

March 24, 1999

The Honorable James H. Hodges, Governor
South Carolina Governor's Office
State House
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Governor's Office for the fiscal year ended June 30, 1998, was issued by Milhous, DeLoach & Williamson, L.L.P., Certified Public Accountants, 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/sj

SOUTH CAROLINA GOVERNOR'S OFFICE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 1998

WITH

REPORT OF INDEPENDENT AUDITORS

CONTENTS

Report of Independent Auditors	1
--------------------------------------	---

Financial Statements

Combined Balance Sheet-All Fund Types and Account Groups	3
Combined Statement of Revenue, Expenditures and Changes in Fund Balances- All Governmental Fund Types.....	5
Combined Statement of Expenditures-Budget and Actual-All Budgeted Funds	8
Notes to Financial Statements.....	11

Other Financial Information

Combining Balance Sheet-General Fund by Division.....	39
Combining Statement of Revenue, Expenditures and Changes in Fund Balances-General Fund by Division.....	40
Combining Statement of Expenditures-Budget and Actual- Budgetary General Fund by Division	42
Combining Balance Sheet-All Special Revenue Funds.....	50
Combining Statement of Revenue, Expenditures and Changes in Fund Balances-All Special Revenue Funds.....	51

Single Audit Section

Schedule of Expenditures of Federal Awards.....	53
Notes to the Schedule of Expenditures of Federal Awards	56
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings and Questioned Costs.....	61

REPORT OF INDEPENDENT AUDITORS

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the South Carolina Governor's Office (the "Office") as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The South Carolina Governor's Office has included such disclosures in *Note 19* to the financial statements. 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. Accordingly, insufficient audit evidence exists to support the South Carolina Governor's Office disclosures with respect to the year 2000 issue made in *Note 19*. Further, we do not provide assurance that the South Carolina Governor's Office's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the South Carolina Governor's Office does business will be year 2000 ready.

As described in *Note 1*, the financial statements of the South Carolina Governor's Office reporting entity are intended to present the financial position and the results of operations of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of certain activities of the South Carolina Governor's Office.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial positions of the South Carolina Governor's Office as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in *Note 1*, to the financial statements, in fiscal year 1998, the South Carolina Governor's Office adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated January 20, 1999 on our consideration of the South Carolina Governor's Office internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As described in *Note 16* to the financial statements, certain programs were transferred to other state agencies from the South Carolina Governor's Office during the year, resulting in a change in the activities and transactions included in these financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the South Carolina Governor's Office. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

January 20, 1999

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1998

	<u>Governmental</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>Fund Types</u>		<u>General</u>	<u>General</u>	
	<u>General</u>	<u>Special</u>	<u>Fixed</u>	<u>Long-Term</u>	
		<u>Revenue</u>	<u>Assets</u>	<u>Debt</u>	
Assets and Other Debits					
Cash and cash equivalents	\$ 1,853,208	\$ 14,219,058	\$ —	\$ —	\$ 16,072,266
Federal grant revenue receivable	—	362,920	—	—	362,920
Due from the State General Fund (Note 6)	571,020	—	—	—	571,020
Fixed assets (Note 7)	—	—	1,461,014	—	1,461,014
Due from Victims' Assistance Fund (Note 4)	—	74,279	—	—	74,279
Due from other state agencies (Note 13)	—	377,405	—	—	377,405
Amount to be provided for retirement of general long-term debt	—	—	—	909,720	909,720
Total assets and other debits	<u>\$ 2,424,228</u>	<u>\$ 15,033,662</u>	<u>\$ 1,461,014</u>	<u>\$ 909,720</u>	<u>\$ 19,828,624</u>
Liabilities, Fund Equity, and Other Credits					
Liabilities:					
Accounts payable	\$ 412,911	\$ 1,063,010	\$ —	\$ —	\$ 1,475,921
Accrued payroll and related liabilities	571,020	485,020	—	—	1,056,040
Accrued compensated absences and related benefits (Note 12)	—	—	—	909,720	909,720
Deferred federal grant revenue	—	107,079	—	—	107,079
Deposits held for clients	—	815	—	—	815
Due to Guardian Ad Litem Fund (Note 4)	—	66,317	—	—	66,317
Due to Ombudsman Fund (Note 4)	—	7,962	—	—	7,962
Total liabilities	<u>983,931</u>	<u>1,730,203</u>	<u>—</u>	<u>909,720</u>	<u>3,628,854</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1998

— CONTINUED —

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
Liabilities, Fund Equity, and Other Credits					
(Continued)					
Fund equity and other credits:					
Investment in general fixed assets	—	—	1,461,014	—	1,461,014
Fund balances:					
Reserved for various restricted purposes <i>(Note 17)</i>	—	13,303,459	—	—	13,303,459
Reserved for restricted appropriations to be carried forward <i>(Note 3)</i>	828,247	—	—	—	828,247
Unreserved, designated for appropriations to be carried forward <i>(Note 3)</i>	611,390	—	—	—	611,390
Unreserved, undesignated	660	—	—	—	660
Total fund equity and other credits	<u>1,440,297</u>	<u>13,303,459</u>	<u>1,461,014</u>	<u>—</u>	<u>16,204,770</u>
Total liabilities, fund equity and other credits	<u>\$ 2,424,228</u>	<u>\$ 15,033,662</u>	<u>\$ 1,461,014</u>	<u>\$ 909,720</u>	<u>\$ 19,828,624</u>

See accompanying notes.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998

	General	Special Revenue	Totals (Memorandum Only)
Revenue			
State appropriations (<i>Note 3</i>)	\$ 12,835,727	\$ —	\$ 12,835,727
Federal grants	—	20,723,636	20,723,636
Non-federal grants and contributions	—	1,382,780	1,382,780
Interest	—	32,990	32,990
Medicaid reimbursements	—	2,221,279	2,221,279
Education Improvement Act (EIA)	—	3,681,666	3,681,666
Victim restitutions	—	9,011,982	9,011,982
Private donations	—	499,164	499,164
Client funds	—	28,720	28,720
Funding for Catawba Indian Settlement from the State Budget and Control Board	—	2,500,000	2,500,000
Miscellaneous	—	333,046	333,046
Total revenue	12,835,727	40,415,263	53,250,990
Expenditures			
Federal grants			
Personal services	—	853,902	853,902
Employer contributions	—	205,098	205,098
Other operating	—	393,638	393,638
Claims and awards	—	1,062,918	1,062,918
Distributions to subdivisions	—	18,156,083	18,156,083
Finance and administration			
Personal services	2,974,816	—	2,974,816
Employer contributions	642,054	—	642,054
Other operating	1,290,262	426	1,290,688
Claims and awards	—	2,500,000	2,500,000
Distributions to subdivisions	—	898,833	898,833
Continuum of Care			
Personal services	311,914	2,125,557	2,437,471
Employer contributions	73,348	505,268	578,616
Other operating	105,926	804,825	910,751
Case services	930,066	1,999,687	2,929,753
Distributions to subdivisions	58,404	—	58,404
Education			
Personal services	69,666	—	69,666
Employer contributions	17,405	—	17,405
Other operating	296,738	—	296,738

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998

— CONTINUED —

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

—CONTINUED—

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Expenditures (Continued)			
Foster care			
Personal services	491,966	175,803	667,769
Employer contributions	109,577	41,907	151,484
Other operating	112,079	43,523	155,602
Distributions to subdivisions	435,460	—	435,460
Guardian Ad Litem			
Personal services	607,478	703,721	1,311,199
Employer contributions	161,909	67,951	229,860
Other operating	446,761	112,024	558,785
Health and Human Services			
Personal services	266,278	150,807	417,085
Employer contributions	63,643	33,100	96,743
Other operating	48,541	166,744	215,285
Distributions to subdivisions	164,492	—	164,492
Ombudsman			
Personal services	327,291	69,159	396,450
Employer contributions	83,723	17,497	101,220
Other operating	250,869	12,682	263,551
Victims' Assistance			
Personal services	—	591,696	591,696
Employer contributions	—	143,625	143,625
Other operating	8,275	494,545	502,820
Claims and awards	176,499	5,892,592	6,069,091
Distributions to subdivisions	419,809	1,914,377	2,334,186
Veterans' Affairs			
Personal services	569,531	—	569,531
Employer contributions	143,529	—	143,529
Other operating	64,870	—	64,870
Distributions to subdivisions	535,700	—	535,700
Economic Opportunity			
Distributions to subdivisions	—	837,102	837,102

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

—CONTINUED—

	General	Special Revenue	Totals (Memorandum Only)
Expenditures (Continued)			
Commission on Women			
Personal services	56,367	—	56,367
Employer contributions	14,147	—	14,147
Other operating	15,074	3,269	18,343
Volunteer Services			
Personal services	35,128	—	35,128
Employer contributions	9,535	—	9,535
Other operating	5,134	—	5,134
Small minority business			
Personal services	122,294	—	122,294
Employer contributions	29,258	—	29,258
Other operating	26,399	—	26,399
Total expenditures	12,572,215	40,978,359	53,550,574
Excess of revenue over (under) expenditures	263,512	(563,096)	(299,584)
Other Financing (Uses)			
Recoveries of indirect costs of federal grants and certain earmarked funds remitted to the General Fund of the State	—	(119,419)	(119,419)
Total other financing (uses)	—	(119,419)	(119,419)
Excess of revenue over (under) expenditures and other uses	263,512	(682,515)	(419,003)
Fund balances, beginning of year	10,206,117	16,050,529	26,256,646
Residual equity transfer (<i>Note 16</i>)	(9,029,332)	(2,064,555)	(11,093,887)
Fund balances, end of year	\$ 1,440,297	\$ 13,303,459	\$ 14,743,756

See accompanying notes.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF EXPENDITURES—BUDGET AND ACTUAL
ALL BUDGETED FUNDS

FOR THE YEAR ENDED JUNE 30, 1998

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:									
Personal services	\$ 3,049,190	\$ 2,958,429	\$ 90,761	\$ —	\$ —	\$ —	\$ 3,049,190	\$ 2,958,429	\$ 90,761
Employer contributions	679,572	668,121	11,451	—	—	—	679,572	668,121	11,451
Other operating expenditures	1,373,482	1,146,937	226,545	—	419	(419)	1,373,482	1,147,356	226,126
Catawba Indian Settlement	—	—	—	2,500,000	2,500,000	—	2,500,000	2,500,000	—
Special items:									
Implementing federal programs	216,777	49,428	167,349	—	—	—	216,777	49,428	167,349
Poet Laureate	1,200	1,200	—	—	—	—	1,200	1,200	—
Southern Governors' Association	7,110	7,110	—	—	—	—	7,110	7,110	—
National Governors' Association	83,000	82,600	400	—	—	—	83,000	82,600	400
Mining Council	4,493	4,002	491	—	—	—	4,493	4,002	491
Division of Guardian Ad Litem									
Personal services	606,402	604,341	2,061	704,109	701,729	2,380	1,310,511	1,306,070	4,441
Employer contributions	143,939	143,939	—	151,158	138,656	12,502	295,097	282,595	12,502
Other operating expenditures	448,233	446,762	1,471	112,024	112,024	—	560,257	558,786	1,471
Division of Foster Care									
Personal services	489,679	479,087	10,592	195,237	183,523	11,714	684,916	662,610	22,306
Employer contributions	114,107	114,107	—	41,913	36,263	5,650	156,020	150,370	5,650
Other operating expenditures	113,595	112,079	1,516	44,215	43,523	692	157,810	155,602	2,208
South Carolina Protection and Advocacy	435,460	435,460	—	—	—	—	435,460	435,460	—
Division of Continuum of Care									
Personal services	343,341	311,286	32,055	3,558,078	2,096,160	1,461,918	3,901,419	2,407,446	1,493,973
Employer contributions	74,141	74,141	—	520,730	465,922	54,808	594,871	540,063	54,808
Other operating	196,372	103,533	92,839	925,681	804,826	120,855	1,122,053	908,359	213,694
Case services	1,592,867	932,460	660,407	5,715,463	1,968,461	3,747,002	7,308,330	2,900,921	4,407,409
Distribution to subdivisions	58,404	58,404	—	—	—	—	58,404	58,404	—
Division of Economic Opportunity									
Personal services	—	—	—	502,039	472,547	29,492	502,039	472,547	29,492
Employer contributions	—	—	—	132,686	114,254	18,432	132,686	114,254	18,432
Other operating	—	—	—	297,098	228,660	68,438	297,098	228,660	68,438
Distribution to subdivisions	—	—	—	19,154,484	17,155,267	1,999,217	19,154,484	17,155,267	1,999,217

SOUTH CAROLINA GOVERNOR'S OFFICE
COMBINED STATEMENT OF EXPENDITURES—BUDGET AND ACTUAL
ALL BUDGETED FUNDS

FOR THE YEAR ENDED JUNE 30, 1998

—CONTINUED—

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF EXPENDITURES—BUDGET AND ACTUAL
ALL BUDGETED FUNDS

—CONTINUED—

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Education									
Personal services	78,460	70,198	8,262	101,817	44,053	57,764	180,277	114,251	66,026
Employer contributions	16,719	16,719	—	26,910	10,651	16,259	43,629	27,370	16,259
Other operating expenditures	29,907	25,153	4,754	44,400	8,211	36,189	74,307	33,364	40,943
Special items:									
Governor's Schools for Gifted and Academically Talented	271,585	271,585	—	—	—	—	271,585	271,585	—
Distribution to subdivisions	—	—	—	37,377	15,929	21,448	37,377	15,929	21,448
Division of Victim's Assistance									
Personal services	—	—	—	646,380	590,560	55,820	646,380	590,560	55,820
Employer contributions	—	—	—	138,764	116,690	22,074	138,764	116,690	22,074
Other operating expenditures	—	—	—	10,042,758	7,449,477	2,593,281	10,042,758	7,449,477	2,593,281
Distribution to subdivisions	—	—	—	2,000,000	1,914,377	85,623	2,000,000	1,914,377	85,623
Special items:									
Victim's Rights	184,940	184,774	166	—	—	—	184,940	184,774	166
Victim's Witness	340,948	340,948	—	—	—	—	340,948	340,948	—
SCVAN	78,861	78,861	—	—	—	—	78,861	78,861	—
Division of Health and Human Services									
Personal services	292,429	267,107	25,322	391,675	318,422	73,253	684,104	585,529	98,575
Employer contributions	63,618	63,618	—	94,395	70,220	24,175	158,013	133,838	24,175
Other operating expenditures	49,607	48,541	1,066	519,911	228,316	291,595	569,518	276,857	292,661
Distribution to subdivisions	164,492	164,492	—	1,505,571	696,286	809,285	1,670,063	860,778	809,285
Division of Small and Minority Business									
Personal services	123,565	123,515	50	—	—	—	123,565	123,515	50
Employer contributions	29,418	29,418	—	—	—	—	29,418	29,418	—
Other operating expenditures	29,856	26,399	3,457	7,500	—	7,500	37,356	26,399	10,957
Division of Veteran Affairs									
Personal services	561,795	544,281	17,514	—	—	—	561,795	544,281	17,514
Employer contributions	129,634	129,634	—	—	—	—	129,634	129,634	—
Other operating expenditures	55,827	55,380	447	—	—	—	55,827	55,380	447
Distribution to subdivisions	535,700	535,700	—	—	—	—	535,700	535,700	—

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF EXPENDITURES—BUDGET AND ACTUAL
ALL BUDGETED FUNDS

—CONTINUED—

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Commission on Women									
Personal services	62,600	54,897	7,703	19,448	9,611	9,837	82,048	64,508	17,540
Employer contributions	13,075	13,075	—	5,140	2,324	2,816	18,215	15,399	2,816
Other operating expenditures	16,053	15,074	979	16,796	9,682	7,114	32,849	24,756	8,093
Division of Ombudsman/Citizen Services									
Personal services	329,304	326,290	3,014	148,793	143,081	5,712	478,097	469,371	8,726
Employer contributions	77,714	77,714	—	35,691	31,570	4,121	113,405	109,284	4,121
Other operating expenditures	78,905	78,688	217	65,739	40,373	25,366	144,644	119,061	25,583
Special items:									
Children's Case Resolution System	172,181	172,181	—	—	—	—	172,181	172,181	—
Division of Volunteer Services									
Personal services	35,161	35,056	105	74,468	71,363	3,105	109,629	106,419	3,210
Employer contributions	8,349	8,349	—	19,681	17,254	2,427	28,030	25,603	2,427
Other operating expenditures	5,588	5,134	454	151,467	61,669	89,798	157,055	66,803	90,252
Distribution to subdivisions	—	—	—	1,233,023	1,125,706	107,317	1,233,023	1,125,706	107,317
Veteran's Roster	110,990	34,463	76,527	—	—	—	110,990	34,463	76,527
Total expenditures	<u>13,978,645</u>	<u>\$ 12,530,670</u>	<u>\$ 1,447,975</u>	<u>\$ 51,882,619</u>	<u>\$ 39,998,059</u>	<u>\$ 11,884,560</u>	<u>\$ 65,861,264</u>	<u>\$ 52,528,729</u>	<u>\$ 13,332,535</u>

See accompanying notes.

1. Summary Of Significant Accounting Policies

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. The Governor's Office is part of the primary government of the State of South Carolina, and its funds and account groups are reported in the State's Comprehensive Annual Financial Report. Generally, all state agencies are included in the State's reporting entity. These entities are financially and fiscally dependent on the State.

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. The financial reporting entity includes the Governor's Office (a primary entity).

A primary entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) *and* (1) it is able to impose its will on that organization *or* (2) there is 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 independent if it holds all of the following powers:

- (1) Determine its budget without another government having the authority to approve and modify that budget.
- (2) Levy taxes or set rates or charges without approval by another government.
- (3) Issue bonded debt without approval by another government.

The organization is fiscally dependent on the primary government/entity which holds one or more of those powers. Based on these criteria, the Governor's Office has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Governor's Office.

— CONTINUED —

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The Governor of South Carolina is elected by the general public and administers, has jurisdiction over, and is responsible for the management of the Governor's Office. The Governor's Office is an agency of the State of South Carolina and was established under code section 1-30-110 of the Code of Laws of South Carolina. The laws of the state and the policies and procedures specified by the State for state agencies are applicable to the activities of the Governor's Office. The Governor's Office is composed of four divisions: Mansion and Grounds, Executive Control of State, Office of Executive Policy and Programs, and the State Law Enforcement Division (S.L.E.D.). The S.L.E.D. division is not included in the reporting entity as the State Auditor's Office reports on it separately. Also, the Governor's mansion, buildings, and content assets are not included in this report as they are owned by a separate commission.

The primary responsibility and services of the divisions of the Governor's Office are as follows: The Mansion and Grounds division is responsible for the household operations of the Governor's mansion. The Executive Control of State serves as a liaison office between the governor and other state agencies and public and private entities. These two divisions are funded solely by State General Fund appropriations. The Office of Executive Policy and Programs is responsible for administering various federal and state grant programs. The services include planning, grant financial records, program evaluation and program audit. The Office of Executive Policy and Programs also includes divisions and departments that provide direct program services to the citizens of South Carolina. This division is funded by federal and state grants, state appropriations, and program service revenues and other sources. The governor appoints directors of the state cabinet agencies. These agencies are not included in the reporting entity.

Basis of Presentation and Description of Funds

The financial statements of the Governor's Office are presented in accordance with generally accepted accounting principles applicable to state and local government units as recommended by the Governmental Accounting Standards Board (GASB). Such standards require governments to use fund and account groups to report their financial positions and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein, which are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Basis of Presentation and Description of Funds (Continued)

Separate general ledger accounts are maintained for each fund. In the accompanying financial statements, funds having similar characteristics have been combined by fund type, and transactions have been reported by fund type.

The Governor's Office uses only one fund category, governmental, within which it maintains two fund types, general and special revenue. Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds). Assets are assigned to the various governmental funds according to the purposes for which they may or must be used and current liabilities are assigned to the fund from which they are to be paid. The difference between the assets and the liabilities is the fund balance.

General Fund-The General Fund is used to account for all financial transactions involving state appropriations of the three divisions of the Governor's Office (Mansion and Grounds, Executive Control of State and Office of Executive Policy and Programs).

Special Revenue Fund-Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Separate funds have been established for federal grants and for each department of the Governor's Office that administers restricted proceeds. In the current year, these funds have been broken out by department. The Federal Fund is used to account for the proceeds from the United States government. The other special revenue funds are used to account for all other restricted revenue. Monies received include Education Improvement Act (EIA) and Medicaid funds for the Continuum of Care, victim restitution fees for the State Office of Victim Assistance programs used for claims and awards, revenue received from individual donors, awards and grants. Other expenditures include allocations of non-State General Fund monies to various sub-recipients under various federal and other programs, administrative costs of the Governor's Office, direct program services, and claims and awards paid under various federal grants. The Governor's Office is the conduit for the payment of the Catawba Indian Settlements. Funds will be transferred to the office each year a payment is scheduled to be made. In the current year, the Finance and Administration Special Revenue Fund includes funds received from the Insurance Reserve Fund for this payment, which is included in claims and awards expenditures. In 1996 the Governor's Office received a supplemental appropriation for the creation of the Legacy Trust Fund. The purpose of this fund is to preserve and acquire ecological, recreational, natural and historical resources and sites. The Finance and Administration Special Revenue Fund now reports the unexpended balance of the original funding and all interest earned thereon which are legally restricted for Legacy Trust Fund purposes.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

General Fixed Assets Account Group

Fixed assets used in the operations of governmental fund types (General fixed assets) are accounted for in the general fixed asset account group. Equipment additions are recorded as expenditures of the General and Special Revenue Funds upon acquisition and simultaneously capitalized at cost in the general fixed assets group of accounts. The Office's policy is to only capitalize fixed assets with a cost of \$1,000 or more and an estimated useful life of 24 months or greater. Details of fixed assets are shown in *Note 7*.

General Long-Term Debt Account Groups

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group. Such liabilities include the compensated absences liability. Details of long-term debt are shown in *Note 12*.

Totals Columns

Totals columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to consolidations. Interfund eliminations have not been made in the aggregation of these data.

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State appropriations are recorded as revenue in the general fund in the year for which granted if made available by the South Carolina General Assembly; federal grant revenue is recorded in the Special Revenue Funds when expended for the purpose specified by the grantor; and expenditures are recorded when goods or services are received. Federal and other grant revenue received in advance of the related expenditure is deferred. All other special fund revenues are recognized then they become both measurable and available to finance expenditures of the fiscal period. Further, inventory items are reported as expenditures when purchased and expenditures for insurance and similar services benefiting more than one accounting period are not allocated among accounting periods but are accounted for as expenditures in the year of acquisition. All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Budget Policy

The Governor's Office is granted an annual appropriation for operating purposes by the General Assembly. The Appropriations Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column includes all budgeted resources, including General Funds as well as most federal and department-generated sources. A revenue budget is not adopted for individual budgetary units.

The accompanying financial statements include a Combined Statement of Expenditures-Budget and Actual-All Budgeted Funds. The Budgetary General Funds category on that statement corresponds to the General Funds column in the Appropriations Act and the Other Budgeted Funds category represents the difference between the Total Funds and General Funds columns in the Appropriation Act.

The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate state government for the current fiscal year. Any unexpended state General Fund appropriations lapse to the General Fund of the State on July 31 unless specific authorization is given to carry over the funds to the ensuing fiscal year. Appropriations carried forward for a specific purpose are reported as reserved fund balance. Proviso 72.48 of the 1998/1999 Appropriations Act authorized departments and agencies to carry forward other unspent appropriations up to ten percent of its original General Fund budget. This carry forward is shown as a designated fund balance.

During the fiscal year close-out period through July, departments and agencies may continue to charge vendor, interagency, and interfund payments applicable to the current year to this fiscal year's appropriation.

State law does not precisely define the budgetary process of accounting. The budget is prepared mostly on the cash basis with several exceptions. Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 20. State law does not require the use of encumbrance accounting. Because the legally prescribed budgetary basis differs materially from GAAP, actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP bases is presented in *Note 2*.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Budget Policy (Continued)

The state maintains budgetary control at the line-item level of expenditure within each program of each department or agency. All general fund expenditures are budgeted. The Governor's Office processes its disbursement vouchers through a central budgetary accounting system maintained by the Comptroller General's Office. Disbursement vouchers can only be processed if there is enough cash and appropriations exist. The level of legal control is reported in a publication of the state comptroller General's Office titled *A Detailed Report of Appropriations and Expenditures*. Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.9 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the current fiscal year, the Governor's Office budget was amended in accordance with the procedures outlined above. Per Proviso 6DD.17 of the 1997-98 Appropriations Act, all other provisions of the law notwithstanding, the Office of Executive Policy and Programs section, the Executive Control of State section, and Mansion and Grounds section, shall be treated as a single budget section for the purpose of transfers and budget reconciliation.

Change in Accounting Principal

During the year ended June 30, 1998, the Office was required to implement Governmental Accounting Standards Board (GASB) statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB #31). GASB #31 requires that investments be reported at fair value. The adoption of GASB #31 did not have a material effect on the financial statements of the Office.

Cash and Cash Equivalents

The amounts shown in the financial statements as "cash and cash equivalents" represents cash on hand and 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.

Most State agencies, including the Office, participate in the State's internal cash management pool.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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. Most state agencies participate in the cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having a maturity of three months or less.

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. Investments in the pool are recorded at fair value. Interest earned by the agency's special deposit accounts is posted to the agency's account at the end of each month and is retained by the agency. Interest earnings are allocated based on the percentage of an agency's accumulated daily interest receivable to the total undistributed interest received by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on percentage ownership in the pool.

Although the cash management pool includes some long-term investments, it operates as a demand deposit account. For credit risk information pertaining to the cash management pool, see the deposits disclosures in *Note 14*.

General Fixed Assets

Fixed assets are recorded in the general fixed assets account group at cost or estimated historical cost. A capitalization floor for fixed assets has been set at \$1,000. Purchases of general office furniture, fixtures and equipment are recorded as expenditures in the governmental funds and simultaneously as additions in general fixed assets accounting records, except prior to June 30, 1987, there were no fixed asset records. In many cases, costs for fixed assets purchased in prior years were estimated on the basis of price levels at the time of acquisition as well as costs of similar assets. Permanent improvement expenditures represent buildings that upon completion are transferred from the state to other entities, and, therefore, are not capitalized. Donated assets and those transferred in from other divisions and agencies as a result of restructuring are recorded at cost or estimated historical cost of the predecessor agency. In accordance with government generally accepted account principles, the Governor's Office does not record depreciation expense or accumulated depreciation in the general fixed assets account group.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

General Long-Term Debt

Compensated absences are recorded in the general long-term debt account group. Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end up to 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum amount, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday and overtime leave earned for which the employees are entitled to paid time off or payment at termination. The Governor's Office calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded in the general long-term debt account group. Changes in compensated absences are shown in *Note 12*.

Fund Balance

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the balance be segregated for a specific future use or (2) identify the portion of the fund balance that is not appropriable for future discretionary expenditures. Designations of unreserved fund balances are established to identify tentative managerial plans or unrestricted State General Fund financial resources authorized for carry-forward. The unreserved component of fund equity is computed as total fund equity less reserved amounts. The undesignated fund balance is unreserved fund equity, which has not been designated by management. Such plans are subject to change and may never be legally authorized or result in expenditure.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Amounts owed for reimbursement at the end of the year are recorded as a liability in the reimbursing fund and a receivable in the fund to be reimbursed. The interfund receivable or payable is liquidated as soon as funds are available from the applicable funding source.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the period the transfer is authorized. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

1. Summary Of Significant Accounting Policies (Continued)

Indirect Cost Recoveries

The receipt of indirect cost recoveries has been included in the Special Revenue Fund as federal revenue and payment of these recoveries to the state's General Fund is recorded as other financing uses. State law requires the Governor's Office to remit these recoveries to the State's General Fund. The State of South Carolina General Fund receives indirect cost reimbursements from Blue Cross/Blue Shield for the Infant Mortality Program and from federal granting agencies based on a predetermined percentage of the personnel costs of the Governor's Office. The cost reimbursements amounted to \$51,997 in fiscal year 1998. The State of South Carolina General Fund also receives indirect cost from various Medicaid programs. The cost reimbursements amounted to \$67,422 in fiscal year 1998.

Federal Revenue Receivable and Deferred Federal Revenue

Federal grant revenue receivable represents expenditures incurred at June 30, 1998, for federal projects but not reimbursed until fiscal year 1999. Deferred federal revenue represents cash received from federal projects at June 30, 1998, but not expended until fiscal year 1999.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

2. Budgetary Reporting Basis

Financial statements prepared on the legally enacted basis differ from GAAP basis statements. All of the Office's general fund resources and most of the funds and accounts in its Special Revenue Fund are included in the total funds authorized by the General Assembly. Indirect cost remittances to the State General Fund that are shown as other financing uses are unbudgeted. The Combined Statement of Expenditure-Budget and Actual-All Budgeted Funds presented on page 8 presents all funds for which a legal budget was enacted.

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist principally of reclassifications from financial statement fund types to budgetary fund categories, reversals of payroll accruals and the related fringe benefits, and removals of unbudgeted accounts and funds, if any. In addition, acquisitions of fixed assets by donation are unbudgeted and capital lease and installment purchase transactions are budgeted in the year of payment.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

2. Budgetary Reporting Basis (Continued)

The following schedule reconciles the differences:

	Financial Statement Fund Type		Budgetary Fund Category	
	General	Special Revenue	General Fund	Other
Expenditures on GAAP basis	\$ 12,572,215	\$ 40,978,359	\$ —	\$ —
Fund reclassification:				—
State appropriation	(12,572,215)	—	12,572,215	—
Federal programs	—	(20,306,720)	—	20,306,720
Other budgeted funds	—	(19,741,580)	—	19,741,580
Unbudgeted funds:				
Legacy Trust Fund	—	(898,833)	—	—
Continuum of Care client trust funds	—	(31,226)	—	—
Net accruals:				
Personal services	—	—	(36,085)	(39,598)
Employer contributions	—	—	(5,460)	(10,643)
Expenditures on legal basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,530,670</u>	<u>\$39,998,059</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

—CONTINUED—

3. State Appropriations

The 1997-1998 appropriations are the base budget amounts for the Mansion and Grounds, the Executive Control of State, and the Office of Executive Policy and Program budgetary units and are presented in the General Funds column of Sections 6D, 6A, and 6C, respectively, of Part IA of the Appropriations Act. The following is a reconciliation of the Combined Statement of Revenue, Expenditures and Changes in Fund Balances-All Governmental Fund Types and the Combined Statement of Expenditures-Budget and Actual- All Budgeted Funds.

	Mansion and Grounds	Executive Control of State	Office of Executive Policy and Programs	Total
Original appropriation	\$ 291,054	\$ 1,659,246	\$ 13,355,951	\$ 15,306,251
Appropriations from fiscal year 1997-1998				
(h) Alzheimers Matching Grant for the Division of Aging	—	—	50,000	50,000
Appropriation allocations mandated by proviso:				
Employee pay plan and related employer contributions (Proviso 17C.13)	3,506	23,950	103,039	130,495
Appropriations transferred from State Budget and Control Board:				
Allocation for Brown Building, rent increase	—	—	17,071	17,071
Allocation for Governor's Washington D.C. office	—	—	23,500	23,500
Appropriations transferred to:				
SC Department of Health and Human Services for Divisions on Aging operations (Proviso 72.77)	—	—	(2,577,379)	(2,577,379)
State Budget and Control Board for Grants Services & Indirect Cost Allocation (Proviso 72.66)	—	—	(155,756)	(155,756)
Appropriations transferred within Governor's Office	(48,516)	96,016	(47,500)	—
Revised appropriations-legal basis	246,044	1,779,212	10,768,926	12,794,182
Net adjustments to modified accrual basis				
Personal services	(1,129)	4,921	32,293	36,085
Employer contributions	(284)	341	5,403	5,460
	(1,413)	5,262	37,696	41,545
Revenue from state appropriations	\$ 244,631	\$ 1,784,474	\$ 10,806,622	\$ 12,835,727

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

3. State Appropriations (Continued)

	Mansion and Grounds	Executive Control of State	Office of Executive Policy and Programs	Total
Adjusted appropriations	\$ 246,044	\$ 1,779,212	\$ 10,768,926	\$ 12,794,182
Brought-forward appropriations from fiscal year ended June 30, 1997:				
(d) Continuum of Care case services	—	—	249,847	249,847
(e) Implementing federal programs	—	—	93,627	93,627
(f) Mining Council	—	—	249	249
(g) Unspent appropriations	16,016	21,102	803,622	840,740
Legal basis appropriation available for 1998 expenditures	<u>\$ 262,060</u>	<u>\$ 1,800,314</u>	<u>\$ 11,916,271</u>	<u>\$ 13,978,645</u>
Approved carry forward of appropriated funds:				
(b) Implementing federal programs	—	—	167,349	167,349
(i) Continuum of Care case services	—	—	660,407	660,407
(c) Mining Council	—	—	491	491
(a) Unspent appropriations	12,903	76,333	523,494	612,730
	12,903	76,333	1,351,741	1,440,977
Less accounts payable	—	—	(1,340)	(1,340)
Total carry forward accrual basis	<u>\$ 12,903</u>	<u>\$ 76,333</u>	<u>\$ 1,350,402</u>	<u>\$ 1,439,637</u>
Reserved for restricted appropriations				828,247
Unreserved, designated for appropriations				611,390
				<u>\$ 1,439,637</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

3. State Appropriations (Continued)

The following cite the authorities for the Office to bring forward appropriations from fiscal year 1997 for expenditures in fiscal year 1998 and to carry forward unspent appropriations from fiscal year 1998 to expenditure in fiscal year 1999. The restricted purposes are noted in the captions for the referenced amounts on page 21 and page 22.

- (a) 1999 Appropriations Act, Proviso 72.48
- (b) 1999 Appropriations Act, Proviso 56DD.1
- (c) 1999 Appropriations Act, Proviso 56DD.2
- (d) 1998 Appropriations Act, Proviso 6DD.26
- (e) 1998 Appropriations Act, Proviso 6DD. 1
- (f) 1998 Appropriations Act, Proviso 6DD.2
- (g) 1998 Appropriations Act, Proviso 72.44
- (h) 1998 Appropriations Act, Part III, Section 2 Item 48
- (i) 1999 Appropriations Act, Proviso 56DD.25

Annual fiscal year 1998 appropriations of \$828,247 for implementing federal programs, Continuum of Care services and the Mining Council are approved for carry forward to fiscal year 1999 for expenditure for the same purposes. The amount recorded as reserved fund balance for the carry forward is reduced for accounts payable. The remaining unspent appropriations authorized for carry forward are reported as unreserved, designated fund balance of the Office's General Fund.

Effective July 1, 1997, the Divisions on Aging was transferred to the Department of Health and Human Services. The transfer of \$2,577,379 was comprised of the division's original appropriation, Alzheimer's Matching Grant, fringe benefits appropriation, and the division's share of the 10% carry forward. (See *Note 16* for details of the residual equity transfer).

On July 1, 1997 Grant Services and Indirect Cost Allocation Services of the Finance and Administration Division was transferred to the State Budget and Control Board. (See *Note 16* for details of the residual equity transfer.)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

4. Interfund Receivables And Payables

At June 30, 1998, the Victims' Assistance Special Revenue Fund owed \$66,317 to the Guardian Ad Litem Special Revenue Fund and \$7,962 to the Ombudsman Special Revenue Fund for funding for payroll expenditures. The Guardian Ad Litem and Ombudsman Funds will be reimbursed for these short term loans from funds received in fiscal year 1999.

5. Operating Leases

The Governor's Office rents office and parking space on a year-to-year basis from the State Budget and Control Board-Office of General Services and the South Carolina Department of Mental Health. During fiscal year 1998, total payments under these leases were \$476,574 and \$3,300, respectively. The Governor's Office leases automobiles from the State Budget and Control Board-State Fleet Management on a year-to-year basis. During fiscal year 1998, total payments under this lease were \$132,092. The Governor's Office anticipates that such lease expenditures will remain at approximately the same level for fiscal year 1999 and subsequent years.

The Governor's Office leased non-state owned real property under noncancelable operating leases. The rent expense under these leases was \$404,923. These leases expire between 1999 and 2003. Some leases contain renewal options and scheduled rent increases. The Governor's Office anticipates that such lease expenditures will remain at approximately the same level for 1999 and subsequent years. When these leases expire, they will be replaced with similar leases for like real property.

The Governor's Office also has noncancelable operating leases for various copying and data processing equipment. During fiscal year 1998, total payments were \$156,160, and the Governor's Office anticipates that such lease expenditures will remain at approximately the same level for 1999 and subsequent years. These leases expire over the next five years and do not contain renewal options or escalation clauses. When these leases expire, they will be reflected with similar leases for equipment.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

5. Operating Leases (Continued)

Future minimum lease payments required under operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 1998, are:

Years Ending June 30

1999	\$ 395,499
2000	300,194
2001	202,937
2002	113,996
2003	43,682
Thereafter	—
	<u>\$ 1,056,308</u>

6. Due From State General Fund

Accrued payroll represents personal services and employment contribution expenditures accrued at June 30, but paid in July. By State law, these accruals are paid from funds appropriated for the next fiscal year.

The amount receivable for accrued payroll and benefits represents funds due from the State General Fund for the Office's general fund personal services and employer contribution accrued at June 30 but paid in July for employees paid from State General Fund appropriations. See *Note 3* for detail of the net revenue adjustment by division.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

7. Changes In General Fixed Assets

A summary of changes in general fixed assets follows:

	General Fixed Assets July 1, 1997	Capitalization Limit Adjustment	Residual Equity Transfer (Note 16)	Additions	Deletions and Retirements	General Fixed Assets June 30, 1999
Furniture and equipment						
Executive Control of State	\$ 54,704	\$ (12,412)	\$ —	\$ 2,385	\$ (1,148)	\$ 43,529
Office of Executive Policy and Programs	1,863,909	(249,501)	(284,502)	280,882	(193,303)	1,417,485
Total	<u>\$ 1,918,613</u>	<u>\$ (261,913)</u>	<u>\$ (284,502)</u>	<u>\$ 283,267</u>	<u>\$ (194,451)</u>	<u>\$ 1,461,014</u>

In prior years, the Office capitalized major additions to plant assets and qualifying equipment with a unit value in excess of \$500 and a useful life in excess of two years. Effective 7/1/97 the Office changed and raised its valuation level to capitalize those items with a unit value in excess of \$1,000 and having an expected life in excess of two years. Beginning balances of equipment in the General Fixed Assets Account Group were reduced by a total of \$261,913 for assets on hand at June 30, 1997 that do not meet the new policy.

8. Pension Plan

Substantially all employees of the Governor's Office are eligible to participate in the South Carolina Retirement System and the State Health Insurance Group Plan. The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit public employee retirement system which provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. Section 9-1-480 Code of Laws of South Carolina, 1976 (as amended), states that all eligible persons, except those specifically excluded, shall become members of SCRS as a condition of their employment. The responsibility for administration of the systems is assigned by law to the State Budget & Control Board. The Governor's Office has no fiduciary responsibility or further liability for the retirement plan beyond the current contributions.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

8. Pension Plan (Continued)

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement Systems is issued and publicly available by writing the South Carolina Retirement Division, the Plan Administrator, P.O. Box 11960, Columbia, South Carolina 29211-1960. The South Carolina Retirement System is included in the Comprehensive Annual Financial Report of the State of South Carolina.

The Governor's Office total covered payroll for the year ended June 30, 1998, was \$9,291,809. Employees are required to contribute 6% of compensation to the plan. Under Section 9-1-480 of the Code, the Governor's Office's liability under the plan is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. The required contributions and the percentages of that amount for the past three years are as follows:

	<u>June 30, 1998</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>
Employer contribution rate	7.55%	7.55%	7.55%
Employer contributions	\$ 701,532	\$ 755,970	\$ 1,074,292
Employee contributions	\$ 557,507	\$ 600,711	\$ 853,742

In addition, the Governor's office paid \$13,930 for group life insurance benefits, which is .15% of covered payroll. In accordance with provisions of the 97/98 State Appropriations Act, an additional employer contribution surcharge of 1.916% of covered payroll was added to the employer pension contribution rate applicable to State and Public School entities covered by the State Health Insurance Program. This assessment is for the purpose of providing retiree health and dental insurance coverage and is not a part of the actuarially established employer pension contribution rates. The surcharge is remitted to the Retirement Systems for distribution to the Division of Insurance Services (administering agency for the State health insurance plan).

The System does not make separate measurements of assets and pension benefit obligations for individual employers. Accordingly, information regarding the excess, if any, applicable to the Governor's Office of the actuarially computed value of vested benefits over the total of the applicable pension fund and any balance sheet accruals, less any pension prepayments or deferred charges, is not available. By State law, the Governor's Office's liability under the retirement plan is limited to the amounts contributed during the year. Accordingly, the Governor's Office recognized no contingent liability for unfunded costs associated with participation in the plans.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

8. Pension Plan (Continued)

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, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS 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 twelve consecutive quarters of compensation).

9. Post-Employment 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 Office are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for 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 Office for its active employees and to the State Budget and Control Board for all participating State retirees except the portion funded through the pension surcharge and provided from other applicable sources of the Office 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.

The Office recorded employer contributions expenditures within the applicable administrative expenditure categories for these insurance benefits for active employees of approximately \$597,407 for the year ended June 30, 1998. As discussed in *Note 8*, the Office paid approximately \$178,031 for the year ended June 30, 1998, applicable to the surcharge included with the employer contributions for retirement benefits.

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

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

9. Post-Employment and Other Employee Benefits (Continued)

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

10. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Governor's Office have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are accounted for as agency funds of the State and included in the Comprehensive Annual Financial Report of the State of South Carolina. 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.

Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Under the Section 457 plan, all deferred compensation plan amounts and earnings remain assets of the employer (the State) subject to the claims of the employer's general creditor, one of whom is the employee participant. It is unlikely, however, that the State would ever use plan assets to satisfy claims of the State's general creditors. The portion of assets of the Section 457 plan to which the State has access is disclosed in its financial report.

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 must comply with this requirement by January 1, 1999. South Carolina's plan adopted this change effective July 24, 1998.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

11. Risk Management

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

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 Governor's Office pays 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, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Building contents and equipment;
3. Motor vehicles;
4. Torts.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

11. Risk Management (Continued)

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property, equipment, and auto liability. The IRF's rates are determined actuarially.

The Governor's Office obtains coverage up to \$50,000 through a commercial insurer for employee fidelity bond insurance for the director of the Office of Executive Policy and Programs for losses arising from theft or misappropriation. The Governor's Office self-insures itself above this amount because it feels the likelihood of loss is remote. The Governor's Office has not purchased business interruption insurance because management believes the risk of a material loss is a remote likelihood.

The Governor's Office has recorded insurance premium expenditures in the applicable expenditure categories. There is no evidence of asset impairment or other information to indicate that a loss expenditures and liability should be recorded at fiscal year end for uninsured losses. Therefore, no loss accrual had been recorded.

12. Changes In General Long-Term Debt

A summary of changes in general long-term debt follows:

	General Long-Term Debt July 1, 1997	Residual Equity Transfer (Note 16)	Additions (Retirements)	General Long-Term Debt June 30, 1998
Accrued compensated absences				
Mansion and Grounds	\$ 16,397	\$ —	\$ (492)	\$ 15,905
Executive Control of State	85,558	—	21,459	107,017
Office of Executive Policy and Programs	818,063	(116,261)	84,996	786,798
Total	\$ 920,018	\$ (116,261)	\$ 105,963	\$ 909,720

Changes in accrued compensated absences are recorded at net.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

13. Related Party Transactions With Other State of South Carolina Agencies

The Governor's Office has significant transactions with various State of South Carolina state agencies.

Services received at no cost from state agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; check preparation, banking and investment functions from the State Treasurer; legal services from the Attorney General; interagency mail services from the State Budget and Control Board; and record storage from the Department of Archives and History. The Governor's Office also leases space from state agencies. See *Note 5* for further disclosure. The Governor's Office paid the State Budget and Control Board \$220,124 for telephone services, \$360,488 for computer services, \$30,117 for printing services, and \$26,780 for office supplies. The Governor's Office paid the South Carolina Department of Corrections \$35,972 for office supplies and \$19,137 for printing services and paid the University of South Carolina \$2,700 for data processing services. Also, \$52,298 was paid to the State Budget and Control Board Insurance Services for insurance.

The Governor's Office received Title XIX allocations from the Department of Health and Human Services which have been reported as Medicaid reimbursements. A receivable of \$156,796 for unreimbursed expenditures has been recorded as due from other state agencies in various special revenue funds, primarily the continuum of care which reports a \$125,787 receivable.

The Governor's Office paid the State Budget and Control Board, University of South Carolina, the South Carolina Department of Disabilities and Special Needs, the South Carolina Department of Social Services and the South Carolina Department of Mental Health \$80,395, \$15,024, \$23,901, \$35,000, and \$112,930, respectively for contractual services. The Governor's Office paid the South Carolina Department of Mental Health, the South Carolina Department of Health and Human Services and the South Carolina Department of Disabilities and Special Needs \$162,167, \$1,500,000 and \$11,497, respectively, for case services. Also, \$481,740 and \$5,141 was paid to the Medical University of South Carolina and the South Carolina Department of Mental Health, respectively, for victim assistance claims and awards.

The Continuum of Care division of the Governor's Office received \$3,681,666 of EIA money from the South Carolina Department of Education, including a receivable of \$220,609 recorded as due from other state agencies, and \$1,690,937 in Title XIX allocations from the Department of Health and Human Services. The Continuum of Care division also received revenue for patient care and maintenance from the Department of Mental Health that is reported as patient fees.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

13. Related Party Transactions With Other State of South Carolina Agencies (Continued)

Other services received at no cost from the various offices of the State Budget and Control Board include retirement 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.

At 7/8/98 the Governor's Office transferred Grant Services/Indirect Cost Allocation to the State Budget and Control Board. See *Note 16*. Prior to this transfer, the Office provided these services at no charge to other agencies.

14. Cash Deposits

All cash deposits of the South Carolina Governor's Office are under the control of the State Treasurer, who, by law, has sole authority for investing state funds.

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

	<u>Balance Sheet</u>	<u>Footnotes</u>
Cash on hand	\$ 660	\$ 660
Deposits with State Treasurer's Office	16,071,606	16,071,606
Cash and cash equivalents	<u>\$ 16,072,266</u>	<u>\$ 16,072,266</u>

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, 1998, 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 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 carrying 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 discussed in *Note 1*, the Office adopted GASB #31.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

15. Litigation And Contingencies

At June 30, 1998, the Governor's Office was involved in a number of legal proceedings (predominately civil suits) and claims with various parties which arose in the normal course of business. No provision has been made in these financial statements for losses, if any, which might result from these suits as the amount is not determinable. Although any litigation has an element of uncertainty, it is management's opinion that the outcome of the litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Office. The risk of material loss in excess of insurance coverage is unlikely and there is no evidence to indicate that a loss expenditure and liability should be recorded at year end.

The South Carolina Governor's Office has received grant revenue from several federal agencies. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that refunds, if any, will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

16. Residual Equity Transfers

On July 1, 1997, the Division on Aging was transferred to the South Carolina Department of Health and Human Services. In addition, Grant Services/Indirect Cost Allocation, a portion of finance and administration was transferred to the State Budget and Control Board. The employees for both were transferred effective June 2, 1997. Accordingly, fixed asset and compensated absences transfers were recorded in the current fiscal year.

The following amounts were transferred out of the General Fixed Assets Account Group (See Note 7):

	Fixed Assets	Investment in General Fixed Assets
Office equipment from Grant Services/Indirect Cost	\$ 9,841	\$ 9,841
Office equipment and vehicles from Division on Aging	274,661	274,661
	\$ 284,502	\$ 284,502

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

16. Residual Equity Transfers (Continued)

The following amounts were transferred out of the General Long-Term Debt Account Group (See *Note 12*):

	Amount to be provided for Retirement of General Long-Term Debt	Accrued Compensated Absences and Related Benefits
Accrued compensated absences and related benefits- Grant Services/Indirect Cost	\$ 608	\$ 608
Accrued compensated absences and related benefits- Division on Aging	115,653	115,653
	\$ 116,261	\$ 116,261

In addition, during the year, an agreement was reached by the State Budget and Control Board, the South Carolina State Department of Education, and the Governor's Office to transfer \$9,000,000 to the South Carolina State Department of Education for the Governor's School of the Arts.

The following equity were transferred:

	Special Revenue Fund	General Fund
Governor's School for the Arts	\$ —	\$ 9,000,000
Division on Aging	2,064,555	29,332
	\$ 2,064,555	\$ 9,029,332

Because of the transfer of the Division on Aging, certain revenue and expenditure accounts of the Office decrease from 1997 to 1998. Bingo and Conference fees were reduced to zero with the transfer. Federal grants revenue and expense decreased by the same amount. Interest income and Medicaid reimbursements were also decreased from 1997. Part of this change in Medicaid reimbursements was due to a smaller Continuum of Care program in 1998. (See *Note 3* for details of transfers of State appropriations.)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

16. Residual Equity Transfers (Continued)

	<u>1998</u>	<u>1997</u>
Bingo tax	\$ —	\$ 1,523,022
Conference fees	—	101,618
Federal grants	20,723,636	31,293,963
Interest income	32,999	238,692
Medicaid reimbursement	2,221,279	3,524,925
Federal expenditures	20,723,636	31,293,963

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

17. Reserved Fund Balances

The reserve for various restricted purposes in the special revenue fund is composed of the following reserved balances by department:

Continuum of Care	
Patient care and maintenance programs	\$ 54,710
Case management Medicaid	3,114,228
Total Continuum of Care	3,168,938
Foster Care	
Local review board	69,331
Victims' Assistance	
Trust fund for claims	9,660,536
Commission on Women	
Operations	29
Guardian Ad Litem	
Operations	3,410
Economic Opportunity	
Project Share	30,560
SCE&G Weatherization Assistance	118,696
Total Economic Opportunity	149,256
Health and Human Services	
Caring for Tomorrow's Children	90,232
DHEC Put Your Future First	29,106
Total Health and Human Services	119,338
Finance and Administration	
Legacy Trust	132,621
Total reserved fund balance	\$ 13,303,459

18. Subsequent Events

On October 1, 1998, the Americorp program was transferred from the Governor's Office to the South Carolina State Department of Education. In 1998, the Americorp program reported approximately \$1,082,849 in federal grant revenues and expenditures in the Special Revenue Fund.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

20. Year 2000

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 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 Office's control but also the systems of other entities with which the Office transacts business. Some of the Office's systems/equipment affected by the year 2000 issue are critical to the continued and uninterrupted operations of the Office.

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 office is or will be year 2000 ready, that the Office remediation efforts will be successful in whole or in part, or that parties with whom the Office does business will be year 2000 ready. At any given time, work to address the year 2000 issue with respect to each system deemed mission-critical (i.e., critical to conducting the Office's operations) falls predominantly within one of the following stages of work:

- (i) *Awareness stage*--Establishing a budget and project plan for dealing with the year 2000 issue.
- (ii) *Assessment stage*-Identifying the systems and components for which year 2000 work is needed.
- (iii) *Remediation stage*-Making changes to systems/equipment.
- (iv) *Validation/testing stage*-Validating and testing changes that were made during the remediation stage.

The following paragraphs summarize year 2000 stage-of-work data for the Office's mission-critical systems/equipment as of June 30, 1998.

At June 30, 1998, the State had completed the awareness and assessment stages and was performing remediation work for mission-critical systems and equipment relating to the following: billing and procurement contract management. For these systems, the validation/testing stage has not yet been addressed.

The Office had completed the awareness assessment, and remediation stages and was performing, or had completed, validation/testing work at June 30, 1998, for mission-critical systems and equipment relating to the following: Victim assistance client information.

No significant commitments exist for planned changes and upgrades at June 30, 1998.

OTHER FINANCIAL INFORMATION

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 1998

	Mansions and Grounds	Executive Control of State	Office of Executive Policy and Programs	Totals
Assets				
Cash and cash equivalents	\$ 17,599	\$ 91,708	\$ 1,743,901	\$ 1,853,208
Due from the State General Fund	11,409	115,388	444,223	571,020
Total assets	<u>\$ 29,008</u>	<u>\$ 207,096</u>	<u>\$ 2,188,124</u>	<u>\$ 2,424,228</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 4,036	\$ 15,375	\$ 393,500	\$ 412,911
Accrued payroll	11,409	115,388	444,223	571,020
Total liabilities	<u>15,445</u>	<u>130,763</u>	<u>837,723</u>	<u>983,931</u>
Fund equity:				
Fund balances				
Reserved for restricted appropriations to be carried forward	—	—	828,247	828,247
Unreserved, designated for appropriations to be carried forward	12,903	76,333	522,154	611,390
Unreserved, undesignated	660	—	—	660
Total fund equity	<u>13,563</u>	<u>76,333</u>	<u>1,350,401</u>	<u>1,440,297</u>
Total liabilities and fund equity	<u>\$ 29,008</u>	<u>\$ 207,096</u>	<u>\$ 2,188,124</u>	<u>\$ 2,424,228</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND BY DIVISION

FOR THE YEAR ENDED JUNE 30, 1998

	Mansions and Grounds	Executive Control of State	Office of Executive Policy and Programs	Totals
Revenue				
State appropriations	\$ 244,631	\$ 1,784,474	\$ 10,806,622	\$ 12,835,727
Total revenue	244,631	1,784,474	10,806,622	12,835,727
Expenditures				
Finance and Administration:				
Personal services	128,556	1,168,513	1,677,747	2,974,816
Employer contributions	30,771	240,808	370,475	642,054
Other operating	88,416	319,922	881,924	1,290,262
Continuum of Care				
Personal services	—	—	311,914	311,914
Employer contributions	—	—	73,348	73,348
Other operating	—	—	105,926	105,926
Case services	—	—	930,066	930,066
Distributions to subdivisions	—	—	58,404	58,404
Education				
Personal services	—	—	69,666	69,666
Employer contributions	—	—	17,405	17,405
Other operating	—	—	296,738	296,738
Foster Care				
Personal services	—	—	491,966	491,966
Employer contributions	—	—	109,577	109,577
Other operating	—	—	112,079	112,079
Distributions to subdivisions	—	—	435,460	435,460
Guardian Ad Litem				
Personal services	—	—	607,478	607,478
Employer contributions	—	—	161,909	161,909
Other operating	—	—	446,761	446,761
Health and Human Services				
Personal services	—	—	266,278	266,278
Employer contributions	—	—	63,643	63,643
Other operating	—	—	48,541	48,541
Distributions to subdivisions	—	—	164,492	164,492
Ombudsman				
Personal services	—	—	327,291	327,291
Employer contributions	—	—	83,723	83,723
Other operating	—	—	250,869	250,869

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND BY DIVISION

FOR THE YEAR ENDED JUNE 30, 1998

—CONTINUED—

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND BY DIVISION

—CONTINUED—

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
Expenditures (Continued)				
Victims' Assistance				
Other operating	—	—	8,275	8,275
Claims and awards	—	—	176,499	176,499
Distributions to subdivisions	—	—	419,809	419,809
Veterans' Affairs				
Personal services	—	—	569,531	569,531
Employer contributions	—	—	143,529	143,529
Other operating	—	—	64,870	64,870
Distributions to subdivisions	—	—	535,700	535,700
Commission on Women				
Personal services	—	—	56,367	56,367
Employer contributions	—	—	14,147	14,147
Other operating	—	—	15,074	15,074
Volunteer services				
Personal services	—	—	35,128	35,128
Employer contributions	—	—	9,535	9,535
Other operating	—	—	5,134	5,134
Small Minority Business				
Personal services	—	—	122,294	122,294
Employer contributions	—	—	29,258	29,258
Other operating	—	—	26,399	26,399
Total expenditures	<u>247,743</u>	<u>1,729,243</u>	<u>10,595,229</u>	<u>12,572,215</u>
Excess of revenue over (under) expenditures	(3,112)	55,231	211,393	263,512
Fund balances, beginning of year	16,676	21,102	10,168,339	10,206,117
Residual equity transfer (Note 16)	—	—	(9,029,332)	(9,029,332)
Fund balances, end of year	<u>\$ 13,564</u>	<u>\$ 76,333</u>	<u>\$ 1,350,400</u>	<u>\$ 1,440,297</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION
 FOR THE YEAR ENDED JUNE 30, 1998

	Mansions and Grounds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration			
Personal services	\$ 129,685	\$ 129,685	\$ —
Employer contributions	31,056	31,056	—
Other operating expenditures	101,319	88,416	12,903
Special items:			
Implementing federal programs	—	—	—
Poet Laureate	—	—	—
Southern Governors' Association	—	—	—
National Governors' Association	—	—	—
Mining Council			
Division of Guardian Ad Litem			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Foster Care			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
South Carolina Protection and Advocacy	—	—	—
Division of Continuum of Care			
Personal services	—	—	—
Employer contributions	—	—	—
Case services	—	—	—
Distribution to subdivisions	—	—	—
Division of Education			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
School for the Arts	—	—	—
Governor's Schools for Gifted and Academically Talented	—	—	—

—CONTINUED—

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Mansions and Grounds (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Victim's Assistance			
Victim's Rights	—	—	—
Victim's Witness	—	—	—
SCVAN	—	—	—
Division of Health and Human Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Distribution to subdivisions	—	—	—
Division of Small and Minority Business			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Veteran Affairs			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Distribution to subdivisions	—	—	—
Division of Commission on Women			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Ombudsman/Citizen Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Children's Case Resolution System	—	—	—
Division of Volunteer Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Total expenditures	<u>\$ 262,060</u>	<u>\$ 249,157</u>	<u>\$ 12,903</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Executive Control of State		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration			
Personal services	\$ 1,163,592	\$ 1,163,592	\$ —
Employer contributions	240,467	240,467	—
Other operating expenditures	396,255	319,922	76,333
Special items:			
Implementing federal programs	—	—	—
Poet Laureate	—	—	—
Southern Governors' Association	—	—	—
National Governors' Association	—	—	—
Mining Council	—	—	—
Division of Guardian Ad Litem			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Foster Care			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
South Carolina Protection and Advocacy	—	—	—
Division of Continuum of Care			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating	—	—	—
Case services	—	—	—
Distribution to subdivisions	—	—	—
Division of Education			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
School for the Arts	—	—	—
Governor's Schools for Gifted and Academically Talented	—	—	—

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Executive Control of State (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Victim's Assistance			
Victim's Rights	—	—	—
Victim's Witness	—	—	—
SCVAN	—	—	—
Division of Health and Human Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Distribution to subdivisions	—	—	—
Division of Small and Minority Business			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Veteran Affairs			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Distribution to subdivisions	—	—	—
Division of Commission on Women			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Division of Ombudsman/Citizen Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Children's Case Resolution System	—	—	—
Division of Volunteer Services			
Personal services	—	—	—
Employer contributions	—	—	—
Other operating expenditures	—	—	—
Total expenditures	<u>\$ 1,800,314</u>	<u>\$ 1,723,981</u>	<u>\$ 76,333</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Office of Executive Policy and Programs		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration			
Personal services	1,755,913	1,665,152	90,761
Employer contributions	408,049	396,598	11,451
Other operating expenditures	875,908	738,599	137,309
Special items:			
Implementing federal programs	216,777	49,428	167,349
Poet Laureate	1,200	1,200	—
Southern Governors' Association	7,110	7,110	—
National Governors' Association	83,000	82,600	400
Mining Council	4,493	4,002	491
Division of Guardian Ad Litem			
Personal services	606,402	604,341	2,061
Employer contributions	143,939	143,939	—
Other operating expenditures	448,233	446,762	1,471
Division of Foster Care			
Personal services	489,679	479,087	10,592
Employer contributions	114,107	114,107	—
Other operating expenditures	113,595	112,079	1,516
South Carolina Protection and Advocacy	435,460	435,460	—
Division of Continuum of Care			
Personal services	343,341	311,286	32,055
Employer contributions	74,141	74,141	—
Other operating	196,372	103,533	92,839
Case services	1,592,867	932,460	660,407
Distribution to subdivisions	58,404	58,404	—
Division of Education			
Personal services	78,460	70,198	8,262
Employer contributions	16,719	16,719	—
Other operating expenditures	29,907	25,153	4,754
Governor's Schools for Gifted and Academically Talented	271,585	271,585	—

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Office of Executive Policy and Programs (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Victim's Assistance			
Victim's Rights	184,940	184,774	166
Victim's Witness	340,948	340,948	—
SCVAN	78,861	78,861	—
Division of Health and Human Services			
Personal services	292,429	267,107	25,322
Employer contributions	63,618	63,618	—
Other operating expenditures	49,607	48,541	1,066
Distribution to subdivisions	164,492	164,492	—
Division of Small and Minority Business			
Personal services	123,565	123,515	50
Employer contributions	29,418	29,418	—
Other operating expenditures	29,856	26,399	3,457
Division of Veteran Affairs			
Personal services	561,795	544,281	17,514
Employer contributions	129,634	129,634	—
Other operating expenditures	55,827	55,380	447
Distribution to subdivisions	535,700	535,700	—
Division of Commission on Women			
Personal services	62,600	54,897	7,703
Employer contributions	13,075	13,075	—
Other operating expenditures	16,053	15,074	979
Division of Ombudsman/Citizen Services			
Personal services	329,304	326,290	3,014
Employer contributions	77,714	77,714	—
Other operating expenditures	78,905	78,688	217
Children's Case Resolution System	172,181	172,181	—
Division of Volunteer Services			
Personal services	35,161	35,056	105
Employer contributions	8,349	8,349	—
Other operating expenditures	5,588	5,134	454
Distribution to subdivisions	—	—	—
Veteran's Roster	110,990	34,463	76,527
Total expenditures	<u>\$11,916,271</u>	<u>\$10,557,532</u>	<u>\$ 1,358,739</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Total Budgetary General Fund		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration			
Personal services	3,049,190	2,958,429	90,761
Employer contributions	679,572	668,121	11,451
Other operating expenditures	1,373,482	1,146,937	226,545
Special items:			
Implementing federal programs	216,777	49,428	167,349
Poet Laureate	1,200	1,200	—
Southern Governors' Association	7,110	7,110	—
National Governors' Association	83,000	82,600	400
Mining Council	4,493	4,002	491
Division of Guardian Ad Litem			
Personal services	606,402	604,341	2,061
Employer contributions	143,939	143,939	—
Other operating expenditures	448,233	446,762	1,471
Division of Foster Care			
Personal services	489,679	479,087	10,592
Employer contributions	114,107	114,107	—
Other operating expenditures	113,595	112,079	1,516
South Carolina Protection and Advocacy	435,460	435,460	—
Division of Continuum of Care			
Personal services	343,341	311,286	32,055
Employer contributions	74,141	74,141	—
Other operating	196,372	103,533	92,839
Case services	1,592,867	932,460	660,407
Distribution to subdivisions	58,404	58,404	—
Division of Education			
Personal services	78,460	70,198	8,262
Employer contributions	16,719	16,719	—
Other operating expenditures	29,907	25,153	4,754
Governor's Schools for Gifted and Academically Talented	271,585	271,585	—

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINING STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 BUDGETARY GENERAL FUND BY DIVISION

—CONTINUED—

	Total Budgetary General Fund		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Division of Victim's Assistance			
Victim's Rights	184,940	184,774	166
Victim's Witness	340,948	340,948	—
SCVAN	78,861	78,861	—
Division of Health and Human Services			
Personal services	292,429	267,107	25,322
Employer contributions	63,618	63,618	—
Other operating expenditures	49,607	48,541	1,066
Distribution to subdivisions	164,492	164,492	—
Division of Small and Minority Business			
Personal services	123,565	123,515	50
Employer contributions	29,418	29,418	—
Other operating expenditures	29,856	26,399	3,457
Division of Veteran Affairs			
Personal services	561,795	544,281	17,514
Employer contributions	129,634	129,634	—
Other operating expenditures	55,827	55,380	447
Distribution to subdivisions	535,700	535,700	—
Division of Commission on Women			
Personal services	62,600	54,897	7,703
Employer contributions	13,075	13,075	—
Other operating expenditures	16,053	15,074	979
Division of Ombudsman/Citizen Services			
Personal services	329,304	326,290	3,014
Employer contributions	77,714	77,714	—
Other operating expenditures	78,905	78,688	217
Children's Case Resolution System	172,181	172,181	—
Division of Volunteer Services			
Personal services	35,161	35,056	105
Employer contributions	8,349	8,349	—
Other operating expenditures	5,588	5,134	454
Veteran's Roster	110,990	34,463	76,527
Total expenditures	<u>\$ 13,978,645</u>	<u>\$ 12,530,670</u>	<u>\$ 1,447,975</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

JUNE 30, 1998

	Federal Grants	Finance and Adminis- tration	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman	Victims' Assistance	Economic Opportunity	Commission on Women	Total
Assets											
Cash and cash equivalents	\$ 93,083	\$ 132,621	\$ 3,291,645	\$ 70,786	\$ 3,484	\$ 139,891	\$ 397	\$ 10,337,866	\$ 149,256	\$ 29	\$ 14,219,058
Federal grant revenue receivable	362,920	—	—	—	—	—	—	—	—	—	362,920
Due from other special revenue funds	—	—	—	—	66,317	—	7,962	—	—	—	74,279
Due from other state agencies	—	—	346,397	18,400	—	12,608	—	—	—	—	377,405
Total assets	\$ 456,003	\$ 132,621	\$ 3,638,042	\$ 89,186	\$ 69,801	\$ 152,499	\$ 8,359	\$ 10,337,866	\$ 149,256	\$ 29	\$ 15,033,662
Liabilities and Fund Equity											
Liabilities:											
Accounts payable	\$ 255,340	\$ —	\$ 243,298	\$ 2,294	\$ 74	\$ 17,730	\$ 397	\$ 543,877	\$ —	\$ —	\$ 1,063,010
Accrued payroll	93,584	—	224,991	17,561	66,317	15,431	7,962	59,174	—	—	485,020
Deferred federal grant revenue	107,079	—	—	—	—	—	—	—	—	—	107,079
Deposits held for clients	—	—	815	—	—	—	—	—	—	—	815
Due to other special revenue funds	—	—	—	—	—	—	—	74,279	—	—	74,279
Total liabilities	456,003	—	469,104	19,855	66,391	33,161	8,359	677,330	—	—	1,730,203
Fund Equity:											
Fund balance:											
Reserved for various restricted purposes	—	132,621	3,168,938	69,331	3,410	119,338	—	9,660,536	149,256	29	13,303,459
Total fund equity	—	132,621	3,168,938	69,331	3,410	119,338	—	9,660,536	149,256	29	13,303,459
Total liabilities and fund equity	\$ 456,003	\$ 132,621	\$ 3,638,042	\$ 89,186	\$ 69,801	\$ 152,499	\$ 8,359	\$ 10,337,866	\$ 149,256	\$ 29	\$ 15,033,662

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 1998

	Federal Grants	Finance and Adminis- tration	Aging Programs	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman	Victims' Assistance	Economic Opportunity	Commisio on Women	Total
Revenue												
Federal grants	\$ 20,723,636	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,723,636
Non-federal grants and contributions	—	—	—	400,000	—	883,442	—	99,338	—	—	—	1,382,780
Interest	—	31,736	—	1,254	—	—	—	—	—	—	—	32,990
Medicaid reimbursements	—	—	—	1,690,937	272,422	—	257,920	—	—	—	—	2,221,279
EIA	—	—	—	3,681,666	—	—	—	—	—	—	—	3,681,666
Victim restitution	—	—	—	—	—	—	—	—	9,011,982	—	—	9,011,982
Private donations	—	—	—	—	—	300	30,000	—	—	466,464	2,400	499,164
Client fees	—	—	—	28,720	—	—	—	—	—	—	—	28,720
Catawba Indian	—	2,500,000	—	—	—	—	—	—	—	—	—	2,500,000
Other miscellaneous	—	—	—	—	—	501	—	—	1,750	330,795	—	333,046
Total revenue	20,723,636	2,531,736	—	5,802,577	272,422	884,243	287,920	99,338	9,013,732	797,259	2,400	40,415,263
Expenditures												
Administration												
Personal services	853,902	—	—	2,125,557	175,803	703,721	150,807	69,159	591,696	—	—	4,670,645
Employer contributions	205,098	—	—	505,268	41,907	67,951	33,100	17,497	143,625	—	—	1,014,446
Other operating	393,638	426	—	804,825	43,523	112,024	166,744	12,682	494,545	—	3,269	2,031,676
Special items:												
Case services	—	—	—	1,999,687	—	—	—	—	—	—	—	1,999,687
Claims and awards	1,062,918	2,500,000	—	—	—	—	—	—	5,892,592	—	—	9,455,510
Distributions to subdivisions:												
Allocations to other entities	18,156,083	375,000	—	—	—	—	—	—	695,963	837,102	—	20,064,148
Allocations to other state agencies	—	523,833	—	—	—	—	—	—	1,218,414	—	—	1,742,247
Total expenditures	20,671,639	3,399,259	—	5,435,337	261,233	883,696	350,651	99,338	9,036,835	837,102	3,269	40,978,359
Excess of revenue over (under) expenditures	51,997	(867,523)	—	367,240	11,189	547	(62,731)	—	(23,103)	(39,843)	(869)	(563,096)
Other financing sources (uses):												
Recoveries of indirect costs of federal grants and certain earmarked funds remitted to the General Fund of the State	(51,997)	—	—	(49,269)	(10,575)	—	(7,578)	—	—	—	—	(119,419)
Total other financing uses	(51,997)	—	—	(49,269)	\$10,575)	—	(7,578)	—	—	—	—	(119,419)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS

—CONTINUED—

	Federal Grants	Finance and Adminis- tration	Aging Programs	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman	Victims' Assistance	Economic Opportunity	Commission on Women	Total
Expenditures (Continued)												
Excess of revenue over (under) expenditures and other uses	—	(867,523)	—	317,971	614	547	(70,309)	—	(23,103)	(39,843)	(869)	(682,515)
Fund balance, beginning of year	—	1,000,144	2,064,555	2,850,967	68,717	2,863	189,647	—	9,683,639	189,099	898	16,050,529
Residual equity transfers	—	—	(2,064,555)	—	—	—	—	—	—	—	—	(2,064,555)
Fund balances, end of year	<u>\$ —</u>	<u>\$ 132,621</u>	<u>\$ —</u>	<u>\$ 3,168,938</u>	<u>\$ 69,331</u>	<u>\$ 3,410</u>	<u>\$ 119,338</u>	<u>\$ —</u>	<u>\$ 9,660,536</u>	<u>\$ 149,256</u>	<u>\$ 29</u>	<u>\$ 13,303,459</u>

SINGLE AUDIT SECTION

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fund Balance July 1, 1997	Receipts of Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 1998
Corporation for National and Community Service						
State Commission	94.003	94SCSCC051	\$ —	\$ 107,278	\$ 107,278	\$ —
*Americorps	94.006	94ASCSC042	—	1,082,849	1,082,849	—
Training and Technical Assistance	94.009	95PDSSC051	—	90,779	90,779	—
Appalachian Regional Commission						
Immunization outreach	23.004	SC-11463-95-C1	—	(31)	(31)	—
Department of Education						
Rehabilitation Services-Client Assistance Program	84.161	H161A60041-96E	—	35,714	35,714	—
	84.161	H161A70041-97E	—	86,386	86,386	—
Total 84.161			—	122,100	122,100	—
Department of Energy						
Weatherization Assistance for Low Income Persons	81.042	DE-FG44-97R10680	—	867,816	867,816	—
Department of Justice						
*Crime Victim Compensation	16.576	97-VC-GX-0045	—	1,063,000	1,063,000	—
Department of Labor						
Passed through South Carolina Employment Security Commission-Job Training Partnership Act	17.250	9J97001	—	2,558	2,558	—
	17.250	98001	—	14,645	14,645	—
	17.250	7210411	—	23,953	23,953	—
	17.250	6210411	—	(130)	(130)	—
	17.250	65120A1	—	56,909	56,909	—
Total 17.250			—	97,935	97,935	—

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

** Denotes major program.*

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

—CONTINUED—

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fund Balance July 1, 1997	Receipts of Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 1998
Department of Health and Human Services						
Abstinence Education	93.235	MC-8-395	—	24,367	24,367	—
Low Income Home Energy Assistance	93.568	G96BISCCCLIEA	—	87,746	87,746	—
	93.568	G97BISCCCLIEA	—	1,811,280	1,811,280	—
	93.568	G98BISCCCLIEA	—	5,614,259	5,614,259	—
Total 93.568			—	7,513,285	7,513,285	—
*Community Services Block Grant	93.569	G96BISCCOSR	—	6,948	6,948	—
	93.569	G97BISCCOSR	—	3,398,416	3,398,416	—
	93.569	G98BISCCOSR	—	4,068,801	4,068,801	—
Total 93.569			—	7,474,165	7,474,165	—
Community Services Block Grant Discretionary	93.571	G96B35CCOSR	—	35,484	35,484	—
Awards-Community Food and Nutrition	93.571	G97B35CCOSR	—	37,152	37,152	—
Total 93.571			—	72,636	72,636	—
*Developmental Disabilities Basic Support and Advocacy Grants	93.630	01-9501-SCBS41	—	15,886	15,886	—
	93.630	01-9601-SCBS41	—	607,803	607,803	—
	93.630	01-9701-SCBS41	—	183,009	183,009	—
	93.630	01-9801-SCBS41	—	144,150	144,150	—
Total 93.630			—	950,848	950,848	—

* Denotes major program.

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

—CONTINUED—

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fund Balance July 1, 1997	Receipts of Revenue Recognized	Disbursements/ Expenditures	Fund Balance June 30, 1998
Department of Housing and Urban Development						
Emergency Shelter Grants Program	14.231	S-96-DC-45-0001	—	182,359	182,359	—
	14.231	S-97-DC-45-0001	—	1,055,200	1,055,200	—
Total 14.231			—	1,237,559	1,237,559	—
Subtotal			—	20,704,586	20,704,586	—
Adjustments to Accrual Basis						
Accrued payroll			—	—	19,050	—
Receivable for accrued payroll			—	19,050	—	—
Total adjustments to accrual basis			—	19,050	19,050	—
Grand Total			<u>\$ —</u>	<u>\$ 20,723,636</u>	<u>\$ 20,723,636</u>	<u>\$ —</u>

The accompanying notes are an integral part of this schedule.

** Denotes major program.*

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 1998

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Carolina Governor's Office and is presented on the accrual *basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2. Subrecipients:

Of the federal expenditures presented in the schedule, the South Carolina Governor's Office provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Corporation for National and Community Service		
State Commission	94.003	\$ 43,277
Americorps	94.006	990,421
Training and Technical Assistance	94.009	92,008
Appalachian Regional Commission		
Immunization Outreach	23.004	(31)
Department of Health and Human Services		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	542,752
Community Services Block Grant	93.569	7,134,444
Low Income Home Energy Assistance	93.568	7,112,968
Community Services Block Grant Discretionary Awards-Community Food and Nutrition	93.571	72,636
Department of Energy		
Weatherization Assistance for Low Income Persons	81.042	792,861
Department of Labor		
Job Training Partnership Act	17.250	15,929
Department of Housing and Urban Development		
Emergency Shelter Grants Program	14.231	1,205,255
Total provided to subrecipients		<u>\$ 18,002,520</u>

SOUTH CAROLINA GOVERNOR'S OFFICE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

**Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of the South Carolina Governor's Office as of and for the year ended June 30, 1998, and have issued our report thereon dated January 20, 1999. A qualified opinion was issued due to year 2000 disclosures. In addition, in fiscal year 1998, the Office adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and in External Investment Pools*. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the South Carolina Governor's Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Carolina Governor's Office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies and pass-through entity.

January 20, 1999

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina

Compliance

We have audited the compliance of the South Carolina Governor's Office with the types of compliance requirements described in the US. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. The South Carolina Governor's Office's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Governor's Office management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Carolina Governor's Office compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Carolina Governor's Office's compliance with those requirements.

As described in item 98-1 in the accompanying Schedule of Findings and Questioned Costs, the South Carolina Governor's Office did not comply with requirements regarding subrecipient monitoring that is applicable to its AmeriCorps Program (CFDA#94.006). Compliance with this requirement is necessary, in our opinion for the South Carolina Governor's Office to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the South Carolina Governor's Office complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of the South Carolina Governor's Office is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Governor's Office's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies and pass-through entity.

January 20, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 1998

Summary of Auditors' Results:

1. The auditors' report expresses a qualified opinion on the financial statements.
2. No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements (as defined by OMB Circular A-133) were disclosed by the audit of the financial statements.
4. One reportable condition in internal control over major programs was disclosed by the audit of the financial statements.
5. The auditors' report on compliance for the major federal award programs expresses a qualified opinion.
6. Major federal programs:
 - (1) Americorps-CFDA#94.006
 - (2) Crime Victim Compensation-CFDA#16.576
 - (3) Community Services Block Grant-CFDA#93.569
 - (4) Developmental Disabilities Basis Support and Advocacy Grants-CFDA#93.630
7. The audit disclosed one finding that the auditor is required to report under Section 510(a) of OMB Circular A-133.
8. The threshold for distinguishing between Type A and Type B Programs was \$616,014.
9. South Carolina Governor's Office was determined to be a low risk auditee.

Financial Statement Findings:

See the subrecipient monitoring finding of noncompliance in item #98-1 in the federal awards findings below.

Federal Awards Findings and Questioned Costs:

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
98-1	Corporation for National and Community Service, Americorp, CFDA #94.006	N/A

During our audit, it came to our attention that no monitoring procedures were performed on the Americorps grant's subrecipients. During the fiscal year, \$1,082,849 has passed through to subrecipients.

OMB Circular A-133 section 400 (d) outlines the responsibilities of subgrantees regarding monitoring and single audit requirements for subrecipients. Pass-through entities are required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts, or grant agreements and that performance goals are achieved. The Governor's Office as a pass-through entity must also ensure that subrecipients expending \$300,000 or more in federal awards have met the audit requirements of Circular A-133. Within six months after receipt of subrecipients audit reports, management should issue decisions on the audit findings. The Governor's Office must monitor subrecipients to ensure that appropriate and timely corrective actions is taken. Without performing required monitoring, the Office cannot determine whether subrecipients are complying with audit requirements.

We recommend that proper subrecipient monitoring procedures be performed within the six months requirement and on a regular basis in accordance with OMB Circular A-133.

Management's Response to the Above Finding (98-1):

Management of the Office concurs with the finding and will implement the recommended procedures for subrecipient monitoring as outlined above.

Independent Auditors' Report on Schedule of Expenditures of Federal Awards