SOUTH CAROLINA CONSERVATION BANK

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AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

_______________________________________

YEAR ENDED JUNE 30, 2003
September 9, 2003

The Honorable Mark Sanford, Governor
and
Members of the Board
South Carolina Conservation Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Conservation Bank for the fiscal year ended June 30, 2003, was issued by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc
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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 Conservation Bank (the “Bank”) as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion 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 Governmental 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements of the South Carolina Conservation Bank reporting entity are intended to present the financial position and the results of operations of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions that comprise the South Carolina Conservation Bank reporting entity. They do not purport to and do not present the financial position of the State of South Carolina as of June 30, 2003 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include any other agencies, divisions or component units of the State of South Carolina.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Conservation Bank as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management’s Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Williamson C.P.A.

August 13, 2003
South Carolina Conservation Bank

Management’s Discussion and Analysis

The South Carolina Conservation Bank (the “Bank”) was created by the South Carolina Conservation Bank Act and was passed into law by the General Assembly by Act #200 and signed by the Governor in 2002. The Conservation Bank was established for the purpose of making grants and loans to public and private entities to acquire interests in real properties worthy of conservation, to provide for the governance of the Bank, to provide those entities eligible to receive bank grants, to establish the South Carolina Conservation Bank Trust Fund to receive revenue and to provide the criteria which the Bank must use in judging applications for grants and to provide that revenue of the State portion of the deed recording fee credited to the General Fund of the State is instead credited to the South Carolina Conservation Bank Trust Fund.

The South Carolina Conservation Bank Act was created in 2002 but will not be funded by the legislature until the effective date of July 2004. As such, there is no state or federal funding currently being utilized by the Bank. The Bank Board, however, determined that the role of the Bank in conservation was extraordinary to the extent that an Executive Director was hired to proceed with its administrative responsibilities as of January 2003. Funding for this position is totally derived from the private sector in dedicated funds and is placed in the Conservation Bank Operating Fund account. There are currently no funds in the Trust account.

The Bank entered into an agreement with the South Carolina Department of Natural Resources (SCDNR) to provide the Bank with office space and a local telephone. It also entered into an agreement with the Conservation Fund, a national not-for-profit corporation, that has agreed to fund the one position it currently has through June 2004. Since the Bank has only existed for several months, it has no comparative annual data to utilize for comparison. Additionally, during the audit period, as well as currently, the only asset the Bank has is cash and the only liabilities are accrued payroll, benefits and compensated absences.

Financial Highlights:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$12,834</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>5,899</td>
</tr>
<tr>
<td>Total net assets</td>
<td>6,935</td>
</tr>
<tr>
<td>Primary government revenue</td>
<td>38,561</td>
</tr>
<tr>
<td>Program expenses</td>
<td>31,848</td>
</tr>
</tbody>
</table>
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Bank’s basic financial statements. The Bank’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Bank’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Bank’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bank is improving or deteriorating.

The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 6-7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The South Carolina Conservation Bank, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bank are currently defined as governmental funds.

Govermental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Bank currently maintains only one individual governmental fund (it’s General Fund).
The Bank adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-10 of this report.

Government-wide Financial Analysis:

During 2002/03, the Bank’s net assets increased to $6,935. This was primarily attributable to the receipt of an operating grant from the Conservation Fund of $38,561. These grant funds were used to pay operating expenses (primarily salaries and related benefits) in the amount of $31,848.

At June 30, 2003, the Bank’s only asset was cash in the amount of $12,834. Liabilities consisted of accrued liabilities for payroll, benefits and compensated absences in the amount of $5,899.

Governmental Fund Financial Analysis:

As noted above, the Bank operates only one governmental fund, its Special Revenue Fund. All of the Bank’s activities are accounted for in this fund. The only difference in the fund balance of this fund and the net assets of the Bank is the amount of accrued compensated absences of $961.

Request for Information

This financial report is designed to provide a general overview of the South Carolina Conservation Bank’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director
South Carolina Conservation Bank
Post Office Box 167
Columbia, South Carolina 29202
## SOUTH CAROLINA CONSERVATION BANK

### STATEMENT OF NET ASSETS

**JUNE 30, 2003**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 12,834</td>
</tr>
<tr>
<td>Total assets</td>
<td>12,834</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll and benefits</td>
<td>4,938</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>961</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>5,899</td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>6,935</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 6,935</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
## SOUTH CAROLINA CONSERVATION BANK

### STATEMENT OF ACTIVITIES

#### YEAR ENDED JUNE 30, 2003

<table>
<thead>
<tr>
<th>Functions/Programs:</th>
<th>Expenses</th>
<th>Operating Grants and Contributions</th>
<th>Net (Expense) Revenue and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$31,848</td>
<td>$38,561</td>
<td>$6,713</td>
</tr>
<tr>
<td>Total primary government</td>
<td>$31,848</td>
<td>$38,561</td>
<td>6,713</td>
</tr>
</tbody>
</table>

#### General revenue:
- Interest income: 222
- Change in net assets: 6,935

Net assets-beginning: 

Net assets-ending: $6,935

*See accompanying notes.*
 Assets 
   Cash and cash equivalents $ 12,834 
 Total assets $ 12,834 

 Liabilities and Fund Balance 
   Liabilities: 
     Accrued payroll $ 4,938 
   Total liabilities $ 4,938 

   Fund balance: 
     Reserved 7,896 
   Total fund balance 7,896 

 Total liabilities and fund balance $ 12,834 

 Reconciliation to the statement of net assets: 

 Total fund balance $ 7,896 

 Amount reported for governmental activities in the statement of net assets are different because: 
 Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of: 
 Accrued compensated absences (961) 

 Net assets of governmental activities $ 6,935 

 *See accompanying notes.*
SOUTH CAROLINA CONSERVATION BANK

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2003

<table>
<thead>
<tr>
<th>Special Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Conservation Trust $ 38,561</td>
</tr>
<tr>
<td>Interest $ 222</td>
</tr>
<tr>
<td>Total revenue $ 38,783</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal services $ 25,268</td>
</tr>
<tr>
<td>Employer contributions $ 4,675</td>
</tr>
<tr>
<td>Other operating $ 944</td>
</tr>
<tr>
<td>Total expenditures $ 30,887</td>
</tr>
</tbody>
</table>

Excess of revenue over expenditures $ 7,896

Fund balance-beginning of year -

Fund balance-end of year $ 7,896

Reconciliation to the statement of activities:

Net change in fund balance-total government funds $ 7,896

Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in government funds. These activities consist of:

Increase in compensated absences (961)

Change in net assets of government activities $ 6,935

See accompanying notes.
SOUTH CAROLINA CONSERVATION BANK

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2003

<table>
<thead>
<tr>
<th>Special Revenue Fund</th>
<th>Variance</th>
<th>Favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Personal services</td>
<td>$ 65,000</td>
<td>$ 25,268</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>15,178</td>
<td>4,675</td>
</tr>
<tr>
<td>Other operating</td>
<td>31,728</td>
<td>944</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$ 111,906</td>
<td>$ 30,887</td>
</tr>
</tbody>
</table>

See accompanying notes.
1. Summary of Significant Accounting Policies

Reporting Entity
The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, 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 Conservation Bank is part of the primary government of the State of South Carolina, and its funds are reported in the State’s Comprehensive Annual Financial Report. Generally, all state agencies are included in the State’s reporting entity. These entities are financially and fiscally dependent on the State.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Conservation Bank (a primary entity).

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

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

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

(CONTINUED)
1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)
The South Carolina Conservation Bank is an independent State Agency established by South Carolina State Law in 2002 to provide funding for habitat protection efforts.

Government Wide and Fund Financial Statements
The financial statement presentation for the Conservation Bank has met the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Government and No. 37, Management's Discussion and Analysis of State and Local Governments: Omnibus.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue are recorded when earned 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.
1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)
The Conservation Bank uses only one fund category, governmental, within which it maintained a special revenue fund. Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government’s general activities, including the collection and disbursement of monies. Assets are assigned to the various governmental funds according to the purposes for which they may or must be used and current liabilities are assigned to the fund from which they are to be paid. The difference between the assets and the liabilities is the fund balance.

The government reports the following major governmental fund:

Special Revenue Fund-Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Separate programs/funds have been established for federal grants and federal programs and for each department of the Conservation Bank that administers restricted proceeds.

Budgetary Controls
The following is a description of the budgetary process of the South Carolina Conservation Bank:

Several months prior to the start of the fiscal year, a budget proposal for revenue and expenditures is developed by the Executive Director of the South Carolina Conservation Bank. The proposal is based on limited knowledge of future events.
1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
The amounts shown in the financial statements as “cash and cash equivalents” represents cash on deposit with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Most State agencies, including the Bank, participate in the State’s internal cash management pool.

Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Some agency accounts are not included in the pool because of restrictions on the use of funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having a maturity of three months or less at the time of purchase.

Compensated Absences
Compensated absences are recorded as short and long-term liabilities account group. Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency’s work week are entitled to accrue and carry forward at calendar year-end up to 180 days sick leave and 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum amount, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday and overtime leave earned for which the employees are entitled to paid time off or payment at termination. The Conservation Bank calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded. Changes in compensated absences are shown in Note 5.
1. Summary of Significant Accounting Policies (Continued)

Net Assets/Fund Balance
Net assets are classified and presented in three components in the government-wide financial statements:

Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

2. Deposits

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

The following schedule reconciles deposits within the footnotes to the financial statement amounts:

<table>
<thead>
<tr>
<th>Financial Statements</th>
<th>Footnotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental fund:</td>
<td>Deposits held by</td>
</tr>
</tbody>
</table>
| Cash and cash equivalents  | State Treasurer | $ 12,834
| $ 12,834                   | $ 12,834        |
2. **Deposits (Continued)**

**Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

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

3. **Pension Plan**

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

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 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 (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service (this requirement does not apply if the disability is the result of a job-related injury). 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.

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

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

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

The Conservation Bank total covered payroll for the year ended June 30, 2003, was $25,268. Under Section 9-1-480 of the Code, the Conservation Bank'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.
3. Pension Plan (Continued)

In addition, the Conservation Bank paid $6 for group life insurance benefits, which is .15% of covered payroll. In accordance with provisions of the 99/00 State Appropriations Act effective July 1, 1999, a surcharge of 1.95% of covered payroll was added to the employer pension contribution rate applicable to State and Public School entities covered by the State Health Insurance Program. Effective January 1, 2000, the surcharge was increased to 2.16%. This assessment is for the purpose of providing retiree health and dental insurance coverage and is not a part of the actuarially established employer pension contribution rates. The surcharge is remitted to the Retirement Systems for distribution to the State Budget and Control Board-Bank of Insurance Services (administering agency for the State health insurance plan).

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

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

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the Bank 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 Bank for its active employees and to the State Budget and Control Board for all participating State retirees except the portion funded through the pension surcharge and provided from other applicable sources of the Bank for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

5. **Changes In Long-Term Obligations**

Changes in long-term obligations for the year ended June 30, 2003, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance July 1, 2002</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance June 30, 2003</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued compensated absences:</td>
<td>$ - $</td>
<td>$ 961</td>
<td>$ -</td>
<td>$ 961</td>
<td>$ 961</td>
</tr>
<tr>
<td></td>
<td>$ - $</td>
<td>$ 961</td>
<td>$ -</td>
<td>$ 961</td>
<td>$ 961</td>
</tr>
</tbody>
</table>
6. Transactions With State Entities

The Conservation Bank has significant transactions with various State of South Carolina state agencies.

Services received at no cost from state agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General and Department of Natural Resources, check preparation, banking functions from the State Treasurer, legal services from the Attorney General, interagency mail services from the State Budget and Control Board, and record storage from the Department of Archives and History.