

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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

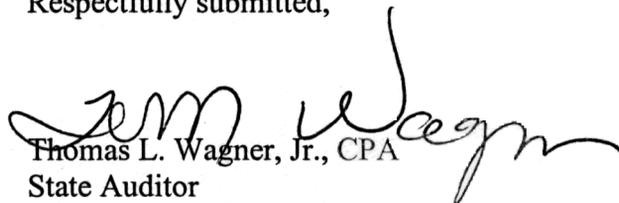
June 26, 2000

The Honorable James H. Hodges, Governor  
and  
Members of the Board  
South Carolina State Budget and Control Board  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina State Budget and Control Board for the fiscal year ended June 30, 1997, was issued by Rogers & Laban, PA, 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/trb

**SOUTH CAROLINA  
STATE BUDGET AND CONTROL BOARD**

**FINANCIAL STATEMENTS  
JUNE 30, 1997**

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

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## INDEPENDENT AUDITOR'S REPORT

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 State Budget and Control Board (the Board) as of June 30, 1997, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Office of Insurance Services, which represents 74% of the assets and 89% of the revenues and 91% of the expenses of the Internal Service Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Office of Insurance Services, is based solely on the report of the other auditors.

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

As described in the introductory reporting entity note to the financial statements, the accompanying financial statements of the South Carolina State Budget and Control Board are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the funds and account groups of the State of South Carolina financial reporting entity that is attributable to the transactions of those divisions of the Board that comprise the South Carolina State Budget and Control Board reporting entity, an agency of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, funds or component units of the State of South Carolina primary government.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the South Carolina State Budget and Control Board as of June 30, 1997, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 30 to the financial statements, the Board reclassified the Financial Data Systems program from the general fund to a proprietary fund – internal service fund. Also, as discussed in Note 30 to the financial statements, errors in the recording of certain assets, liabilities, and fund balances were discovered by management of the Board during the current year. The prior year's fund equity has been restated to correct these errors.

Our audit was made for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying supplementary information as of and for the year ended June 30, 1997, listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the South Carolina State Budget and Control Board. Also, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with the Government Auditing Standards, we have also issued our report dated March 21, 2000 on our consideration for the Board's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Rogers + Lelan, PA*

Columbia, South Carolina  
March 21, 2000

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1997**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Expendable Trust	Agency	General Fixed Assets	General Long- Term Debt
<b>ASSETS AND OTHER DEBITS</b>								
Cash and Cash Equivalents	\$ 33,961,126	\$ 34,005,149	\$ 17,390,288	\$ 248,091,440	\$ 1,650	\$ 38,112,378	\$	\$
Restricted Assets - Cash and Cash Equivalents				112,500				
Investments				210,382,516	1,715,000	4,715,000		
Accounts Receivable	408,374	16,247	582,539	8,408,620				
Premiums Receivable				16,063,835				
Reinsurance Recovery Receivable				1,272,083				
Prescription Drug Rebate Receivable				1,015,242				
Prepaid Expenses				2,464,209				
Interfund Notes Receivable				3,547,138		153,163		
Due from State General Fund	1,182,975			40,115				
Due from State								
Capital Improvement Bond						373,359		
Departmental Capital Improvement Bonds			1,267,140					
Due from Federal Government	1,246	22,981						
Due from Other State Agencies		87,303	15,779	13,039,359				
Accrued Interest Receivable	6,986	345,462		6,885,209	246	699,732		
Inventories				1,579,432				
Inventory Held on Consignment				308,021				
Intergovernmental Notes Receivable				36,720,159		139,019,194		
Due from Other Funds	7,561,410			3,342,628		222,189		
Fixed Assets								
Land				5,671,539			929,974	
Buildings and Improvements				145,010,943			7,314,455	
Equipment and Furniture				92,031,169			4,483,245	
Construction in Progress				648,270				
Less Accumulated Depreciation				(108,447,312)				
Amount to be Provided for Payment of								
General Long-Term Debt								2,280,253
Other Assets				421,759				
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 43,122,117</b>	<b>\$ 34,477,142</b>	<b>\$ 19,255,746</b>	<b>\$ 688,608,874</b>	<b>\$ 1,716,896</b>	<b>\$ 183,295,015</b>	<b>\$ 12,727,674</b>	<b>\$ 2,280,253</b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)**  
**JUNE 30, 1997**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Expendable Trust	Agency	General Fixed Assets	General Long- Term Debt
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 1,011,795	\$ 357,623	\$ 2,587,795	\$ 5,500,723	\$	\$	\$	\$
Retainage Payable			1,726,084					
Accrued Salaries and Employer Contributions	1,503,431	80,121		2,003,195				
Accrued Interest				1,397,712		135		
Claims Payable				125,689,758				
Deferred Premium Revenue				34,120,069				
Claims Incurred But Not Reported				129,176,314				
Interfund Notes Payable				3,700,301				
Due to State General Fund	348,141			1,178,128				
Due to Others							7,995	
Due to Other State Agencies			2,442,883				177,919,958	
Due to Other Funds		14,663	11,111,564					
Capital Leases Payable				10,584,938				
Due to the State							5,098,270	
Intergovernmental Notes Payable				9,185,579			266,666	
Advances from State				8,821,734			1,991	
Lease Revenue Bonds Payable - \$112,500 from Restricted Assets				29,145,000				
Liability for Compensated Absences				2,770,845				2,280,253
Liability for Inventory Held on Consignment				308,021				
<b>TOTAL LIABILITIES</b>	<u>2,863,367</u>	<u>452,407</u>	<u>17,868,326</u>	<u>363,582,317</u>		<u>183,295,015</u>		<u>2,280,253</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)**  
**JUNE 30, 1997**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Expendable Trust	Agency	General Fixed Assets	General Long- Term Debt
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS (CONTINUED)</b>								
<b>FUND EQUITY AND OTHER CREDITS</b>								
Contributed Capital				72,963,738				
Investment in General Fixed Assets							12,727,674	
Retained Earnings:								
Reserved:								
Installment Purchase Program				35,000,000				
Savannah Valley Development Division Loans				20,000,000				
Retained Earnings - Unreserved				206,929,610				
Retained Deficit				(9,866,791)				
Fund Balances:								
Reserved:								
Repurchase Agreement (Sale/ Lease Back)						1,501,896		
Subsequent Years' Expenditures		33,884,273	1,387,420					
South Carolina War Memorial						215,000		
Appropriation to be Carried Forward	29,648,277	140,462						
Unreserved - Undesignated	10,610,473							
<b>TOTAL FUND EQUITY AND OTHER CREDITS</b>	<u>40,258,750</u>	<u>34,024,735</u>	<u>1,387,420</u>	<u>325,026,557</u>	<u>1,716,896</u>		<u>12,727,674</u>	
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<u>\$ 43,122,117</u>	<u>\$ 34,477,142</u>	<u>\$ 19,255,746</u>	<u>\$ 688,608,874</u>	<u>\$ 1,716,896</u>	<u>\$ 183,295,015</u>	<u>\$ 12,727,674</u>	<u>\$ 2,280,253</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
<b>Revenues:</b>				
Charges for Sales and Services	\$ 4,928,878	\$	\$	\$
Rental Revenues				56,200
Intergovernmental				
Capital Reserve Fund Appropriations		10,000,000	4,530,422	
Education Improvement Act Allocation		10,000,000		
State Appropriations	49,242,293			
Board Offices and Other State Agencies	682,119	610,000	48,920,655	
Federal Grants	490,983	8,882,945		
Litigation and Court Recovery		193,406		
Interest Income	6,986	1,551,991		83,234
Other	461,850	242,133		
<b>Total Revenues</b>	55,813,109	31,480,475	53,451,077	139,434
<b>Expenditures:</b>				
Division of Executive Director				
Board Administration	2,048,362	78,689		
Office of General Counsel	765,162			
Advisory Commission on Inter- governmental Relations	194,143			
Office of Internal Operations	5,919,587	8,322,789		
	8,927,254	8,401,478		
Division of Operations				
Division Director	134,922			
Office of Information Resources	8,072	13,104,068		
Office of General Services	27,348,085	1,764,352		1,775,744
Office of Local Government	10,735,782			
	38,226,861	14,868,420		1,775,744
Division of Budget and Analyses				
Division Director	61,161			
Office of State Budget	1,521,419			
Office of Research and Statistics	5,183,568			
Office of Human Resources	4,058,403			
Board of Economic Advisors	294,951			
	11,119,502			
Capitalizable Projects - Board			177,802	
Capitalizable Projects - Other State Agencies			1,748,149	
Repairs and Maintenance			51,579,878	
<b>Total Expenditures</b>	58,273,617	23,269,898	53,505,829	1,775,744

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES -**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 1997**

	Governmental Fund Types			Fiduciary
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	(2,460,508)	8,210,577	(54,752)	(1,636,310)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	20,476			
Transfer to Special Revenue Fund	(8,000,000)			
Transfer from General Fund		8,000,000		
Lapse to General Fund of State	(7,044)			
Remitted to General Fund of the State	(341,098)			
<b>Total Other Financing Sources (Uses)</b>	<u>(8,327,666)</u>	<u>8,000,000</u>		
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(10,788,174)	16,210,577	(54,752)	(1,636,310)
<b>Fund Balances - Beginning of Year as Previously Reported</b>	52,759,928	17,814,158	1,442,172	3,353,206
<b>Prior Period Adjustment</b>	<u>(1,713,004)</u>			
<b>Beginning of Year as Restated</b>	<u>51,046,924</u>	<u>17,814,158</u>	<u>1,442,172</u>	<u>3,353,206</u>
<b>Fund Balances - End of Year</b>	<u>\$ 40,258,750</u>	<u>\$ 34,024,735</u>	<u>\$ 1,387,420</u>	<u>\$ 1,716,896</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 1997**

	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)
<b>Expenditures:</b>									
<b>DIVISION OF EXECUTIVE DIRECTOR</b>									
Personal Services	\$ 2,808,243	\$ 2,658,653	\$ 149,590	\$ 1,701,664	\$ 1,456,912	\$ 244,752	\$ 4,509,907	\$ 4,115,565	\$ 394,342
Employer Contributions	560,660	551,026	9,634	467,368	316,485	150,883	1,028,028	867,511	160,517
Other Operating Allocations	3,123,553	2,448,773	674,780	1,440,830	479,312	961,518	4,564,383	2,928,085	1,636,298
Municipalities - Restricted	122,964	122,964		6,000,000	4,751,697	1,248,303	6,122,964	4,874,661	1,248,303
Counties - Restricted	56,379	56,379		17,000,000	469,934	16,530,066	17,056,379	526,313	16,530,066
School Districts				6,000,000	40,350	5,959,650	6,000,000	40,350	5,959,650
Other State Agencies				8,450,000	1,800,046	6,649,954	8,450,000	1,800,046	6,649,954
Entities				19,500,000	999,400	18,500,600	19,500,000	999,400	18,500,600
Equity Lawsuit	250,000		250,000				250,000		250,000
Civil Contingent Fund	52,357	52,357					52,357	52,357	
Total Quality Management	252,339	177,148	75,191				252,339	177,148	75,191
Brandenburg Committee	47,731	47,731					47,731	47,731	
State House Renovations	111,617	111,617					111,617	111,617	
Accounting Systems	200,000	175,000	25,000				200,000	175,000	25,000
Advisory Committee on Inter-governmental Relations	248,804	207,040	41,764				248,804	207,040	41,764
Statewide Performance				250,000	78,691	171,309	250,000	78,691	171,309
<b>Division Total</b>	<u>7,834,647</u>	<u>6,608,688</u>	<u>1,225,959</u>	<u>60,809,862</u>	<u>10,392,827</u>	<u>50,417,035</u>	<u>68,644,509</u>	<u>17,001,515</u>	<u>51,642,994</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Budgetary General Fund</u>			<u>Other Budgeted Funds</u>			<u>Total Budgeted Funds</u>		
	Legal	Actual on	Variance	Legal	Actual on	Variance	Legal	Actual on	Variance
	Basis	Budgetary	Favorable	Basis	Budgetary	Favorable	Basis	Budgetary	Favorable
	<u>Budget</u>	<u>Basis</u>	<u>(Unfavorable)</u>	<u>Budget</u>	<u>Basis</u>	<u>(Unfavorable)</u>	<u>Budget</u>	<u>Basis</u>	<u>(Unfavorable)</u>
<b>Expenditures (Continued):</b>									
<b>DIVISION OF OPERATIONS</b>									
Personal Services	4,446,904	4,443,967	2,937	1,573,529	1,398,027	175,502	6,020,433	5,841,994	178,439
Employer Contributions	1,028,851	1,028,189	662	331,614	307,322	24,292	1,360,465	1,335,511	24,954
Other Operating	2,552,379	2,554,878	(2,499)	3,506,474	712,103	2,794,371	6,058,853	3,266,981	2,791,872
Allocations									
Municipalities - Restricted				845,958	8,904	837,054	845,958	8,904	837,054
Counties - Restricted				331,536		331,536	331,536		331,536
School Districts				773,092	362,274	410,818	773,092	362,274	410,818
Other State Agencies				1,281,919	136,903	1,145,016	1,281,919	136,903	1,145,016
Entities				610,077	113,389	496,688	610,077	113,389	496,688
Private Sector				3,000,000		3,000,000	3,000,000		3,000,000
Capital Complex Rentals	1,986,339	1,986,339					1,986,339	1,986,339	
Renovations									
State House	25,660,397	25,660,397					25,660,397	25,660,397	
Other Buildings	183,213	183,213					183,213	183,213	
LH/BH/Governor's Mansion	91,609	91,609					91,609	91,609	
EIA School Technology	10,000,000	9,859,538	140,462	10,000,000	3,244,030	6,755,970	20,000,000	13,103,568	6,896,432
Coordinating Council for Economic									
Development	1,301,106	344,367	956,739				1,301,106	344,367	956,739
Infrastructure Revolving Loan Fund	10,303,502	9,499,139	804,363				10,303,502	9,499,139	804,363
Board Grant Program/EPA Grant									
State Match	35,199,905	7,704,685	27,495,220				35,199,905	7,704,685	27,495,220
Other Debt Service	420,000	420,000					420,000	420,000	
Distributions to Subdivisions				89,416,000	21,780,225	67,635,775	89,416,000	21,780,225	67,635,775
<b>Division Total</b>	<b>93,174,205</b>	<b>63,776,321</b>	<b>29,397,884</b>	<b>111,670,199</b>	<b>28,063,177</b>	<b>83,607,022</b>	<b>204,844,404</b>	<b>91,839,498</b>	<b>113,004,906</b>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Budgetary General Fund</u>			<u>Other Budgeted Funds</u>			<u>Total Budgeted Funds</u>		
	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)
<b>Expenditures (Continued):</b>									
DIVISION OF BUDGET AND ANALYSES									
Personal Services	5,465,264	5,335,501	129,763	1,540,564	1,062,362	478,202	7,005,828	6,397,863	607,965
Employer Contributions	1,304,767	1,236,309	68,458	319,165	241,831	77,334	1,623,932	1,478,140	145,792
Other Operating	1,751,630	1,577,165	174,465	1,903,623	1,372,060	531,563	3,655,253	2,949,225	706,028
Mapping Program	154,396	154,396					154,396	154,396	
S.C. Leadership Program	93,155	93,155					93,155	93,155	
Chairman Allowance	10,000	10,000					10,000	10,000	
Appointee Allowance	16,000	16,000					16,000	16,000	
Board Members Travel	1,142	1,142					1,142	1,142	
Division Total	<u>8,796,354</u>	<u>8,423,668</u>	<u>372,686</u>	<u>3,763,352</u>	<u>2,676,253</u>	<u>1,087,099</u>	<u>12,559,706</u>	<u>11,099,921</u>	<u>1,459,785</u>
<b>TOTAL BUDGETED EXPENDITURES</b>	<u>\$ 109,805,206</u>	<u>\$ 78,808,677</u>	<u>\$ 30,996,529</u>	<u>\$ 176,243,413</u>	<u>\$ 41,132,257</u>	<u>\$ 135,111,156</u>	<u>\$ 286,048,619</u>	<u>\$ 119,940,934</u>	<u>\$ 166,107,685</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY -  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Internal Service</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services	\$ 50,150,308
Insurance Premiums	656,206,571
Licenses, Fees, and Permits	50,616
Rental Revenue	32,918,023
Interest Income	33,375,160
Prescription Drug Rebates	4,032,117
Other Income	<u>203,100</u>
<b>Total Operating Revenues</b>	<b>776,935,895</b>
<b>Operating Expenses:</b>	
Cost of Sales and Services	14,666,188
Reinsurance Premiums	27,553,445
Premiums	90,425,550
Claims	549,992,763
Personal Services	16,037,858
Employer Contributions	3,913,589
Contractual Services	13,724,644
Light, Power, and Heat	5,406,615
Fixed Charges and Contributions	3,882,397
Other Operating Expenses	5,151,620
Professional and Administrative Fees	33,020,514
Insurance Benefits Administration	4,769,236
Insurance Reserve Administration	4,052,770
Depreciation	10,531,713
Other	<u>317,326</u>
<b>Total Operating Expenses</b>	<b>783,446,228</b>
<b>Operating Income (Loss)</b>	<b>(6,510,333)</b>
<b>Non-Operating Revenues (Expenses):</b>	
State Appropriations	2,777,625
Interest Income	248,346
Federal Grant Revenue	21,697
Net Loss on Disposition of Fixed Assets	(552,706)
Interest Expense	(4,290,129)
Other Debt Service Charges	<u>(2,019)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,797,186)</b>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY -  
ALL PROPRIETARY FUND TYPES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Internal Service</u>
<b>Net Income (Loss)</b>	<b>(8,307,519)</b>
<b>Retained Earnings - Beginning of Year, as Previously Reported</b>	<b>249,429,964</b>
<b>Prior Period Adjustments</b>	<b>4,376,489</b>
<b>Beginning of Year, as Restated</b>	<b>253,806,453</b>
<b>Residual Equity Transfers In</b>	<b>6,580,480</b>
<b>Residual Equity Transfers Out</b>	<b>(16,595)</b>
<b>Retained Earnings - End of Year</b>	<b>252,062,819</b>
<b>Contributed Capital - Beginning of Year</b>	<b>73,090,414</b>
<b>Net Changes in Contributed Capital</b>	<b>(126,676)</b>
<b>Contributed Capital - End of Year</b>	<b>72,963,738</b>
<b>Total Fund Equity</b>	<b>\$ 325,026,557</b>

See accompanying Notes to Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Internal Service</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (6,510,333)
Receipt of Cash and Cash Equivalents from South Carolina Retirement System for the State Life and Long-Term Disability Program	8,953,076
Reclassify Interest Income Included in Operating Income to Investing Activities	(33,375,160)
Adjustments to Reconcile Operating Income to net cash provided by operating activities:	
Depreciation	10,531,713
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(531,396)
Decrease in Premiums Receivable	1,155,948
(Increase) in Reinsurance Recovery Receivable	(135,513)
Decrease in Due from State Agency (S.C. Retirement System)	838,754
Decrease in Inventory	305,412
Decrease in Deposit with Vendor	1,350
(Increase) in Prepaid Expenses, Preventive Drug Rebate Receivable and Other Assets	(1,061,679)
(Decrease) in Accounts Payable, Accrued Salaries, Employer Contributions and Liability for Compensated Absences	(1,353,744)
Increase in Claims Payable and Incurred But Not Reported	13,388,743
Increase in Deferred Premium Revenue	1,525,177
(Decrease) in Liability for Inventory on Consignment	(118,018)
(Decrease) Due to General Fund of the State	(22,175)
(Decrease) in Due to Other State Agencies	(338,111)
<b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>(6,745,956)</u>
<b>CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:</b>	
State Appropriations Received	2,864,647
Federal Grants Received	21,697
Payments Received on Loans to Capital Projects Fund	125,036
Payments to Fund Loans to Capital Projects Fund	(1,879,617)
Payments on Intrafund Loans	(127,761)
Payments Received on Intrafund Loans	127,761
Payments Received on Loans to General Fund	366,154
Intrafund Operating Transfer In	338,663
Intrafund Operating Transfer Out	(338,663)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>1,497,917</u>

**See accompanying Notes to Financial Statements.**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Internal Service</u>
<b>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from Sale of Fixed Assets	690,507
Proceeds from Lease Revenue Bonds	22,625,000
Acquisition and Construction of Capital Assets	(14,321,977)
Principal Paid on Interfund Notes Payable	(587,499)
Principal Paid on Intergovernmental Notes Payable	(811,963)
Principal Paid on Advances from State	(843,019)
Principal Paid on Lease Revenue Bonds Payable	(215,000)
Principal Paid on Capital Leases	(21,918,475)
Interest Paid on Interfund Notes Payable	(232,838)
Interest Paid on Intergovernmental Notes Payable	(779,044)
Interest Paid on Advances from the State	(633,162)
Interest Paid on Lease Revenue Bonds Payable	(390,195)
Interest Paid on Capital Leases	(1,855,489)
Premium Amortized and Discounts Accepted	<u>(114,880)</u>
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(19,388,034)</u>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>	
Payments Received on Intergovernmental Notes Receivable	5,228,087
Payments Received on Interfund Notes Receivable	585,699
Payments to Fund Intergovernmental Notes Receivable	(6,233,771)
Purchase of Investments	(89,333,748)
Proceeds from Sale and Maturity of Investments	53,869,760
Interest Received on Interfund Notes Receivable	232,838
Interest Received on Intergovernmental Notes Receivable	2,510,854
Interest Received on Deposits and Investments	32,048,499
<b>NET CASH (USED FOR) INVESTING ACTIVITIES</b>	<u>(1,091,782)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(25,727,855)</u>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of Year as Previously Reported	271,994,484
Prior Period Adjustment (See Note 30.)	1,937,311
<b>Beginning of Year as Restated</b>	<u>273,931,795</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 248,203,940</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	Internal Service
<b>SUPPLEMENTAL INFORMATION:</b>	
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers of Fixed Assets From General Fixed Assets Account Group	\$ 93,347
Transfers of Fixed Assets To General Fixed Assets Account Group	(48,953)
Donated Fixed Assets	62,219
Disposal of Other Fixed Assets	(6,304,484)
<b>NONCASH INVESTING ACTIVITIES</b>	
Receipt of Investments Through Residual Equity Transfer	15,907,305
Receipt of Accrued Interest Receivable Through Residual Equity Transfer	267,119
<b>NONCASH OPERATING ACTIVITIES</b>	
Assumption of Accounts Payable and Accrued Expenses (Through Residual Equity Transfer)	5,844
Assumption of Incurred but Unpaid Claims (Through Residual Equity Transfer)	18,541,176

See accompanying Notes to Financial Statements.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

### REPORTING ENTITY:

The South Carolina State Budget and Control Board (the Board), formerly the Budget Commission, was created by Reorganization Plan No. 2 adopted by the General Assembly in 1950 pursuant to the terms and provisions of Act 621, Acts of 1948. Under the Act, ten state agencies were abolished as separate entities and their functions and duties were brought under the supervision of the South Carolina State Budget and Control Board. The laws of the State and the policies and procedures specified by the State for state agencies and institutions are applicable to the activities of the Board.

The Board is composed of the Governor, the Chairman of the Board; the State Treasurer; the Comptroller General; the Chairman of the Senate Finance Committee; and the Chairman of the House Ways and Means Committee; all of whom serve in the ex-officio capacity.

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 Board has determined it has no component units.

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

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more 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; or,
- (3) Issue bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Board reporting entity which is under the direct control of the Executive Director. The funds and account groups of the reporting entity are included in the State's Comprehensive Annual Financial Report as part of the operations of the State, the primary government.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **REPORTING ENTITY (CONTINUED):**

Revenues of the Board are derived primarily from annual appropriations of State funds authorized by the South Carolina General Assembly; charges to other state agencies and governmental entities for services provided, including: transportation equipment, communications facilities; data processing services; rental of state-owned facilities; insurance coverage and earnings on accumulated deposits; and the sale of surplus state and federal property.

The accompanying financial statements include three budgetary units of the Board. The three budgetary units included are considered to be under the direct control of the Executive Director of the Board as follows:

The three divisions included in the reporting entity are:

1. Division of Executive Director:
  - Board Administration
  - Office of General Counsel
  - Advisory Commission on Intergovernmental Relations
  - Office of Internal Operations
  
2. Division of Operations:
  - Division Director
  - Office of Information Resources
  - Office of General Services
  - Office of Insurance Services
  - Office of Local Government
  
3. Division of Budget and Analyses:
  - Division Director
  - Office of State Budget
  - Office of Research and Statistics
  - Office of Human Resources
  - Board of Economic Advisors

As of July 1, 1996, the Division Directors were included as a separate program within the Division of Operations and the Division of Budget and Analyses.

Four divisions are excluded because they operate independently of the Board and are as follows:

1. Office of the State Auditor
2. Retirement Division
3. Employee Benefits Division
4. Capital Expenditure Fund

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**REPORTING ENTITY (CONTINUED):**

Financial statements of the Office of the State Auditor and Retirement Division are issued separately. The accounts of the Employee Benefits Division and the Capital Expenditure Fund are included in the financial statements of each state agency to which an allocation of these funds are made. In addition, separate financial statements for the Office of Insurance Services are issued.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation - Fund Accounting**

The financial statements of the Board are presented in accordance with generally accepted accounting principles applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

To ensure observance of limitations and restrictions placed on the use of resources available to the Board, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions in the combined financial statements have been recorded and reported by fund type. In accordance with governmental accounting standards, the portions of fund balances that are not available for appropriation and expenditure and are legally segregated for a specific use are presented as reserved. The portion of fund balances in which internal-discretionary restricted uses have been established are presented as designated. Contributed capital in proprietary funds represent resources restricted for the acquisition or construction of capital assets or the value of equipment transferred from other governmental agencies or the General Fixed Asset Account Group.

**Governmental Funds**

The measurement focus of the governmental funds is on sources, uses, and balances of financial resources. Governmental funds include the General Fund, Capital Projects Fund and Special Revenue Fund.

The General Fund is the general operating fund of the Board. It is used to account for all financial resources, except those required to be accounted for in another fund. Revenues include the annual State appropriation as approved by the General Assembly, sales and services, reimbursements, and interest earnings. Sales, services, and reimbursements are generated by activities such as statistical information, licenses and fees, and publications. These funds are used to defray the general administrative costs of the Board's divisions.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Funds (Continued)**

Effective July 1, 1997, the Board changed the fund classification of its Financial Data Systems to Internal Service Fund – Data Processing. In prior years, those data processing activities were reported in the General Fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. The Board has the following Special Revenue Funds:

**State Public Assistance Program:**

Federal grants from the Federal Emergency Management Agency are accounted for in this fund. These funds are restricted for use by government entities for losses associated with specific weather-related disasters. This fund reports allocations to municipalities, counties, school districts, state agencies and other entities and the related administrative costs of the program. The federal grants operate on a reimbursable basis.

**Energy Programs:**

Revenues received from court ordered settlements resulting from oil overcharges by various oil companies and related earnings and federal grants from the Department of Energy are accounted for in this fund. These funds are restricted for use by municipalities, counties, school districts, state agencies and other entities for energy-related programs designed to benefit all categories of petroleum product users. The federal grants operate on a reimbursable basis.

**EIA School Technical Initiative**

In 1997, pursuant to fiscal year 1997 Proviso 72.59, the Division of Operations – Office of Information Resources in consultation with the State Department of Education and South Carolina Educational Television Commission and the collaborative efforts from the public-private sector began the development of a statewide educational technology initiative to provide technology connectivity for K-12 public school throughout the State. In addition to funding from State appropriations and allocation sources, the program accepts contributions and donations from the general public. The Board is authorized to retain and carryforward monies within this fund to be used for the specific purposes of EIA School Technical Initiative.

**Statewide Performance Audit**

Effectively July 1, 1996, the Board established the Special Revenue Fund for the Statewide Performance Audit. All funds appropriated by the General Assembly or contributed by the various Board Offices that are to be used to conduct a performance audit are accounted for in this fund. Part VI SECTIONS 1 and 2 of the FY97 Appropriations Act requires that both State appropriated dollars and other contributions be placed in an account to be used exclusively to conduct a performance audit in all aspects of the South Carolina State Government.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Governmental Funds (Continued)**

##### **State Infrastructure Revolving Loan Fund**

Effective July 1, 1996, the Board established the Special Revenue Fund for the Infrastructure Revolving Fund. Section 11-40-50 of the SC Code of Laws authorizes an Infrastructure Revolving Loan Fund. Amounts in the fund must be available in perpetuity for the purpose of providing financial assistance in accordance with the provisions of this chapter and such federal programs as have provided grants therefor.

The Fund may receive monies from federal, state and other public and private sources. The Infrastructure Revolving Loan Fund provides loans and grants to local governments for the purpose of constructing, extending, rehabilitating, repairing, replacing, and renewing infrastructure facilities necessary for public purposes and commercial residential, and industrial development purposes.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction and repair of capital facilities. The Board accounts for and oversees capital projects for certain other state agencies. Thus, the constructed facilities are not normally owned by the Board.

Projects funded by proceeds from Capital Improvement Bonds are accounted for in the Capital Improvements Bonds fund. All projects funded by other resources are accounted for in the Other fund.

Capitalizable assets acquired and/or constructed through the Capital Projects Fund are either capitalized in the General Fixed Assets Account Group, the Internal Service Fund, or by other state agencies as appropriate. Construction in progress that is financed by internal service fund sources is capitalized in the applicable Internal Service Fund. Projects funded by other Board resources are recorded as contributed capital and construction in progress when the assets will be used in internal service fund operations.

#### **Proprietary Funds**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. These funds apply all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB). The Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. In accordance with GASB guidance for proprietary funds, the Board's Proprietary Funds have elected to apply only those standards issued by those organizations on or before November 30, 1989. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Proprietary Funds (Continued)

The Internal Service Funds account for the financing of goods, services and insurance coverage provided by service departments and the rental operation of the state-owned property. It is the intent of the Board that the costs of providing goods and services and operation of state-owned property be recovered primarily through user charges. The Internal Service Funds are:

#### The Office of Information Resources

##### Data Processing

Telecommunications – provides telecommunications and microwave services to governmental agencies and institutions.

##### Print Shop

#### The Office of General Services

Materials Management Office – provides centralized procurement services for all state agencies.

##### Central Supply Warehouse

Engineering Services – provides building systems and building support services for state-owned facilities. This fund also provides leasing, construction and planning, capital improvement, parking appraisal, and statewide building services to meet the real property needs of the State.

##### Surplus Property

Motor Vehicle Management – provides centralized management of the State's motor vehicle fleet.

#### The Office of Local Government

Water Pollution Revolving Loan Administrative Fund provides administration for the Water Pollution Revolving Loan program which is accounted for in the Agency Fund – Water Pollution Revolving Loan Fund.

#### The Office of Insurance Services

Insurance Reserve Fund – insures state agencies, school districts, special purpose political subdivisions, county governments and municipal governments in South Carolina. The Insurance Reserve Fund provides property insurance on government<sub>21</sub> owned buildings, the contents of such buildings,

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

equipment and automobiles.

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**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Funds (Continued)**

The Insurance Reserve Fund provides automobile liability insurance on government owned vehicles and school buses, tort liability insurance for government premises and operations, and medical professional liability for hospitals.

Health, Life and Disability Insurance Reserve Fund (Health Insurance Reserve) – provides health and dental insurance to eligible employees and retirees of state agencies and school districts who elect coverage through either a health maintenance organization or through the State’s self-insured health plan.

**Fiduciary Funds**

Fiduciary funds account for assets held by the Board as trustee or agent for outside individuals, private organizations, or other governmental units.

When the Board receives and holds assets either by public law or private agreement and acts in a trustee capacity having authority to employ, dispose or otherwise use the assets for the purposes of the trust, a trust fund is created to record the assets and related transactions.

When the objective of a trust fund can be achieved by spending both the principal and the earnings of the fund, the fund is referred to as an expendable trust fund. The following expendable trust funds which are in the Office of General Services are accounted for in essentially the same manner as governmental funds.

**Robert Mills Building Fund and Mount Vernon Mills Building Fund**

The purpose of the Robert Mills Building Fund and the Mount Vernon Mills Building fund is to account for the net proceeds from the sale or net annual charges derived from the respective buildings to meet the requirements of the Repurchase Agreement and to account for the repurchase for the property (See Note 20). The rental income from the ground leases of the land on which the Robert Mills and Mount Vernon Mills reside are recorded in these funds. In 1997, the Board purchased the Mt. Vernon Mills Building.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fiduciary Funds (Continued)**

##### **War Memorial Fund**

The purpose of the War Memorial Fund is to account for the expenditures of monies authorized in the permanent provisions of the 1984-85 Appropriations Act for the purpose of erecting a memorial on the State House Grounds in honor of South Carolina's Veterans. In addition to State funds transferred from the Ordinary Sinking Fund, the War Memorial fund is authorized to collect and spend monies, gifts, grants or services, or properties from national posts or chapters of organizations of War Veterans or from private organizations or individuals.

When the objective of the fiduciary fund is to account for the assets that the Board holds on behalf of others in a custodial capacity as an agent, the fund is referred to as an agency fund. The following funds are reported as agency funds.

##### **Water Pollution Revolving Loan Fund**

The Board has fiscal responsibility for the Water Pollution Revolving Loan Assistance Program. This responsibility is in support of the Department of Health and Environmental Control (DHEC), who has the responsibility for administering the technical and programmatic aspects of the Fund. The Fund's assets are held on behalf of DHEC. Approximately \$178 million held for DHEC is included as Due to Other State Agencies as of June 30, 1997. The administrative function of this fund is accounted for in the Internal Service Fund – Water Revolving Loan.

##### **Department of Commerce**

The Department of Commerce fund was established to account for funds advanced to the City of Charleston and to the Patriot's Point Development Authority by the South Carolina Coordinating Council for Economic Development of the Department of Commerce. The balance of the Intergovernmental Note Receivable due from Patriot's Point Development Authority was forgiven by the State in fiscal year 1996.

##### **Capital Improvement Bond Proceeds**

The Capital Improvement Bonds Proceeds fund is used to account for capital improvement bonds receivable that are owned by other state agencies and used for capital projects overseen by the Board.

##### **Funded Debt Sinking Fund**

The Funded Debt Sinking Fund accounts for monies held for the State to be used to liquidate the principal and interest on all bonds evidenced in the Funded Debt of the State and was created by Legislative Act No. 213 in 1943. The funded debt includes teachers' notes issued during the Depression. Approximately \$25,000 is included in Due to the State as of June 30, 1997.

##### **Ordinary Sinking Fund**

The Ordinary Sinking Fund accounts for monies held for the State and is authorized by the South Carolina Code of Laws Section 11-9-610 through Section 11-9-660 to finance the acquisition of property and to handle all monies arising from the redemption of land leases and sales of property or otherwise coming to the Board for the Ordinary Sinking Fund. Approximately \$5.1 million is included in Due to the State as of June 30, 1997.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fiduciary Funds (Continued)**

##### **Friends to Save the Hunley**

The Friends to Save the Hunley Fund, established on October 18, 1995 by the Hunley Commission, is used to account for the receipt and holding of donations of money to assist the Commission in achieving its goals for protecting the submarine H.L. Hunley and its artifacts.

##### **African-American History Monument Commission**

The purpose of this fund is to accept contributions on behalf of the African-American Commission to erect an African-American History monument on the State House grounds. Effective July 3, 1996, the fund was authorized under Section 10-1-178 of the SC Code of Laws.

#### **Account Groups**

In addition to the funds described above, the Board maintains two account groups to establish accounting control and accountability for the Board's general fixed assets and general long-term debt as follows:

##### **General Fixed Assets Account Group**

This group of accounts is established to account for all fixed assets of the Board with the exception of those accounted for in the Internal Service Funds. General fixed asset acquisitions require the use of governmental fund financial resources and are recorded as expenditures, but they are not assets of any fund but of the governmental unit as an instrumentality.

The Board records capital improvement expenditures in the capital projects fund and simultaneously capitalizes costs in the General Fixed Assets Account Group or in the Internal Service Fund as construction in progress. For Construction in Progress capitalized in the General Fixed Assets Account Group, when the improvement is placed in service, it is then capitalized as building or other improvements as applicable in the General Fixed Assets Account Group.

In accordance with generally accepted accounting principles for governmental entities, no provision for depreciation of general fixed assets is recorded.

##### **General Long-Term Debt Account Group**

This group of accounts is used to account for the long-term liability for compensated absences of the Board and other unmatured long-term liabilities expected to be financed from governmental funds.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The financial statements are presented on the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and results of operations by fund type.

Governmental fund and expendable trust fund revenues and expenditures are recognized on the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes available and measurable. State appropriations are recorded as revenue in the General Fund in the year for which granted and made available by the General Assembly, and federal reimbursement type grants are recorded when the related expenditures are incurred. Capital projects funds recognize revenues on projects from the general or internal service funds as expenditures are incurred for projects of the Board and for projects handled for other state agencies. Other revenues, such as interest and charges for services, are considered "measurable and available" when the amount of the transaction can be determined and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Further, 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 payment.

Proprietary fund revenue and expenses are recognized on the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and becomes measurable; expenses are recognized in the period incurred, if measurable. The Internal Service funds record prepaid expenses for routinely recurring prepaid operating costs as assets and allocates the costs to benefiting periods. State appropriations are recorded as revenue in the year for which granted and made available by the General Assembly.

Transfers are recognized in the accounting period in which the interfund receivable and payable arise.

Agency fund assets and liabilities are accounted for on the modified accrual basis.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget Policy**

The Board is granted an annual appropriation for operating purposes by the General Assembly of the State of South Carolina. The appropriation as enacted becomes the legal operating budget for the Board. 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 in the Appropriations Act includes all budgeted resources. The General Assembly enacts the budget through passage of line item appropriations by program within Budget and Control Board divisions. Budgetary control is maintained at the line item level of the program within the division. Budgets are kept separate by program within each division. Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Office of State Budget and to the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the Budget and Control Board upon formal approval by a majority of the members of the Budget and Control Board. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

The Board may transfer appropriations between programs provided transfers between programs do not exceed twenty percent of a program budget. Any transfer from Personal Service to other budget codes must be approved by the Office of State Budget, with a yearly limit not to exceed \$50,000 or 1% of total Personal Service budget, whichever is greater. Requests to exceed this limit would require the approval of the Budget and Control Board. The Board may transfer other operating or other budget codes to Personal Service as needed, provided that for significant amounts, evidence of the ability to annualize the amount involved is shown, and such transfers have to be fully justified and explained to the Office of State Budget.

Agencies may charge vendor, interagency and interfund payments for a fiscal year to that year's appropriations in July. Any unexpended General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over money to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State General Fund appropriations authorized to be carried forward and expended for specific purposes are reported as a reservation of fund balance. Unrestricted carry-forward funds are reported in the unreserved fund balance. The General Assembly enacts the Capital Projects Funds budgets on a project basis, as opposed to an annual basis. Therefore, budget statements have not been provided for the Capital Projects Funds.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Budget Policy (Continued)**

State law does not precisely define the budgetary basis of accounting. The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate State Government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis method of accounting with several exceptions, principally the cash basis for payroll expenditures. 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 generally accepted accounting principles bases is presented in Note 29.

The Statement of Expenditures - Budget and Actual presents actual expenditures of certain budgeted funds on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item within division basis. In prior years, the Board presented expenditures by line-item within program/office within each Division. For the current fiscal year, all offices were consolidated and presented at the Division level. The level of legal control for each budgetary unit by line-item by program within division is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures."

**Cash and Cash Equivalents**

The amounts shown in the financial statements as "cash and cash equivalents" represent cash on hand with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

For purposes of the Statements of Cash Flows the Board considers all the highly liquid securities purchased with a maturity of three months or less to be cash and cash equivalents. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The State Treasurer's internal cash management pool consists of a general deposit account and several special deposit accounts. The general deposits are comprised of the General Fund, Earmarked Funds, and Federal Funds, and the Restricted Funds are special deposits. The State records each investee's equity interest in the aggregate 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 cost. Amortization of premiums and discounts is allocated and reported as net interest income. Interest earned by the special deposit accounts is posted to the investee's account at the end of each month. Interest earnings are allocated based on the percentage of an investee's accumulated daily interest receivable to the total undistributed interest received by the pool.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Cash and Cash Equivalents (Continued)**

Although the cash management includes some long-term investments, it operates as a demand deposit account; therefore, for credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

#### **Investments**

Investments are valued at amortized cost. These instruments are not carried at the lower of cost or market because it is management's intention to hold them until maturity. No provision is considered necessary for possible losses due to decline in market value of securities as the Board has the ability to either hold the securities to maturity or exchange such securities and does not expect to realize any significant losses. The Board amortizes bond premiums and accretes bond discounts using the effective interest method from the date of purchase to maturity. Gains and losses on sales of investments are recognized in the period of sale.

Interest income consists of interest earned during the year, amortization of premiums and accretion of discounts, and recognized gains/losses on securities. Earnings are posted to the Board's account at the end of each month.

Securities and securities transactions are reflected in the financial statements on a trade-date basis.

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts due for sales, services and rentals provided by the various internal service funds. The Board considers its receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established. The SC Code of Laws Section 11-9-95 (effective June 29, 1995) authorizes the Board to transfer any funds remaining in agency accounts to pay debts owed to the Board. If accounts become uncollectible, they will be charged to operations during the period in which that determination is made.

#### **Premium Revenue - Insurance Reserve Fund**

Premiums billed to agencies (premiums receivable) for insurance coverage are deferred and amortized into income over the term of the insurance policy.

#### **Premium Revenue – Health, Life, and Disability Insurance Reserve Fund**

Premiums billed to employers, employees and retirees (premiums receivable) for insurance coverage are recorded as revenue when earned on a monthly basis. The retiree surcharge on employees is recognized as the liability is incurred by the various state agencies and school districts.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Deferred Premium Revenue**

Premiums billed in advance of coverage, payments received in advance of coverage or in excess of amounts billed, and premiums collected but unearned are recorded as deferred premium revenue in the Insurance Reserve Fund and the Health, Life, and Disability Insurance Reserve Fund.

#### **Reinsurance Recovery Receivable**

Reinsurance Recovery Receivable represents claims that have been paid by the Insurance Reserve Fund which are recoverable from reinsurers. Reinsurance permits partial recovery of losses from reinsurance; however, the Insurance Reserve Fund, as direct insurers remains primarily liable. Amounts deemed recoverable from reinsurance are deducted from claims expenses.

#### **Prepaid Expenses**

Prepaid expenses consist primarily of prepaid insurance premiums payments made to insurers and reinsurers for services that will benefit future periods. The related expense is recognized prorata over the policy periods.

#### **Inventories**

Inventories of telecommunications, engineering services and motor vehicle management are valued on the weighted average cost method. Central supply inventory is valued at cost on the first-in, first-out (FIFO) method.

Inventory held on consignment by the State Surplus Property is valued at the current selling price or market value and includes only state property. Inventory of surplus property obtained from various state and federal agencies held on consignment for sale or donation respectively, is equally offset on the balance sheet as Inventory Held On Consignment and as Liability for Inventory Held on Consignment. State surplus property is sold at the estimated fair market value. The Board receives a sales commission fee on the sale of state surplus property. This fee is recognized as revenue when the property is sold. The remainder of the sales proceeds are remitted back to the originating agency of the property. Federal surplus property is donated to eligible donee organizations who pay a service charge upon donation. The service charge is set in accordance with state and federal regulations for the surplus property program and is basically the estimated fair market value of the property. Expenditures from these service charges are restricted for the purpose of operating the federal surplus property program. Federal surplus property inventory is not reported in the financial statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets**

Property, plant and equipment, including infrastructure (streets, sidewalks, drainage systems and similar assets that are immobile and of value to the Board only) used in governmental fund type operations which are paid in full at time of acquisition and meet the Board's capitalization policy (cost of \$500 and estimated useful life of more than one year), are recorded as expenditures of the applicable fund and simultaneously capitalized at cost in the General Fixed Assets Account Group. Fixed assets which are donated and contributed by non-state parties are recorded at their fair market value on the date of contribution. Furthermore, if received by an internal service fund, an equal amount is recorded as contributed capital. Fixed assets used in proprietary funds are recorded in that fund at cost. Fixed asset additions purchased through installment purchase or capitalized lease contracts are capitalized in the appropriate fund or account group in the year of acquisition at their total cost, excluding interest charges. Payments of principal and interest on such contracts for non-proprietary fund assets are recorded as equipment expenditures, except those for telephone equipment from the State Budget and Control Board - Division of Operations - Office of Information Resources, which are recorded as contractual services expenditures of the General Fund when the capital lease payments are made. Payments on capital lease principal for Internal Service Fund contracts are recorded as reductions of the liability and interest payments as expense in the applicable Internal Service Fund. Net interest expenditures on debt during the construction period are capitalized. Cumulative capital project expenditures are capitalized as land, land improvements, buildings, leasehold improvements, equipment, and furniture and fixtures in the General Fixed Assets Account Group of Internal Service Fund, if applicable, when the projects are substantially complete and available for use.

In accordance with generally accepted accounting principles for governmental entities, no provision for depreciation of general fixed assets is recorded. Fixed assets donated/transferred by other State entities and those transferred between the General Fixed Assets Account Group and Internal Service Funds or between Internal Service Funds are recorded at the historical cost (or estimated historical cost) of the originating fund. When an internal service fund is the receiving fund, cost is less accumulated depreciation or accumulated depreciation which would have been recorded had the fixed asset always been an asset of proprietary funds. A net value is recorded as contributed capital by the receiving internal service fund.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The cost threshold for capitalization of assets is \$500. The estimated useful lives are as follows:

Buildings	50 Years
Furniture and Equipment	5 - 10 Years
Vehicles	3 - 5 Years

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets (Continued)**

In accordance with GASB's accounting treatment option, the Board has elected to close depreciation expense applicable to assets acquired as contributed capital to unreserved retained earnings rather than recognize such as a reduction of contributed capital. This has the effect of creating a negative unreserved retained earnings in the Engineering Services Internal Service Fund, although total fund equity for this fund is positive.

**Claims Liabilities Including Claims Incurred But Not Reported (IBNR)**

Losses are recorded at estimated amounts at the time they are reported and include a provision for expenses associated with claim settlements. Insurance claims are expensed as incurred over the period of coverage. The office establishes an unpaid claim liability for claims in the process of review and for IBNR claims. The liability for IBNR claims is actuarially estimated based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, award trends, and estimates of health care trend (cost, utilization and intensity of services) changes. Estimates of liabilities for incurred claims are continually reviewed and revised as changes in these factors occur, and revisions are reflected in the current year's operating statement in the applicable claims expense. The liability is reported net of receivables for salvage, subrogation and reinsurance for the Insurance Reserve Fund. Claims payable and the related expense have been reduced by reinsurance recoveries receivable for claims paid and for estimated receivables for claims to be paid of approximately \$4,700,000 as of June 30, 1997. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of IBNR.

Claim costs for basic group life and long-term disability coverages are actuarially calculated using the one-year term cost method; the cost of coverage is the present value of all benefit payments that will be made on expected claims incurred during the year following the valuation date. Claim liabilities are equal to the present value, as of the valuation date, of all future payments to be made for disabilities and deaths up to that date. Actuarial assumptions include an interest rate of 5.50% for 1997 and 7.25% for 1996, compounded annually.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Claims Payable**

Insurance Reserve Fund

Claims payable represents claims resulting from losses that have been incurred but not paid at June 30. The claims payable balance is based on actual losses incurred and settled and estimated losses for claims in the final stages of review and settlement.

Health, Life, and Disability Insurance Reserve Fund

Claims payable in the Health, Life, and Disability Insurance Reserve Fund represents claims related to health claims and dental claims, and state life and long-term disability claims payable at June 30. The claims payable balance is based on claims that have been paid by the third party administrators on behalf of the Health Insurance Reserve Fund.

**Compensated Absences**

State employees are entitled to accrue and carry forward at calendar year end a maximum of 180 days of sick leave and 45 days of annual vacation leave. Upon termination of state employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days, but are not entitled to any payment for unused sick leave. In the governmental funds, expenditures for compensated absences are recorded when payment is made. Since no funds are budgeted for compensated absences in excess of a normal year's accumulation, no additional expenditures are accrued.

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 Board calculates the compensated absences liability based on recorded balances of unused leave for which the Board expects to compensate employees through paid time off or cash payments at termination. The liability for governmental funds is calculated at fiscal year-end current salary costs plus the cost of the salary-related benefit payments and is recorded in the General Long Term Debt Group. The liability for internal service fund employees is similarly calculated and recorded in the applicable internal service fund.

**Interfund Transactions**

Interfund transactions are treated as follows:

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the Board are similarly treated when involving other funds of the Board. Major transactions that fall into this category include services of the Central Supply Fund, Telecommunications Funds, Data Processing Fund, Engineering Services Fund, Motor Vehicle Management Fund and Print Shop Fund. Allocation of indirect costs for the Office of Internal Operations is also accounted for in this manner.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Transactions (Continued)**

Transfers from funds receiving revenues to funds in which the resources are to be expended are accounted for as operating transfers. Operating transfers represent transfers of funds from one fund to another when both funds are part of the same reporting entity. Transfers are not considered revenues by the receiving fund or expenditures or expenses by the disbursing fund. Contributions to the capital of the Internal Service Funds, transfers between such funds and the General Fixed Asset Account Group of the Board, and other nonrecurring or nonroutine transfers are classified as residual equity transfers. A transfer of equity may represent the creation or expansion of a fund or the liquidation or contraction of a fund.

There have been no eliminations of interfund transactions in the financial statements.

**Noncash Transactions**

Federal surplus property is received by the Surplus Property Fund and either donated to various state or local governmental agencies or sold. For financial statement purposes, the property on hand at year end is not considered an asset of the Board. The market value of the property has not been determined by the Board.

**State Appropriations and Lapses**

State appropriations are recognized as revenue when received and made available. The Board may carry forward up to 10% of unexpended Budgetary General Fund appropriations to the next fiscal year as authorized in the Appropriations Act. Any remaining unexpended amounts at year end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry certain of the monies over to the next fiscal year.

**Use of Estimates**

The Board uses estimates and assumptions in preparing its financial statements in accordance with GAAP. 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 the estimates that were used.

**Other Significant Accounting Policies**

Other significant accounting policies are included in the succeeding notes to the combined financial statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

<u>Balance Sheet</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$371,562,031	Deposits Held by State Treasurer	\$330,639,531
Restricted Cash and Cash Equivalents	112,500		
Investments	<u>216,812,516</u>	Investments Held by State Treasurer	<u>257,847,516</u>
	<u>\$588,487,047</u>		<u>\$588,487,047</u>

Cash and Cash Equivalents within the Internal Service Fund – Engineering Services in the amount of \$112,500 is held as a restricted asset for the repayment of Revenue Bonds Payable.

All deposits and investments of the Board are under control of the State Treasurer who, by law, has sole authority for investing State funds.

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, 1997, all State Treasurer Office bank balances were fully insured or collateralized with securities held by the State or by its agent in the State’s name.

Information pertaining to the carrying amounts, market values, credit risk categories, and credit risk of the State Treasurer’s deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Premiums paid or discounts taken on the purchase of interest-bearing investments are amortized/accrued using the interest method from the date of purchase to maturity. Purchases and sales are accounted for on the trade date. Unrealized gains and losses on investments have not been recorded, but are identifiable. Realized gains and losses on securities transactions are included with interest income for reporting purposes but are separately identifiable. Any excess of carrying value over market value is deemed to be a temporary impairment of value resulting from normal market fluctuations.

“Investments” on the balance sheet are held for the Board by the State Treasurer. They are legally restricted and earnings thereon become revenue of the specific fund from which the investment was made.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments of the Board at June 30 are represented by specific identifiable securities, some of which may be in one of the State Treasurer's investment pools, and are classified as to credit risk by the three categories described below:

**Category 1** - Insured or registered, or securities held by the State Treasurer or its agent in the State's name.

	<u>Carrying Value</u>	<u>Market Value</u>
U.S. Treasury Obligation Proprietary Funds	\$ 22,662,505	\$ 29,912,748
U.S. Government Agencies and Government-Insured Securities		
Proprietary Funds	153,375,160	154,343,922
Expendable Trust Fund	1,715,000	1,715,000
Agency Fund	4,715,000	4,715,000
Repurchase Agreements		
Proprietary Fund	21,035,000	21,035,000
Corporate Bonds		
Proprietary Funds	49,760,589	49,905,890
Financial and Other Instruments		
Proprietary Funds	<u>4,584,262</u>	<u>4,539,385</u>
Total Investments	<u>\$257,847,516</u>	<u>\$246,166,945</u>

**Category 2** - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name. NO INVESTMENTS IN THIS CATEGORY.

**Category 3** - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name. NO INVESTMENTS IN THIS CATEGORY.

The investment types listed above include all investment types in which monies were held throughout the year ended June 30, 1997. Due to higher cash flows at certain times during the year, the Board's investment in repurchase agreements and short-term investments fluctuated significantly. The maximum amounts held in these classifications during the year ended June 30, 1997 were as follows:

	<u>Maximum Amount</u>
Short-term investments	\$20,000,000
Repurchase agreements	\$55,465,624

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

During 1997, the investments classified as Corporate bonds and financial and other increased significantly from the prior year amounts. However, the amounts reported as of June 30, 1997 were the maximum amounts held during the year ended June 30, 1997. For all other investment classifications reported above, the balances therein fluctuated minimally in excess of the year-end balances throughout the year ended June 30, 1997.

Legally authorized investments vary by fund, but generally include 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 obligations of United States corporations.

**NOTE 3. PREMIUMS RECEIVABLE**

Premiums receivable at June 30, 1997 consist of the following:

<u>Due From:</u>	<u>Insurance Reserve Fund</u>	<u>Health, Life, and Disability Insurance Reserve Fund</u>	<u>Due To:</u> <u>Total</u>
Local Government	\$ 8,732,857	\$ 9,945	\$ 8,742,802
State Government	7,053,227	123,847	7,177,074
Other	<u>76,181</u>	<u>67,778</u>	<u>143,959</u>
	<u>\$ 15,862,265</u>	<u>\$ 201,570</u>	<u>\$ 16,063,835</u>

Premiums receivable and deferred premium revenue include approximately \$12,800,000 attributable to premiums billed in advance of coverage as of June 30, 1997.

**NOTE 4. DUE FROM SOUTH CAROLINA RETIREMENT DIVISION**

The amount of \$13,039,359 (\$12,576,576 from South Carolina Retirement Systems and \$462,783 from Police Officers Retirement System) due from the South Carolina Retirement Systems at June 30, 1997 represents revenues recognized on behalf of the Health, Life, and Disability Insurance Reserve Fund of 1.985% of covered compensation from all state agencies and public school systems during fiscal year 1997 to be used for health and dental insurance benefits of state retirees. This receivable is included in the "Due from Other State Agencies" account balance. In accordance with provisions of the Appropriations Act for each year, an additional employer contribution surcharge on covered payroll was added to the contribution rate applicable to entities covered by the State Health Insurance Plan. Insurance Premiums Revenue includes \$84,664,255 applicable to the retiree surcharge for the year ended June 30, 1997.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 5. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE**

Intergovernmental notes receivable at June 30 consist of the following:

Internal Service Fund:

Engineering Service due from Patriots Point Development Authority  
One note due in annual installments of \$20,000 without interest; matures in 1997 \$ 20,000

Internal Service Fund:

Telecommunications Fund due from the Citadel in annual installments of \$200,000  
plus interest at 6.25%; matures 1999. Original amount \$400,000 400,000

Internal Service Fund:

Insurance Reserve Fund due from State Agencies  
Twenty-four notes at 6.5%; collateralized by the assignment of notes issued by the  
Office of General Services for the Installment Purchase Program in monthly/annual  
installments; range of maturity 1998 to 2001 21,988,525

Internal Service Fund:

Insurance Reserve Fund due from S.C. Forestry Commission as authorized by FY96  
Proviso 17B.22  
One note due in annual installments of \$118,099, including interest at 8.75%; matures  
in 2000 75,000

Internal Service Fund:

Insurance Reserve Fund due from Savannah Valley Development Division of the  
Department of Commerce (See Note 20.)

One note in the principal amount of \$3,306,893 with interest at 8%; maturity date  
is January 31, 2021 2,136,893

One note in the principal amount of \$2,500,000 with interest at 8%; maturity date  
is January 31, 2022 2,500,000

One note in the principal amount of \$121,239 with interest at 8%; maturity date  
is January 31, 2022 121,239

One note in the principal amount of \$1,227,733 with interest at 8%; maturity date  
is January 31, 2023 1,227,733

One note in the principal amount of \$2,690,812 with interest at 8%; maturity date  
is January 31, 2024 2,690,812

One note in the principal amount of \$1,260,186 with interest at 8%; maturity date  
is January 31, 2024 1,260,186

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 5. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)**

One note in the principal amount of \$1,569,410 with interest at 8%; maturity date is January 31, 2024	1,569,410
One note in the principal amount of \$1,730,361 with interest at 8%; maturity date is January 31, 2027	<u>1,730,361</u>
	13,236,634
<b>Internal Service Fund:</b>	
Insurance Reserve Fund due from the State of South Carolina	
One note due in principal amount of \$2,500,000 with interest at 4.5%; maturity date is July 15, 1998	<u>1,000,000</u>
Subtotal Internal Service Fund	\$36,720,159
<b>Agency Fund:</b>	
State Water Pollution Control Revolving Fund – Held for S.C. Department of Health and Environmental Control due from Various Local Governments and Special Districts	
Thirty-eight notes due in quarterly installments, including interest from 2% to 4.75%; various maturities through February 2018	138,752,528
<b>Agency Fund:</b>	
Department of Commerce Fund held for Department of Commerce due from City of Charleston	
The City of Charleston was exempted by a Joint Resolution (Act 501) on May 6, 1996 from making the 1996 payment when due. In May 1996, the loan terms for the remaining balance of \$400,000 on the \$600,000 note issued in May 1994 were renegotiated providing for the City of Charleston to repay the loan in three equal installments of principal plus interest with the first payment due on June 30, 1997. The note is payable in annual installments of \$133,333, plus 5% interest; matures 1999	
	<u>266,666</u>
Subtotal Agency Fund	<u>139,019,194</u>
	<u>\$175,739,353</u>

**Intergovernmental notes payable at June 30 consist of the following:**

<b>Internal Service Fund:</b>	
Telecommunications Fund due to State Treasurer's Office	
One note due in annual installment of \$1,361,044, including interest at 8%; matures 2004; original amount \$12,828,000	\$ 7,821,430
One note due in annual installments of \$262,073, including interest at 8%; original amount of \$1,975,000; matures 2003	<u>1,364,149</u>
Subtotal Internal Service Fund	<u>9,185,579</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 5. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)**

Agency Fund:

Department of Commerce Fund due to Department of Commerce	
One note, City of Charleston, due in annual installments of \$133,333, plus 5% interest, matures 1999 (See the description above for the intergovernmental note receivable regarding the renegotiation of this note.)	<u>266,666</u>
Subtotal Agency Fund	<u>266,666</u>
Total Intergovernmental Notes Payable	<u>\$ 9,452,245</u>

Principal payments and interest expense for the year were:

	<u>Principal</u>	<u>Interest</u>
Internal Service Fund	\$811,963	\$734,854

Future maturities on Internal Service Fund intergovernmental notes payable as of June 30, 1997 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 876,920	\$ 746,197	\$ 1,623,117
1999	947,073	676,044	1,623,117
2000	1,022,839	600,278	1,623,117
2001	1,104,666	518,450	1,623,116
2002	1,193,039	430,077	1,623,116
Thereafter	<u>4,041,042</u>	<u>686,420</u>	<u>4,727,462</u>
	<u>\$9,185,579</u>	<u>\$3,657,466</u>	<u>\$12,843,045</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 6. INTERFUND NOTES RECEIVABLE/PAYABLE**

Interfund notes receivable/payable consist of the following:

Due from Internal Service Fund:

Engineering Services Fund to Agency Fund – Ordinary Sinking Fund		
One note on state owned parking lot, without interest, collections contingent upon parking fee, which have historically averaged approximately \$1,900 annually	\$	78,163

Due from Internal Service Fund:

Engineering Services Fund to Agency Fund – Ordinary Sinking Fund		
One note on state-owned parking lot, without interest payment to be made from collections of parking fees or other revenues generated by the use of the property or from proceeds from the sale of the property. Currently, use of parking lot is free to state employees. Therefore, there has been no reduction of the liability.		75,000

Due between Internal Service Funds:

Engineering Services Fund to Insurance Reserve Fund		
Five notes due in annual installments, including interest from 5% to 8%; maturity dates through 2005		<u>3,547,138</u>

Total Interfund Notes Receivable/Payable	<u><u>\$3,700,301</u></u>
--	---------------------------

Future maturities on Internal Service Funds interfund notes payable with scheduled annual payments as of June 30, 1997 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 617,304	\$ 201,231	\$818,535
1999	555,992	167,884	723,876
2000	586,448	137,428	723,876
2001	299,326	105,264	404,590
2002	317,332	87,257	404,589
Thereafter	<u>1,170,736</u>	<u>197,567</u>	<u>1,368,303</u>
	<u><u>\$3,547,138</u></u>	<u><u>\$ 896,631</u></u>	<u><u>\$4,443,769</u></u>

Principal payments and interest expense for the year were:

	<u>Principal</u>	<u>Interest</u>
Internal Service Funds	\$587,499	\$232,838

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 7. INVENTORIES**

Inventories consist of the following:

Telecommunications	
Telecommunication Supplies Held for Resale	\$ 930,758
Central Supply	
Office and Maintenance Supplies Held for Resale	556,281
Engineering Services	
Fuel Oil	81,930
Motor Vehicle Management	
Auto Supply and Repair Parts	<u>10,463</u>
Total	<u>\$1,579,432</u>

In addition, the Board received, distributed or sold, and had federal surplus property on hand in the Internal Service Fund - Surplus Property as follows:

Balance On Hand at Beginning of Year, as Previously Reported	\$1,145,295
Prior Period Adjustment	<u>(463,138)</u>
Balance On Hand at Beginning of Year, as Restated	682,157
Received	641,130
Distributed or Sold	<u>(642,748)</u>
On Hand at End of Year	<u>\$ 680,539</u>

In the prior financial statements, the inventory on hand was overstated by \$463,138 due to a price extension calculation error. A prior period adjustment to correct the beginning inventory amount was made.

The above supplemental balances and transactions are reflected at market value; however, they are not reported in the financial statements

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 8. FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>	<u>Total</u>
Balance – June 30, 1996, as previously reported	929,974	7,314,455	9,897,404	18,141,833
Prior Period Adjustment (See Note 30.)			<u>(5,530,566)</u>	<u>(5,530,566)</u>
Balance – June 30, 1996, as restated	929,974	7,314,455	4,366,838	12,611,267
 Additions			606,407	606,407
Transfers from				
Internal Service Funds			48,953	48,953
Retirements			(445,606)	(445,606)
Transfers to Internal				
Service Funds			<u>(93,347)</u>	<u>(93,347)</u>
 Balance – End of Year	<u>\$ 929,974</u>	<u>\$ 7,314,455</u>	<u>\$4,483,245</u>	<u>\$12,727,674</u>

There was no capitalized construction interest for the year ended June 30, 1997.

A summary of general fixed assets by Division at June 30, 1997 is as follows:

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>
<b>DIVISION OF EXECUTIVE DIRECTOR</b>			
Board Administration			88,474
Office of General Counsel			33,142
Advisory Committee on Intergovernmental Relations			51,625
Office of Internal Operations			<u>669,856</u>
DIVISION TOTAL			843,097
 <b>DIVISION OF BUDGET AND ANALYSES</b>			
Office of State Budget			119,354
Office of Research and Statistics			1,911,565
Office of Human Resource Management			440,882
Board of Economic Advisors			<u>56,540</u>
DIVISION TOTAL			2,528,341
 <b>DIVISION OF OPERATIONS</b>			
Office of General Services	929,974	7,314,455	1,031,481
Office of Local Government			<u>80,326</u>
DIVISION TOTAL	<u>929,974</u>	<u>7,314,455</u>	<u>1,111,807</u>
 <b>BOARD TOTAL</b>	 <u>\$ 929,974</u>	 <u>\$7,314,455</u>	 <u>\$4,483,245</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 9. AMOUNTS DUE FROM/TO GENERAL FUND OF THE STATE**

The amount due from the General Fund of the State at June 30 represents the amount due for personal services and the related fringe benefits accrued at June 30 for employees funded by State Appropriations but collected on or after the subsequent July 1. South Carolina State law provides for the payroll accruals to be paid with subsequent year appropriations.

Amounts due to the General Fund of the State represent monies which must be remitted to the General Fund of the State at year end. Monies collected include rental/parking income, funding for capital improvement bond debt service, refund of prior year expenditures and various charges and fees.

**NOTE 10. CAPITAL PROJECTS**

The Board is charged with the responsibility of coordinating and accounting for all major construction projects for certain state agencies. Construction costs incurred on behalf of other state agencies is paid from monies deposited with the Board for those specific projects. Such projects do not represent an asset to the Board. Additionally, the Board conducts construction projects on its own behalf, primarily for state-owned office buildings operated by the Board. Such projects are generally funded by State appropriations, advances of capital improvement bond proceeds, or income of the Internal Service Fund - Engineering Services Fund.

As of June 30, 1997, the Board had received advances from various state agencies in excess of expenditures incurred. These amounts are reflected as due to other state agencies in the Capital Projects Fund - Other.

The estimated cost to complete Board capital projects including those which will not be capitalized was approximately \$13,700,000 as of June 30, 1997.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 10. CAPITAL PROJECTS (CONTINUED)**

The estimated cost to complete construction projects for other state agencies was \$1,784,460 as of June 30, 1997. The amount of outstanding commitments for all construction projects is unavailable for the year ended June 30, 1997.

In prior years, the State authorized money for improvement and expansion of facilities using the proceeds of State capital improvement bonds. The State Capital Improvement Bonds are issued as general obligations of the State and do not have to be repaid by the Board and, therefore, are not recorded as a liability. As capital projects were authorized by the State Budget and Control Board, the bond proceeds were allocated to the projects. In most instances, the Board recorded the proceeds as revenue in the Capital Projects Fund at the time the funds were authorized. These authorized funds could be requested at the time and to the extent that allowable project expenditures were incurred once State authorities have given approval to begin specific projects.

A summary of balances available from these authorizations as of June 30, 1997 follows:

Legislative Act <u>Number</u>	Authorized Net of <u>Adjustments</u>	Amounts Drawn in <u>Prior Years</u>	Amounts Drawn in <u>1996/97</u>	Balance Authorized <u>June 30, 1997</u>
646 of 1978	\$ 431,933	\$ 423,059	\$	\$ 8,874
194 of 1979	467,053	452,999	14,054	
512 of 1984	333,300	311,022	770	21,508
638 of 1988	684,718	683,675		1,043
256 of 1991	<u>3,050,000</u>	<u>1,806,568</u>	<u>7,717</u>	<u>1,235,715</u>
Totals	<u>\$4,967,004</u>	<u>\$3,677,323</u>	<u>\$22,541</u>	<u>\$1,267,140</u>

The Board also acts in a fiduciary capacity with respect to certain capital improvement bonds authorized for other agencies. The Board can draw on these funds as construction funds are expended for other state agencies. These receivables totaled \$373,359 as of June 30, 1997 and are included in the assets and in the liabilities - Due to Other State Agencies - of the Agency Fund.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

### NOTE 11. PENSION PLAN

The majority of employees of the Board are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in section 9-1-480 of the South Carolina Code of Laws.

This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

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

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

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 1996, the employer contribution rate became 9.535 percent, which included a 1.985 percent surcharge to fund retiree health and dental insurance coverage. The Board's actual contributions to the SCRS for the years ended June 30, 1997, 1996 and 1995 were approximately \$2,563,000, \$2,442,000 and \$2,205,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the Board paid employer group-life insurance contributions of approximately \$51,000 in the current fiscal year at the rate of .15 percent of compensation.

The amounts paid by the Board for pension, group-life benefits and accidental death benefits are reported as employer contribution expenditures/expenses within the applicable fund/program or fund/object code expenditure/expense categories to which the related salaries are charged.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 11. 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 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the Board'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. Therefore, the Board's liability under the pension plan is limited to the amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Board recognizes no contingent liability for unfunded costs associated with participation in the plan.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

**NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS**

The State of South Carolina provides certain health care, dental and life insurance benefits to active and certain retired state employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the Board 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 Board for its active employees and its retirees except for the portion funded through the pension surcharge or provided from other applicable fund sources of the Board for its active employees who are not funded by annual appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately, 18,400 state retirees met these eligibility requirements as of June 30, 1997.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

### NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The Board recorded employer contributions expenditures/expenses within the applicable fund/program or fund/object code expenditure/expense categories for these insurance benefits for active employees of approximately \$2,103,000 for the year ended June 30, 1997. As discussed in Note 11, the Board paid approximately \$674,000 applicable to the 1.985% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the SCRS for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

### NOTE 13. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to state employees and employees of its political subdivisions. Certain employees of the Board 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 creditors, one of whom is the employee participant.

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 STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 14. LEASE OBLIGATIONS**

The Board leases real estate under agreements which have been classified as capital leases in the Engineering Services Internal Service Fund. In addition, other real estate and equipment leases have been classified as operating leases which generally expire within the next three to five years. In most cases, the Board expects that operating leases will be renewed or replaced by other leases as they expire.

Capital leases of the Internal Service Funds have been recorded as property and long-term debt. All capital leases are reported in the Internal Service Fund. Capital lease payments during the fiscal year ended June 30, 1997 totaled \$23,622,254, and the portion representing interest was \$1,703,779.

The following is a summary of the cost of property under capital leases at June 30, 1997:

Buildings	\$14,394,666
Less Accumulated Depreciation	<u>2,918,243</u>
Carrying Value	<u>\$11,476,423</u>

Details of the capital leases follow:

In June 1985, the Board entered into a capital lease agreement for the period December 1986 through December 2006 for the Mt. Vernon Mills Building (occupied primarily by the State Museum and Department of Revenue). The annual rent is \$3,050,400. The building is on land owned by the State and leased to the lessor through June 2017 with renewal options for two successive periods of 21 years each. The purchase price for either the Museum portion or Department of Revenue portion is the lesser of fair value at any date after the tenth anniversary date or cost as determined by multiplying total cost by the applicable cost allocation percentage compounded annually by 2.875% from the date the State became obligated to pay base rent. In no case shall the purchase price be less than the total cost allocable to such space as determined by multiplying total cost by the applicable cost allocation percentage. A subsequent addendum to the lease agreement provided that, after ten years, ownership of the space occupied by the Museum will be transferred to the Board subject to the permanent financing related thereto. This lease is accounted for in the Internal Service Fund - Engineering Services Fund. The applicable interest rate is 8.325%. On January 24, 1997, the Board purchased the Mt. Vernon Mills Building for a total purchase price of \$24,285,864. The original present value of the lease payments is \$29,668,384, and the balance at June 30, 1997 is paid in full.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 14. LEASE OBLIGATIONS (CONTINUED)**

In December 1985, the Board entered into a capital lease agreement for the period from December 11, 1985 to December 31, 2005 for the Robert Mills Building (occupied by the Department of Health and Environmental Control). The rent fluctuates annually in accordance with the schedule provided in the lease agreement. From the inception to the termination of the lease, the annual base rental will range from \$796,925 to \$1,232,075. Annual rent paid in fiscal year 1997 was \$961,296. The purchase price will be the lesser of the fair market value of the building as determined by HAI Appraisal or the formula price defined as 5.4 times the annual base rental in the year of exercise if exercised in the 18th year. This lease is accounted for in the Internal Service Fund - Engineering Services Fund. The applicable interest is 8.000%. The original present value of lease payments is \$9,186,764, and the balance at June 30, 1997 is \$6,973,126.

In December 1987, the Board entered into a capital lease agreement for the period December 1987 through December 2007 for the Adjutant General Building. The annual rent is \$486,702 plus additional amounts required for taxes, insurance, assessments and other expenses required to be covered under the lease agreement. The purchase price is 240 base rental payments plus one dollar. This lease is accounted for in the Internal Service Fund - Engineering Services Fund. The applicable interest rate is 7.000%. The original present value of lease payments is \$5,200,000, and the balance at June 30, 1997 is \$3,611,812.

Effective May 1, 1996, the Board renewed a non-cancelable operating lease agreement with amendments for the period July 1997 to June 2002 for rental of approximately 148,000 square feet of office space in the Capital Center Office Building. The annual base rental (excluding operating cost contribution) is \$1,330,047 (nine dollars (\$9.00) per square foot) payable in equal advance monthly installments of \$110,837. The estimated operating cost is \$4.00 per rentable square foot, payable in equal advanced monthly installments of \$49,261. The lease payments are fixed for the remaining life of the lease which expires on June 30, 2002. The lease contains a renewal option which expires June 30, 2001. The Board has the option to renew this lease for one additional five year period. Notice to exercise this option must be given at least twelve months prior to the termination of the then-current lease term. The total rental expense incurred during fiscal year 1997 was \$1,631,240. At the renewal, the annual base rental was reduced retroactively to January 1, 1996. As a result, \$415,298 of excess payments were to be recovered by reductions of future rental payments. In fiscal year 1997, the Board recovered the total amount of \$415,298 through reduced rent expense payments.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1997**

**NOTE 14. LEASE OBLIGATIONS (CONTINUED)**

The following schedule summarizes the Board's future obligations under non-cancelable capital and operating leases with remaining terms in excess of one year:

<u>Fiscal Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
1998	\$ 2,296,023	\$1,456,649
1999	2,295,268	1,456,649
2000	2,284,248	1,466,587
2001	2,221,874	1,489,523
2002	2,208,079	1,524,127
Thereafter		<u>7,861,475</u>
Total Payments	<u>\$11,305,492</u>	\$15,255,010
Less Amount Representing Interest		<u>4,670,072</u>
Present Value of Capital Lease Payments		<u>\$10,584,938</u>

The Board is obligated on these leases, and the source of the future obligations will be based on which division is utilizing the assets.

Rental expenditures/expenses under operating leases with remaining terms in excess of one year were approximately \$1,410,000 from the General Fund, \$2,260,000 from the Internal Service Funds, and \$60,000 from the Special Revenue Funds for the year ended June 30, 1997

The Board has also entered into a number of operating leases which expire in various years from 1998 through 2002 for office equipment which contain cancellation provisions and are subject to annual appropriation. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 15. SUBLEASED MAJOR CAPITAL ASSETS**

The Board sublets office space to other agencies. No formal lease agreements exist. The leases are on a year-to-year basis. Applicable information for the fiscal year is as follows. This income is reported in the Engineering Services Internal Service Fund. Rent received includes base rent plus operating and maintenance fees.

<u>Facility</u>	<u>Tenant</u>	<u>Rent Received</u>
Adjutant General Building	Adjutant General	\$ 801,250
Robert Mills Building	Department of Health and Environmental Control	1,160,026
Mt. Vernon Mills Building	Department of Revenue	1,816,732
	State Museum	2,867,167
	State Library	<u>399,808</u>
Total Subleased Rents		<u>\$ 7,044,983</u>

See Note 14 for a description of the capital leases related to these buildings.

**NOTE 16. GENERAL LONG-TERM DEBT**

The following is a summary of changes in general long-term debt of the Board for the year ended June 30, 1997:

	<u>Liability for Compensated Absences</u>
Balance – June 30, 1996, as previously reported	\$ 2,383,896
Prior Period Adjustment (See Note 30.)	<u>(193,258)</u>
Balance – June 30, 1996, as restated	<u>2,190,638</u>
Net Increase	<u>89,615</u>
Balance – June 30, 1997	<u>\$ 2,280,253</u>

Changes in amounts payable are reflected at net since details to support gross increases and decreases are not available.

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 17. ADVANCES FROM STATE AND LEASE REVENUE BONDS PAYABLE**

**Advances from State**

Advances from State at June 30 consist of capital improvement bond proceeds advanced from the State Treasurer for authorized construction projects of the Board. The Board is required to repay these advances annually to the State Treasurer based on amortization schedules established for each applicable project. The Internal Service Fund - Engineering Services Fund is responsible for repaying the capital improvement bond proceeds. The Board's liability is recorded at the time that the bonds are issued by the State. The repayment will be funded from rents received from the applicable agencies renting the buildings. Following is a summary of capital improvement bond advances outstanding at June 30:

<u>Project Description</u>	<u>Amortization Schedule</u>		<u>Interest Rate</u>	<u>Amount Advanced</u>	<u>Total Outstanding June 30, 1997</u>	<u>Current Portion of Advance</u>	<u>Current Annual Payments</u>
	<u>Began</u>	<u>Matures</u>					
Air Conditioning-Sims Building	979	1999	5.50%	225,000	34,762	16,916	18,828
Five Points Building	979	1999	6.00%	1,830,000	292,514	141,997	159,548
Roof and Parapets	986	2004	9.00%	75,000	41,351	4,494	8,216
HVAC Five Points Building	988	2008	6.573%	50,000	34,965	2,266	4,564
Calhoun Building	989	2009	6.573%	6,557,000	4,864,152	278,824	598,545
Fire Systems	989	2009	7.00%	150,000	112,460	6,287	14,159
Supreme Court	993	2009	6.65%	<u>4,238,000</u>	<u>3,441,530</u>	<u>196,387</u>	<u>425,249</u>
Total Advances from State				<u>\$13,125,000</u>	<u>\$8,821,734</u>	<u>\$647,171</u>	<u>\$1,229,109</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 17. ADVANCES FROM STATE AND LEASE REVENUE BONDS PAYABLE (CONTINUED)**

For the year ended June 30, 1997, the Board paid \$843,019 of principal and incurred \$633,162 of interest attributable to these advances. The following summarizes the Board's obligation under these advances until maturity.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 647,171	\$ 581,937	\$1,229,108
1999	689,002	540,107	1,229,109
2000	555,169	495,564	1,050,733
2001	591,993	458,740	1,050,733
2002	631,262	419,471	1,050,733
Thereafter	<u>5,707,137</u>	<u>1,602,347</u>	<u>7,309,484</u>
	<u><u>\$8,821,734</u></u>	<u><u>\$4,098,166</u></u>	<u><u>\$12,919,900</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1997**

**NOTE 17. ADVANCES FROM STATE AND LEASE REVENUE BONDS PAYABLE (CONTINUED)**

**Lease Revenue Bonds Payable**

Lease Revenue Bonds Payable at June 30 consists of revenue bond proceeds from bonds issued in the Board's name and for which the State Treasurer serves as agent and acts as Bond Trustee. These bonds are secured by (1) all rental receipts and revenues derived from the use of the buildings, (2) proceeds from the sale or disposition of the facility, and (3) all interest or other income held for the investment of any money from the bond resolution. The Internal Service Fund – Engineering Services Fund is responsible for repayment of the bond proceeds annually with interest payments semi-annually. The repayment will be funded from rents received from the applicable agencies renting the buildings.

The bond documents outline certain covenant terms to secure the bonds. For both series of bonds, the Board must maintain its rates and charges at amounts necessary to maintain certain specified earning levels. For the bonds, the Board must generate net revenues available for debt service of not less than 110 percent of debt service payments due in each bond year.

During the year, the Board issued a lease revenue bond in the amount of \$22,625,000, proceeds of which were used for the payout of the capital lease associated with the Mt. Vernon Mills Building. The bonds were dated January 1, 1997 and were issued at a discount of approximately \$114,000. Bond issue costs were approximately \$238,000.

Bond covenant requirements specify that at least fifteen (15) days prior to each Bond Payment Date, there shall be deposited with the State Treasurer a sum equal to one-half (1/2) of the aggregate amount of principal and the interest payment to become due on the next Bond Payment Date on which payment of principal is due. The Board's required bond payment deposit was made and is reported within the Internal Service Fund – Engineering Services and is presented as Restricted Assets – Cash and Cash Equivalents.

Following is a summary of lease revenue bonds outstanding at June 30:

<u>Project Description</u>	<u>Amortization Schedule</u>		<u>Interest Rate</u>	<u>Original Amount</u>	<u>Total Outstanding June 30, 1997</u>	<u>Current Portion of Bonds Payable</u>	<u>Current Annual Payments</u>	<u>Restricted Assets</u>
	<u>Began</u>	<u>Matures</u>						
Department of Social Services-Harden Street	995	2014	5.25-7.00%	\$ 6,880,000	\$ 6,520,000	\$ 225,000	\$ 568,026	\$ 112,500
Mt. Vernon Mills Building	997	2007	4.00-6.00%	<u>\$22,625,000</u>	<u>\$22,625,000</u>	<u>\$1,775,000</u>	<u>\$2,910,771</u>	
				<u>\$29,505,000</u>	<u>\$29,145,000</u>	<u>\$2,000,000</u>	<u>\$3,478,797</u>	<u>\$ 112,500</u>

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 17. ADVANCES FROM STATE AND LEASE REVENUE BONDS PAYABLE (CONTINUED)**

Beginning December 1, 2000, certain of the bonds used for the Department of Social Services – Harden Street Project may be redeemed at a premium prior to the mandatory redemption dates and final maturities at the option the Board. The redemption prices (expressed as a percentage of the principal redeemed) for the bonds range from 102 percent in 2004 to 100 percent in 2006.

For the year ended June 30, 1997, the Board paid \$215,000 of principal and incurred \$985,496 of interest attributable to these Lease Revenue Bonds. The following summarizes the Board’s obligation under these Lease Revenue Bonds until maturity.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 2,000,000	\$ 1,595,506	\$3,595,506
1999	2,170,000	1,381,961	3,551,961
2000	2,265,000	1,273,993	3,540,993
2001	2,365,000	1,156,668	3,521,668
2002	2,465,000	1,014,830	3,479,830
Thereafter	<u>17,880,000</u>	<u>4,009,421</u>	<u>21,889,421</u>
	<u>\$29,145,000</u>	<u>\$10,432,379</u>	<u>\$39,579,379</u>

The Agency Fund – Funded Debt Sinking Fund reports a liability of \$1,991 to holders of Teachers Notes issued by the State during the depression. Holders of the bonds are currently unknown.

**NOTE 18. DEFICIT BALANCES**

The Engineering Services Internal Service Fund has a deficit Retained Earnings balance of \$(9,866,791) as of June 30, 1997. The Engineering Services deficit is due to the Board’s practice of closing depreciation expense attributable to contributed fixed assets to Retained Earnings rather than Contributed Capital. This Fund had an overall positive equity balance of \$61,940,287 at June 30, 1997.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 19. CONTRIBUTED CAPITAL**

Following is a schedule of the net changes in contributed capital of the Internal Service Funds for the year ended June 30, 1997:

	<u>Central Supply</u>	<u>Engineering Services</u>	<u>Surplus Property</u>	<u>Data Processing</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Health Insurance Reserve</u>	<u>Totals</u>
Balance, June 30, 1996	\$ 303	\$71,760,261	\$727,315	\$ 108,270	\$44,820	\$442,906	\$ 6,539	\$73,090,414
Transfers from General Fixed Assets Account Group		388		14,712	2,204			17,304
Donated Assets: Equipment		46,429	800	6,140		8,850		62,219
Disposal/Retirements of Equipment Previously Contributed			<u>(697)</u>	<u>(114,377)</u>		<u>(91,125)</u>		<u>(206,199)</u>
Balance, June 30, 1997	<u>\$ 303</u>	<u>\$71,807,078</u>	<u>\$727,418</u>	<u>\$ 14,745</u>	<u>\$47,024</u>	<u>\$360,631</u>	<u>\$ 6,539</u>	<u>\$72,963,738</u>
Assets Transferred from General Fixed Assets Account Group Equipment: Cost		\$ 3,084		\$ 79,197	\$11,065			\$ 93,347
Accumulated Depre- ciation			<u>(2,696)</u>	<u>(64,485)</u>	<u>(8,861)</u>			<u>(76,043)</u>
Net Book Value		<u>\$ 388</u>		<u>\$ 14,712</u>	<u>\$ 2,204</u>			<u>\$ 17,304</u>

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

### **NOTE 20. RESERVE BALANCES**

#### **General Fund**

The General Fund does not use encumbrance accounting. The Reserve for Appropriations to be Carried Forward, however, funds situations where the General Assembly has authorized appropriations to be carried forward to the next fiscal year to be expended for legally specified purposes. For further details see Note 21 regarding appropriations carried forward under separate authorizations.

#### **Expendable Trust Funds**

The South Carolina Appropriations Act (Proviso 17B.2 of the 1996-97 Appropriations Act) provides that the net proceeds from the sale or net annual charges derived from the Robert Mills Building and Mount Vernon Mills Building resulting from the sale/leaseback and repurchase option agreement be deposited in a separate account for the repurchase of the property. The amounts of reserve at June 30, 1997 applicable to the Robert Mills Building is \$1,501,896. The leases in connection with the sale/leaseback agreement, dated for December 11, 1985 for the Robert Mills Building are being accounted for as capital leases. In 1997, the Board purchased the Mt. Vernon Mills Building.

Monies for the War Memorial, Office of General Services, were authorized by the General Assembly in the permanent provisions of the 1984-85 Appropriations Act. in the amount of \$300,000. The current balance reserved for the war memorial is \$215,000 as of June 30, 1997.

#### **Internal Service Funds**

The Insurance Reserve Fund "Installment Purchase Program" consists of notes issued by state agencies and institutions to the Office of General Services to finance the purchase of office, telecommunications, medical, and data processing equipment. The program is authorized under South Carolina State Code 1-1-1020. The program is funded through loans from the Insurance Reserve Fund to the Office of General Services. Effective July 1, 1994, this program is administered by the State Treasurer's Office. At June 30, 1997, \$35,000,000 of the retained earnings of the Insurance Reserve Fund was reserved for support of the program. The total balance outstanding at June 30, 1997 was \$21,988,525.

At June 30, 1997, \$20,000,000 of the Insurance Reserve Fund retained earnings has been reserved for loans to the Savannah Valley Development Division of the Department of Commerce, as authorized under South Carolina Code 13-0-10, formerly the Clark's Hill-Russell Authority (a Joint Resolution; R-22, H2516; of the state, approved March 12, 1987 and R-755, H2680; of the State, approved June 20, 1988). As of June 30, 1997, \$13,236,634 was outstanding.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES**

The 1996-97 original appropriation is the base budget of the Board presented in the General Fund's column of Section 17(A-C) of Part I of the Appropriation Act. The following is a reconciliation of the original appropriations enacted by the General Assembly to the State appropriations revenue reported in the financial statements.

	<u>FUND TYPE</u>	<u>Original Appropriation</u>	<u>Supplemental/ Additional Appropriations (C, D, E)</u>	<u>Net Transfers Between Agencies (B)</u>	<u>Civil Contingency Transfers (A)</u>	<u>Revised Appropriation - Budgetary Basis</u>	<u>Plus Current Year Accruals</u>	<u>Less Prior Year Accruals</u>	<u>Revised Appropriation - GAAP Basis</u>
<b>Divisions</b>									
Division of the Office of the Executive Director	General	\$ 8,715,092	\$ 365,806	\$ (2,443,896)	\$ (125,000)	\$ 6,512,002	\$ 304,976	\$ 278,163	\$ 6,538,815
Division of Operations	General	12,589,670	21,679,049	(225,495)		34,043,224	301,082	275,011	34,069,295
	Internal Service	679,914	30,941	2,153,792		2,864,647	40,115	127,137	2,777,625
	Special Revenue		10,000,000			10,000,000			10,000,000
		<u>13,269,584</u>		<u>1,928,297</u>			<u>341,197</u>	<u>402,148</u>	
Division of Budget and Analyses	General	<u>8,254,692</u>	<u>158,569</u>	<u>172,777</u>		<u>8,586,038</u>	<u>576,917</u>	<u>528,772</u>	<u>8,634,183</u>
Agency Total		<u>\$ 30,239,368</u>	<u>\$ 32,234,365</u>	<u>\$ (342,822)</u>	<u>\$ (125,000)</u>	<u>\$ 62,005,911</u>	<u>\$ 1,223,090</u>	<u>\$ 1,209,083</u>	<u>\$ 62,019,918</u>
Total General		\$ 29,559,454	\$ 22,203,424	\$ (2,496,614)	\$ (125,000)	\$ 49,141,264	\$ ,182,975	\$ 1,081,946	\$ 49,242,293
Total Internal Service		679,914	30,941	2,153,792		2,864,647	40,115	127,137	2,777,625
Total Special Revenue			10,000,000			10,000,000			10,000,000
Agency Total		<u>\$ 30,239,368</u>	<u>\$ 32,234,365</u>	<u>\$ (342,822)</u>	<u>\$ (125,000)</u>	<u>\$ 62,005,911</u>	<u>\$ ,223,090</u>	<u>\$ ,209,083</u>	<u>\$ 62,019,918</u>

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

Includes transfers from Civil Contingent Fund as provided by Proviso 17A.1, Total Quality Management (TQM) as provided by Proviso 17A.2, and other various agencies as follows:

**(A) Civil Contingent Fund**

South Carolina Department of Juvenile Justice	<u>\$ (125,000)</u>
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**(B) Includes transfers to and from other state agencies as follows:****Total Quality Management (TQM)**

From the Division of Executive Director - Board Administration to:

University of South Carolina	\$ (8,550)
University of South Carolina Spartanburg Campus	(7,500)
Department of Public Safety	(2,500)
Department of Mental Health	(11,000)
Adjutant General's Office	(1,740)
Wil Lou Gray Opportunity School	(1,700)
Educational Television Commission	(13,640)
Francis Marion University	(24,810)
Arts Commission	(3,620)
Commission on Higher Education	(60,000)
Department of Probation, Parole and Pardon Services	(15,105)
State Library	(2,500)
Lander University	(925)
Forestry Commission	(1,690)
Museum Commission	(14,010)
Governor's Office – Executive Policy and Programs	(14,940)
Clemson University – Public Service Activities	(17,800)
State Board for Technical and Comprehensive Education	(47,487)
Department of Juvenile Justice	(16,916)
South Carolina State University	<u>(6,750)</u>

\$ (273,183)

From the Department of Public Safety to the Division of Executive Director - Board Administration to return unused funds that were designated for TQM Training

\$ 20,000

From the Housing, Finance and Development Authority to the Division of Executive Director to turn unused funds that were designated for TQM Training

18,191

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

(B) Includes transfers to and from other state agencies (Continued):

From the Division of Executive Director - Office of Internal Operations to the Election Commission for the Tuition Assistance Mentoring Program	(2,500)
From the Division of Executive Director - Office of Internal Operations to the Department of Revenue for the Department of Revenue Mentoring Program	(2,500)
From the Department of Social Services to the Division of Operations - Office of General Services to transfer funds for salary and benefits for Print Shop staff	22,170
From the Division of Operations - Office of Local Government to the Jobs Economic Development Authority for operating expenses	<u>(125,000)</u>
	<u><u>\$ (69,639)</u></u>

(C) Includes additional allocations for employee compensation. Details of the additional allocations for employee compensation and benefits are as follows:

	Employee Bonus; Employer Contributions and Health and Dental Allocations Proviso 17C.19	Employee Bonus; Employer Contributions and Retiree Health and Dental Proviso 17C.19
	<u>General Fund</u>	<u>Internal Service Fund</u>
Division of Executive Director	\$ 104,189	
Division of Operations	64,561	30,941
Division of Budget and Analyses	<u>158,569</u>	
	<u><u>\$ 327,319</u></u>	<u><u>\$ 30,941</u></u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

(D) Supplemental Appropriations from fiscal year 1995-96 State General Fund Revenues:

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	FY97 Appropriations Act – Part V	Public Education Equity Lawsuit	\$ 150,000
	Board Administration	FY97 Appropriations Act – Part V	State House Renovations	<u>111,617</u>
				<u>\$ 261,617</u>
Operations	General Services	FY97 Appropriations Act - Part VI	State House Renovations	\$15,614,488
	General Services	FY97 Appropriations Act - Part VI	Infrastructure Revolving Loan Fund	<u>6,000,000</u>
				<u>\$21,614,488</u>

(E) Capital Reserve Fund appropriations to the Board.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	June 96 Joint Resolution	Public Education Technology	<u>\$10,000,000</u>

In addition, Capital Reserve Fund appropriations shown below that are not shown in the reconciliation on page 55.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY96 Joint Resolution	Public Education Technology	<u>\$10,000,000</u>
				<u>Capital Projects Fund</u>
Operations	General Services	FY96 Joint Resolution	State House Renovations	<u>\$ 4,530,422</u>

The “Net Transfers Between Agencies” column includes both transfers between divisions of the State Budget and Control Board and transfers between the Board and other state agencies. The accruals consist of appropriated salaries and related employee benefits paid in July for work performed in June. The salaries, benefits and related appropriations are allocated to the periods in which the costs were incurred to conform to GAAP basis.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

**Funds Brought Forward**

General Proviso 72.44 of the 1996-97 Appropriations Act provides that each agency shall be authorized to carry-forward unspent General Fund appropriation from the prior year into the current fiscal year, up to a maximum of 10% of its original general fund appropriations less any appropriations reductions for the current fiscal year. Pursuant to FY97 72.44, appropriations were brought forward from fiscal year 1996 to 1997 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 100,531
	Office of Internal Operations	Undesignated	<u>471,362</u>
			571,893
Budget and Analyses	State Budget	Undesignated	32,541
	Research and Statistics	Undesignated	24,638
	Human Resources	Undesignated	138,858
	Board of Economic Advisors	Undesignated	<u>14,279</u>
			210,316
			<u>\$ 782,209</u>

Under separate authorizations, appropriations were brought forward from fiscal year 1996 to 1997 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	June 95 Joint Resolution	Equity Lawsuit	\$ 100,000
	Board Administration	FY97 Proviso 17A.2	Total Quality Management	201,948
	Board Administration	FY97 Proviso 17A.4	Accounting System	200,000
	Board Administration	June 95 Joint Resolution	ACIR	<u>248,804</u>
			Subtotal	<u>750,752</u>
Operations	General Services	FY96 Joint Resolution	State House Renovations	10,000,000
	General Services	FY97 Appropriations Act – Part III	Infrastructure Revolving Loan Fund	2,000,000
	Local Government	FY97 Proviso 17B.6	Budget and Control Board Grant Program Fund	17,457,538
	Local Government	FY97 Proviso 17B.11	Infrastructure Revolving Loan Fund	2,303,502
	Local Government	FY97 Proviso 17B.6	EPA State Match	13,204,189
	Local Government	June 95 Joint Resolution	Coordinating Council for Economic Development	<u>1,301,105</u>
			Subtotal	<u>46,266,334</u>
				<u>\$ 47,017,086</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

Lapses to the General Fund of the State for the year ended June 30, 1997 are as follows:

	<u>General Fund</u>
Division of Operations	\$7,044

**Funds Carried Forward**

Appropriations carried forward from fiscal year 1997 to fiscal year 1998 were authorized as follows:

**All Agencies**

General Proviso 72.44 of the fiscal year 1997-98 Appropriations Act provides that each agency shall be authorized to carry forward unspent General Fund appropriations from the current fiscal year into the next fiscal year, up to a maximum of 10% of its original General Fund appropriations less any appropriations reductions for the current fiscal year. Proviso 72.44 does not apply to Board funds covered by separate carry forward authority.

Under proviso 72.44 of the 1998 Appropriations Act, appropriations were carried forward in unreserved, undesignated fund balance from fiscal year 1997 to 1998 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 362,794
	Office of Internal Operations	Undesignated	<u>471,210</u>
			\$ 834,004
Budget and Analyses	State Budget	Undesignated	\$ 182,544
	Research and Statistics	Undesignated	39,313
	Human Resources	Undesignated	124,686
	Board of Economic Advisors	Undesignated	10,826
	Division Director	Undesignated	<u>15,317</u>
			<u>\$ 372,686</u>
Total Carried Forward Under Proviso 72.44			<u>\$1,206,690</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASIS (CONTINUED)**

**All Agencies (Continued)**

Under separate authorizations, appropriations were carried forward from fiscal year 1997 to 1998 in reserved fund balances for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	FY98 Proviso 17A.2	Total Quality Management	\$ 75,191
	Board Administration	FY98 Proviso 17A.6	Equity Lawsuit	250,000
	Board Administration	FY98 Proviso 17A.4	Accounting System	25,000
	Board Administration	June 95 Joint Resolution	ACIR	<u>41,764</u>
				\$ 391,955
Operations	Local Government	FY98 Proviso 17B.6	Board Grant Program/EPA Grant State Match	\$27,495,220
	Local Government	June 95 Joint Resolution	Coordinating Council for Economic Development	956,739
	Local Government	1995 Appropriations Act	Infrastructure Revolving Loan Fund	<u>804,363</u>
				<u>\$29,256,322</u>
				<u>\$29,648,277</u>
<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY97 Proviso 72.54	FY97 Capital Reserve Fund Appropriation for Public School Technology Initiative	<u>\$ 140,462</u>

**NOTE 22. TRANSACTIONS WITH STATE ENTITIES**

The Board has significant transactions which include services received and provided at no charge for the State of South Carolina and various state agencies.

Services received at no charge include:

From the Comptroller General:

- Payroll processing
- Disbursement processing
- Maintenance of certain accounting records

From the State Treasurer:

- Check preparation
- Banking
- Investment functions
- Revenue Bond Trustee

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)**

From the Attorney General:

Legal services

From the Retirement Division:

Retirement plan administration

Collection of retiree insurance surcharge from employees

Collection of health and dental premiums from retirees

From the State Auditor's Office:

Audit services

Services provided by the Board to the above listed agencies and to various other agencies include personnel management, assistance in the preparation of the State budget, property management and record keeping, review and approval of certain budget amendments, insurance plans administration and other centralized functions.

The following services are provided for a fee to various state agencies and within the State Budget and Control Board. The fees from Board divisions and external agencies are recorded as revenues in the financial statements for Board divisions and external agencies.

Information Resource Management:

Telecommunications - Telecommunication services, including telephone

Data Processing - Computer services and programming

Print Shop - Printing services, copying and binding

Motor Vehicle Management:

Management and maintenance of vehicles

General Services:

Engineering Services -

Rental of State-owned office buildings

Management of architectural and engineering services for State office buildings

Materials Management:

Procurement research and training

Interagency mail service

Central Supply:

Purchase and distribution of office, janitorial, and repair items

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)**

Surplus Property:

Disposal of state and federal surplus property

Human Resources Management:

Research and Training - Training and seminars

State Revolving Fund:

Loan processing fees

Health, Life, and Disability Insurance Fund:

Health, dental, basic group-life and disability, and state life and long-term disability insurance coverage for state agencies and local governments

Insurance Reserve Fund:

Property coverage for state and local governments

The Office of Insurance Services charged insurance premiums to other state agencies and divisions of the South Carolina State Budget and Control Board during the year ended June 30, 1997. An amount of \$7,177,074 was due from these entities at June 30, 1997. Total amounts of premiums received from other State agencies is not readily available.

As of June 30, 1996, the Office of Insurance Services was due \$590,000 from the General Fund of the State for a payment on a note receivable that was deposited to the general fund in error. This was collected by the Office of Insurance Services during the year ended June 30, 1997.

The Board rents a portion of its office facilities in state-owned buildings from the Office of General Services. The agreements have one-year terms and are renewed annually. Total rental payments to the Office of General Services for the year ended June 30, 1997 by division are as follows:

Division of Executive Director	\$ 276,698
Division of Operations	1,066,992
Division of Budget and Analyses	<u>287,550</u>
Total Paid	<u>\$1,631,240</u>

These payments are included in the total operating lease expenditures reported in Note 14. Due to the nature of these agreements, no amounts related to the agreements are included in the operating lease commitments schedule at Note 14.

## **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

#### **NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)**

The Division of Executive Director – Office of Internal Operations General Fund paid \$50,000 to the State Law Enforcement Division (SLED) for the purchase of equipment. The transfer was made from revenue generated funds and was recorded as an Other operating expenditure.

The Division of Operations – Office of Insurance Services – State Life and Long-term Disability Program paid \$590,822 to the South Carolina Retirement Division for administrative expenses.

The Division of Executive Director – Office of Internal Operations General Fund paid \$50,000 to the Adjutant General's Office for the Emergency Preparedness Program for training. The transfer was made from revenue generated funds and was recorded as an other operating expenditure.

The Division of Operations – Office of Information Resources Special Revenue Fund – EIA School Technical Initiative received revenue of an EIA allocation of \$10,000,000 of Education Improvement Act funds designated for school technology from the State Department of Education.

The amount of expenditures for the fiscal year ended June 30, 1997 applicable to related party transactions is not readily available.

#### **NOTE 23. RISK MANAGEMENT/REINSURANCE**

The Board is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks except automobile collision, self-insured activities of the Office of Insurance Services for the Insurance Reserve Fund and Health, Life, and Disability Reserve Fund as described below and for business interruption insurance coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years for covered losses. The Board pays insurance premiums to the Office of Insurance Services, 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 accordance with insurance policy and benefit program limits.

The Board obtains fidelity bond coverage for certain employees through a commercial insurer for losses arising from theft or misappropriation.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)**

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets, and the State itself assumes substantially all risks for the following:

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

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

The Board and other entities pay premiums to the Office of Insurance Services - 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 Board assets, activities, and/or events:

1. Real property, including contents and equipment;
2. Motor vehicles;
3. Theft of, damage to, or destruction of assets;
4. Auto liability for non-state owned vehicles; and
5. General torts.

The Board retains the risk of loss on property damage to the vehicles (automobile collision) operated by the Board because it estimates the cost of repairs will be less than the cost of insurance. Expenses reported by the Board are recorded in the expense category for which the vehicle is used to support in the Division of Operations – Office of General Services – Internal Service Fund – Motor Vehicle Management. The Board has not set aside assets for payment of these claims. A summary of the activity for the fiscal year ended June 30, 1997 is as follows:

	<u>Unpaid Beginning of Year</u>	<u>Current Year Incurred</u>	<u>Current Year Claims Payments</u>	<u>Unpaid Ending of Year</u>
Fiscal Year Ended June 30, 1997	\$3,509	\$36,739	\$38,545	\$1,703

Amounts for fiscal year 1996 are unavailable.

State agencies and other entities are the primary participants in the State's Health, Life and Disability

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

Insurance Reserve Fund and in the IRF.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)**

The Office of Insurance Services obtains coverage of up to \$750,000 per loss through a commercial carrier for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The Office of Insurance Services has recorded insurance premium expense in the applicable administrative expense categories.

The Office of Insurance Services has not transferred the portion of the risk of loss related to insurance policy deductibles and limits. The Office has not reported an estimated claims loss expense nor the related liability at June 30, 1997 based on the requirements of GASB Statement No. 10. This Statement says that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30 and the amount of loss is reasonably estimable. In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Board's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore no loss accrual has been recorded.

The Insurance Reserve Fund purchases insurance and reinsurance and separately reports the related reinsurance premium and premium expenses. Insurance is purchased to cover risks where the Insurance Reserve Fund has limited expertise (aircraft insurance and ocean marine insurance). Reinsurance is purchased to limit the Insurance Reserve Fund's liability for catastrophic loss (property reinsurance and medical professional liability reinsurance), to obtain specialized engineering services (boiler and machinery reinsurance), or to obtain services for which the Insurance Reserve Fund is not adequately staffed (automobile liability reinsurance).

The Office of Insurance Services – Health, Life and Disability Insurance Reserve Fund, self-insures health and dental insurance for all participating governmental employees. It purchases coverage for basic group-life, dependent life, optional supplemental life, and group optional life and basic disability from commercial carriers. The State Life and Long-term Disability program is also self-insured.

The Office of Insurance Services, Insurance Reserve Fund, self-insures Tort Liability Insurance, Automobile Physical Damage Insurance, and the self-insured retention for Property, Medical Professional Liability, and Boiler and Machinery Insurance.

Reinsurance for catastrophic losses is purchased for losses above the following loss levels:

Property - \$2,000,000 per location/\$10,000,000 per occurrence

Medical malpractice - \$250,000 per occurrence

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 24. RECONCILIATION OF CLAIMS LIABILITIES BY FUND**

The schedule below presents the changes in claims liabilities for the past two years for the Office of Insurance Services' two funds.

	Insurance		Health, Life, and Disability Insurance	
	<u>Reserve Fund</u>		<u>Reserve Fund</u>	
	1997	1996	1997	1996
	(In Thousands)		(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$153,040	\$146,572	\$ 69,896	\$ 76,357
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	12,742	54,432	505,931	470,489
Increases (decreases) in provision for insured events of prior fiscal years	<u>38,628</u>	<u>(12,433)</u>	<u>7,276</u>	<u>(9,498)</u>
Total incurred claims and claim adjustment expenses	<u>51,370</u>	<u>41,999</u>	<u>513,207</u>	<u>460,991</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	9,075	5,869	459,947	401,367
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>38,029</u>	<u>29,662</u>	<u>44,137</u>	<u>66,085</u>
Total payments	<u>\$ 47,104</u>	<u>\$ 35,531</u>	<u>\$504,084</u>	<u>\$467,452</u>
Other changes:				
Transfer of State Life and Long-term Disability program from Retirement Division			<u>18,541</u>	
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$157,306</u>	<u>\$153,040</u>	<u>\$ 97,560</u>	<u>\$ 69,896</u>
The above totals are comprised of the following:				
Claims payable	\$ 94,810	\$ 88,547	\$ 30,880	\$ 9,516
Claims incurred but not reported	<u>62,496</u>	<u>64,493</u>	<u>66,680</u>	<u>60,380</u>
Total payments	<u>\$157,306</u>	<u>\$153,040</u>	<u>\$ 97,560</u>	<u>\$ 69,896</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 24. RECONCILIATION OF CLAIMS LIABILITIES BY FUND (CONTINUED)**

**Reconciliation of Claims Liabilities by Fund**

In prior years, the State Life and Long-term Disability program was accounted for at the South Carolina Retirement Division. As discussed in Note 26, this program was transferred to the Office of Insurance Services and is now accounted for in the Health, Life, and Disability Insurance Reserve Fund. The incurred claims and claim adjustment expenses reported above include \$12,188,216 for 1997 relating to this program. Additionally, \$6,273,330 is included in claims payments relating to this program for 1997. Total claims liabilities for this program were \$23,826,667 at June 30, 1997. As reported in Note 1, the interest assumption changed from 7.25% in 1996 to 5.5% effective June 30, 1997. According to the programs actuaries, this resulted in an increase to the claims liabilities of approximately \$1.8 million.

**NOTE 25. CONTINGENCIES**

The Board is a defendant in various lawsuits arising from the conduct of its normal business. By the nature of its operations and responsibilities as an insurer, the Board has been named in a number of lawsuits, many of which are pending. A provision has been made in the financial statements for the payment of routine claims. Management is not aware of any other claims that, in their opinion, would have a material effect on the financial statements. Although any litigation has an element of uncertainty, it is management's opinion that the outcome of any litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Board. Furthermore, there is no evidence that a liability should be recorded. Therefore, an estimated liability has not been recorded. The outcome of any litigation has an element of uncertainty.

The Board has several grants with the federal government for the funding of specific costs related to the various programs described in each grant. These funds are subject to audit and/or adjustment by the various funding sources. At the present time, amounts, if any, which may be due federal grantors have not been determined but the Board believes that any such amount in the aggregate would not have a material adverse effect on the financial position of the Board. Furthermore, there is no evidence that a liability should be recorded.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 26. TRANSFERS**

Transfers reported in the Board's funds for the year ended June 30, 1997 were as follows:

**General Fund**

Transfer from the Division of Operations – Office of Local Government General Fund to fund loans for the Special Revenue Fund – State Infrastructure Revolving Fund in the amount of \$8,000,000.

**Internal Service Fund**

**Residual Equity Transfers:**

Transfer from the Internal Service Fund to the General Fixed Assets Account Group for Assets Transferred (See Notes 8 and 19.)

Data Processing	\$ 38,151
Telecommunications	10,488
Engineering Services	<u>314</u>
	\$ 48,953
Accumulated Depreciation	<u>32,358</u>
Book Value of Assets Transferred	<u><u>\$ 16,595</u></u>

Effective July 1, 1996, the South Carolina Retirement Division transferred the State Life and Long-Term Disability program to the Office of Insurance Services. The net assets of the program (which was accounted for as an internal service fund at the South Carolina Retirement Division) amounted to \$6,580,480 as of the date of the transfer. For financial reporting purposes, this transaction has been accounted for as a residual equity transfer into the Health, Life, and Disability Insurance Fund on the books of the Office of Insurance Services in the Internal Service Fund.

The assets, liabilities and fund equity of the State Life and Long-Term Disability program at the date of the transfer were as follows (amounts in thousands):

Assets:	
Cash and cash equivalents	\$ 8,953
Accrued interest receivable	267
Investments (at amortized cost)	<u>15,907</u>
	<u><u>\$ 25,127</u></u>
Liabilities and Fund Equity:	
Accounts payable and accrued expenses	\$ 6
Incurred but unpaid claims	<u>18,541</u>
Total Liabilities	<u>18,547</u>
Fund Equity:	
Retained earnings	<u>6,580</u>
Total Liabilities and Fund Equity	<u><u>\$ 25,127</u></u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 26. TRANSFERS (CONTINUED)**

**Residual Equity Transfers (Continued)**

During 1996 (prior to the transfer from the South Carolina Retirement Division to the Office of Insurance Services), the State Life and Long-Term Disability program reported the following revenues, expenses and transfers (amounts in thousands).

Operating revenues	\$ 8,472
Operating expenses	<u>(6,816)</u>
Operating income	1,656
Operating transfers out for administrative expenses	<u>(534)</u>
 Net Income	 <u>\$ 1,122</u>

Additionally, the following changes in the liabilities for claims were reported (amounts in thousands).

Balance, July 1, 1995	\$ 16,669
Current year claims and changes in estimates	6,816
Claims payments	<u>(4,944)</u>
 Balance, June 30, 1996	 <u>\$ 18,541</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 27. DUE BETWEEN FUNDS**

Due to other funds and due from other funds for each individual fund at June 30, 1997 were as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
<b>General Fund</b>		
General Fund	\$ 7,561,410 A, B	\$
<b>Special Revenue</b>		
Federal Public Assistance		14,663 A
<b>Capital Projects</b>		
Other		11,111,564 B
<b>Internal Service</b>		
Central Supply	3,887 B	
Engineering Services	2,950,673 B	
Surplus Property	23,391 B	
Data Processing	296,111 B	
Print Shop	251 B	
Telecommunications	62,353 B	
Motor Vehicle Management	<u>5,962 B</u>	
<b>Subtotal</b>	3,342,628	
<b>Agency Funds</b>		
Ordinary Sinking Fund	<u>222,189 B</u>	
<b>Total</b>	<u>\$11,126,227</u>	<u>\$11,126,227</u>

- A. The General Fund's receivable from Special Revenue Fund represents Cash to cover negative cash balance at June 30, 1997. No interest is charged on these advances and money will be returned when federal reimbursement is received.
- B. The Other Capital Projects Fund liabilities to the General Fund, Internal Service Funds and Agency Funds for projects was funding provided in excess of the amount expended as of each year end. These amounts will be used for capital project expenditures or refunded to the original fund from which they were received.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 28. INTRAFUND ELIMINATIONS**

Intrafund balance due from Data Processing Internal Service Fund to Print Shop Internal Service Fund has been eliminated for combined reporting purposes. The balances resulted from a short-term loan for Data Processing to purchase equipment for its use. There are no specific terms of repayment and the short-term loan is interest free. The balance as of June 30, 1997 was \$64,405. In addition, repayments totaling \$127,761 from the Data Processing Internal Service Fund to the Print Shop Internal Service Fund have not been eliminated on the Combined Statement of Cash Flows.

The Intrafund operating transfer from the Telecommunications Internal Service Fund to the Data Processing Internal Service Fund in the amount of \$338,663 has been eliminated for combined reporting purposes. The transfer was made to Data Processing during the reporting period for use in the Consolidated Data Center Project.

Transfers of fixed assets between the Internal Service Funds have been eliminated for combined reporting purposes. The total book value of fixed assets transferred from Motor Vehicle Management to Engineering Services was \$119,611 during the year ended June 30, 1997.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 29. BUDGETARY REPORTING AND CHANGE IN STATEMENT PRESENTATION**

GAAP requires presentation of budget and actual data for all governmental fund types for which annual budgets have been adopted. GAAP does not require budgetary comparisons for proprietary or fiduciary funds for which legal budgets are adopted. However, GAAP requires presentation of other data necessary to report the entity's legal compliance responsibilities and accountabilities. For its budgetary comparison statement, the Board has chosen to include those legally budgeted expenditures of its Internal Service Funds funded by State General Fund appropriations and of its Water Pollution Revolving Loan Fund for distributions to local governments under notes payable.

Financial statements prepared on the legally enacted basis differ from GAAP basis statements. The Statement of Expenditures – Budget and Actual presents the General Fund and all Special Revenue funds for which a legal budget was enacted. Also that statement presents those budgeted administrative and other charges for the Internal Service Funds funded by State General Fund appropriations and presents distributions to subdivisions funded by the Water Pollution Revolving Loan Fund.

The Engineering Services Internal Service Fund received and spent \$634,689 in State General Fund appropriations. The Data Processing Internal Service Fund received and spent \$2,142,936 in State General Fund appropriations for the fiscal year 1997.

The Statement of Expenditures – Budget and Actual includes funds that represent budgeted amounts for administrative and other charges for aid distributions to subdivisions from the State Public Assistance Program, the Energy Programs, and the EIA School Technical Initiative Program included in the Special Revenue Funds, and from the Water Pollution Revolving Loan Fund included in the Agency Funds. These budgetary expenditures of \$9,859,538 and \$21,780,225 are included in the General Fund and Other Budgeted Funds columns, respectively.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997**

**NOTE 29. BUDGETARY REPORTING AND CHANGE IN STATEMENT PRESENTATION (CONTINUED)**

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 removal of unbudgeted accounts and funds. Unbudgeted items consist primarily of reimbursements by the General Fund for certain Capital Project Funds expenditures, funding of the Infrastructure Revolving Loan Fund, and all Internal Service Fund expenditures except those funded from State General Fund appropriations. Amounts paid to the Capital Projects Funds are shown as expenditures at the time of payment for budgetary reporting purposes and are shown in the financial statements – General Fund – as expenditures for the actual amount spent on projects during the year by the Capital Projects Fund. In addition, the Loan Funding – Infrastructure Revolving Fund is shown as an expenditure for budgetary reporting purposes and as an operating transfer in the financial statements – General Fund. In addition, remittances to the State General Fund and interfund transfers are not budgeted.

The following schedule reconciles the differences:

	<u>Financial Statement Fund Type</u>				<u>Budgetary Fund Category</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Agency Fund</u>	<u>General</u>	<u>Other</u>
Expenditure/expenses on GAAP Basis	\$ 58,273,617	\$ 23,269,898	\$ 788,291,082	\$ 21,780,225	\$	\$
Fund Reclassification						
State Appropriation	(52,177,188)	(9,859,538)	(2,777,625)		64,814,351	
Federal Grants	(490,983)	(8,882,945)				9,373,928
Other	(5,269,099)	(4,721,419)		(21,780,225)		31,770,743
Net Accruals						
Payroll and Employer Contributions					(14,007)	(12,414)
Loan Funding – State Infrastructure Revolving Loan Fund					8,000,000	
Capital Projects Expenditures					6,008,333	
Other Unbudgeted	(336,347)	194,004				
Unbudgeted Operating Expenses			(785,513,457)			
Expenditures on Legal Basis	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 78,808,677	\$ 41,132,257

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 30. PRIOR PERIOD ADJUSTMENTS**

**Error Corrections**

**General Fund**

In the prior financial statements, the classification of designated and unreserved amounts within the Fund Balance were incorrectly stated. The Fund Balance – Appropriations to be Carried Forward balance was overstated by \$782,209 and the Fund Balance – Undesignated balance was understated by \$782,209. The Board has made the following prior period adjustment to correct this error.

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as <u>Restated</u>
Retained Earnings			
Appropriations to be Carried Forward	\$ 47,799,295	(782,209)	\$ 47,017,086
Unreserved – Undesignated	4,960,633	782,209	5,742,842

**Internal Service Fund – Engineering Services**

In the prior financial statements, investment in land of \$295,000 was improperly reported in the Ordinary Sinking Fund. In accordance with GAAP, the Board has made a prior period adjustment to record the land in the Engineering Services Internal Service Fund in which the related liability is recorded.

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as <u>Restated</u>
Land	\$ 5,047,993	295,000	\$ 5,342,993
Retained Earnings (Deficit)	(13,400,638)	295,000	(13,105,638)

**Internal Service Funds – Telecommunications**

In the prior financial statements, the accounts payable balance was overstated as a result of a year-end adjustment for expenses accrued in error. In accordance with GAAP, the Board has made a prior period adjustment to show the proper valuation.

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as <u>Restated</u>
Accounts Payable	\$ 3,136,490	(428,930)	\$ 2,707,560
Retained Earnings	10,009,002	428,930	10,437,932

Also see Note 7 – Inventories prior period adjustment.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

**NOTE 30. PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

**Error Corrections (Continued)**

**Agency Fund – Ordinary Sinking Fund**

In prior financial statements, investments were understated by \$75,000 in the Ordinary Sinking Fund. In accordance with GAAP which requires the financial statements to include all assets of the Board, the Board has made a prior period adjustment to show the proper investment account balance.

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as <u>Restated</u>
Investments	\$3,755,000	75,000	\$3,830,000
Due to State	4,334,709	75,000	4,409,709

In the prior financial statements, investment in land of \$295,000 was improperly reported in the Ordinary Sinking Fund. The Board has made a prior period adjustment to correct this error. (See above adjustment for the Internal Service Fund – Engineering Services.)

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as <u>Restated</u>
Investment in Land	\$ 295,000	(295,000)	\$
Due to State	4,409,709*	(295,000)	4,114,709

\*See “balance as restated” after posting the above adjustment for this fund.

**Accounting Changes**

Effective July 1, 1996, the Board made a change in accounting principle for the program known as the Financial Data Systems (FDS). This change reflects management’s intent to ensure that there is a proper match of revenues and expenses and that the program was not operating at a loss. In prior years, the Board accounted for the activities of FDS in the Division of Executive Director - Office of Internal Operations – General Fund. For the current year, the Board has moved FDS to the Division of Operations – Office of Information Resources – Internal Service Fund Data Processing. Following is a summary of the effects of this accounting change on the General Fund and the Internal Service Fund accounts:

**General Fund**

	Balance as Previously <u>Reported</u>	Restatement <u>Adjustment</u>	Balance as Restated <u>without FDS</u>
Balance Sheet:			
Cash and Cash Equivalents	\$ 52,955,705	\$ 1,937,311	\$ 51,018,394
Due from State General Fund	1,173,339	91,393	1,081,946

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

Accrued Salaries and Wages	1,259,040	104,348	1,154,692
Accrued Employer Contributions	218,318	18,094	200,224
Fund Equity	52,759,928	1,713,004	51,046,924

**NOTE 30. PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

**Accounting Changes (Continued)**

**General Fund – (Continued)**

	Balance as Previously Reported	Restatement Adjustment	Balance as Restated without FDS
Combined Statement of Revenues, Expenditures and Changes in Fund Balance			
State Appropriations	46,872,423	2,157,259	44,715,164
Charges for Sales and Services	6,727,347	1,327,356	5,399,991
Expenditures			
Office of Internal Operations	8,549,746	2,829,279	5,720,467
General Long Term Debt Group (See Note 16.)	2,383,896	193,258	2,190,638
General Fixed Assets Account Group			
Equipment and Furniture (See Note 8.)	9,897,404	5,530,566	4,366,838
Original Cost	\$5,530,566		
Accumulated Depreciation	<u>(3,591,011)</u>		
Book Value of Assets Transferred	<u>\$1,939,555</u>		

	Balance as Previously Reported	Restatement Adjustment	Balance as Restated with FDS
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**Internal Service Fund – Data Processing**

Balance Sheet:

Cash and Cash Equivalents	\$ 5,057,268	\$ 1,937,311	\$ 6,994,579
Due from State General Fund		91,393	91,393
Equipment and Furniture	12,072,132	1,939,555	14,011,687
Accrued Salaries and Wages	228,653	104,348	333,001
Accrued Employer Contributions	39,653	18,094	57,747
Compensated Absences	401,092	193,258	594,350
Retained Earnings	7,799,183	3,652,559	11,451,742

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity

Charges for Sales and Services	45,148,880	1,327,356	46,476,236
State Appropriations	614,647	2,157,259	2,771,906

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

Expenses			
Personal Services	13,497,988	1,288,828	14,786,816
Employer Contributions	3,231,258	70,941	3,302,199
Contractual Services	10,785,271	490,175	11,275,446
Fixed Charges and Contributions	3,227,966	470,560	3,698,526
Other Operating Expenses	8,609,717	508,775	9,118,492

**NOTE 30. PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

**Accounting Changes (Continued)**

State appropriations received and spent for FDS during 1997 totaled \$2,142,936.

**Internal Service Funds - Total**

	Balance as Previously Reported	Restatement Adjustment	Balance as Restated
Retained Earnings (Deficit)			
Engineering Services	\$ (13,400,638)	\$ 295,000	\$ (13,105,638)
Data Processing	7,799,183	3,652,559	11,451,742
Telecommunications	10,009,002	428,930	10,437,932
Total Internal Service Funds	\$ 249,429,964	\$ 4,376,489	\$ 253,806,453

**NOTE 31. SUBSEQUENT EVENTS**

Effective July 1, 1998, the South Carolina Retirement Systems officially became part of the consolidated divisions of the Board. The Board, in accord with Code Sections 1-11-22, 9-1-20 and 9-1-210, took formal action at its meeting on July 9, 1996 to move the management of the South Carolina Retirement Systems under the direction and control of the Office of Executive Director.

In June 1998, Engineering Service – Internal Service Fund issued \$8.6 million in Revenue Bonds with an average interest rate of 4.51% to build the Consolidated Data Center Building on Broad River Road.

In April 1999, Engineering Service – Internal Service Fund issued \$4.8 million in Revenue Bonds with an average interest rate of 4.05% to payoff the capital lease on the Robert Mills Building.

Effective July 1, 1999, the Confederate Relic Room officially became part of the consolidated divisions of the Board.

Effective July 1, 1997 pursuant of Section 74 of the 1997-98 Appropriations Act, the Division of Regional Development was formed. The Advisory Commission on Intergovernmental Relations was transferred from the Division of the Executive Director. The Office of Local Government was transferred from the Division of Operations. The Energy Office was transferred from the Office of General Services under the

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1997**

Division of Operations. Two new offices, the Division Director and the Division of Regional Development were also formed.

**NOTE 32. NET LOSS**

During 1997, the Insurance Reserve Fund reported a net loss of \$3,913,527 and the Health, Life, and Disability Insurance Reserve Fund reported a net loss of \$12,568,600. The causes and potential remedies for these losses is currently being assessed by the Office of Insurance Services.

**NOTE 33. UNFAVORABLE BUDGET VARIANCE**

The Division of Operations had an unfavorable budget variance at June 30, 1997, in the Other Operating Expenditures category due to the accrual of an accounts payable determined after State books had been closed.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 1997**

	<u>Statewide Performance Audit</u>	<u>State-Public Assistance Program</u>	<u>EIA School Technical Initiative</u>	<u>Energy Programs</u>	<u>State Infrastructure Revolving Loan</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 490,333	\$	\$ 7,131,178	\$ 18,064,799	\$ 8,318,839	\$ 34,005,149
Accounts Receivable				16,247		16,247
Due from Federal Government		16,534		6,447		22,981
Due from Other State Agencies	60,000	27,303				87,303
Accrued Interest				239,708	105,754	345,462
<b>TOTAL ASSETS</b>	<u>\$ 550,333</u>	<u>\$ 43,837</u>	<u>\$ 7,131,178</u>	<u>\$ 18,327,201</u>	<u>\$ 8,424,593</u>	<u>\$ 34,477,142</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 19,022	\$ 12,640	\$ 234,746	\$ 91,215	\$	\$ 357,623
Accrued Salaries and Employer Contributions		16,534		63,587		80,121
Due to General Fund		14,663				14,663
<b>TOTAL LIABILITIES</b>	<u>19,022</u>	<u>43,837</u>	<u>234,746</u>	<u>154,802</u>		<u>452,407</u>
<b>FUND EQUITY</b>						
Fund Balance Reserved for Subsequent Year Expenditures	531,311		6,755,970	18,172,399	8,424,593	33,884,273
Appropriations to Be Carried Forward			140,462			140,462
<b>TOTAL FUND EQUITY</b>	<u>531,311</u>		<u>6,896,432</u>	<u>18,172,399</u>	<u>8,424,593</u>	<u>34,024,735</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 550,333</u>	<u>\$ 43,837</u>	<u>\$ 7,131,178</u>	<u>\$ 18,327,201</u>	<u>\$ 8,424,593</u>	<u>\$ 34,477,142</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Statewide Performance Audit</u>	<u>State-Public Assistance Program</u>	<u>EIA School Technical Initiative</u>	<u>Energy Programs</u>	<u>State Infrastructure Revolving Loan</u>	<u>Totals</u>
<b>REVENUE</b>						
Intergovernmental:						
Capital Reserve Fund	\$	\$	\$ 10,000,000	\$	\$	\$ 10,000,000
EIA Allocation			10,000,000			10,000,000
Board Offices and Other State Agencies	610,000					610,000
Federal Grants		8,322,673		560,272		8,882,945
Litigation and Court Recovery				193,406		193,406
Interest Income				1,127,398	424,593	1,551,991
Other Income		116	500	241,517		242,133
<b>TOTAL REVENUE</b>	<u>610,000</u>	<u>8,322,789</u>	<u>20,000,500</u>	<u>2,122,593</u>	<u>424,593</u>	<u>31,480,475</u>
<b>EXPENDITURES</b>						
Allocations		8,061,426	9,808,393	620,971		18,490,790
Operating Expenditures	78,689	261,363	3,295,675	1,143,381		4,779,108
<b>TOTAL EXPENDITURES</b>	<u>78,689</u>	<u>8,322,789</u>	<u>13,104,068</u>	<u>1,764,352</u>		<u>23,269,898</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	531,311		6,896,432	358,241	424,593	8,210,577
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from General Funds					8,000,000	8,000,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>					8,000,000	8,000,000
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	531,311		6,896,432	358,241	8,424,593	16,210,577
<b>FUND BALANCES - BEGINNING OF YEAR</b>				17,814,158		17,814,158
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 531,311</u>	<u>\$ -0-</u>	<u>\$ 6,896,432</u>	<u>\$ 18,172,399</u>	<u>\$ 8,424,593</u>	<u>\$ 34,024,735</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
CAPITAL PROJECTS FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 1997**

	<b>Capital Improvement Bonds</b>	<b>Other</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 133,906	\$ 17,256,382	\$ 17,390,288
Accounts Receivable		582,539	582,539
Due from State:			
Departmental Capital Improvement Bonds	1,267,140		1,267,140
Due from Other State Agencies		15,779	15,779
<b>TOTAL ASSETS</b>	<b>\$ 1,401,046</b>	<b>\$ 17,854,700</b>	<b>\$ 19,255,746</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 13,626	\$ 2,574,169	\$ 2,587,795
Retainage Payable		1,726,084	1,726,084
Due to Other State Agencies		2,442,883	2,442,883
Due to Internal Service Fund		3,342,628	3,342,628
Due to General Fund		7,546,747	7,546,747
Due to Agency Funds		222,189	222,189
<b>TOTAL LIABILITIES</b>	<b>13,626</b>	<b>17,854,700</b>	<b>17,868,326</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Subsequent Year's Expenditures	1,387,420		1,387,420
<b>TOTAL FUND EQUITY</b>	<b>1,387,420</b>		<b>1,387,420</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,401,046</b>	<b>\$ 17,854,700</b>	<b>\$ 19,255,746</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
CAPITAL PROJECTS FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Capital Improvement Bonds</u>	<u>Other</u>	<u>Totals</u>
<b>REVENUES</b>			
Intergovernmental:			
Capital Reserve Fund Appropriations	\$	\$ 4,530,422	\$ 4,530,422
Board Offices and Other State Agencies		48,920,655	48,920,655
<b>TOTAL REVENUES</b>		53,451,077	53,451,077
<b>EXPENDITURES</b>			
Capital Projects Expenditures:			
Capitalizable Projects - Board		177,802	177,802
Capitalizable Projects - Other State Agencies	37,582	1,710,567	1,748,149
Repairs and Maintenance	17,170	51,562,708	51,579,878
<b>TOTAL EXPENDITURES</b>	54,752	53,451,077	53,505,829
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(54,752)	-0-	(54,752)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,442,172		1,442,172
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,387,420</u>	<u>\$ -0-</u>	<u>\$ 1,387,420</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 1997**

	Materials Management	Central Supply	Engineering Services	Surplus Property	Data Processing	Print Shop	Telecom- munications	Motor Vehicle Management	Water Revolving Loan	Insurance Reserve	Health Insurance Reserve	Totals
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Cash Equivalents	\$ 147,606	\$ 534,865	\$ 6,498,335	\$ 699,873	\$ 7,678,370	\$ 1,506,045	\$ 10,869,004	\$ 3,401,191	\$ 1,239,023	\$ 38,124,688	\$ 177,392,440	\$ 248,091,440
Restricted Assets - Cash and Cash Equivalents			112,500									112,500
Accounts Receivable	188	316,069	330,514	221,594	1,098,660	122,319	4,167,262	2,152,014				8,408,620
Premiums Receivable										15,862,265	201,570	16,063,835
Reinsurance Recovery Receivable										1,272,083		1,272,083
Prepaid Expenses						13,509				2,450,700		2,464,209
Interfund Notes Receivable Due from State General Fund			40,115							531,445		531,445
Prescription Drug Rebate Receivable											1,015,242	1,015,242
Accrued Interest Receivable			17,500	5,285						4,102,508	2,759,916	6,885,209
Inventories		556,281	81,930				930,758	10,463				1,579,432
Inventory on Consignment				308,021								308,021
Intergovernmental Notes Receivable Due from Other State Agencies			20,000				200,000			4,930,677		5,150,677
Due from Data Processing Funds						64,405						64,405
Due from Capital Projects Fund		3,887	2,950,673	23,391	296,111	251	62,353	5,962				3,342,628
Other Assets				1,350						418,516	1,893	421,759
<b>Total Current Assets</b>	<b>147,794</b>	<b>1,411,102</b>	<b>10,051,567</b>	<b>1,259,514</b>	<b>9,073,141</b>	<b>1,706,529</b>	<b>16,229,377</b>	<b>5,569,630</b>	<b>1,239,023</b>	<b>67,692,882</b>	<b>194,410,420</b>	<b>308,790,979</b>
<b>Non-Current Assets</b>												
Investments			55,000							189,347,922	20,979,594	210,382,516
Interfund Notes Receivable										3,015,693		3,015,693
Intergovernmental Notes Receivable							200,000			31,369,482		31,569,482
Land			5,342,993					328,546				5,671,539
Buildings and Improvements			143,057,510	834,080				1,119,353				145,010,943
Equipment and Furniture	47,995	310,578	1,892,928	400,702	13,375,099	174,938	51,810,663	21,655,272	14,701	1,084,160	1,264,133	92,031,169
Construction in Progress			638,635		9,635							648,270
Less Accumulated Depreciation	(29,598)	(105,904)	(43,062,905)	(525,936)	(8,518,719)	(80,703)	(42,102,031)	(12,984,243)	(6,765)	(460,590)	(569,918)	(108,447,312)
<b>Total Non-Current Assets</b>	<b>18,397</b>	<b>204,674</b>	<b>107,924,161</b>	<b>708,846</b>	<b>4,866,015</b>	<b>94,235</b>	<b>9,908,632</b>	<b>10,118,928</b>	<b>7,936</b>	<b>224,356,667</b>	<b>21,673,809</b>	<b>379,882,300</b>
<b>Total Assets</b>	<b>\$ 166,191</b>	<b>\$ 1,615,776</b>	<b>\$ 117,975,728</b>	<b>\$ 1,968,360</b>	<b>\$ 13,939,156</b>	<b>\$ 1,800,764</b>	<b>\$ 26,138,009</b>	<b>\$ 15,688,558</b>	<b>\$ 1,246,959</b>	<b>\$ 292,049,549</b>	<b>\$ 216,084,229</b>	<b>\$ 688,673,279</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 1997**

	Materials Management	Central Supply	Engineering Services	Surplus Property	Data Processing	Print Shop	Telecom- munications	Motor Vehicle Management	Water Revolving Loan	Insurance Reserve	Health Insurance Reserve	Totals
<b>LIABILITIES AND FUND EQUITY</b>												
<b>Current Liabilities</b>												
Accounts Payable	\$ 2,613	\$ 295,434	\$ 1,117,110	\$ 196,416	\$ 451,716	\$ 51,202	\$ 1,814,265	\$ 1,021,720	\$ 1,692	\$ 225,780	\$ 322,775	\$ 5,500,723
Accrued Salaries and Employer Contributions	1,939	51,512	473,600	55,598	517,284	25,057	366,575	88,239	18,570	181,288	223,533	2,003,195
Accrued Interest			662,858				734,854					1,397,712
Claims Payable										94,809,850	30,879,908	125,689,758
Deferred Premium Revenue										33,501,869	618,200	34,120,069
Claims Incurred But Not Reported										62,496,048	66,680,266	129,176,314
Due to State General Fund			843,019	335,109								1,178,128
Due to Print Shop Fund					64,405							64,405
Capital Leases			669,075									669,075
Interfund Notes Payable			619,204									619,204
Intergovernmental Notes Payable							876,920					876,920
Advance from State			647,171									647,171
Lease Revenue Bonds Payable - \$112,500 from Restricted Assets			2,000,000									2,000,000
Liability for Inventory Held on Consignment				308,021								308,021
Liability for Compensated Absenses	4,340	68,149	686,881	80,269	703,356	38,587	523,035	111,285	32,218	240,584	282,141	2,770,845
<b>Total Current Liabilities</b>	<u>8,892</u>	<u>415,095</u>	<u>7,718,918</u>	<u>975,413</u>	<u>1,736,761</u>	<u>114,846</u>	<u>4,315,649</u>	<u>1,221,244</u>	<u>52,480</u>	<u>191,455,419</u>	<u>99,006,823</u>	<u>307,021,540</u>
<b>Non-Current Liabilities</b>												
Capital Leases Payable			9,915,863									9,915,863
Interfund Notes Payable			3,081,097									3,081,097
Intergovernmental Notes Payable							8,308,659					8,308,659
Advance from State			8,174,563									8,174,563
Lease Revenue Bonds Payable			27,145,000									27,145,000
<b>Total Non-Current Liabilities</b>			<u>48,316,523</u>				<u>8,308,659</u>					<u>56,625,182</u>
<b>Total Liabilities</b>	<u>8,892</u>	<u>415,095</u>	<u>56,035,441</u>	<u>975,413</u>	<u>1,736,761</u>	<u>114,846</u>	<u>12,624,308</u>	<u>1,221,244</u>	<u>52,480</u>	<u>191,455,419</u>	<u>99,006,823</u>	<u>363,646,722</u>
<b>Fund Equity</b>												
Contributed Capital		303	71,807,078	727,418	14,745		47,024	360,631			6,539	72,963,738
Retained Earnings:												
Reserved For:												
Installment Purchase Program										35,000,000		35,000,000
Savannah Valley Development												
Division Loans										20,000,000		20,000,000
Unreserved Retained Earnings	157,299	1,200,378		265,529	12,187,650	1,685,918	13,466,677	14,106,683	1,194,479	45,594,130	117,070,867	206,929,610
Unreserved Retained Deficit			(9,866,791)									(9,866,791)
<b>Total Fund Equity</b>	<u>157,299</u>	<u>1,200,681</u>	<u>61,940,287</u>	<u>992,947</u>	<u>12,202,395</u>	<u>1,685,918</u>	<u>13,513,701</u>	<u>14,467,314</u>	<u>1,194,479</u>	<u>100,594,130</u>	<u>117,077,406</u>	<u>325,026,557</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 166,191</u>	<u>\$ 1,615,776</u>	<u>\$ 117,975,728</u>	<u>\$ 1,968,360</u>	<u>\$ 13,939,156</u>	<u>\$ 1,800,764</u>	<u>\$ 26,138,009</u>	<u>\$ 15,688,558</u>	<u>\$ 1,246,959</u>	<u>\$ 292,049,549</u>	<u>\$ 216,084,229</u>	<u>\$ 688,673,279</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
FOR THE YEAR ENDED JUNE 30, 1997**

	Materials Management	Central Supply	Engineering Services	Surplus Property	Data Processing	Print Shop	Telecom- munications	Motor Vehicle Management	Water Revolving Loan	Insurance Reserve	Health Insurance Reserve	Totals
<b>Operating Revenues</b>												
Charges for Sales and Services	\$ 160,345	\$ 4,829,574	\$ 4,099,589	\$ 1,096,518	\$ 11,378,303	\$ 982,183	\$ 25,046,544	\$ 2,557,252	\$	\$	\$	\$ 50,150,308
Insurance Premiums										62,425,588	593,780,983	656,206,571
License, Fees, Permits									50,616			50,616
Rental Revenue			22,821,877				2,099,446	7,996,700				32,918,023
Interest Income										19,066,201	14,308,959	33,375,160
Prescription Drug Rebates											4,032,117	4,032,117
Other Revenue		24,335	42,808	441	381		44,054	20,211		2,669	68,201	203,100
<b>Total Operating Revenue</b>	160,345	4,853,909	26,964,274	1,096,959	11,378,684	982,183	27,190,044	10,574,163	50,616	81,494,458	612,190,260	776,935,895
<b>Operating Expenses</b>												
Cost of Sales and Services		3,506,271	1,015				11,158,902					14,666,188
Reinsurance Premiums										27,553,445		27,553,445
Premiums										1,269,277	89,156,273	90,425,550
Claims										36,786,237	513,206,526	549,992,763
Personal Services	19,912	518,514	4,897,675	562,141	4,934,873	269,910	3,748,089	899,779	186,965			16,037,858
Employer Contributions	5,855	156,820	1,250,489	153,008	1,144,080	70,608	852,267	240,476	39,986			3,913,589
Contractual Services	35,701	419,206	4,200,769	336,607	3,158,744	125,891	3,063,847	2,370,236	13,643			13,724,644
Fixed Charges and Contributions	4,859	63,908	591,023	13,691	1,803,335	212,470	674,816	492,813	25,482			3,882,397
Light, Power, and Heat			5,296,024	26,358	498		65,596	18,139				5,406,615
Other Operating	61,464	84,249	1,995,497	78,593	329,116	316,476	548,083	1,734,276	3,866			5,151,620
Professional and Administrative Fees										15,521,544	17,498,970	33,020,514
Insurance Benefits Administration											4,769,236	4,769,236
Insurance Reserve Administration										4,052,770		4,052,770
Depreciation	7,553	35,984	2,898,494	49,378	1,177,904	11,637	2,240,044	3,821,496	1,852	160,613	126,758	10,531,713
Other			3,017	98	265,086		49,125					317,326
<b>Total Operating Expenses</b>	135,344	4,784,952	21,134,003	1,219,874	12,813,636	1,006,992	22,400,769	9,577,215	271,794	85,343,886	624,757,763	783,446,228
<b>Operating Income (Loss)</b>	25,001	68,957	5,830,271	(122,915)	(1,434,952)	(24,809)	4,789,275	996,948	(221,178)	(3,849,428)	(12,567,503)	(6,510,333)
<b>Non-Operating Revenues (Expenses)</b>												
State Appropriations			634,689		2,142,936							2,777,625
Interest Income			222,804	25,542								248,346
Federal Grant Revenue							21,697					21,697
Net Gain (Loss) on Disposals	(54)	(19,707)	(11,220)	381	(304,585)	(2,131)	(698,283)	548,089		(64,099)	(1,097)	(552,706)
Interest Expense			(3,555,275)				(734,854)					(4,290,129)
Other Debt Service Charges			(2,002)				(17)					(2,019)
<b>Total Non-Operating Revenues (Expenses)</b>	(54)	(19,707)	(2,711,004)	25,923	1,838,351	(2,131)	(1,411,457)	548,089		(64,099)	(1,097)	(1,797,186)

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	Materials Management	Central Supply	Engineering Services	Surplus Property	Data Processing	Print Shop	Telecom- munications	Motor Vehicle Management	Water Revolving Loan	Insurance Reserve	Health Insurance Reserve	Totals
<b>Income (Loss) Before Operating Transfers</b>	24,947	49,250	3,119,267	(96,992)	403,399	(26,940)	3,377,818	1,545,037	(221,178)	(3,913,527)	(12,568,600)	(8,307,519)
Operating Transfer In					338,663							338,663
Operating Transfer Out							(338,663)					(338,663)
<b>Total Operating Transfer</b>					338,663		(338,663)					
<b>Net Income (Loss)</b>	24,947	49,250	3,119,267	(96,992)	742,062	(26,940)	3,039,155	1,545,037	(221,178)	(3,913,527)	(12,568,600)	(8,307,519)
Transfer of Fixed Assets Between Internal Service Funds			119,611					(119,611)				
<b>Retained Earnings</b>												
Beginning of Year as Previously Reported	132,352	1,151,128	(13,400,638)	362,521	7,799,183	1,712,858	10,009,002	12,681,257	1,415,657	104,507,657	123,058,987	249,429,964
Prior Period Adjustment			295,000		3,652,559		428,930					4,376,489
Beginning of Year as Restated	132,352	1,151,128	(13,105,638)	362,521	11,451,742	1,712,858	10,437,932	12,681,257	1,415,657	104,507,657	123,058,987	253,806,453
Residual Equity Transfers In											6,580,480	6,580,480
Residual Equity Transfers Out			(31)		(6,154)		(10,410)					(16,595)
Retained Earning - End of Year	157,299	1,200,378		265,529	12,187,650	1,685,918	13,466,677	14,106,683	1,194,479	100,594,130	117,070,867	261,929,610
Retained Earnings (Deficit) - End of Year			(9,866,791)									(9,866,791)
<b>Contributed Capital</b>												
Beginning of Year		303	71,760,261	727,315	108,270		44,820	442,906			6,539	73,090,414
Net Changes in Contributed Capital			46,817	103	(93,525)		2,204	(82,275)				(126,676)
Contributed Capital - End of Year		303	71,807,078	727,418	14,745		47,024	360,631				72,963,738
<b>Total Fund Equity</b>	<u>\$ 157,299</u>	<u>\$ 1,200,681</u>	<u>\$ 61,940,287</u>	<u>\$ 992,947</u>	<u>\$ 12,202,395</u>	<u>\$ 1,685,918</u>	<u>\$ 13,513,701</u>	<u>\$ 14,467,314</u>	<u>\$ 1,194,479</u>	<u>\$ 100,594,130</u>	<u>\$ 117,077,406</u>	<u>\$ 325,026,557</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Materials Management</u>	<u>Central Supply</u>	<u>Engineering Services</u>	<u>Surplus Property</u>	<u>Data Processing</u>	<u>Print Shop</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Water Revolving Loan</u>	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Totals</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>												
Operating Income (Loss)	\$ 25,001	\$ 68,957	\$ 5,830,271	\$ (122,915)	\$(1,434,952)	\$ (24,809)	\$ 4,789,275	\$ 996,948	\$ (221,178)	\$ (3,849,428)	\$(12,567,503)	\$ (6,510,333)
Receipt of Cash and Cash Equivalents from South Carolina Retirement Systems for the State Life and Long-Term Disability Program											8,953,076	8,953,076
Reclassify Interest Income Included in Operating Income to Investing Activities										(19,066,201)	(14,308,959)	(33,375,160)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:												
Depreciation	7,553	35,984	2,898,494	49,378	1,177,904	11,637	2,240,044	3,821,496	1,852	160,613	126,758	10,531,713
Changes in Assets and Liabilities:												
(Increase) Decrease in Accounts Receivable	(183)	66,656	536,203	(54,321)	(230,060)	(1,501)	(429,637)	(418,553)				(531,396)
(Increase) Decrease in Premiums Receivable										1,031,413	124,535	1,155,948
(Increase) Decrease in Reinsurance Recovery Receivable										(135,513)		(135,513)
(Increase) Decrease in Due from South Carolina Retirement Systems											838,754	838,754
(Increase) Decrease in Inventory		(9,779)	193	118,018			190,889	6,091				305,412
(Increase) Decrease in Deposit with Vendor				1,350								1,350
(Increase) Decrease in Prepaid Expenses, Preven- tive Drug Rebate Receivable and Other Assets				(1,350)	59,349	4,632				(1,244,232)	119,922	(1,061,679)
Increase (Decrease) in Accounts Payable, Accrued Payroll, Employer Contributions and Liability for Compensated Absences	(2,186)	(3,739)	112,009	128,800	255,832	4,448	(893,160)	665,919	462	(840,205)	(781,924)	(1,353,744)
Increase (Decrease) in Claims Payable and Incurred But Not Reported										4,265,887	9,122,856	13,388,743
Increase (Decrease) in Deferred Premium Revenue										906,977	618,200	1,525,177
Increase (Decrease) in Liability for Inventory on Consignment				(118,018)								(118,018)
Increase (Decrease) in Due to General Fund of State			(113,637)	91,462								(22,175)
Increase (Decrease) in Due to Other State Agencies				(338,111)								(338,111)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>30,185</u>	<u>158,079</u>	<u>9,263,533</u>	<u>(245,707)</u>	<u>(171,927)</u>	<u>(5,593)</u>	<u>5,897,411</u>	<u>5,071,901</u>	<u>(218,864)</u>	<u>(18,770,689)</u>	<u>(7,754,285)</u>	<u>(6,745,956)</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Materials Management</u>	<u>Central Supply</u>	<u>Engineering Services</u>	<u>Surplus Property</u>	<u>Data Processing</u>	<u>Print Shop</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Water Revolving Loan</u>	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Totals</u>
<b>CASH FLOWS FROM (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>												
State Appropriations Received			630,318		2,234,329							2,864,647
Federal Grants Received							21,697					21,697
Loan Repayments Received from Capital Projects Fund				56,185				68,851				125,036
Loans to Capital Projects Fund	(3,887)	(1,600,538)			(236,762)		(38,430)					(1,879,617)
Payments on Intrafund Loans					(127,761)							(127,761)
Payments Received on Intrafund Loans						127,761						127,761
Payments Received on Interfund Loans to General Fund			366,154									366,154
Intrafund Operating Transfer In					338,663							338,663
Intrafund Operating Transfer Out							(338,663)					(338,663)
<b>Net Cash Provided by (Used For) Non-Capital Financing Activities</b>		<b>(3,887)</b>	<b>(604,066)</b>	<b>56,185</b>	<b>2,208,469</b>	<b>127,761</b>	<b>(355,396)</b>	<b>68,851</b>				<b>1,497,917</b>
<b>CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Proceeds from Sale of Fixed Assets								690,507				690,507
Proceeds from Lease Revenue Bonds			22,625,000									22,625,000
Acquisition and Construction of Capital Assets	(129,859)	(3,811,751)	(12,853)	(1,370,751)	(27,015)	(3,804,847)	(4,619,247)	(1,710)	(145,124)	(398,820)		(14,321,977)
Principal Paid on Interfund Notes Payable		(587,499)										(587,499)
Principal Paid on Intergovernmental Notes Payable							(811,963)					(811,963)
Principal Paid on Advances from State		(843,019)										(843,019)
Principal Paid on Lease Revenue Bonds Payable		(215,000)										(215,000)
Principal Paid on Capital Leases		(21,918,475)										(21,918,475)
Interest Paid on Interfund Notes Payable		(232,838)										(232,838)
Interest Paid on Intergovernmental Notes Payable							(779,044)					(779,044)
Interest Paid on Advances from State		(633,162)										(633,162)
Interest Paid on Lease Revenue Bonds Payable		(390,195)										(390,195)
Interest Paid on Capital Leases		(1,855,489)										(1,855,489)
Premium Amortized and Discounts Accepted		(114,880)										(114,880)
<b>Net Cash Provided by (Used For) Capital and Related Financing Activities</b>	<b>(129,859)</b>	<b>(7,977,308)</b>	<b>(12,853)</b>	<b>(1,370,751)</b>	<b>(27,015)</b>	<b>(5,395,854)</b>	<b>(3,928,740)</b>	<b>(1,710)</b>	<b>(145,124)</b>	<b>(398,820)</b>		<b>(19,388,034)</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Materials Management</u>	<u>Central Supply</u>	<u>Engineering Services</u>	<u>Surplus Property</u>	<u>Data Processing</u>	<u>Print Shop</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Water Revolving Loan</u>	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Totals</u>
<b>CASH FLOWS FROM (USED FOR ) INVESTING ACTIVITIES</b>												
Payments Received on Intergovernmental Notes Receivable			20,000				7,724			5,200,363		5,228,087
Payments Received on Interfund Notes Receivable										585,699		585,699
Payments to Fund Intergovernmental Notes Receivable							(400,000)			(5,833,771)		(6,233,771)
Purchase of Investments			(55,000)							(82,486,554)	(6,792,194)	(89,333,748)
Proceeds from Sales and Maturity of Investments										52,149,855	1,719,905	53,869,760
Interest Received on Interfund Notes Receivable										232,838		232,838
Interest Received on Intergovernmental Notes Receivable							(17)			2,510,871		2,510,854
Interest Received on Deposits and Investments			205,304	25,078						17,098,858	14,719,259	32,048,499
<b>Net Cash Provided by (Used For) Investing Activities</b>			<b>170,304</b>	<b>25,078</b>			<b>(392,293)</b>			<b>(10,541,841)</b>	<b>9,646,970</b>	<b>(1,091,782)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>30,185</b>	<b>24,333</b>	<b>852,463</b>	<b>(177,297)</b>	<b>665,791</b>	<b>95,153</b>	<b>(246,132)</b>	<b>1,212,012</b>	<b>(220,574)</b>	<b>(29,457,654)</b>	<b>1,493,865</b>	<b>(25,727,855)</b>
<b>CASH AND CASH EQUIVALENTS</b>												
Beginning of Year as Previously Reported	117,421	510,532	5,758,372	877,170	5,075,268	1,410,892	11,115,136	2,189,179	1,459,597	67,582,342	175,898,575	271,994,484
Prior Period Adjustment					1,937,311							1,937,311
<b>Beginning of Year as Restated</b>	<b>117,421</b>	<b>510,532</b>	<b>5,758,372</b>	<b>877,170</b>	<b>7,012,579</b>	<b>1,410,892</b>	<b>11,115,136</b>	<b>2,189,179</b>	<b>1,459,597</b>	<b>67,582,342</b>	<b>175,898,575</b>	<b>273,931,795</b>
<b>CASH AND CASH EQUIVALENTS</b>												
<b>End of Year</b>	<b>\$ 147,606</b>	<b>\$ 534,865</b>	<b>\$ 6,610,835</b>	<b>\$ 699,873</b>	<b>\$ 7,678,370</b>	<b>\$ 1,506,045</b>	<b>\$ 10,869,004</b>	<b>\$ 3,401,191</b>	<b>\$ 1,239,023</b>	<b>\$ 38,124,688</b>	<b>\$ 177,392,440</b>	<b>\$ 248,203,940</b>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997

SUPPLEMENTAL INFORMATION	<u>Materials Management</u>	<u>Central Supply</u>	<u>Engineering Services</u>	<u>Surplus Property</u>	<u>Data Processing</u>	<u>Print Shop</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Water Revolving Loan</u>	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Totals</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Transfers of Fixed Assets Between Internal Service Funds	\$	\$	\$ 119,611	\$	\$	\$	\$	\$ (119,611)	\$	\$	\$	\$
Transfers of Fixed Assets from General Fixed Assets Account Group			3,085		79,197		11,065					93,347
Transfers of Fixed Assets to General Fixed Assets Account Group			(314)		(38,151)		(10,488)					(48,953)
Donated Fixed Assets			46,429	800	6,140			8,850				62,219
Disposal of Other Fixed Assets	(541)	(47,698)	(43,112)	(2,598)	(1,812,743)	(16,159)	(1,390,384)	(2,921,423)		(68,729)	(1,097)	(6,304,484)
<b>NONCASH INVESTING ACTIVITIES</b>												
Receipt of Investments (Through Residual Equity Transfer)											15,907,305	15,907,305
Receipt of Accrued Interest Receivable (Through Residual Equity Transfer)											267,119	267,119
<b>NONCASH OPERATING ACTIVITIES</b>												
Assumption of Accounts Payable and Accrued Expenses (Through Residual Equity Transfer)											5,844	5,844
Assumption of Incurred but Unpaid Claims (Through Residual Equity Transfer)											18,541,176	18,541,176

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
EXPENDABLE TRUST FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 1997**

	<u>War Memorial</u>	<u>Robert Mills Building</u>	<u>Mount Vernon Mills Building</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$	\$ 1,650	\$	\$ 1,650
Investments	215,000	1,500,000		1,715,000
Accrued Interest Receivable		246		246
<b>TOTAL ASSETS</b>	<u>\$ 215,000</u>	<u>\$ 1,501,896</u>	<u>\$</u>	<u>\$ 1,716,896</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>TOTAL LIABILITIES</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>FUND EQUITY</b>				
Fund Balances:				
Reserved for:				
Repurchase Agreement (Sales and Lease Back)	\$	\$ 1,501,896	\$	\$ 1,501,896
S.C. War Memorial	215,000			215,000
<b>TOTAL FUND EQUITY</b>	<u>215,000</u>	<u>1,501,896</u>	<u></u>	<u>1,716,896</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 215,000</u>	<u>\$ 1,501,896</u>	<u>\$</u>	<u>\$ 1,716,896</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
EXPENDABLE TRUST FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>War Memorial</u>	<u>Robert Mills Building</u>	<u>Mount Vernon Mills Building</u>	<u>Totals</u>
<b>REVENUES</b>				
Rental Revenue	\$	\$ 56,200	\$	\$ 56,200
Interest Revenue		78,102	5,132	83,234
		<u>134,302</u>	<u>5,132</u>	<u>139,434</u>
<b>TOTAL REVENUES</b>				
<b>DEBT SERVICE</b>			(1,775,744)	(1,775,744)
			<u>(1,775,744)</u>	<u>(1,775,744)</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		134,302	(1,770,612)	(1,636,310)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>215,000</u>	<u>1,367,594</u>	<u>1,770,612</u>	<u>3,353,206</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 215,000</u>	<u>\$ 1,501,896</u>	<u>\$</u>	<u>\$ 1,716,896</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 1997**

	June 30, 1996 Balance as Previously Reported	Restatement Adjustment	Beginning Balance as Restated July 1, 1996	Additions	Deductions	Balance June 30, 1997
<b>CAPITAL IMPROVEMENT BOND PROCEEDS</b>						
Assets						
Due from State:						
Capital Improvement Bond						
Proceeds	\$ 373,359	\$	\$ 373,359	\$	\$ 45,487,754	\$ 373,359
Total Assets	<u>\$ 373,359</u>	<u>\$</u>	<u>\$ 373,359</u>	<u>\$</u>	<u>\$ 45,487,754</u>	<u>\$ 373,359</u>
Liabilities						
Due to Other State Agencies	\$ 373,359	\$	\$ 373,359	\$	\$ 22,754,589	\$ 373,359
Total Liabilities	<u>\$ 373,359</u>	<u>\$</u>	<u>\$ 373,359</u>	<u>\$</u>	<u>\$ 22,754,589</u>	<u>\$ 373,359</u>
<b>WATER POLLUTION REVOLVING LOAN</b>						
Assets:						
Cash and Cash Equivalents	\$ 26,549,108	\$	\$ 26,549,108	\$ 57,033,792	\$ 45,487,754	\$ 38,095,146
Accrued Interest Receivable	974,364		974,364	696,185	974,364	696,185
Intergovernmental Notes						
Receivable	122,100,249		122,100,249	21,439,770	4,787,491	138,752,528
Total Assets	<u>\$ 149,623,721</u>	<u>\$</u>	<u>\$ 149,623,721</u>	<u>\$ 79,169,747</u>	<u>\$ 51,249,609</u>	<u>\$ 177,543,859</u>
Liabilities						
Due to Local Government/ Subdivisions-Intergovern- mental Payables	\$	\$	\$	\$ 21,780,225	\$ 21,780,225	\$
Due to Other State Agencies	149,623,721		149,623,721	50,674,727	22,754,589	177,543,859
Total Liabilities	<u>\$ 149,623,721</u>	<u>\$</u>	<u>\$ 149,623,721</u>	<u>\$ 72,454,952</u>	<u>\$ 44,534,814</u>	<u>\$ 177,543,859</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	June 30, 1996 Balance as Previously Reported	Restatement Adjustment	Beginning Balance as Restated July 1, 1996	Additions	Deductions	Balance June 30, 1997
<b>DEPARTMENT OF COMMERCE</b>						
Assets						
Cash and Cash Equivalents	\$	\$	\$	\$ 174,430	\$ 174,430	\$
Accrued Interest Receivable	23,077		23,077	20,759	41,096	2,740
Intergovernmental Notes Receivable	400,000		400,000		133,334	266,666
<b>Total Assets</b>	<b>\$ 423,077</b>	<b>\$</b>	<b>\$ 423,077</b>	<b>\$ 195,189</b>	<b>\$ 348,860</b>	<b>\$ 269,406</b>
Liabilities						
Due to Other State Agencies	\$ 23,077	\$	\$ 23,077	\$ 20,759	\$ 41,096	\$ 2,740
Intergovernmental Notes Payable	400,000		400,000		133,334	266,666
<b>Total Liabilities</b>	<b>\$ 423,077</b>	<b>\$</b>	<b>\$ 423,077</b>	<b>\$ 20,759</b>	<b>\$ 174,430</b>	<b>\$ 269,406</b>
<b>FUNDED DEBT SINKING FUND</b>						
Assets						
Cash and Cash Equivalents	\$ 759	\$	\$ 759	\$ 1,341	\$	\$ 2,100
Investments	25,000		25,000			25,000
Accrued Interest Receivable	11		11		7	4
<b>Total Assets</b>	<b>\$ 25,770</b>	<b>\$</b>	<b>\$ 25,770</b>	<b>\$ 1,341</b>	<b>\$ 7</b>	<b>\$ 27,104</b>
Liabilities						
Accrued Interest Payable	\$ 135	\$	\$ 135	\$	\$	\$ 135
Advances from State	1,991		1,991			1,991
Due to the State	23,644		23,644	1,341	7	24,978
<b>Total Liabilities</b>	<b>\$ 25,770</b>	<b>\$</b>	<b>\$ 25,770</b>	<b>\$ 1,341</b>	<b>\$ 7</b>	<b>\$ 27,104</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	June 30, 1996 Balance as Previously Reported	Restatement Adjustment	Beginning Balance as Restated July 1, 1996	Additions	Deductions	Balance June 30, 1997
<b>ORDINARY SINKING FUND</b>						
Assets						
Cash and Cash Equivalents	\$ 1,977	\$	\$ 1,977	\$ 298,160	\$ 293,000	\$ 7,137
Accounts Receivable	1,075		1,075	73,977	75,052	
Accrued Interest Receivable	1,786		1,786		983	803
Investments	3,755,000	75,000	3,830,000	860,000		4,690,000
Investment in Land	295,000	(295,000)				
Interfund Notes Receivable	154,963		154,963		1,800	153,163
Due from Capital Projects Fund	124,908		124,908	222,189	124,908	222,189
<b>Total Assets</b>	<b>\$ 4,334,709</b>	<b>\$ (220,000)</b>	<b>\$ 4,114,709</b>	<b>\$ 1,454,326</b>	<b>\$ 495,743</b>	<b>\$ 5,073,292</b>
Liabilities						
Due to the State	\$ 4,334,709	\$ (220,000)	\$ 4,114,709	\$ 1,154,301	\$ 195,718	\$ 5,073,292
<b>Total Liabilities</b>	<b>\$ 4,334,709</b>	<b>\$ (220,000)</b>	<b>\$ 4,114,709</b>	<b>\$ 1,154,301</b>	<b>\$ 195,718</b>	<b>\$ 5,073,292</b>
<b>FRIENDS TO SAVE THE HUNLEY</b>						
Assets						
Cash and Cash Equivalents	\$ 2,257	\$	\$ 2,257	\$ 5,566	\$	\$ 7,823
<b>Total Assets</b>	<b>\$ 2,257</b>	<b>\$</b>	<b>\$ 2,257</b>	<b>\$ 5,566</b>	<b>\$</b>	<b>\$ 7,823</b>
Liabilities						
Due to Others	\$ 2,257	\$	\$ 2,257	\$ 5,566	\$	\$ 7,823
<b>Total Liabilities</b>	<b>\$ 2,257</b>	<b>\$</b>	<b>\$ 2,257</b>	<b>\$ 5,566</b>	<b>\$</b>	<b>\$ 7,823</b>
<b>AFRICAN AMERICAN HISTORY MONUMENT COMMISSION</b>						
Assets						
Cash and Cash Equivalents	\$	\$	\$	\$ 172	\$	\$ 172
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 172</b>	<b>\$</b>	<b>\$ 172</b>
Liabilities						
Due to Others	\$	\$	\$	\$ 172	\$	\$ 172
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 172</b>	<b>\$</b>	<b>\$ 172</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1997**

	June 30, 1996 Balance as Previously Reported	Restatement Adjustment	Beginning Balance as Restated July 1, 1996	Additions	Deductions	Balance June 30, 1997
<b>TOTALS</b>						
<b>Assets</b>						
Cash and Cash Equivalents	\$ 26,554,101	\$	\$ 26,554,101	\$ 57,513,461	\$ 45,955,184	\$ 38,112,378
Investments	3,780,000	75,000	3,855,000	860,000		4,715,000
Investment in Land	295,000	(295,000)	0			0
Accounts Receivable	1,075		1,075	73,977	75,052	
Due from State:						
Capital Improvement Bond Proceeds	373,359		373,359			373,359
Accrued Interest Receivable	999,238		999,238	716,944	1,016,450	699,732
Interfund Notes Receivable	154,963		154,963		1,800	153,163
Intergovernmental Notes Receivable	122,500,249		122,500,249	21,439,770	4,920,825	139,019,194
Due from Capital Projects Fund	124,908		124,908	222,189	124,908	222,189
<b>Total Assets</b>	<b>\$ 154,782,893</b>	<b>\$ (220,000)</b>	<b>\$ 154,562,893</b>	<b>\$ 80,826,341</b>	<b>\$ 52,094,219</b>	<b>\$ 183,295,015</b>
<b>Liabilities</b>						
Accrued Interest Payable	\$ 135	\$	\$ 135	\$	\$	\$ 135
Advances from State	1,991		1,991			1,991
Due to Local Government/ Subdivision-Intergovern- mental Payables				21,780,225	21,780,225	
Due to Others	2,257		2,257	5,738		7,995
Due to Other State Agencies	150,020,157		150,020,157	50,695,486	22,795,685	177,919,958
Due to the State	4,358,353	(220,000)	4,138,353	1,155,642	195,725	5,098,270
Intergovernmental Notes Payable	400,000		400,000		133,334	266,666
<b>Total Liabilities</b>	<b>\$ 154,782,893</b>	<b>\$ (220,000)</b>	<b>\$ 154,562,893</b>	<b>\$ 73,637,091</b>	<b>\$ 44,904,969</b>	<b>\$ 183,295,015</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1997**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Total Expenditures to Subrecipients</u>
<b>Federal Emergency Management Agency:</b>			
Passed Through S.C. Adjutant General's Office:			
Disaster Assistance	83.516	\$ 8,358,654	\$ 8,322,257
<b>Total Federal Emergency Management Agency</b>		<u>8,358,654</u>	<u>8,322,257</u>
<b>U.S. Department of Energy:</b>			
Direct Programs:			
State Energy Program	81.041	560,272	114,811
Energy Program/Petroleum Violation Escrow Funds	N/A	1,199,614	506,159
<b>Total U.S. Department of Energy</b>		<u>1,759,886</u>	<u>620,970</u>
<b>U.S. Department of Commerce:</b>			
Direct Programs:			
Geodetic Survey and Services	11.400	415,622	335,000
Telecommunications and Information Infrastructure Assistance Program	11.552	65,781	
<b>Total U.S. Department of Commerce</b>		<u>481,403</u>	<u>335,000</u>
<b>General Services Administration:</b>			
Direct Program:			
Donation of Federal Surplus Personal Property	39.003	641,130 *	
<b>Total General Services Administration</b>		<u>641,130</u>	
<b>Total Federal Assistance</b>		<u>\$ 11,241,073</u>	<u>\$ 9,278,227</u>

\*This amount represents fair market value of assets received.

The schedule of expenditures of federal awards is prepared using the cash basis method of accounting.

**REPORT ON COMPLIANCE AND ON 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 State Budget and Control Board (the Board) as of and for the year ended June 30, 1997, and have issued our report thereon dated March 21, 2000. 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 Board'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board'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. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize and report financial data consistent with the assertion of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described on the accompanying schedule of findings and questioned costs are material weaknesses.

We also noted other matters involving the internal control as noted in the management letter comments on page 112.

This report is intended for the information of members and management of the Board and federal awarding agencies and pass-through agencies and is not intended and should not be used by anyone other than these specified parties.

Columbia, South Carolina  
March 21, 2000



## 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 State Budget and Control Board (the Board) with the types of compliance requirements described in the U.S. 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, 1997. The Board's major federal programs are identified in the summary of auditor's 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 Board's management. Our responsibility is to express an opinion on the Board's compliance 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 Organizations. Those standards and OMB Circular A-1-33 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 Board's 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 Board's compliance with those requirements.



In our opinion, the Board 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, 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items X-1 to X-5.

### **Internal Control Over Compliance**

The management of the Board 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 Board'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 members and management of the Board and federal awarding agencies and pass-through agencies and is not intended and should not be used by anyone other than these specified parties.

*Rogers & Laban PA*

Columbia, South Carolina  
March 21, 2000

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

**SUMMARY OF AUDITOR'S RESULTS**

1. An unqualified opinion dated March 21, 2000 on the financial statements of the Board for the year ended June 30, 1997 was issued.
2. Reportable conditions that were determined to be material weaknesses in internal control over financial reporting were noted as described below.
3. No instances of noncompliance that were material to the financial statements were noted.
4. No reportable conditions relating to internal control over compliance resulting from the audit of the major federal award programs are reported.
5. An unqualified opinion on compliance for major programs dated March 21, 2000 was issued.
6. Audit findings relative to the major federal award programs are reported on this schedule as required by Section 510(a) of Circular A-133.
7. The major programs of the Board are:

<u>CFDA #</u>	<u>Program</u>
83.516	Disaster Assistance
81.041	State Energy Program
N/A	Energy Program/Petroleum Violation Escrow Funds
11.400	Geodetic Survey and Services
39.003	Donation of Federal Surplus Personal Property

8. The dollar threshold used to distinguish between Type A and Type B programs was \$337,232.
9. The Board was determined not to be a low-risk auditee.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

### **FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

The following reportable conditions are material weaknesses, are related to the Board's financial statements and are required to be reported in accordance with generally accepted government auditing standards.

#### **1. Accounts Payable Overstated**

Statement of Condition: The Board recorded as an account payable a billing for local telephone service which is payable in advance. The Board had been accruing this invoice at each year-end and stated that they were aware that this was not an account payable but had to record it to have twelve months of expense in the current fiscal year. A prior period adjustment of approximately \$429,000 was made to correct the overstatement in the internal service fund.

Criteria: Accounts payable should only be recorded for services or goods that had been received by June 30 of each year.

Effect of Condition: Accounts payable are overstated at June 30.

Recommendation: The Board should only record accounts payable for invoices for which the goods or services were received at year-end.

#### **2. Estimates of Costs to Complete and Outstanding Construction Commitments Misstated**

Statement of Condition: The amounts that the Board reported for estimates of costs to complete and outstanding construction commitments in the notes to the financial statements were misstated.

The Board had not reduced the estimates by the amount of accounts and retainages payable that it had recorded. The outstanding construction commitments was misstated because the amount shown as the contract amount in the report used to calculate the outstanding commitments was not correct. We determined that the amount was incorrect because the Board had recorded more accounts payable and retainages payable for a particular project than was available based on the contract amount recorded on the printout. Due to the number of projects and the elapsed time span since June 30, 1997, it was not feasible to revise the contract amounts and to determine the correct amount for outstanding construction commitments.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**2. Estimates of Costs to Complete and Outstanding Construction Commitments  
Misstated (Continued)**

Criteria: Generally accepted accounting principles require that estimated costs to complete should be based on unexpended amounts and that accurate information be used to determine amounts reported in the financial statements.

Effect of Condition: Amounts shown in the notes to the financial statements were not accurate.

Recommendation: The Board should implement procedures to ensure that all amounts reported in the financial statements and notes thereto are correct.

**3. Interest Receivable Overstated**

Statement of Condition: The Board did not use the accrual basis method of accounting in recording interest receivable on notes receivable of the agency funds.

Criteria: Generally accepted accounting principles for governmental entities require that the Board use the modified accrual method of accounting for these receivables and only recognize revenue available to finance current operations.

Effect of Condition: The Board had overstated interest receivable approximately \$730,000 by using the incorrect method of accounting. The financial statements were adjusted for this error.

Recommendation: All interest receivable on notes receivable of agency funds should be recorded based on the modified accrual method of accounting.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**X-1. ALL PROGRAMS**

Statement of Condition: OMB Circular A133 Subpart C - Section 320 required audit reports to be submitted no later than 13 months after the end of the audit period. The Board did not meet this requirement for the year ended June 30, 1997.

Criteria: OMB Circular A-133 Subpart C – Section .320.

Effect of Condition: Failure to follow federal regulations.

Cause of Condition: Failure to have prior year audits completed timely and failure to have current year's records ready in time to complete audit within specified timeframe.

Recommendation: Implement procedures to have records and financial statements timely completed and audited and reports submitted within the required deadlines.

**X-2. DEPARTMENT OF ENERGY – STATE ENERGY PROGRAM CFDA # 81.041**

Statement of Condition: The schedule of expenditures of federal awards initially provided to not have the State Energy Program listed separately. The program was combined with the Energy Program/Petroleum Violation Escrow Funds.

Criteria: OMB Circular A-133 Subpart C – Section .300 requires the auditee to prepare the schedule of expenditures of federal awards in accordance with Section .310.

Effect of Condition: Possible omission of required compliance testing on federal program.

Cause of Condition: Unknown.

Recommendation: Take additional care to ensure that the schedule of federal expenditures is prepared accurately and that is independently reviewed by an employee other than the preparer who is familiar with the Board's programs and with A-133 requirements for this schedule.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**X-3. GENERAL SERVICES ADMINISTRATION – DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY CFDA # 39.003**

Statement of Condition: The eligibility files for 2 of the 25 donees tested had not been updated within the last 3 years as required. We were able to determine that these 2 donees were eligible.

Criteria: General Services Program requirements that eligibility files be updated every three years.

Effect of Condition: Failure to update eligibility could result in ineligible entities receiving the federal surplus property.

Cause of Condition: Unknown.

Recommendation: Implement a tickler system to ensure that all eligibility files are updated as required.

**X-4. DEPARTMENT OF COMMERCE – GEODETIC SURVEY AND SERVICES CFDA # 11.400**

Statement of Condition: The Board did not have a system in place under this grant to monitor subrecipients and ensure that they had a single audit if the subrecipient expended more than \$300,000 in federal awards in a year. No monitoring was performed of the subrecipient tested under this award and the Board did not determine whether the subrecipient had a single audit.

Criteria: Section 400(d) of OMB Circular A-133 contains the responsibilities of passthrough entities regarding monitoring and single audit requirements.

Effect of Condition: Failure to determine whether the awards had been spent in accordance with program guidelines.

Cause of Condition: It appears that the personnel responsible for this award were not aware of this requirement.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 1997**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**X-4. DEPARTMENT OF COMMERCE – GEODETIC SURVEY AND SERVICES  
CFDA # 11.400 (CONTINUED)**

Recommendation: Ensure that all Board employees responsible for the various duties for its federal programs are knowledgeable of the specific grant and program requirements and of A-133 requirements assuring that subrecipients are monitored and that the Board obtains and reviews a single audit report for any subrecipient that expends more than \$300,000 in a year.

**X-5. DEPARTMENT OF ENERGY – ENERGY PROGRAM/PETROLEUM  
VIOLATION ESCROW FUNDS CFDA # N/A**

Statement of Condition: The Board is required to file an annual report by September 30 of each year. The Board did not file its report for 1997 until September 8, 1998. The report also did not report a \$232,367 refund as a reduction of expenditures.

Criteria: Program guidelines require the annual report to be submitted by September 30 following the June year-end. In addition, the Department of Energy program guidelines specify that refunds are to be treated as a reduction of expenditures and not as program income.

Effect of Condition: Expenditures on the annual report to the Department of Energy are overstated by \$232,367 and the Board is not filing reports as required.

Cause of Condition: Unknown.

Recommendation: A system should be implemented to ensure that all reports are filed as required and that refunds are reported as a reduction of expenditures. Board employees responsible for reporting for this program should be knowledgeable of the specific grant and program requirements and of A-133 requirements including those for reporting to grantors.

## **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

### **MANAGEMENT LETTER COMMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

#### **Cash Accounts Not Recorded**

The Board has eight petty cash funds and five bank accounts that are not recorded in its general ledger or its financial statements. The bank accounts are used primarily for conferences and training sessions. The revenues and expenditures in these accounts as well as the ending balance is not reflected in the Board's general ledger. The total cash balances at June 30, 1997 were approximately \$20,000. Revenues for 1997 were approximately \$65,000 and expenditures were approximately \$62,000.

Good controls require that all assets, revenues and expenditures be recorded.

We recommend that the balances and activity in these and all accounts be recorded in the Board's general ledger.

#### **Amounts Due General Fund of the State**

Our audit disclosed that the federal surplus funds account contains \$145,723 that is due to the general fund. According to personnel of the Board, this balance represents several prior fiscal years' accumulation of revenues in excess of expenditures. It has been on the books since 1983 and is still outstanding at June 30, 1997.

Code Section 11-9-125 of the South Carolina Code of Laws states that "State Agencies shall remit to the General Fund of the State any funds found to exist in the agency accounts."

We recommend that the Board remit these funds to the General Fund of the State.

## **APPENDIX A**

### **Management's Response**

STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
OFFICE OF INTERNAL OPERATIONS

JIM HODGES, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

JAMES A. LANDER  
COMPTROLLER GENERAL

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY  
EXECUTIVE DIRECTOR

1201 MAIN STREET, SUITE 700  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0500  
(803) 737-1978 FAX

JAMES M. SIMPSON, JR.  
DIRECTOR

June 23, 2000

Mr. Barry S. Laban  
Rogers & Laban, P.A.  
1529 Hampton Street, Suite 200  
Columbia, SC 29201

Dear Mr. Laban:

We have reviewed the weaknesses reported in the audit report for the fiscal year ended June 30, 1997.

The following weaknesses have already been corrected:

**Accounts Payable Overstated**  
**Estimates of Costs to Complete**  
**Interest Receivable Overstated**  
**Department of Energy – State Energy Program CFDA #81.041**  
**Department of Energy – Energy Program/Petroleum Violation Escrow**  
**Funds CFDA #N/A**  
**Cash Accounts Not Recorded**

Our corrective action plan to correct the remaining weaknesses is as follows:

**Outstanding Construction Commitments**

We will have the individuals responsible for the completion of contracts design a report that will provide reliable data on our outstanding construction commitments.

**All Programs**

One of the Board's goals is to issue its financial statements on a timely basis. We are working closely with the State Auditor's Office and our external audit firm to correct this weakness.

**General Services Administration – Donation of Federal Surplus Personal Property  
CFDA # 39.003**

We will work with the Manager of this program in establishing a monitoring process to ensure that eligibility files are updated as required.

**Department of Commerce-Geodetic Surveys and Services CFDA # 11.400**

We will inform the individuals who are responsible for federal monies of the A-133 requirements pertaining to subrecipient funding.

**Amounts Due General Fund of the State**

We are addressing this weakness with the State in an attempt to obtain the authority to cancel this debt.

Should you have any questions regarding this plan, please call Ronald E. Claypool, Director of Finance, at 737-0520.

We appreciate the constructive comments given to our staff throughout the audit.

Sincerely,

A handwritten signature in black ink that reads "Rick". The signature is stylized with a large, sweeping initial "R" and a long horizontal stroke extending to the right.

Rick Kelly  
Executive Director