	Agency	Totals	
	Unrestricted	**Restricted**	**Funds**	**Funds**	**Unexpended**	**Indebtedness**	**in Plant**	**Funds**	**(Memorandum Only)**	**6/3 9**
ASSETS										
Cash and cash equivalents (Note 15)	$ 8,526,660	$ 318,243	$ 39,925	$ 855,453	$ 5,185,396	$ 6,528	$ -	$ 105,111	$ 15,037,316	23 9,
Investments (Note 15)	4,679,411	6,097,419	685,896	36,584,970	758,974	-	-	-	48,806,670	44 0,
Accounts receivable, net (Note 13)	581,955	-	-	-	1,899	-	-	-	583,854	60
Grants and contracts receivable	-	190,010	-	-	-	-	-	-	190,010	15

Notes receivable (Note 17)	-	114,000	-	-	-	-	-	-	114,000	11
Accrued interest receivable	40,735	139	-	1,179	47,025	3,028	-	-	92,106	18
Inventories (Note 11)	1,527,005	-	-	-	-	-	-	-	1,527,005	1,
Capital improvement bond proceeds receivable (Note 3)	-	-	-	-	5,813,802	-	-	-	5,813,802	6,
Prepaid items	290,633	28,365	-	-	-	-	-	-	318,998	29
Loans to students, net (Note 13)	-	-	1,044,319	-	-	-	-	-	1,044,319	1,
Cash surrender value of life insurance (Note 23)	19,420	-	-	259,359	-	-	-	-	278,779	24
Land	-	-	-	25,000	-	-	1,909,689	-	1,934,689	1,
Buildings	-	-	-	-	-	-	88,795,328	-	88,795,328	73 1,
Equipment	-	-	-	-	-	-	5,161,431	-	5,161,431	5,
Library books	-	-	-	-	-	-	7,181,271	-	7,181,271	6,
Construction in progress (Note 14)	-	-	-	-	-	-	703,943	-	703,943	5,
Advance to unexpended plant funds (Note 12)	-	-	-	-	-	500,000	-	-	500,000	51
Deferred charges	-	-	-	-	-	272,679	-	-	272,679	30
Total assets	$ 15,665,819	$ 6,748,176	$ 1,770,140	$ 37,725,961	$ 11,807,096	$ 782,235	$103,751,6	$ 105,111	$ 178,356,200	$1 25

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LIABILITIES AND FUND BALANCES

Accounts payable	$ 894,512	$ 17,051	$ 663	$ -	$ 203,930	$ -	$ -	$ -	$ 1,116,156	1,…
Accrued payroll and related liabilities	1,421,860	52,350	-	-	-	-	-	-	1,474,210	1,…
Accrued compensated absences and related liabilities	1,709,196	-	-	-	-	-	-	-	1,709,196	1,…
Deferred compensation liability	134,041								134,041	97…
Deferred revenues	696,323	-	-	-	-	-	-	-	696,323	60…
Student deposits	479,517	-	-	-	-	-	-	-	479,517	56…
Deposits held for others	-	-	-		-	-	-	105,111	105,111	93…
Retainages payable	2,588	-	-	-	625,889	-	-	-	628,477	20…
Arbitrage payable	-	-	-	-	-	2,739	-	-	2,739	
Advance from retirement of indebtedness funds (Note 12)	-	-	-	-	500,000	-	-	-	500,000	51…
Accrued interest payable	-	-	-	-	-	300,274	-	-	300,274	31…
Notes payable (Note 5)	-	-	-	-	-	-	263,513	-	263,513	28…
Bonds payable (Note 4)	-	-	-	-	-	-	24,030,000	-	24,030,000	25…
Obligations under capital leases (Note 6)	-	-	-	-	-	-	44,944	-	44,944	18…
Fund balances (Note										

21)	10,327,782	6,678,775	1,769,477	37,725,961	10,477,277	479,222	-	-	67,458,494	654,4
Net investment in plant	-	-	-	-	-	-	79,413,205	-	79,413,205	755,3
Total liabilities and fund balances	$ 15,665,819	$ 6,748,176	$ 1,770,140	$ 37,725,961	$ 11,807,096	$ 782,235	$103,751,662	$ 105,111	$ 178,356,200	$125

Exhibit B

THE CITADEL
The Military College of South Carolina
Statement of Changes in Fund Balances
For the year ended June 30, 1999

	Current Funds				Plant Funds			
			Loan	Endowment and Similar		Retirement of	Investment	Totals
	Unrestricted	Restricted	Funds	Funds	Unexpended	Indebtedness	in Plant	(Memorandum Only)
Revenues and other additions:								
Unrestricted current fund revenues	$ 52,377,182	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,377,182
Federal grants and contracts - restricted	-	8,864,781	8,953	-	-	-	-	8,873,734
State appropriations revenue - restricted	-	739,6	-	-	-	-	-	739,683

		83						
State gifts, grants and contracts - restricted	-	62,165	-	-	-	-	-	62,165
Private gifts, grants and contracts - restricted	-	4,404,337	-	257,001	723,593	-	-	5,384,931
Investment income - restricted	-	521,016	53,381	2,362,265	420,663	9,938	-	3,367,263
Endowment income - restricted	-	1,842,531	-	-	-	-	-	1,842,531
Interest on loans receivable	-	-	28,250	-	-	-	-	28,250
Expended for plant facilities (including $538,244 charged to current funds and $52,943 of capitalized interest)	-	-	-	-	-	-	10,688,713	10,688,713
Retirement of indebtedness	-	-	-	-	-	-	1,021,746	1,021,746
Student tuition	-	-	-	-	-	487,860	-	487,860
Recoveries of written-off loans	-	-	7,544	-	-	-	-	7,544
Other sources	-	56,849	3,772	-	-	-	-	60,621
Total revenues and other additions	52,377,182	16,491,362	101,900	2,619,266	1,144,256	497,798	11,710,459	84,942,223

Exhibit B

(Continued)

THE CITADEL
The Military College of South Carolina
Statement of Changes in Fund Balances
For the year ended June 30, 1999

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Totals (Memorandum Only)
Expenditures and other deductions:								
Educational and general expenditures	31,682,894	15,155,643	-	-	-	-	-	46,838,537
Auxiliary enterprise expenditures	17,264,713	-	-	-	-	-	-	17,264,713
Indirect costs recovered	-	1,181	-	-	-	-	-	1,181
Loan cancellations and write-offs	-	-	100,327	-	-	-	-	100,327

Expended for plant facilities (including noncapitalized expenditures of $1,749,977)	-	-	-	-	11,807,509	-	-	11,807,509
Retirement of indebtedness	-	-	-	-	-	1,021,746	-	1,021,746
Additions in capital leases	-	-	-	-	-	-	39,994	39,994
Interest and other charges on indebtedness	-	-	-	-	-	1,310,749	-	1,310,749
Disposal of plant facilities	-	-	-	-	-	-	237,629	237,629
Other deductions	-	-	8,441	-	-	2,739	-	11,180
Total expenditures and other deductions	48,947,607	15,156,824	108,768	-	11,807,509	2,335,234	277,623	78,633,565

Exhibit B (Continued)

THE CITADEL

The Military College of South Carolina

Statement of Changes in Fund Balances

For the year ended June

30, 1999

	Current Funds				Plant Funds			Totals
			Loan	Endowment and Similar		Retirement of	Investment in	
	Unrestricted	**Restricted**	**Funds**	**Funds**	**Unexpended**	**Indebtedness**	**Plant**	**(Memorandum Only)**
Transfers among funds - additions (deductions)								
Mandatory: (note 7)								
Principal and interest	(2,051,169)	-	-	-	-	2,051,169	-	-
Loan matching funds	-	-	-	-	-	-	-	-
Nonmandatory: (note 7)								
Transfers from current funds:								
Unrestricted	(1,206,201)		-	572	1,177,830	27,799	-	-
Restricted	-	(285,	-	50,10	197,9	37,17	-	-

		242)		1	69	2		
Transfers from endowment and similar funds	159,778	-	-	(159,778)	-	-	-	-
Transfers from plant funds:								
Unexpended	11,922	-	-	-	(11,922)	-	-	-
Retirement of Indebtedness	-	-	-	-	303,580	(303,580)	-	-
Transfers of debt representing plant additions	-	-	-	-	7,564,910	-	(7,564,910)	-
Total transfers	(3,085,670)	(285,242)	-	(109,105)	9,232,367	1,812,560	(7,564,910)	-
Net increase (decrease) for the year	343,905	1,049,296	(6,868)	2,510,161	(1,430,886)	(24,876)	3,867,926	6,308,658
Fund balances at beginning of year, as Previously Reported or Restated (Note 23)	9,983,877	5,629,479	1,776,345	35,215,800	11,908,163	504,098	75,545,279	140,563,041
Fund balances, end of year	$ 10,327,782	$ 6,678,775	$ 1,769,477	$ 37,725,961	$ 10,477,277	$ 479,222	$ 79,413,205	$ 146,871,699

Exhibit C

THE CITADEL
The Military College of South Carolina
Statement of Current Funds
For the year ended June 30, 1999

	Unrestricted	Restricted	Total
Revenues:			
Student fees	$ 11,838,420	$ -	$ 11,838,420
State appropriations (Note 2)	17,144,363	739,683	17,884,046
Federal grants and contracts	331,057	8,851,593	9,182,650
State gifts, grants and contracts	-	30,540	30,540
Private gifts, grants and contracts	392,157	4,307,481	4,699,638
Investment income	655,271	358,381	1,013,652
Endowment income	191,694	844,777	1,036,471
Auxiliary enterprises:			
Student fees	10,200,868	-	10,200,868
Gifts and contributions			

	44,583	-	44,583
Interest income	283,938	-	283,938
Sales and services	9,823,520	-	9,823,520
Other fees	247,310	-	247,310
Other sources	1,224,001	23,188	1,247,189
Total current revenues	52,377,182	15,155,643	67,532,825
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	11,607,614	897,052	12,504,666
Research	1,521	185,003	186,524
Public Service	675,876	329,521	1,005,397
Academic support	3,584,061	1,237,141	4,821,202
Student services	4,584,737	164,745	4,749,482
Institutional support	5,405,152	44,051	5,449,203
Operation and maintenance of plant	4,554,913	147,834	4,702,747
Scholarships and fellowships	1,269,020	12,150,296	13,419,316
Educational and general expenditures	31,682,894	15,155,643	46,838,537

Auxiliary enterprises:			
Expenditures	17,264,713	-	17,264,713
Mandatory transfers for principal and interest	2,051,169	-	2,051,169
Total auxiliary enterprises	19,315,882	-	19,315,882
Total expenditures and mandatory transfers	50,998,776	15,155,643	66,154,419
Other transfers and additions (deductions):			
Nonmandatory transfers in	171,700	-	171,700
Nonmandatory transfers out	(1,206,201)	(285,242)	(1,491,443)
Excess (deficiency) of restricted receipts over transfers to revenues	-	1,334,538	1,334,538
Total other transfers and additions (deductions)	(1,034,501)	1,049,296	14,795
Net increase (decrease) in fund balances	$ 343,905	$ 1,049,296	$ 1,393,201
|::	0	0	1,393,201

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Citadel, the Military College of South Carolina, conform to generally accepted accounting principles (GAAP) applicable to the governmental colleges and universities model as defined in the American Institute of Certified Public Accountants' (AICPA) Audits of Colleges and Universities Industry Audit Guide recognized by the Governmental Accounting Standards Board (GASB). GASB is the recognized standard-setting body for GAAP for all state governmental entities including colleges and universities. Those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, are authoritative provided they do not contradict or conflict with GASB guidance. However, GAAP prohibits the application of FASB guidance by governmental colleges and universities after that date. A summary of significant accounting policies follows.

Reporting Entity

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

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. This financial reporting entity includes both The Citadel, the Military College of South Carolina (a primary entity), and its component unit blended within the primary entity.

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

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

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, The Citadel Trust, Inc., is included in the reporting entity because of the significance of its operational and financial relationships

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with The Citadel. The Citadel Trust is blended within the college fund groups of The Citadel.

Reporting Entity (Continued)

Section 59-121-55 of the Code of Laws of South Carolina authorized The Citadel Board of Visitors to form The Citadel Trust (the Trust), a non-profit eleemosynary corporation for the purpose of providing scholarship and other financial assistance or support to The Citadel. This legislation further authorized the Board of Visitors to transfer certain nonstate appropriated assets, not exceeding $20,000,000, to the Trust to be used for its stated purpose, except that any restrictions or limitations on such assets continue to be applicable after the assets are transferred. These assets were transferred to the Trust effective July 1, 1991. The Trust is governed by a five-member Board of Directors appointed by The Citadel Board of Visitors. In the event of dissolution of the Trust, all its assets shall revert to The Citadel. Even though the Trust is a legally separate entity, it is reported as if it were part of The Citadel because The Citadel Board of Visitors appoints the Trust's board and the Trust provides specific financial benefits to The Citadel.

The Trust's balances and transactions are blended with those of The Citadel, i.e., reported in the applicable fund groups as if they were balances and transactions of The Citadel. The separately issued financial statements of the Trust may be obtained from The Citadel's Vice President for Finance and Business Affairs.

Primary Entity

The Citadel is a State-supported, coeducational institution of higher education. The Citadel is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of The Citadel. The Citadel was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The Citadel (a primary entity) is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints most of their board members and budgets a significant portion of their funds.

The Board of Visitors, which has seven members appointed by the General Assembly, three by the Association of Citadel Men, and one by the Governor, is the governing body of The Citadel. The Board administers, has jurisdiction over, and is responsible for the management of The Citadel.

The accompanying financial statements present the financial position, the changes in fund balances, and the current funds revenues, expenditures, and other changes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Primary Entity (Continued)
of only that portion of the funds of the State of South Carolina that is attributable to the transactions of The Citadel and its component unit.

Presentation of Component Units
The Citadel Trust, despite being legally separate from The Citadel (the primary entity), is so intertwined with it that it is, in substance, the same as the primary entity. Such component unit's balances and transactions are blended with those of the primary entity, i.e., reported in the applicable fund groups as if they were balances and transactions of the primary entity.

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

Mandatory transfers are limited to those arising out of binding legal arrangements related to financing the educational plant (e.g., construction, repairs, debt amortization, and interest); agreements to match gifts and grants; or required matching of certain federal loan programs. All other interfund transfers are reported as nonmandatory transfers.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of alterations and renovations and purchases and normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) transfers of a nonmandatory nature in all other cases.

Fund Accounting - College Funds
Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions placed by sources outside the institution or in accordance with directions issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups and subgroups.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting – College Funds (Continued)
Accordingly, all financial transactions have been recorded and reported by fund group and subgroup.

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

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds which is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds, except for certain quasi-endowment income which is required to be added to the principal or unless the endowment agreement requires the income to be added to the corpus. For these exceptions, income is reported in the endowment and similar funds group.

All other unrestricted revenues are accounted for in unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

The *Current Funds* group includes those economic resources which are expendable for operating purposes to perform the primary missions of The Citadel, which are instruction, research, and public service. For a more meaningful disclosure, the current funds are divided into two subgroups: unrestricted and restricted. Separate accounts are maintained for auxiliary enterprises operations in the unrestricted current funds. Current funds are considered unrestricted unless the restrictions imposed by the donor or other external agency are so specific that they substantially reduce The Citadel's flexibility in their utilization. Unrestricted gifts are recognized as revenue when received and other unrestricted resources are recorded as revenue when earned. Receipts that are restricted are recorded initially as additions to restricted fund balances and recognized as revenue to the extent that such funds are expended for the restricted purposes during the current fiscal year and met all related requirements.

Current Funds Auxiliary Enterprises are essentially self-supporting business entities and activities that exist for the purpose of furnishing goods and services primarily to students, faculty, staff, or departments and for which charges are made that directly relate to such goods and services. Revenue and expenditures are reported separately as unrestricted current funds. Assets, liabilities, and fund balances are combined with other unrestricted current funds for reporting purposes; however, each separate enterprise maintains its own assets, liabilities, and fund balance. Auxiliary enterprises activities include athletics, barracks, cadet store, dining hall, infirmary, and gift shop. The portion of The Citadel's

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting – College Funds (Continued)

unrestricted current funds balance related to its auxiliary enterprises was $3,047,385 at June 30,1999.

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

The *Endowment and Similar Funds* group includes endowment funds, term endowment funds, and funds functioning as endowments (quasi-endowment). Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Some of The Citadel's endowments require the income to be used for specified purposes and others contain no such restrictions. Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the happening of a particular event, all or a part of the principal may be expended. Currently, The Citadel has no term endowments. While quasi-endowment funds have been established by the governing board for the same purposes as permanent endowment funds, subject to any restrictions imposed by the donor of the resources, any unrestricted portion of the principal as well as income may be expended at the discretion of the governing board. The term "principal" is construed to include the original value of an endowment and subsequent additions and realized gains/losses attributable to investment transactions.

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

The *Agency Funds* group accounts for the assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds do not affect the operating statements of The Citadel. They include

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting – College Funds (Continued)
the accounts of students, student organizations, and other groups directly associated with The Citadel.

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.

Indirect Cost Recoveries
The Citadel records restricted current funds revenue for governmental grants and contracts in amounts equal to direct costs incurred. The Citadel reports as unrestricted revenue recoveries of indirect costs applicable to government-sponsored programs at negotiated fixed rates for each year. The recoveries are also recorded as additions and deductions of restricted current funds. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by The Citadel. Also, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund. For fiscal year 1999, The Citadel retained all indirect cost recoveries.

Compensated Absences
Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and overtime leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the College's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances which commenced on or before June 30, 1999. The Citadel calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related payments and is recorded in unrestricted current funds. The net change in the liability is recorded in the current year in the applicable functional expenditure categories.

Investment in Plant
Physical plant and equipment, except for plant assets acquired prior to July 1, 1985, and equipment acquired under capital lease, are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts from external parties. Plant assets acquired prior to July 1, 1985, are stated at

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Plant (Continued)
historical cost when determinable or at estimated historical cost. Equipment additions purchased through installment purchase contracts are capitalized in the investment in plant funds subgroup in the year of acquisition at their total cost, excluding interest charges. Equipment under capital leases and installment purchase agreements is stated at the lower of the present value of minimum lease payments, including the downpayment, at the beginning of the lease term or fair value at the inception of the lease. Resources for the payments of principal and interest on such contracts are recorded as transfers from the current funds group and the debt service expenditures are reported in the retirement of indebtedness plant funds as the installments are paid.

Infrastructure assets include streets, sidewalks, parking lots, drainage systems, lighting systems, utility systems, and similar assets that are immovable and only of value to The Citadel and are not capitalized.

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

Construction in progress is valued at total cost less noncapitalized costs in the unexpended plant funds subgroup when the costs are incurred. Upon completion of the project, these capitalized costs are recorded as expenditures in unexpended plant funds and the asset and any associated debt simultaneously are transferred to the investment in plant funds subgroup and recorded in the appropriate asset accounts.

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

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

The Citadel capitalizes major additions and renovations to plant assets; qualifying equipment with a unit value in excess of $5,000 and a useful life in excess of two years; and library materials regardless of cost.

When plant assets are sold, retired, or otherwise disposed of, the carrying value at cost, estimated historical cost, or fair market value at date of gift, where applicable, is removed from the investment in plant subgroup. The values of library materials are removed based on average cost of library items. In accordance with practices followed by educational institutions, depreciation on physical plant and equipment is not recorded.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalized Interest
The Citadel capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects. Therefore, asset values in the investment in plant subgroup include such interest costs.

Deferred Charges/Credits and Amortization
Deferred charges consisting of bond discounts, bond insurance premiums and bond issuance costs are reported in the asset section and deferred credits for bond premiums are reported in the liability section of the balance sheet of the retirement of indebtedness plant funds subgroup and are amortized as elements of interest and other charges on indebtedness over the lives of the applicable bond issues using the bonds outstanding method. Amortization of deferred premiums is recorded as a reduction of interest expenditures; whereas, amortization of deferred charges is reported as an addition to interest charges.

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

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

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

Prepaid Items
Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For The Citadel, amounts reported in this asset account consist primarily of prepaid insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Most State agencies including The Citadel participate in the state's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposit disclosures in Note 15.

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

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

For The Citadel's funds not held by the State Treasurer, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Intraentity Transactions and Balances
Because aggregated totals are presented, The Citadel elected to remove the effects of revenue and expenditure transactions it had with its blended component unit. Reimbursement transactions for expenditures initially made by one fund or the component unit that are applicable to another are recorded as expenditures in the reimbursing fund of the College or the component unit. Expenditures initially made by The Citadel for related parties or other external parties and reimbursed by those parties are eliminated.

Transfers between The Citadel and its blended component unit are reported as nonmandatory transfers. Similarly, receivables and payables between The Citadel and its blended component unit are reported as due from and due to other funds.

Current amounts due to/from the same funds are reported net on the balance sheet only if there is a legal right to the offset.

Totals (Memorandum Only) Columns
Amounts in the "Totals (Memorandum Only)" columns of Exhibit A and B represent an aggregation of the financial statement line-items to facilitate financial analysis. Such amounts are not comparable to a consolidation and do not present financial information in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data except expenditure reimbursements and certain other intraentity transactions and balances between the College and its blended component unit have been eliminated.

NOTE 2 - STATE APPROPRIATIONS

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

NOTE 2 - STATE APPROPRIATIONS (CONTINUED)

State unless The Citadel receives authorization from the General Assembly to carry the funds over to the next year.
The original appropriation is The Citadel's base budget amount presented in the General Funds column of Section 5C of Part IA of the 1998-99 Appropriation Act. The
following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 1999:

Original Appropriation	$14,343,928
Supplemental Appropriation from 1998 Capital Reserve Fund (June 1998 Joint Resolution) for Continuation of Assimilation of Women	750,000
State Budget and Control Board Allocations:	
Employee Base Pay Increases and Related Employee Benefits (Proviso 63C.12.)	368,906
Appropriation Allocations from the State Commission on Higher Education (CHE):	
From the Children's Education Endowment Fund For:	
Palmetto Fellows Scholarship	77,500
Need-Based Grants	179,085
For Access and Equity Desegregation Funding (Proviso 5A.7.)	4,287
For Performance Funding (Proviso 5A.26.)	333,958
For LIFE Scholarships (1998 Act 418)	376,000
From Capital Reserve Fund Appropriations (June 1998 Joint Resolution R537, H4702) for:	
Institutional Funding	839,448
For STAR Scholarships (from EIA funding)	21,502
For Academic Endowment Incentive Match (Code of Laws 59-118-10)	40,472
For Higher Education Assistance Program (HEAP)(From EIA Funding)	1,000
Supplemental Appropriations from 1998 Surplus State General Fund Revenues (Part III of the 2000 Act):	
For Continuation of Assimilation of Women	548,960
Total State Appropriations Revenue - Accrual Basis	17,885,046
Less: Higher Education Grant/Scholarship Funding Reported in Restricted Current Funds	740,683
Funding Reported in Unrestricted Current Funds	$17,144,363

NOTE 3 - STATE CAPITAL IMPROVEMENT BONDS

NOTE 3 - STATE CAPITAL IMPROVEMENT BONDS (CONTINUED)

In prior years, the State authorized funds for improvements and expansion of facilities using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. When the funds are authorized, The Citadel records the proceeds as revenue in the unexpended plant funds subgroup. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The Citadel is not obligated to repay these funds to the State. The total balance receivable for the undrawn portions of the authorizations is reported in the balance sheet as "capital improvement bond proceeds receivable." A summary of the activity in the balances available from these authorizations during the year ended June 30, 1999, follows:

Act	Total Authorized	Amount Drawn in Prior Years	Amount Drawn in Fiscal Year Ended June 30,1999	Balance Authorized June 30,1999
Act 638 of 1988	$ 8,270,909	$ 8,270,481	$ -	$ 428
Act 522 of 1992	7,691,040	7,379,748	311,292	-
Act 111 of 1997	6,282,000	19,964	448,662	5,813,374
Total	$22,243,949	$15,670,193	$759,954	$5,813,802

The balance is reported in the unexpended plant fund subgroup of the plant funds group.

Of the balances available at June 30, 1999, the college can withdraw funds according to the following schedule:

July 1, 1999, to December 31, 1999	$1,983,080
January 1, 2000, to June 30, 2000	1,915,361
July 1, 2000, to December 31, 2000	1,915,361
Total	$5,813,802

In fiscal year 1999, the State authorized $8,000,000 of Capital Improvement Bonds to The Citadel for improvement and expansion of academic facilities. However, these funds were not made available to The Citadel until fiscal year 2000.

NOTE 4 - BONDS PAYABLE

At June 30, 1999, bonds payable consisted of the following:

	Interest Rates	Maturity Dates	June 30, 1999 Balance
State Institution Bonds Series 1991	5.5% - 7.5%	12/01/06	$ 1,285,000
Revenue Bonds Series 1997	4.875% - 5.125%	04/01/17	22,745,000

NOTE 4 – BONDS PAYABLE (CONTINUED)

Total	$24,030,000

NOTE 4 – BONDS PAYABLE (CONTINUED)

The various bond indentures restrict the use of particular revenue sources. State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition paid to The Citadel is restricted up to the amount of annual debt requirements for the payment of principal and interest on State Institution Bonds. The Series 1997 Revenue Bonds are backed by two sources of revenue: the net revenues of the “Facilities” and “Additional Funds”. The enabling act defines “Facilities” as dormitories, apartment buildings, dwelling houses, bookstore and other college operated stores, laundry, dining halls, cafeterias, parking facilities, student recreational, entertainment and fitness related facilities, inns, conferences and non-degree educational facilities and similar auxiliary facilities of the college or any other facilities which are auxiliary to any of the foregoing. The “Additional Funds” are all available funds and academic fees of the college which are not (1) funds of the college derived from appropriations received from the General Assembly; and (2) tuition funds pledged to the repayment of State Institution Bonds.

The Citadel purchased a bond insurance policy in favor of the bond trustee for the Series 1997 Revenue Bonds. The insurance covers the payment of principal and interest for a period equal to the final maturity in case of nonpayment by The Citadel.

The bond documents outline certain covenants to secure the bonds. For the 1997 Series Revenue Bonds, The Citadel must maintain and collect rates and charges for the use of the facilities which shall at all times be sufficient (1) to provide for the payments of expenses for administration, operation and maintenance of the facilities as may be necessary to preserve the same in good order and repair, (2) to provide for the payment of principal and interest on the Bonds, (3) to maintain the debt service funds and thus provide for the punctual payment of principal and interest on the bonds, (4) to provide a reserve for contingencies and for improvements, renovations and expansion of the facilities other than those necessary to maintain the same in good order and repair, (5) to provide all amounts owing under any reimbursement agreement with any provider of an insurance policy, and (6) to discharge all obligations imposed by the enabling act and resolution.

The series 1997 Bonds maturing prior to April 1, 2007, shall not be subject to redemption prior to their stated maturities. The Series 1997 Bonds maturing on or after April, 1, 2007 shall be subject to redemption at the option of The Citadel Board of Visitors on or after April 1, 2006, in whole at any time or in part on any April 1 or October 1, and if in part in those maturities designated by The Citadel and by lot within a maturity (but only in integral multiples of $5,000) upon 30 days notice at the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premiums, expressed as a percentage of the principal amount redeemed; April 1, 2006 through March 31, 2007 at 102%: April 1,2007 through March 31, 2008 at 101%; and April 1,2008 and thereafter at 100%. Beginning December 1, 2000, certain of the Series 1991 State Institution Bonds may be redeemed at a premium prior to the mandatory redemption dates and final maturities at the option of the State of South Carolina. The redemption prices (expressed as a percentage of the principal redeemed) for the Series 1991 State Institution Bonds range from 102 percent to 100.5 percent in 2003.
The Citadel has no debt service reserve requirements.

NOTE 4 – BONDS PAYABLE (CONTINUED)

All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the revenue bond obligations as of June 30, 1999 are as follows:

Year Ending June 30	Principal	Interest	Total
2000	$ 905,000	$ 1,138,756	$ 2,043,756
2001	955,000	1,094,638	2,049,638
2002	990,000	1,048,081	2,038,081
2003	1,040,000	999,819	2,039,819
2004	1,080,000	949,119	2,029,119
2005 through 2017	17,775,000	6,848,613	24,623,613
Total Obligations	$22,745,000	$ 12,079,026	$34,824,026

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 1999 are as follows:

Year Ending June 30	Principal	Interest	Total
2000	$ 125,000	$ 75,817	$ 200,817
2001	135,000	68,080	203,080
2002	145,000	59,608	204,608
2003	155,000	50,380	205,380
2004	165,000	40,419	205,419
2005 through 2007	560,000	54,194	614,194
Total Obligations	$1,285,000	$348,498	$1,633,498

Receipts from tuition, matriculation fees, and other fees legally designated solely for the purpose of debt retirement for institution bonds are recorded directly in the funds for retirement of indebtedness as student tuition revenue. Mandatory transfers from auxiliary enterprises revenue for debt retirement on the revenue bonds are reflected as transfers from unrestricted current funds to the funds for retirement of indebtedness subgroup of the plant funds group.

In prior years, The Citadel defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments (principal and interest) on the old bonds. As a result, because the revenue bonds are considered defeased, the liability for the defeased bonds has been removed from the investment in plant funds subgroup and the trust account assets are not included in these financial statements. At June 30, 1999, $13,165,000 of bonds outstanding is considered defeased.

NOTE 4 – BONDS PAYABLE (CONTINUED)

The Citadel reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 1999.

Bond Type	Principal	Interest
State Institution	$ 120,000	$ 82,405
Revenue Bonds	870,000	1,170,566
Total	$990,000	$1,252,971

Of the interest, $52,943 was capitalized as part of the cost of the Barracks Replacement project completed in 1999. In addition, amortization of deferred charges of $27,376 is reported as an element of interest and other charges on indebtedness in the current year.

Debt Service Limitation on State Institution Bonds
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 ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding fiscal year. Tuition fees for the fiscal year ended June 30, 1998, were $492,102, which results in a legal annual debt service limit at June 30, 1999, of $442,892.

Arbitrage Liability Accrual
Arbitrage liability for the Revenue Bond is $2,739. This liability balance of $2,739 represents current year other deductions in the retirement of indebtedness subgroup. Ninety percent of the liability is required to be rebated to the federal government no later than 60 days after October 30, 2002.

NOTE 5 - NOTES PAYABLE

	Interest	Maturity	Amount
Note due to the State of South Carolina			
Note dated 08/01/81, revised 12/08/89	6.80%	12/08/08	$263,513

The note is payable in annual installments plus interest. Amounts including interest required to complete payment of the note as of June 30, 1999 are as follows:

Year Ending June 30	Principal	Interest	Total
2000	$ 19,253	$ 17,919	$ 37,172
2001	20,563	16,609	37,172
2002	21,961	15,211	37,172
2003	23,454	13,718	37,172
2004	25,049	12,123	37,172
After 2004	153,233	32,628	185,861
Total Obligations	$263,513	$108,208	$371,721

NOTE 5 – NOTES PAYABLE (CONTINUED)

The College has pledged a portion of income from ticket sales, facility rentals, and student fees to make these payments.

Principal paid on the note payable was $18,027 for the year ended June 30, 1999. Interest for 1999 for this note was $18,532 and is recorded in the plant funds.

NOTE 6 – LEASE OBLIGATIONS

The college is obligated under an operating lease for the use of equipment. In addition, The Citadel is obligated under capital leases for the acquisition of equipment. Future commitments for capital leases and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 1999, were as follows:

Year ending June 30	Capital Leases(Equipment)	Operating Leases(Equipment)
2000	$25,176	$816
2001	25,176	816
2002	13,473	204
2003	-0-	-0-
2004	-0-	-0-
Total minimum lease payments	$63,825	$1,836
Less: interest	5,085	
Less: executory costs	13,796	
Principal outstanding	$44,944	

Capital Leases

During the current year, The Citadel entered into a capital lease for a Pitney Bowes Documatch System in the total amount of $46,914. Capital leases are generally payable in monthly installments from unrestricted current funds resources transferred to retirement of indebtedness subgroup of the plant funds group and have terms expiring in fiscal year 2002. Capital lease expenditures for fiscal year 1999 were $21,782, of which $3,606 represented interest and $4,456 represented executory costs. Interest rates range from 4.22% to 9.65%. The carrying value of the equipment held under capital lease at June 30, 1999 is $63,995.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

The Citadel had no capital leases with related parties in the current fiscal year.

Operating Leases

The college's noncancellable operating lease having a remaining term of more than one year expires in fiscal year 2002. Certain operating leases provide for renewal

NOTE 6 – LEASE OBLIGATIONS (CONTINUED)

options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of South Carolina does not provide adequate funding. The probability of this occurring is considered remote. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

Total operating lease expenditures for equipment in 1999 were $816. The Citadel reports these costs in the unrestricted current funds functional expenditure categories.

The Citadel had no operating leases with related parties in the current fiscal year.

NOTE 7 - INTERFUND TRANSFERS

Debt service funds become available for transfer because of the maintenance of minimum balances including reserves for payment of debt service and facility operating costs as required by bond indentures and law. Tuition, fees, and revenues pledged for debt service when collected remain in the debt service accounts of the retirement of indebtedness fund subgroup until they are transferred by the State Treasurer into a general capital improvements funding account. For State Institution Bonds issued by the State of South Carolina on behalf of The Citadel, the State Treasurer automatically transfers qualified funds. As needed, monies are transferred from the general capital funding account to specific capital projects accounts. For the most part, institutions are authorized to make transfers for specific projects with notification to the State Treasurer.

The Citadel reports its general capital funding account in the unexpended plant funds subgroup. In fiscal year 1999, The Citadel transferred $303,580 for that purpose which is reported as a nonmandatory transfer from the retirement of indebtedness subgroup and the unexpended balance in the general capital projects funding account of the unexpended plant funds subgroup is reported in unrestricted fund balance. During the current year, The Citadel transferred $114,104 within that subgroup from the general funding account to finance specific capital projects. Unexpended balances of the capital project accounts are reported as restricted fund balances in the unexpended plant funds subgroup.

In addition, during fiscal year 1999, The Citadel recorded interfund transfers and transfers with its blended and discretely presented component units, as follows:

Fund			
From	**To**	**Amount**	**Purpose**
Mandatory Transfers			
Unrestricted Current	Retirement of Indebtedness	$2,051,169	Funds to cover Revenue Bond debt service payments

NOTE 7 – INTERFUND TRANSFERS (CONTINUED)

NOTE 7 – INTERFUND TRANSFERS (CONTINUED)

Fund From	Fund To	Amount	Purpose
Nonmandatory Transfers			
Unrestricted Current	Endowment	$ 572	Board designated additions to quasi-endowment funds
Unrestricted Current	Unexpended Plant	$1,177,830	Funding for various construction projects
Unrestricted Current	Retirement of Indebtedness	$ 17,326	Funding for capital lease payments
Unrestricted Current	Retirement of Indebtedness	$ 10,473	Funding for miscellaneous bond service fees
Restricted Current	Endowment	$ 50,101	Board designated additions to quasi-endowment funds
Restricted Current	Unexpended Plant	$ 197,969	Funding for various construction projects
Restricted Current	Retirement of Indebtedness	$ 37,172	Inaugural Campaign funds for debt service requirements
Endowment	Unrestricted Current	$ 159,778	Quasi-endowment unrestricted funds for current expenditures
Unexpended Plant	Unrestricted Current	$ 11,922	Return of unspent funds to funding source

NOTE 8 - PENSION PLANS

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

The majority of employees of The Citadel 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

NOTE 8 - PENSION PLANS (CONTINUED)

living adjustment, death, and group-life insurance benefits to eligible employees and retirees.
Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 30 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after 5 years service and qualify for a survivor's benefit upon completion of 15 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of 5 years credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 1998, the employer contribution rate became 9.58 percent which included a 2.03 percent surcharge to fund retiree health and dental insurance coverage. The Citadel's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 1999, 1998, and 1997, $1,447,630, $1,358,492, and $1,300,805, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, The Citadel paid employer group-life insurance contributions of $28,761 in the current fiscal year at the rate of .15 percent of compensation. The Citadel paid no pension costs for employees on educational leave.

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

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 1998 the employer

NOTE 8 - PENSION PLANS (CONTINUED)

contribution rate became 12.33 percent which, as for the SCRS, included a 2.03 percent surcharge. The Citadel’s actual contributions to the PORS for the years ending June 30, 1999, 1998, and 1997, were $37,760, $36,052, and $35,377, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, The Citadel paid employer group-life insurance contributions of $733 and accidental death insurance contributions of $733 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

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

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contributions rates to SCRS and PORS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

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

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

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

ORP participation is limited to faculty and administrative staff of the State's four-year higher education institutions 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.

NOTE 8 - PENSION PLANS (CONTINUED)

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.03 percent from the employer in fiscal year 1999.

Certain of The Citadel's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were $181,467 excluding the surcharge from the college as employer and $144,215 from its employees as plan members. In addition, The Citadel paid $3,605 for group-life insurance coverage for these employees. Amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

NOTE 9 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

These benefits are provided through annual appropriations by the General Assembly to The Citadel 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 Citadel for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 18,900 State retirees meet these eligibility requirements.

The Citadel recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of $1,432,071 for the year ended June 30, 1999. As discussed in Note 8, The Citadel paid $445,465 applicable to the 2.03% 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 The Citadel retirees is not available. By State law, The Citadel has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

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

NOTE 10 - DEFERRED COMPENSATION PLANS

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

On August 20, 1996, the provisions of Internal Revenue Code Section 457 were amended by adding subsection (g). That subsection provides that new plans will not be considered eligible plans unless all assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. Existing plans also had to comply with this requirement by January 1, 1999. South Carolina’s plan adopted this change effective July 24, 1998.

During fiscal year 1997-98 the college established The Citadel Executive Severance Plan. This plan was initially an executive severance plan at Woodberry Forest School. However, the plan was amended and restated as the Woodberry Forest School/The Citadel Executive Severance Plan on June 30, 1997. Effective December 31, 1997, Woodberry Forest withdrew as a participating employer in this plan. The Executive Severance Plan was adopted for certain of the institutions’ executive or highly-compensated employees. The plan is intended to be a “bona fide severance pay plan” and a “bona fide death benefit plan” as defined in Section 457(e)(11) of the IRC and a “top hat” severance pay and death benefit plan. Section 457 (e) (11) (A) provides for the establishment of plans for severance pay and death benefits for which contributions by the employer are not considered taxable compensation at the time paid into the plan but become taxable compensation at the time of withdrawal pursuant to section 451 of the IRC of 1986, as amended. Upon bona fide severance participants will be required to withdraw all funds as taxable compensation within a two-year period from the date of severance. Eligible employees are any persons employed by the sponsor who are determined by the sponsor to be a select group of management or highly- compensated employees and who are designated by the Board to be eligible employees under the plan. The only employee so designated is John Grinalds, president of The Citadel.

The Citadel Trust contributed $20,000 to The Citadel Executive Severance Plan in fiscal year 1999 and intends to contribute similar amounts in future years. Because this plan is a Section 457 (e) (11) plan, plan assets remain the property of The Trust until paid or made available to participants and are subject to the claims of The Citadel’s general creditors. At June 30, 1999, the $134,041 plan balance is included in investments in the unrestricted current funds. This amount is also reported as a deferred compensation liability in the unrestricted current

NOTE 10 - DEFERRED COMPENSATION PLANS (CONTINUED)

funds. Of this amount, cumulative Citadel contributions total $38,334. John Grinalds contributed $3,000 in fiscal year 1999, for a cumulative total of $4,500. A contribution of $68,326 was received from Woodberry Forest School in fiscal year 1998, when Woodberry Forest was a co-participant in the plan. The remaining balance in this fund is composed of investment income of $22,881.

A Supplemental Executive Retirement Plan functioning under section 457(f) was established at the same time as the Executive Severance Plan. There are currently no participants in the Supplemental Executive Retirement Plan and no funds have been invested in this plan. Eligible employees are any persons employed by the sponsor who are determined by the sponsor to be a select group of management or highly- compensated employees and who are designated by the Board to be eligible employees under the plan. The only employee so designated is John Grinalds, president of The Citadel.

NOTE 11 - INVENTORIES

Inventories for internal use are valued at cost. Inventories for resale are valued at the lower of cost or market. The following is a summary by inventory category of cost determination method and value at June 30, 1999:

Category	Method	
Cadet Store	First-in, first-out	$1,094,811
Gift Shop	First-in, first-out	265,057
Tailor Shop	First-in, first-out	132,785
Central Stores	Moving weighted average cost	34,352
		$1,527,005

NOTE 12 - INTERFUND LIABILITIES AND BORROWINGS

For the most part, The Citadel operates out of one cash account which is recorded in unrestricted current funds. At fiscal year-end, entries are made to properly reflect cash balances by fund group and subgroup and to report interfund liabilities for deficit cash balances in the State's cash management pool accounts. In addition, during the year, certain interfund borrowings occurred. All of the amounts are payable within one year, unless otherwise agreed, without interest. Individual interfund balances outstanding at June 30, 1999, were as follows:

A. The interfund advance arose during fiscal year 1985 when the retirement of indebtedness funds advanced $587,655 to unexpended plant funds for the stadium lights project. During the current fiscal year, $10,000 was repaid which reduced the balance to $500,000. Current year plans call for a similar type reduction each year, using assets from the President's Inaugural Campaign.

B. All other interfund debt is temporary in nature representing cash advances that were primarily used to pay operating expenses. These amounts are considered currently due.

NOTE 13 - STUDENT LOANS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE

With minor exceptions, allowances for losses for student loan receivables and various accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current loan and account portfolios. At June 30, 1999, the allowances for accounts receivable in unrestricted current funds and student loans receivable in loan funds are valued at $177,905 and $242,085.

NOTE 14 - CONSTRUCTION COSTS AND COMMITMENTS

The Citadel has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that The Citadel has sufficient resources available and/or future resources identified to satisfactorily complete the construction of these projects which are expected to be completed in varying phases over the next five years at an estimated total cost of $23,454,000. Of the total cost, approximately $7,900,000 is unexpended at June 30, 1999. Of the total expended through June 30, 1999, The Citadel has capitalized substantially complete and in use projects costing $14,844,260 in the applicable plant asset categories. Of the unexpended balance at June 30, 1999, The Citadel had remaining commitment balances of approximately $1,440,000 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Major capital projects at June 30, 1999, which constitute construction in progress that will be capitalized when completed, are listed below.

Project Title	Estimated Cost	Amount Expended
Lab Renovations - Chemistry	$ 222,831	$149,050
Thompson Hall Replacement	6,282,000	524,845
Rifle Range A & E	50,000	10,317
Holliday Alumni Center A & E	379,200	19,731
	$ 6,934,031	$703,943

At June 30, 1999, The Citadel had in progress other capital projects which are not to be capitalized when completed. These projects are for replacements, repairs, and/or renovations to existing facilities and to repair and improve all utility delivery systems regarding campus infrastructure. Costs incurred to date on these projects amount to approximately $10,353,000 at June 30, 1999, and the estimated cost to complete is approximately $4,900,000. At June 30, 1999, The Citadel had remaining commitment balances of approximately $524,000 with certain parties related to these projects.

The Citadel anticipates funding these projects out of current resources, current and future bond issues, state capital improvement bond proceeds, private gifts, and student fees.

NOTE 15 - DEPOSITS AND INVESTMENTS

All deposits and investments of The Citadel are the under control of the State Treasurer who, by law, has sole authority for investing State funds. Certain monies are deposited with or managed by financial institutions and brokers. Deposits and investments of The Citadel Trust are not under the State Treasurer's control.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

Balance Sheet		Footnotes	
Cash and Cash Equivalents	$15,037,316	Cash on Hand	$ 46,872
Investments	48,806,670	Deposits Held by State Treasurer	13,985,331
		Other Deposits	216,421
		Investments	49,595,362
	$63,843,986		$63,843,986

Deposits Held by 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. At June 30, 1999, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

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 agent 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.

As disclosed in Note 1, retirement of indebtedness plant funds include $2,789 restricted cash for a reserve fund to liquidate the potential arbitrage liability.

Other Deposits

The Citadel's other deposits at year-end were entirely covered by federal depository insurance or by collateral held by The Citadel's custodial bank in The Citadel's name. Loan funds include $16,000 restricted cash for a loan participation deposit.

The Citadel's other deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. There are three categories of deposit credit risk as follows:

(1) Insured or collateralized with securities held by the entity, or by its agent in the entity's name. (Not held by the bank.)
(2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

NOTE 15 - DEPOSITS AND INVESTMENTS (CONTINUED)

(3) Uninsured or uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.)

All but $27,509 of other deposits are owned by The Citadel Trust, a component unit of The Citadel. The other deposits owned by The Citadel relate to required loan deposits and cash on hand with the College's Perkins Loan servicer. A summary of the June 30, 1999, bank balances of other deposits classified by category of risk is as follows:

	Category of Risks			Bank	Reported
	1	2	3	Balance	Amount
Cash deposits	$214,639	$163	$ -	$214,802	$216,421

Investments

All investments are owned by The Citadel Trust, a component unit of The Citadel. Authorized investments include U.S. government/government-insured securities and corporate stocks and bonds, as authorized by trust agreements and The Citadel Trust Board of Directors.

"Investments" are stated at fair value at the date of donation in the case of gifts. Purchases and sales are accounted for on the trade date. Unrealized gains and losses on investments have been recorded. Realized gains and losses on securities transactions are recorded on the accrual basis. Earnings are recorded quarterly.

The Citadel's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in The Citadel Trust's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in The Citadel Trust's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in The Citadel Trust's name. Investments which do not meet the definition of investment securities are listed below but are not classified by risk category. A summary of investments at June 30, 1999, by category of credit risk is as follows:

	Category of Risk			Fair
	1	2	3	Value
U.S. Treasury Notes/Bonds	$1,981,377	$ 8,599,240	$ -	$10,580,617
U.S. Government and Agency Bonds	93,434	1,844,762	-	1,938,196
Corporate Bonds	120,472	5,407,948	-	5,528,420
Corporate Stock	6,935,846	1,392,248	-	8,328,094

NOTE 15 - DEPOSITS AND INVESTMENTS (CONTINUED)

	$9,131,129	$17,244,198	$ -	26,375,327
Investments not subject to categorization:				
Open-ended Mutual Funds and Bank Common Trust Funds				23,205,579
Restricted Deposit with Life Insurance Company				14,456
Total Investments				$49,595,362

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.

The investments are maintained at the trust/investment departments of Bank of America, Wachovia National Bank, Robinson-Humphrey, the Common Fund, First Union National Bank, and Carolina First Bank.

The Citadel Trust Board of Directors has a formal investment policy, and current investments are within the guidelines which have been established by the Board.

NOTE 16 - PLEDGES OF GIFTS AND SPLIT INTEREST AGREEMENTS

The Citadel recognizes revenue from pledges when collected.

The majority of pledges to The Citadel originated from the (1) Mark Clark Campaign and (2) the Inaugural Campaign. The Mark Clark Campaign was a joint capital campaign conducted in 1984 with The Citadel Development Foundation and The Brigadier Foundation, with a goal of raising $27,000,000 to be used for academic programs and capital expenditures. The amounts of pledges collected and received by The Citadel Development Foundation or The Brigadier Foundation are not readily available. The Citadel Development Office began the Inaugural Campaign in 1990, to raise $1,500,000 to be used to assist in retiring the Citadel's outstanding debts. There are no outstanding pledges for this campaign. At June 30, 1999, approximately $79,000 of the $1,115,799 collected for this campaign remained unspent.

During the year ended June 30, 1999, the Citadel evaluated the collectibility of pledges and certain receivables were reduced to realizable value.

For the year ending June 30, 1999, The Citadel received $91,385 in Mark Clark Campaign pledge payments. These pledge payments were recorded as private gift revenue in the unrestricted current fund in fiscal year 1999. As of June 30, 1999, the cumulative total for the campaign was $11,711,052. These contributions include cash, stocks, bonds, life insurance policies, real property, and equipment. Restricted gifts and pledges are to be used primarily for endowed chairs, scholarships, and construction and/or improvements to various buildings. The pledge receivables for the Mark Clark Campaign are due to be collected as follows:

Year Ending June 30	Unrestricted	Restricted	Total
2000	$ 20,000	$ 20,000	$ 40,000

NOTE 16 - PLEDGES OF GIFTS AND SPLIT INTEREST AGREEMENTS (CONTINUED)

2001	-	-	-
2002	-	-	-
2003	-	-	-
2004	-	-	-
After 2004*	148,550	1,535,900	1,684,450
Total	$168,550	$1,555,900	$1,724,450

* A majority of these pledges are by bequest.

As of June 30, 1999, other pledges to The Citadel totaled $811,846 (excluding the uni-trust and the CRT pledges described later in this note). During the year ended June 30, 1999, The Citadel recorded $6,731 received as unrestricted pledge payments as private gift revenue in the unrestricted current fund and $23,660 received as restricted pledge payments as private gift revenue in the restricted current fund. These funds are to be used for academic programs and capital expenditures and are due to be collected as follows:

Year Ended June 30	Unrestricted	Restricted	Total
2000	$ 1,758	$229,065	$ 230,823
2001	-	276,252	276,252
2002	-	226,136	226,136
2003	-	76,000	76,000
2004	-	-	-
After 2004*	775	1,860	2,635
Total	$2,533	$809,313	$811,846

*A majority of these pledges are by bequest.

Because it is not practicable to estimate the net realizable value of the uncollected pledges, pledges receivable are not reported in the financial statements.

During December 1993 a benefactor established a charitable remainder uni-trust, consisting of publicly traded common stock valued at $60,000,000, to which The Citadel Trust, Inc., is entitled to one-third of the remaining assets upon the benefactor's death. Annually the uni-trust is to pay to the benefactor 6% of the net fair market value of the assets in the charitable remainder trust, valued as of the first day of each taxable year of such trust. If income from these assets is insufficient to pay this amount, it will be paid from principal. The Trust is irrevocable and is not managed by The Citadel or The Citadel Trust. The $20,000,000 unrestricted pledge for the charitable uni-trust is not included in the above summary of other pledges receivable at June 30, 1999.

During fiscal year 1999 another donor established a charitable remainder trust (CRT), consisting of assets valued at less than $600,000, to which The Trust is entitled to all of the remaining assets upon the death of the CRT beneficiaries.

NOTE 17 - RELATED PARTIES (CONTINUED)

The pledge for the CRT is restricted for scholarships. These assets held in trust are not held or managed by The Trust, and the ultimate amount received cannot be reasonably estimated; accordingly, such assets are not included in these financial statements.

NOTE 17 - RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of The Citadel exist primarily to provide financial assistance and other support to The Citadel and its educational program. They include The Citadel Development Foundation (CDF), The Brigadier Foundation, and the Association of Citadel Men. The financial statements of these entities are audited by independent auditors retained by them. The activities of these organizations are not included in The Citadel's financial statements. However, The Citadel's statements include transactions between The Citadel and its related parties.

In conjunction with its implementation of GASB Statement No.14, management reviewed its relationships with the related entities described in this note. The Citadel excludes these entities from the reporting entity because it is not financially accountable for them. As part of its affiliated organizations project, the GASB is currently studying other circumstances under which organizations that do not meet the financial accountability criteria would be included in the financial reporting entity. Depending on the outcome of that project and other future GASB pronouncements, some or all of these related parties may become component units of The Citadel and part of the financial reporting entity.

Various transactions occur between The Citadel and these related parties. Unless otherwise noted below, funds, other than expenditure reimbursements, received from those related parties are primarily reported as private gifts, grants and contracts revenue in restricted current funds. A summary of these transactions and balances at June 30, 1999, follows:

Citadel Alumni Association

Reimbursement to The Citadel for certain expenses incurred on behalf of the Association	$102,435
Funds received by The Citadel for Association's share of Citadel Magazine's publication costs	$75,000
Balance Due from the Association included in accounts receivable (unrestricted current funds)	$14,474

The Brigadier Foundation

Funds received for athletic scholarships	$655,000
Reimbursement to The Citadel for certain expenses incurred on behalf of the Foundation	$283,154
Funds received by The Citadel for Brigadier's share of Citadel Magazine's publication costs	$15,000
Balance Due from the Brigadier included in	

NOTE 17 - RELATED PARTIES (CONTINUED)

accounts receivable (unrestricted current funds)	$20,000

The Brigadier Foundation is indebted to The Citadel for $114,000 as of June 30, 1999, for the athletic grants-in-aid on an interest-free note dated October 10, 1984, in the original amount of $208,436. The receivable is reported in restricted current funds. The Citadel did not receive any payments on this loan in fiscal year 1999. The Citadel has not established a payment schedule for this loan.

NOTE 17 - RELATED PARTIES (CONTINUED)

The Citadel Development Foundation

Funds received for grants, awards, and scholarships	$3,510,105
Reimbursement to The Citadel for certain expenses incurred on behalf of the Foundation	$64,162
Funds received by The Citadel for the Foundation's share of Citadel Magazine's publication costs	$23,200
Funds received by the Citadel for salary supplements	$42,943

In 1999, The Citadel participated in The Citadel Development Foundation Annual Fund Drive. The Citadel Development Foundation (CDF) contacted donors and received all contributions. Gifts designated for The Citadel were processed by CDF and subsequently remitted to The Citadel. The Citadel reimbursed CDF for direct expenses and paid CDF a fee for their services based on a percentage of total gifts collected. The fee payment is recorded as institutional support expenditures in the unrestricted current fund. For the calendar year ending December 31, 1998, The Citadel paid CDF $7,681 for fund-raising services and reimbursed CDF for direct costs of $1,005. For the fiscal year ending June 30, 1999, CDF collected contributions of $333,631 on behalf of The Citadel. These contributions are recorded in the unrestricted current, restricted current, and endowment funds. Cumulative pledges made to The Citadel through the CDF Annual Fund Drives and receivable at June 30, 1999, total $7,594. These pledges are included in the Note 16 information on other pledges.

NOTE 18 – TRANSACTIONS WITH STATE ENTITIES

The Citadel has significant transactions with the State of South Carolina and various State agencies. Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Budget and Control Board.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plans administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The Citadel had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans' employee and employer contributions, surplus property disposal fees, insurance coverage, office supplies, printing, telephone, and interagency mail services. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 1999 expenditures applicable to these transactions are not readily available.

NOTE 18 – TRANSACTIONS WITH STATE ENTITIES (CONTINUED)

The Citadel provided no services free of charge to other State agencies during the fiscal year; however, The Citadel provided printing and facilities rental services to various State agencies for a fee.

NOTE 19 - CONTINGENCIES AND LITIGATION

The Citadel is involved in a number of legal proceedings and claims with various parties arising in the normal course of business. One lawsuit challenging the constitutionality of The Citadel's policy restricting admission into the Corps of Cadets to males began in 1993 in the Federal Court in Charleston and part of that case is still pending. The issues in the case were essentially resolved in June 1996 when The Citadel Board of Visitors changed the policy and allowed women as well as men to enter the Corps of Cadets.

Despite the change in policy, which made moot the issue of the constitutionality of the admissions policy, a judgment was entered by the District Court in August 1996 finding The Citadel's admissions policy in violation of the U.S. Constitution. The Fourth Circuit Court of Appeals vacated that judgement.

Attorneys for the plaintiff applied to the United States District Court in Charleston for judgment against the defendants in excess of $5,700,000 in attorneys fees. The Citadel and the State of South Carolina were joint defendants in the case. The judge awarded $4,564,204 to be paid to the plaintiff’s attorneys. That amount was negotiated and reduced to $3.2 million. The State’s Insurance Reserve Fund has already paid $1 million of the settlement as part of the regular tort liability of the college. The State Legislature authorized the Insurance Reserve Fund in the 1999-2000 Appropriation Act to pay the remaining $2.2 million of the settlement. The Citadel no longer has any potential liability for the single gender court case.

In addition, four (4) other suits are currently being litigated. Because the College's insurance should cover any potential damages should the College be found at fault, these cases are not expected to have a material adverse effect on the financial position of The Citadel and the College has not recorded an estimated loss liability.

The various federal programs administered by The Citadel for fiscal year 1999 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined, but The Citadel believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the College. Therefore, an estimated loss has not been recorded.

NOTE 20 - RISK MANAGEMENT

The Citadel is exposed to various risks of loss and maintains State or commercial insurance coverage for all of those risks except business interruption insurance coverage. Management believes such coverage is sufficient to preclude any

NOTE 20 - RISK MANAGEMENT (CONTINUED)

significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The Citadel pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management 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 risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The Citadel and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets and activities:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles, and watercraft (inland marine);
4. Torts;
5. Natural disaster; and
6. Medical malpractice claims against the Infirmary.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, The IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for ocean marine coverage. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State’s Health and Disability Insurance Fund and in the IRF.

NOTE 20 - RISK MANAGEMENT (CONTINUED)

The Citadel obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. All employees are covered for $100,000. In addition, the Vice President for Finance and Business Affairs and the College's Treasurer are covered under public official bonds for $250,000 and $50,000, respectively.

Building contents risks of loss are not fully covered. The building contents including equipment and supplies are insured for an amount based on the carrying value of the equipment in the building.

The College has recorded insurance premium expenditures of $345,531 in the applicable functional expenditure categories of the unrestricted current fund.
The Citadel has not transferred the portion of risk of loss related to insurance policy deductibles, underinsurance, and coinsurance to a State or commercial insurer. The Citadel reported expenditures of $750 in the current year for actual claims payments and costs related to such retained risks of loss. The Citadel has not reported an estimated claims loss expenditure and the related liability as of June 30, 1999, based on the requirements of GASB Statements No. 10 and No. 30, which state that a liability for claims must be reported if information prior to the issuance of financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before the close of the fiscal year, and the amount of the loss is reasonably estimable.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to The Citadel's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore no loss accrual has been recorded.

NOTE 21 - FUND BALANCES

The balances of the fund groups making up the restricted current funds at June 30, 1999 are as follows:

	1999
Restricted for research	$190,889
Restricted for scholarships and student aid	2,693,236
Restricted for other specified purposes	3,794,650
	$6,678,775

The balances of the fund groups making up the loan funds at June 30, 1999 are as follows:

	1999
U.S. Government Grants Refundable	$550,463
College Funds - restricted	1,219,014
	$1,769,477

NOTE 21 - FUND BALANCES (CONTINUED)

The balances of the fund groups making up the endowment and similar funds at June 30, 1999 are as follows:

	1999
Endowment - restricted	$18,060,474
Quasi-endowment - unrestricted	3,755,984
Quasi-endowment - restricted	15,909,503
	$37,725,961

The balances of the fund groups making up the plant funds at June 30, 1999 are as follows:

	1999
Unexpended Plant:	
Restricted	$5,851,134
Unrestricted – designated	4,626,143
	$10,477,277
Retirement of Indebtedness:	
Restricted	$479,222

NOTE 22 – AUTHORIZATION TO USE TRUST ASSETS

The Citadel Alumni Association, a related party of The Citadel, is currently in the process of renovating a building near The Citadel campus that will become the new alumni center when it is complete. The Alumni Association is currently attempting to secure financing for this project. In order to help the Association obtain favorable financing, The Board of Visitors of The Citadel has verbally committed that the Alumni Association may use Citadel Trust assets to help secure this financing if required by the lender. This amount is not to exceed $740,000. As of June 30, 1999, no financing had been obtained. When financing is obtained, Trust assets may or may not be required to be pledged as collateral by the lender.

NOTE 21 - FUND BALANCES (CONTINUED)

NOTE 23 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT OF 1998 BALANCES

During fiscal year 1999, The Citadel corrected the following error involving the application of accounting principles regarding fund group classification and fund balance restrictions resulting from restrictions specified by the external donors. Between 1989 and 1997 The Citadel Trust became the owner of certain life insurance policies and recorded the gift revenue and related cash surrender values in the unrestricted current fund and restricted current fund. Other policies without donor restrictions on the use of the insurance proceeds are reported in the unrestricted current fund. However, the deeds of trust for these three gifts specify that the life insurance proceeds should be used to permanently endow scholarship funds. Accordingly, these cash surrender value accounts and the related fund balances should be recorded in the restricted endowment fund. To correct the errors, these asset accounts and the $3,228 of the unrestricted current fund balance and $223,827 of the restricted current fund balance restricted for other purposes have been reclassified.

Effective July 1, 1997, The Citadel implemented GASB #31 which requires reporting deposits and investments at fair value and requires unrealized gains/losses arising from changes in the fair value of investments to be reported in investment income. During FY 99 The Citadel determined that it had used the wrong fair value amounts to compute accrual adjustments for investment income for unrealized gains/losses for amounts in the State’s internal cash management pool and to report its fiscal year end cash and cash equivalents balances for amounts in the State’s pool. The Citadel restated cash and cash equivalents balances and the related fund balance accounts in each of its fund groups and subgroups, except loan funds and the investment in plant funds subgroup which weren’t affected. Futhermore, the effects of the error corrections on FY 98 investment income by fund group/subgroup are shown below.

In fiscal year 1998 The Citadel issued Revenue Bonds and incorrectly recorded a portion of the bonds payable balance in the retirement of debt subgroup of the plant funds. This error in fund classification of long-term plant debt has been corrected by eliminating the bonds payable balance in the retirement of debt subgroup and restating the beginning fund balance for the retirement of debt subgroup. The bond payable balance is correctly presented in the net investment in plant subgroup and the beginning fund balance for this subgroup has also been restated.

The following is a summary of the effects of the changes as of and for the year ended June 30, 1998, for the above described error corrections:

Unrestricted Current Funds	**As Previously Reported**	**Restatement Adjustment**	**As Restated**
Cash and Cash Equivalents	$7,921,058	(124,482)	$7,796,576
Cash Surrender Value of Life Insurance	$22,546	(3,228)	$19,318

NOTE 21 - FUND BALANCES (CONTINUED)

Fund Balances	$10,111,587	(127,710)	$9,983,877
Unrestricted Current Funds Revenues	$51,130,550	(124,482)	$51,006,068
Investment Income	$842,022	(124,482)	$717,540

Restricted Current Funds

Cash and Cash Equivalents	$218,479	(217)	$218,262
Cash Surrender Value of Life Insurance	$223,827	(223,827)	$ -0-
Fund Balances:			
Restricted for research	$9,428	-0-	$9,428
Restricted for scholarships	$1,831,951	(217)	$1,831,734
Restricted for other purposes	$4,012,144	(223,827)	$3,788,317
Investment Income	$712,932	(217)	$712,715

Endowment and Similar Funds	As Previously Reported	Restatement Adjustment	As Restated
Cash and Cash Equivalents	$785,452	(2,174)	$783,278
Cash Surrender Value of Life Insurance	$ -0-	227,055	$227,055
Fund Balances:			
Endowment – Restricted	$16,521,304	227,055	$16,748,359
Quasi-endowment – unrestricted	$3,646,940	-0-	$3,646,940
Quasi-endowment – restricted	$14,822,675	(2,174)	$14,820,501
Investment Income	$4,331,033	(2,174)	$4,328,859

Unexpended Plant Funds

Cash and Cash Equivalents	$14,831,928	(399,851)	$14,432,077
Fund Balances:			
Restricted	$6,511,259	(194,973)	$6,316,286
Unrestricted	$5,796,755	(204,878)	$5,591,877
Investment Income	$1,197,323	(399,851)	$797,472

Retirement of Indebtedness Funds

Cash and Cash Equivalents	$4,138	28	$4,166
Bonds Payable	$300,055	(300,055)	$- 0
- Fund Balances (Restricted)	$204,015	300,083	$504,098
Investment Income	$(12,967)	28	$(12,939)

Net Investment in Plant

Bonds Payable	$- 0 -	300,055	$300,055
Net Investment in Plant	$75,845,334	(300,055)	$75,545,279

NOTE 21 - FUND BALANCES (CONTINUED)

Totals Column – 1998 Balance Sheet

Cash and Cash Equivalents	$23,879,657	(526,696)	$23,352,961
Fund Balances	$65,244,403	(226,641)	$65,017,762
Net Investment in Plant	$75,845,334	(300,055)	$75,545,279

Totals Column – 1998 Statement of Changes in Fund Balances

Unrestricted Current Funds Revenues	$51,130,550	(124,482)	$51,006,068
Investment Income – restricted	$6,371,508	(402,214)	$5,969,294

NOTE 21 - FUND BALANCES (CONTINUED)

Totals Column – 1998 Statement of Current Funds Revenues, Expenditures and other Changes	As Previously Reported	Restatement Adjustment	As Restated
Investment Income	$1,066,162	(124,699)	$941,463
Net Increase in Fund Balances	$1,649,910	(124,699)	$1,525,211

NOTE 21 - FUND BALANCES (CONTINUED)

Required Supplementary Information

NOTE 21 - FUND BALANCES (CONTINUED)

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Year 2000 Issues
June 30, 1999

The year 2000 issue arises because most computer software programs allocate two digits to the *Year* date field on the assumption that the first two digits will always be *19.* Without reprogramming, such programs will interpret, for example, the year 2000 as the year 1900. Also, some programs may be unable to recognize that the year 2000 is a leap year.

The year 2000 issue may affect electronic equipment containing computer chips that have date recognition features – such as environmental systems, elevators, and vehicles – as well as computer software programs. In addition, the year 2000 issue affects not only computer applications and equipment under The Citadel's direct control but also the systems of other entities with which The Citadel's direct control but also the systems of other entities with which The Citadel transacts business. Some of The Citadel's systems/equipment affected by the year 2000 issue are critical to the continued and uninterrupted operations of The Citadel.

The computer systems identified as most crucial to The Citadel's operations are: the Financial Records System (FRS), the Student Information System (SIS), and the Human Resources System (HRS).The FRS is The Citadel's accounting system and includes payroll, budgeting, debt, and other accounting transactions. Important, but not mission critical systems, include the Alumni Development System (ADS), most of the personal computers throughout campus, the Library, the facility management systems and other electronic equipment such as telephones and elevators.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that The Citadel is or will be year 2000 ready, The Citadel's remediation efforts will be successful in whole or in part, or that parties with whom The Citadel does business will be year 2000 ready.

The Citadel has purchased and installed upgrades of its mission critical software. These systems have been tested by the software vendor in all critical areas. The costs of these upgrades and their installation costs have been absorbed by The Citadel as part of its routine software systems operating budget.

Work to address the year 2000 issue with respect to each system critical to conducting operations falls predominantly within one of the following stages of work:

NOTE 21 - FUND BALANCES (CONTINUED)

1. Awareness stage – Establishing a budget and project plan for dealing with the year 2000 issue.
2. Assessment stage – Identifying the systems and components for which year 2000 work is needed.
3. Remediation stage – Making changes to systems and equipment.

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4. Validation/testing stage – Validating and testing changes that were made during the remediation stage.

The Citadel's year 2000 remediation work for its mission-critical systems and electronic equipment are in the following stages of work. C means complete, P means in process, A means still needs to be addressed.

	Awareness	Assessment	Remediation	Validation/ Testing
FRS	C	C	C	C
SIS	C	C	C	C
Library	C	C	C	C
Facility Management System	C	C	C	C
HRS	C	C	C	C

The Citadel has made contingency plans for the possible failure of computer systems and embedded devices and also for possible interruptions to The Citadel's business.

NOTE 21 - FUND BALANCES (CONTINUED)

STATUS OF PRIOR FINDINGS

NOTE 21 - FUND BALANCES (CONTINUED)

The Citadel
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Status of Prior Finding
June 30, 1999

During the current engagement , we reviewed the status of corrective action taken on the finding as reported in the Auditor's Comments section of our report on The Citadel for the fiscal year ended June 30, 1998, and dated October 8, 1998. We determined that The Citadel had taken adequate corrective action on the deficiency noted.

NOTE 21 - FUND BALANCES (CONTINUED)

CURRENT YEAR FINDINGS

NOTE 21 - FUND BALANCES (CONTINUED)

The Citadel
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Current Year Findings
June 30, 1999

There are no current year findings.