

South Carolina Office of the State Treasurer

Report on Financial Statements

For the Year Ended June 30, 2013

State of South Carolina



Office of the State Auditor

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September 12, 2014

The Honorable Curtis M. Loftis, Jr., State Treasurer
State of South Carolina
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Office of the State Treasurer for the fiscal year ended June 30, 2013, was issued by Elliott Davis, LLC, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/sag

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Independent Auditor's Report

The Honorable Curtis M. Loftis, Jr.
South Carolina Office of the State Treasurer
and

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer (the "Office"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 (Part A), the Office has determined that the fiduciary fund which accounts for the South Carolina Tuition Prepayment Program should no longer be included in the Office's financial statements as of and for the year ended June 30, 2013.

As discussed in Note 1 (Part A), the accompanying financial statements of the Office are intended to present the financial position and the respective changes in financial position of certain governmental activities and fiduciary funds comprising the reporting entity as defined by the Office. The accompanying financial statements exclude South Carolina Tuition Prepayment Program. The accompanying financial statements also exclude South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the related entities), and all debt service transactions related to obligations of the State of South Carolina, its agencies, departments, and political subdivisions. They do not purport to, and do not present fairly, the financial position of the State of South Carolina as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The financial statements of the related entities were audited by other auditors as of and for the year ended June 30, 2013.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison schedules on pages 3-7 and 33-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.



Columbia, South Carolina
September 12, 2014

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
June 30, 2013

Management's Discussion and Analysis ("MD&A") of the South Carolina Office of the State Treasurer (the "Office") provides an overview of the Office's financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

The Office prepared its financial statements on the Generally Accepted Accounting Principles ("GAAP") basis and follows pronouncements from the Governmental Accounting Standards Board ("GASB").

These financial statements do not include the transactions or balances from South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, or South Carolina Local Government Investment Pool. The financial statements of these entities were audited by other auditors as of and for the year ended June 30, 2013.

Additionally, during the current fiscal year, it was determined that the South Carolina Tuition Prepayment Trust Fund (the "Fund") no longer should be included in the Office's reporting entity as administration of the South Carolina Tuition Prepayment Program (the "Program") was outsourced as of October 1, 2012. The Program's financial statements were not audited as of and for the year ended June 30, 2013. However, an independent accountant performed a review of the Program's financial statements as of the year then ended. In addition, the Fund was reported as a non-major enterprise fund as of June 30, 2013 in the audit of the State of South Carolina's (the "State") Comprehensive Annual Financial Report ("CAFR").

As of and for the fiscal year ended June 30, 2013:

- The Office's total net position decreased by \$79,116 and its liabilities exceeded its assets (net position) by \$243,507.
- The Office received \$236,421,854 in appropriations from the State, substantially all of which was disbursed for general operations, student loans, and aid to subdivisions.
- The Office held \$846,021,569 of cash and cash equivalents in an agency capacity.

USING THESE AUDITED FINANCIAL STATEMENTS

The audited basic financial statements presented in this document include both government-wide and fund financial statements.

Government-wide Statements:

Government-wide statements include a Statement of Net Position and a Statement of Activities. These statements display information about the Office as a whole. The government-wide financial statements of the Office are presented on the accrual basis of accounting and provide short-term and long-term information about the Office. The Office implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position*, during the fiscal year ended June 30, 2013. The statement incorporated deferred inflows and outflows as required components of the residual measure of the government and renaming that measure as net position, rather than net assets.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
June 30, 2013

Fund Statements:

The fund financial statements include the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The governmental fund financial statements are presented on the modified accrual basis of accounting which focuses on the near term inflows and outflows of resources available for expenditure for the current fiscal year.

The Office provides banking and investment services for state agencies. The cash and cash equivalents held by the Office on behalf of the State and local governments are reported in the Fiduciary Funds. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented on the accrual basis of accounting.

Statement of Net Position and Statement of Activities – The Statement of Net Position provides a summary of the Office's financial condition at the end of the 2013 fiscal year; and reports all assets and liabilities using the accrual basis of accounting. The Statement of Activities reports the revenues and expenses during the time period indicated.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF NET POSITION

	2013	2012
Current Assets	\$ 1,212,488	\$ 1,295,467
Capital Assets, Net	7,518	3,683
Total Assets	1,220,006	1,299,150
Current Liabilities	1,116,540	1,154,447
Noncurrent Liabilities	346,973	309,094
Total Liabilities	1,463,513	1,463,541
Net Investment in Capital Assets	7,518	3,683
Unrestricted	(251,025)	(168,074)
Total Net Position (Deficit)	\$ (243,507)	\$ (164,391)

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
June 30, 2013

Statement of Net Position and Statement of Activities (continued)

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES

	2013	2012
Expenses		
Personnel Services	\$ 4,460,159	\$ 3,999,483
Travel	31,094	13,125
Supplies and Materials	181,407	122,805
Contracted Services	1,860,257	1,637,158
Student Loans – Teachers	1,065,125	950,000
Student Loans – Student Loan Corporation	4,000,722	4,000,722
Rent	300,691	298,242
Depreciation	1,167	4,903
Aid to Subdivisions	229,757,671	200,255,766
Total Expenses	241,658,293	211,282,204
General Revenues		
State Appropriations	236,421,854	206,841,058
Service Charges	16,286	23,356
Fines and Penalties	109,619	113,076
Investment Management Fees	1,888,273	1,515,893
Revenue from Other State Agencies	3,097,350	2,883,716
Other Income	147,427	122,263
	241,680,809	211,499,362
Transfers		
Remission to State General Fund	(101,632)	–
Total General Revenues	241,579,177	211,499,362
Change in Net Position	(79,116)	217,158
Net Position (Deficit), July 1	(164,391)	(381,549)
Net Position (Deficit), June 30	\$ (243,507)	\$ (164,391)

Operating revenues of the Office are largely dependent upon appropriations from the State legislature.

The Office received \$236,421,854 in appropriations from the State legislature. These appropriations were spent for three purposes. The amount of \$1,598,336 was spent primarily on the operations of the Office. The amount of \$229,757,671 was disbursed as aid to various governmental subdivisions throughout the State. The amount of \$5,065,847 was spent on student loans.

Fund Highlights:

Governmental Funds

The focus of the Office's governmental funds is to provide information regarding actual inflows and outflows of spendable resources. The General Fund is the chief operating fund of the Office. The General Fund's operating revenues are provided through appropriations from the State legislature. Revenues are not budgeted by the Office; therefore, expenditures are typically matched with appropriations so long as expenditures do not exceed budgeted appropriations. This resulted in expenditures exceeding revenues by \$1,231 for the fiscal year ended June 30, 2013, which resulted in an ending fund balance of \$2,678 for the General Fund.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
June 30, 2013

Fund Highlights (continued):

Governmental Funds (continued)

There are two major special revenue funds, the Aid to Subdivisions Fund and the State Treasurer's Office Earmarked Fund. The Aid to Subdivisions Fund distributes funds to various political subdivisions of the State based on amounts budgeted by the State. There was a budgeted surplus of \$101,632 in State appropriations in the prior fiscal year that were not distributed during the fiscal year ended June 30, 2012. This budgeted surplus was remitted back to the State General Fund during the fiscal year which corresponded to the actual decrease in fund balance for the fiscal year ended June 30, 2013. The State Treasurer's Office Earmarked Fund accounts for revenues and transfers of appropriations earmarked for specific Office operations. As required by the earmark provisions, these amounts can only be spent on specific operational expenditures of the Office and therefore, the remaining fund balance is considered restricted. State appropriations and other revenues exceeded expenditures by \$46,296 during the fiscal year ended June 30, 2013 resulting in an increase in fund balance.

Budget Highlights:

The State's Annual Appropriations Act, its legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds – The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total Funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities, but exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriations Act are referred as to *Other Budgeted Funds*.

The Office's budget for E16 General Funds was originally \$1,532,797 for the fiscal year ended June 30, 2013. This compares to a final budgeted amount of \$2,663,459. The primary increase was due to budgeted teacher student loan payments of \$1,065,125. Actual expenditures, on the budgetary basis, totaled \$2,663,459. These actual expenditures were in line with the final budgeted amount.

The Office's budget for E16 Other Budgetary Funds was originally \$3,987,771 for the fiscal year ended June 30, 2013. This compares to a final budgeted amount of \$8,460,492. The increase in the final budgeted amount is due primarily to additional appropriations for student loan payments to the South Carolina Student Loan Corporation in the budgeted amount of \$4,000,722. Actual expenditures, on the budgetary basis, totaled \$8,455,847. The final budgeted amount exceeded actual expenditures by \$4,645.

The Office's budget for X22 General Funds was originally \$199,743,980 for the fiscal year ended June 30, 2013. This compares to a final budgeted amount of \$229,757,671. The primary reason for the increase from the original to final budgeted amount is approximately an additional \$30,000,000 that was added to fund a nonrecurring cost required under the proviso. Actual expenditures, on the budgetary basis, totaled \$229,757,671. These actual expenditures were in line with the final budgeted amount. The Office's Aid to Subdivisions State Treasurer's Fund only receives General Fund appropriations. Therefore, amounts are not budgeted for X22 Other Budgetary Funds.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
June 30, 2013

Current Conditions that are expected to have a Significant Effect on the Office's Financial Position:

Currently, there are no known conditions that are expected to have a significant effect on the Office's financial position.

This MD&A is designed to provide a general overview of the Office's finances for all of the State's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Office's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Office of the State Treasurer
P.O. Box 11778
Columbia, South Carolina 29211

South Carolina Office of the State Treasurer
Statement of Net Position
June 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 598,561
Amounts Due from Other State Agencies	510,853
Prepays	103,074
Total Current Assets	1,212,488

Noncurrent Assets:

Equipment	62,936
Accumulated Depreciation	(55,418)
Total Noncurrent Assets	7,518
Total Assets	1,220,006

LIABILITIES

Current Liabilities:

Accounts Payable	1,080,992
Compensated Absences	35,548
Total Current Liabilities	1,116,540

Noncurrent Liabilities:

Compensated Absences	346,973
Total Noncurrent Liabilities	346,973
Total Liabilities	1,463,513

NET POSITION

Net Investment in Capital Assets	7,518
Unrestricted	(251,025)
Total Net Position (Deficit)	\$ (243,507)

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Activities
For the Year Ended June 30, 2013

Expenses

Personnel Services	\$ 4,460,159
Travel	31,094
Supplies and Materials	181,407
Contracted Services	1,860,257
Student Loans – Teachers	1,065,125
Student Loans – Student Loan Corporation	4,000,722
Rent	300,691
Depreciation	1,167
Aid to Subdivisions	229,757,671
Total Expenses	241,658,293

General Revenues

State Appropriations	236,421,854
Service Charges	16,286
Fines and Penalties	109,619
Investment Management Fees	1,888,273
Revenue from Other State Agencies	3,097,350
Other Income	147,427
	241,680,809

Transfers

Remission to State General Fund	(101,632)
Total General Revenues	241,579,177

Change in Net Position (Deficit)	(79,116)
Net Position (Deficit), July 1, 2012	(164,391)
Net Position (Deficit), June 30, 2013	\$ (243,507)

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
 Balance Sheet
 Governmental Funds
 June 30, 2013

	<u>General Fund</u>	<u>Aid to Subdivisions Fund</u>	<u>State Treasurer's Office Earmarked Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ —	\$ —	\$ 598,561	\$ 598,561
Amounts Due from Other State Agencies	—	—	510,853	510,853
Prepays	2,810	—	100,264	103,074
Total Assets	<u>\$ 2,810</u>	<u>\$ —</u>	<u>\$ 1,209,678</u>	<u>\$ 1,212,488</u>
LIABILITIES				
Accounts Payable	\$ 132	\$ —	\$ 1,080,860	\$ 1,080,992
Total Liabilities	<u>132</u>	<u>—</u>	<u>1,080,860</u>	<u>1,080,992</u>
FUND BALANCES				
Nonspendable – Prepays	2,810	—	100,264	103,074
Restricted for Office Operations	—	—	28,554	28,554
Unassigned	(132)	—	—	(132)
Total Fund Balances	<u>2,678</u>	<u>—</u>	<u>128,818</u>	<u>131,496</u>
Total Liabilities and Fund Balances	<u>\$ 2,810</u>	<u>\$ —</u>	<u>\$ 1,209,678</u>	<u>\$ 1,212,488</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2013

Total fund balance, governmental funds		\$ 131,496
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position		
Equipment	\$ 62,936	
Accumulated depreciation	<u>(55,418)</u>	7,518
Compensated absences are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position		
		<u>(382,521)</u>
Net position (deficit) of governmental activities in the statement of net position		<u>\$ (243,507)</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Aid to Subdivisions Fund</u>	<u>State Treasurer's Office Earmarked Fund</u>	<u>Total Governmental Funds</u>
Revenues				
State Appropriations	\$ 2,663,461	\$229,757,671	\$ 4,000,722	\$ 236,421,854
Service Charges	—	—	16,286	16,286
Fines and Penalties	—	—	109,619	109,619
Investment Management Fees	—	—	1,888,273	1,888,273
Revenue from Other State Agencies	—	—	3,097,350	3,097,350
Other Income	—	—	142,425	142,425
Total Revenues	<u>2,663,461</u>	<u>229,757,671</u>	<u>9,254,675</u>	<u>241,675,807</u>
Expenditures				
Personnel Services	1,524,317	—	2,909,458	4,433,775
Travel	3,637	—	27,457	31,094
Supplies and Materials	25,701	—	155,706	181,407
Contracted Services	26,849	—	1,833,408	1,860,257
Student Loans - Teachers	1,065,125	—	—	1,065,125
Student Loans – Student Loan Corporation	—	—	4,000,722	4,000,722
Rent	19,063	—	281,628	300,691
Aid to Subdivisions	—	229,757,671	—	229,757,671
Total Expenditures	<u>2,664,692</u>	<u>229,757,671</u>	<u>9,208,379</u>	<u>241,630,742</u>
Revenues (Under) Over Expenditures	<u>(1,231)</u>	<u>—</u>	<u>46,296</u>	<u>45,065</u>
Other Financing Uses				
Remission to State General Fund	—	(101,632)	—	(101,632)
Net Change In Fund Balance	(1,231)	(101,632)	46,296	(56,567)
Fund Balance, July 1, 2012	3,909	101,632	82,522	188,063
Fund Balance, June 30, 2013	<u>\$ 2,678</u>	<u>\$ —</u>	<u>\$ 128,818</u>	<u>\$ 131,496</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
June 30, 2013

Total change in fund balance, governmental funds	\$ (56,567)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets	
Transferred capital assets	5,002
Depreciation expense	(1,167)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Compensated absences	<u>(26,384)</u>
Decrease in net position (deficit), governmental activities	<u>\$ (79,116)</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,417,301	\$ 846,021,569
Amounts Due from Other State Agencies	683,884	82,604,620
Total Current Assets	7,101,185	928,626,189
Noncurrent Assets:		
Capital Assets:		
Land	3,874,100	—
Buildings	1,643,925	—
Equipment	382,276	—
Vehicles	113,222	—
Accumulated Depreciation	(1,221,841)	—
Total Noncurrent Assets	4,791,682	—
Total Assets	\$ 11,892,867	\$ 928,626,189
LIABILITIES		
Current Liabilities:		
Due to Depositors	\$ —	\$ 664,895,631
Accounts Payable	1,413,762	—
Amounts Due to Local Governments	—	196,759,872
Unclaimed Property Refunds	—	66,970,686
Total Current Liabilities	1,413,762	928,626,189
Total Liabilities	1,413,762	\$ 928,626,189
NET POSITION		
Net Investment in Capital Assets	4,791,682	
Held in Trust for:		
Nuclear Plant Decommissioning	4,657,434	
Aid to Subdivisions	754,842	
Other Purposes	275,147	
Total Net Position	10,479,105	
Total Liabilities and Net Position	\$ 11,892,867	

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Private Purpose Trust
Additions:	
Service Fees	\$ 34,177
Sales and Use Taxes	1,643,055
Interest and Investment Income	311,325
Revenue from Other State Agencies	50,697
Total Additions	2,039,254
Deductions:	
State Allocations	1,640,713
Depreciation	90,474
Contracted Services	2,624,047
Other Expenses	2,410
Total Deductions	4,357,644
Change in Net Position	(2,318,390)
Net Position, July 1, 2012	12,797,495
Net Position, June 30, 2013	\$ 10,479,105

The notes to the financial statements are an integral part of these financial statements.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

The financial statements of the South Carolina Office of the State Treasurer (the “Office”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Office also applies Financial Accounting Standards Board (“FASB”) statement and interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict or contradict GASB pronouncements. The more significant of the Office’s accounting policies are described below.

A. Reporting Entity

The Office is established under the authority of the Constitution of South Carolina (the “Constitution”) as an agency of the State of South Carolina (the “State”). The Office performs duties as designated by the Constitution or prescribed by law. The Office is a part of the primary government of the State.

The State Treasurer is elected every four years and is inaugurated the second Monday in January following the election for the position in November. In January 2011, the Honorable Curtis M. Loftis, Jr. became the State Treasurer.

The primary functions of the Office are acting as Custodian for both State funds and Retirement System funds, the maintenance of bank accounts for the receipt and disbursement of State funds, the prudent investment of certain State funds, and the administration of the State’s Unclaimed Property Program. Additionally, the Office performs safekeeping and investment functions for State agencies and other entities as authorized by State statute. Various activities of the Office include receipt of warrants, vouchers, management of cash and investments, management of debt service for various State entities, and the reconciliation of account balances and transactions with the various State agencies. The Office is also responsible for accounting functions associated with South Carolina Tobacco Settlement Revenue Management Authority, South Carolina Resources Authority, and South Carolina Local Government Investment Pool.

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State that is attributable to transactions of the Office, and exclude the South Carolina Tuition Prepayment Program. The accompanying financial statements also exclude South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the related entities), and all debt service transactions related to obligations of the State, its agencies, departments, and political subdivisions. The financial statements of the related entities were audited by other auditors as of and for the year ended June 30, 2013.

South Carolina Tuition Prepayment Program

The South Carolina Tuition Prepayment Program (the “Program”) was created by the South Carolina General Assembly and allows families to pay in advance for the tuition expenses of a child’s college education at any of the State’s public colleges and universities with potentially significant savings over actual tuition costs at the time the child enrolls in college. The assets and related transactions of the Program are accounted for in a fiduciary fund (the “Fund”), for which the Office serves as the fiduciary agent.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

South Carolina Tuition Prepayment Program (continued)

The Program has been closed to new enrollment since July 1, 2008. The Office provides the State legislature with a written report of the unfunded liability of the Program each year as well as the projected date that the assets will be fully depleted. The Office included the Fund in its audited financial statements as of and for the year ended June 30, 2012, and reported a net deficit for the Fund of approximately \$36,000,000 as of the year then ended. The Office has determined that the Fund should no longer be reported in its financial statements because administration of the Program was outsourced on October 1, 2012.

The Comprehensive Annual Financial Report of the State of South Carolina included the Fund as a non-major enterprise fund as of and for the year ended June 30, 2013, and reported a net deficit for the Fund of approximately \$68,000,000 as of the year then ended. The financial statements of the Fund were not separately audited as of and for the year ended June 30, 2013. An independent accountant performed a review of the Program's financial statements as of June 30, 2013.

According to the actuarial valuation for the Program as of June 30, 2012 (the valuation), the net deficit in the Fund is an indicator that existing assets combined with future cash flows are insufficient to pay all contract owners their benefits. The Program's actuary projects that assets will be depleted in fiscal year 2019.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

In June 1999, the GASB issued GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement established financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments, such as school districts and public utilities. It established that the basic financial statements and required supplementary information ("RSI") for general purpose governments should consist of the following: (1) management's discussion and analysis ("MD&A"), (2) government-wide financial statements, (3) fund financial statements, (4) notes to the financial statements and (5) budgetary comparison schedules. The MD&A introduces the basic financial statements, which consist of the government-wide financial statements, fund financial statements and notes to the financial statements, and provides an analytical overview of the government's financial activities. The MD&A is considered to be RSI, but governments are required to present it before the basic financial statements. In addition to the MD&A, RSI includes budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The provisions of this Statement became effective for financial statements in three phases based on a government's total annual revenues, beginning with periods beginning after June 15, 2001 and continuing through periods beginning after June 15, 2003. The Office elected to adopt the provisions of this Statement during the fiscal year ended June 30, 2012.

Government-wide Financial Statements

The government-wide financial statements are presented under GAAP using the accrual basis of accounting and pronouncements issued by the GASB.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Government-wide Financial Statements (continued)

All of the functions available to finance the Office are presented together as general government activities. Financial information for funds that are not available to finance these activities are not included; consequently, the government-wide financial statements exclude fiduciary assets and liabilities.

Additionally, the Office receives reimbursement from the unclaimed property funds for certain costs incurred in connection with the recovery, advertisement, and sale of unclaimed property. The Office holds unclaimed property refunds, or escheat property, in an agency capacity. A liability is recorded for amounts expected to be reclaimed and paid to claimants. This liability is satisfied by the State's General Fund. For the fiscal year ended June 30, 2013, the Office received \$1,125,000 of unclaimed property receipts to offset certain capital and administrative costs incurred in connection with the administration of the State's Unclaimed Property Program. The Unclaimed Property Program is accounted for as an agency fund.

Fund Financial Statements

The fund financial statements are used to report the Office's financial position and results of operations as well as to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The governmental fund financial statements are presented on the modified accrual basis and the fiduciary fund financial statements are presented on the accrual basis. These methods of accounting are described below.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the Office considers major sources of revenue to be available if they are collected within sixty days of the end of the current fiscal year.

Financial resources of fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Governmental Fund Types

General Fund – The General Fund is the primary operating fund of the Office. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, state appropriations, and other revenue sources that are designated to finance particular functions or activities of the Office. Special Revenue Funds include:

- *Aid to Subdivisions Fund*–The Aid to Subdivisions Fund is a special revenue fund that accounts for appropriations set by the South Carolina General Assembly from the State General Fund for aid to governmental subdivisions. Actual distributions are formula funded based on actual collections of the specific State General Fund revenue types.
- *State Treasurer’s Office Earmarked Fund*–This special revenue fund accounts for revenues and transfers of appropriations earmarked for specific Office operations or restricted for student loan expenditures.

Fiduciary Funds – Transactions related to assets held by the Office as an agent of other governmental agencies or private organizations are accounted for in the Fiduciary Funds. These are presented separately in the financial statements. The Office’s Fiduciary Funds include:

- *Private Purpose Trust Funds* – These funds include a trust fund with assets set aside for site stabilization and closure of a nuclear waste site operated by a private company within the State’s borders in the event that the company ceases operations or loses its license to operate as well as a trust fund with assets set aside for the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation). The Private-Purpose Trust Funds also include miscellaneous other trust agreements holding assets that benefit non-State parties.
- *Agency Funds* – These funds are used to account for assets held by the Office in an agency capacity. The Office is the official depository for agencies of the State and, accordingly, administers the significant majority of State agency receipts and disbursements.

The fund financial statements focus on major funds. Each major fund is presented in a separate column. Major funds include (a) the Office’s primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and (c) any other fund that Office officials believe is particularly important to financial statement users. The Office reports the following major governmental funds which are discretely presented in the governmental fund financial statements:

- General Fund
- Aid to Subdivisions Fund
- State Treasurer’s Office Earmarked Fund

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Reclassifications

Prior year amounts related to amounts due from other state agencies, accounts payable, revenue from other state agencies, and contracted services reported within the State Treasurer's Office Earmarked Fund and Private Purpose Trust Funds have been reclassified to conform to current year presentation. There was no effect on fund balance or net position as a result of these reclassifications.

Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent petty cash, cash on deposit in banks, restricted cash and cash equivalents on deposit with external parties, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Since the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The Office administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements.

Cash Management Pool – Allocation of Interest

The State cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund of the State. In contrast, each special deposit account retains its own earnings.

Capital Assets

The Office reports its capital assets in the applicable governmental or fiduciary type activities in the government-wide financial statements or fiduciary statement of net position. General capital assets for use by the Office are included in the government-wide financial statements while capital assets managed in trust for the benefit of others are reported in the fiduciary statement of net position. The Office reports the following categories of capital assets: land, buildings and improvements, equipment and vehicles.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated fair market value on the donation date. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost of more than \$5,000 for buildings, equipment, and vehicles. All land and non-depreciable land improvements with a cost of more than \$100,000 are capitalized and reported. Once the Office places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following useful lives:

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Capital Assets (continued)

<u>Asset Category</u>	<u>Years</u>
Buildings and Improvements	5-55
Equipment	2-25
Vehicles	3-20

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the Office’s work week are entitled to accrue and carry forward at calendar year-end maximums 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, but are not entitled to any payment for unused sick leave.

The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The entire unpaid liability for which the Office expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end, current salary costs, and the cost of the salary-related benefit payments, is recorded as a liability. The General Fund is used to liquidate the liability for compensated absences.

Unclaimed Property Refunds

The Office holds unclaimed property refunds, or escheat property, in an agency capacity and is reported in the agency funds. A liability is recorded for amounts expected to be reclaimed and paid to claimants.

Net Position and Fund Balance

Net Position

Net investment in capital assets

The net investment in capital assets portion of net position consists of capital assets, net of accumulated depreciation.

Restricted net position

Restricted net position consist of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of June 30, 2013, the Office did not have any restricted net position.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Net Position and Fund Balance (continued)

Net Position (continued)

Net position held in trust

Net position held in trust consists of assets that are held by the Office in a fiduciary capacity for the decommissioning of a nuclear facility or other specific purposes as defined by the trust.

Unrestricted net position

All other assets that do not meet the definition of “restricted” are considered unrestricted. The Office’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was effective for financial statements for periods beginning after June 15, 2010. The Office implemented the provisions of this Statement during the fiscal year ended June 30, 2012. The following categories of fund balance are now being used in the fund level financial statements of the governmental funds:

Non-spendable fund balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Most of the Office’s fund balance is presented as restricted as all fund balance is required by statute to be used for the Office’s operations.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Net Position and Fund Balance (continued)

Fund Balance (continued)

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Office's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2013, the Office did not have any committed fund balance.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Office's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Office's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Office's highest level of authority. As of June 30, 2013, the Office did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes within the General Fund.

Based on the Office's policies regarding fund balance classifications as noted above, it considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure has been designated by the State or donor stipulations have been made. After these fund balances have been depleted, unassigned fund balances will be considered to have been spent.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

C. New Accounting Standards

The Office implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position*, during the fiscal year ended June 30, 2013. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement items by providing guidance where none previously existed. The Statement incorporated deferred inflows and outflows as required components of the residual measure of the government and renaming that measure as net position, rather than net assets. The requirements of this Statement were effective for periods beginning after December 15, 2011. The Office implemented the provisions of this Statement during the fiscal year ended June 30, 2013. The categories of net position, previously described in the Net Position and Fund Balance section of Note 1 (Part B), are now incorporated within these financial statements for the government-wide statements and the fiduciary fund statements. The Office did not have any deferred outflows of resources or deferred inflows of resources as of June 30, 2013.

2. Budget Policy

The Office is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Office. The Appropriation 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 Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board (the "SBCB") under its authority or by the agency as set forth in Appropriation Act Proviso 89.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such personnel transfers may be provided to members of the General Assembly on an agency by agency basis. Transfers of appropriations from personnel service accounts to other operating accounts or from other operating accounts to personnel service accounts may be restricted to any established standard levels set by the SBCB upon formal approval by a majority of the members of the SBCB.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

3. Deposits

By law, all deposits are under the control of the Office except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the Office. Typically, these agencies follow the deposit and investment policies of the Office in an effort to minimize deposit and investment risks.

Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. The State's policy by law requires all banks or savings and loan associations that receive State funds deposited by the Office, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. All deposit and investment transactions of the Office are under the control of the Office who, by law, has sole authority for the investment of such funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Office will not be able to recover collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the Office are fully insured or collateralized.

4. Investment Management Fees

Under Proviso 76.5, the Office may charge a fee for the operating and management costs associated with the investment management and support operations of various state funds and programs, and further, may retain and expend the fees to provide these services. The fees assessed may not exceed the actual cost of the provision of these services or the earnings on these investments. The total amount the Office received in investment management fees for the fiscal year ended June 30, 2013 was \$1,888,273.

5. Amounts Due from Other State Agencies

At June 30, 2013, the Agency Funds, Private Purpose Trust Funds, and State Treasurer's Office Earmarked Fund held receivables due from other state agencies. The following is a summary of the amounts due from other state agencies:

	State Treasurer's Office Earmarked	Private Purpose Trust	Agency
	<u> </u>	<u> </u>	<u> </u>
Selective Sales and Use Taxes	\$ —	\$ 141,222	\$ 51,682,866
General Sales and Use Taxes	—	—	30,808,927
Revenue from Other State Agencies	510,853	—	—
Miscellaneous Revenue	—	542,662	112,827
Total Amounts Due from Other State Agencies	<u>\$ 510,853</u>	<u>\$ 683,884</u>	<u>\$ 82,604,620</u>

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, for the primary government was as follows:

	Beginning Balance <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>June 30, 2013</u>
Governmental activities				
Capital assets being depreciated:				
Equipment	\$ 57,934	\$ 5,002	\$ —	\$ 62,936
Less accumulated depreciation for:				
Equipment	<u>(54,251)</u>	<u>(1,167)</u>	<u>—</u>	<u>(55,418)</u>
Total capital assets for governmental activities, net	<u>\$ 3,683</u>	<u>\$ 3,835</u>	<u>\$ —</u>	<u>\$ 7,518</u>

Capital asset activity for the fiscal year ended June 30, 2013, for the Private Purpose Trust Funds was as follows:

	Beginning Balance <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>June 30, 2013</u>
Private purpose trust funds				
Capital assets not being depreciated:				
Land and land improvements	<u>\$ 3,874,100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,874,100</u>
Total capital assets not being depreciated	3,874,100	—	—	3,874,100
Capital assets being depreciated:				
Buildings and improvements	1,643,925	—	—	1,643,925
Equipment	395,664	6,250	(19,638)	382,276
Vehicles	<u>113,222</u>	<u>—</u>	<u>—</u>	<u>113,222</u>
Total capital assets being depreciated	2,152,811	6,250	(19,638)	2,139,423
Less accumulated depreciation for:				
Buildings and improvements	(783,490)	(53,149)	—	(836,639)
Equipment	(265,144)	(31,790)	19,638	(277,296)
Vehicles	<u>(102,371)</u>	<u>(5,535)</u>	<u>—</u>	<u>(107,906)</u>
Total accumulated depreciation	<u>(1,151,005)</u>	<u>(90,474)</u>	<u>19,638</u>	<u>(1,221,841)</u>
Total capital assets being depreciated, net	<u>1,001,806</u>	<u>(84,224)</u>	<u>—</u>	<u>917,582</u>
Total capital assets for private purpose trust funds, net	<u>\$ 4,875,906</u>	<u>\$ (84,224)</u>	<u>\$ —</u>	<u>\$ 4,791,682</u>

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

7. Amounts Due to Local Governments

At June 30, 2013, the Agency Funds held amounts due to local governments on a variety of items. The following is a summary of the amounts due to local governments:

	Agency
Local Option Sales and Accommodation Taxes	\$ 125,880,417
Additional Accommodation Tax	18,985,122
Litigation Recovery	13,577,798
Capital Reserve Fund Principle	6,600,000
Local Option Sales Tax Development Fee	6,034,157
Miscellaneous Amounts	25,682,378
Total Amounts due to Local Governments	\$ 196,759,872

8. Long-term Liabilities

Long-term liabilities consist of compensated absences. Compensated absence activity for the fiscal year ended June 30, 2013, for the primary government was as follows:

Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013	Current Portion
\$ 356,137	\$ 280,738	\$ (254,354)	\$ 382,521	\$ 35,548

9. Pension Plan

The majority of employees of the Office 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 Benefits Division of the South Carolina Public Employee Benefit Authority (“PEBA”). Generally, all full-time or part-time equivalent State employees and other non-governmental employees in a permanent position 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, as amended, or are eligible and elect to participate in the State Optional Retirement Program (“ORP”). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

The Retirement Division maintains five 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 South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. The CAFR report can be accessed on-line at www.cg.ss.gov. Furthermore, the Division and the five pension plans are included in the State of South Carolina’s CAFR.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. Pension Plan (continued)

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death 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 or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. Pension Plan (continued)

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death benefit program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The Office's actual retirement and incidental death benefit program contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$503,168, \$385,465, and \$416,586, respectively, and equaled the base required retirement contribution rate including retiree insurance surcharge and incidental death benefit program contributions.

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2013, 2012, and 2011, total contributions requirements of the Office to the ORP were approximately \$71,538, \$44,225, and \$13,385 respectively.

The amounts paid by the Office for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

According to PEBA's comprehensive annual financial report as of and for the year ended June 30, 2013, the pension liability for SCRS was 64.7% funded based on an actuarial valuation date of July 1, 2012.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

For the current fiscal year, the SCRS does not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the Office liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by PEBA and as appropriated in the South Carolina Appropriation Act. Accordingly, the Office recognizes no contingent liability for unfunded costs associated with participation in the plans.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

10. Post-Employment Benefits Other than Pensions

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Office contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division of PEBA.

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the Insurance Benefits Division and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the Insurance Benefits Division, for its active employees who are not funded by State General Fund appropriations. Employers are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The Insurance Benefits Division sets the employer contribution rate based on a pay-as-you-go basis. The Office paid approximately \$310,832 and \$285,560 to the trust fund for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to Insurance Benefits Division was \$3.22 for the fiscal years ended June 30, 2013 and 2012.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960 or on-line at www.peba.sc.gov.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

10. Post-Employment Benefits Other than Pensions (continued)

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the Office. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by the Insurance Benefits Division of PEBA.

11. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Office's financial statements. Compensation deferred under the plans is placed in trust for the contributing employee. The Office has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. The Office made no contributions for the fiscal year ended June 30, 2013.

12. Risk Management

The Office is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts and maintains State insurance coverage for non-owned motor vehicles and general torts. The Office did not incur any losses during the year.

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

1. Motor vehicles (non-owned);
2. Torts;
3. Building and content;
4. Inland marine; and
5. Data processing.

The IRF is self-insured and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Office paid \$27,068 to the IRF for insurance premiums during the fiscal year ended June 30, 2013.

The Office has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a State or commercial insurer.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

13. Transactions with State Entities / Related Parties

The Office had significant transactions with the State and various State agencies. The Office purchases goods and services from various State agencies. Total purchases from State agencies were \$476,901 for the fiscal year ended June 30, 2013. Payments totaling \$2,558 for the fiscal year ended June 30, 2013 were also made to another agency for unemployment insurance.

The Office is statutorily mandated to provide services or perform duties related to court fines, Local Government Investment Pool, decommissioning trusts, debt, investments, unclaimed property and college savings plans. Total revenues earned by the Office for those services were \$4,448,382 for the fiscal year ended June 30, 2013.

The Office provided no material services free of charge to other State agencies during the fiscal year. The Office participates in the statewide dual employment program. Workers' compensation insurance premiums of \$12,195 were paid to the State Accident Fund during fiscal year 2013.

14. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 12, 2014, the date these financial statements were available to be issued.

South Carolina Office of the State Treasurer
Supplementary Information
Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
E16 - State Treasurer's Office Budgetary General Funds
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Administration				
Personnel Services				
State Treasurer	\$ 92,007	\$ 92,007	\$ 92,007	\$ —
Classified Positions	62,937	64,824	64,824	—
Other Operating Expenditures	14,115	12,331	12,331	—
Total Administration	<u>169,059</u>	<u>169,162</u>	<u>169,162</u>	<u>—</u>
Programs and Services				
Personnel Services				
Classified Positions	942,885	972,776	972,776	—
Other Personnel Services	—	13,860	13,860	—
Other Operating Expenditures	52,641	61,689	61,689	—
Total Programs and Services	<u>995,526</u>	<u>1,048,325</u>	<u>1,048,325</u>	<u>—</u>
Employee Benefits – Employer Contributions	368,212	380,847	380,847	—
Special Items – Student Loans, Teachers	—	1,065,125	1,065,125	—
Total Expenditures	<u>\$ 1,532,797</u>	<u>\$ 2,663,459</u>	<u>\$ 2,663,459</u>	<u>\$ —</u>

South Carolina Office of the State Treasurer
 Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
 E16 - State Treasurer's Office Other Budgetary Funds
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Programs and Services				
Personnel Services				
Classified Positions	\$ 1,722,701	\$ 1,873,402	\$ 1,873,402	\$ —
Unclassified Positions	317,000	234,668	234,668	—
Other Personnel Services	10,000	105,562	105,562	—
Other Operating Expenditures	1,318,939	1,550,312	1,545,667	4,645
Total Programs and Services	3,368,640	3,763,944	3,759,299	4,645
Employee Benefits – Employer Contributions	619,131	695,826	695,826	—
Special Items – Student Loans, Student Loan Corporation	—	4,000,722	4,000,722	—
Total Expenditures	\$ 3,987,771	\$ 8,460,492	\$ 8,455,847	\$ 4,645

South Carolina Office of the State Treasurer
 Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
 X22 - State Treasurer's Office Budgetary General Funds
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Aid to Subdivisions				
Fire Districts	\$ 13,496,453	\$ 13,053,837	\$ 13,053,837	\$ —
Local Government Fund	182,619,411	212,619,411	212,619,411	—
Planning Districts	556,253	556,253	556,253	—
County Veterans' Offices	247,507	254,932	254,932	—
Mini Bottle Hold Harmless	—	395,249	395,249	—
Total Aid to Subdivisions	<u>196,919,624</u>	<u>226,879,682</u>	<u>226,879,682</u>	<u>—</u>
Aid to Subdivisions - Grants				
Clerks of Court	72,450	72,450	72,450	—
Probate Judges	72,450	72,450	72,450	—
Sheriffs	72,450	72,450	72,450	—
Register of Deeds	29,925	33,075	33,075	—
Coroners	72,450	72,450	72,450	—
Auditors	1,252,316	918,816	918,816	—
Treasurers	1,252,315	918,892	918,892	—
Employer Contributions	—	717,406	717,406	—
Total Aid to Subdivisions - Grants	<u>2,824,356</u>	<u>2,877,989</u>	<u>2,877,989</u>	<u>—</u>
Total Expenditures	<u>\$ 199,743,980</u>	<u>\$ 229,757,671</u>	<u>\$ 229,757,671</u>	<u>\$ —</u>

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2013

1. Budgetary Funds

The State's Annual Appropriations Act, its legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds – The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total Funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities, but exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriations Act are referred to within these notes and in the accompanying schedules as *Other Budgetary Funds*.

As operating conditions change, the Office may transfer appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personnel services without SBCB approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SBCB.

2. Original and Final Budgeted Amounts; Basis of Presentation

The original appropriations presented in the accompanying schedules for the General Fund, Aid to Subdivisions Fund and State Treasurer's Office Earmarked Fund include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedules are substantively the same as for the legally adopted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Office's General Fund, State Treasurer's Office Earmarked Fund, and Aid to Subdivisions Fund. However, Section 87 (*Recapitulations*) of the Appropriations Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
NOTES TO SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2013

3. Legal Level of Budgetary Control

The Office maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedules.

4. Basis of Budgeting

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.

State law does not precisely define the State's budgetary basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 12.
- Revenues are recorded only when the State receives the related cash with the exception of certain tax amounts, such as motor fuel taxes and gas taxes, which are not received by the Office's General Fund, State Treasurer's Office Earmarked Fund, or Aid to Subdivisions Fund in the accompanying schedules.

5. Reconciliation of Budget to GAAP Reporting Differences

The accompanying budgetary comparison schedules compare the Office's legally adopted budget with actual information in accordance with the legal basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balance. In the current year, there are basis differences for the Office's General Fund and State Treasurer's Office Earmarked Fund, which consists primarily of amounts due from other State agencies, accounts payable, and prepaid expenses.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Curtis M. Loftis, Jr.
South Carolina Office of the State Treasurer

and

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer (the "Office"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Columbia, South Carolina
September 12, 2014

South Carolina Office of the State Treasurer
Schedule of Findings
For the Year Ended June 30, 2013

1. **Summary of Auditor's Results**

Type of report issued on financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

2. **Financial Statement Findings**

None