

**SOUTH CAROLINA GOVERNOR'S OFFICE**

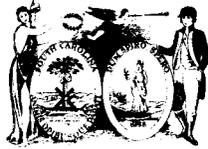
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**AUDITED FINANCIAL STATEMENTS,  
OTHER FINANCIAL INFORMATION  
AND SINGLE AUDIT SECTION**

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**YEAR ENDED JUNE 30, 2002**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
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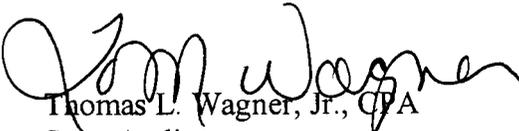
March 11, 2003

The Honorable Mark Sanford, Governor  
South Carolina Governor's Office  
State House  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Governor's Office for the fiscal year ended June 30, 2002, 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

SOUTH CAROLINA GOVERNOR'S OFFICE

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AUDITED FINANCIAL STATEMENTS,  
OTHER FINANCIAL INFORMATION  
AND SINGLE AUDIT SECTION

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YEAR ENDED JUNE 30, 2002

SOUTH CAROLINA GOVERNOR’S OFFICE

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AUDITED FINANCIAL STATEMENTS,  
OTHER FINANCIAL INFORMATION  
AND SINGLE AUDIT SECTION

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YEAR ENDED JUNE 30, 2002

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SOUTH CAROLINA GOVERNOR’S OFFICE

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AUDITED FINANCIAL STATEMENTS,  
OTHER FINANCIAL INFORMATION  
AND SINGLE AUDIT SECTION

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**REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying financial statements of the South Carolina Governor's Office (the "Office") as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Governor's Office reporting entity are intended to present the financial position and the results of operations of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of those divisions of the Office that comprise the South Carolina Governor's Office reporting entity.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Governor's Office as of June 30, 2002, 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 7 and the budgetary comparison information are not a required part of the financial statements but are 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.

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

As discussed in *Note 1* to the basic financial statements, the Office adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus* as of July 1, 2001. This results in a change in the format and content of the financial statements as detailed in *Note 1*. Also, as of July 1, 2001, the Office changed its capitalization policy and an adjustment was made to remove those capital assets that were less than the new policy capitalization level. The required adjustments were accounted for as prior period adjustments and are detailed in *Note 18*.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2002, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

*DeLoach & Williamson, L.L.P.*

December 20, 2002

# South Carolina Governor's Office

## Management's Discussion and Analysis

As management of the South Carolina Governor's Office, (the "Office" or "Agency") we offer readers of the Governor's Office financial statements this narrative overview and analysis of the financial activities of the Governor's Office for the fiscal year ended June 30, 2002.

### Financial Highlights

The assets of the Governor's Office exceeded its liabilities at the close of the most recent fiscal year by \$13,884,302. Of this amount, \$13,824,393 may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets decreased by \$82,510,881. Most of this decrease is attributable to the distribution of Tobacco Settlement funds.
- As of the close of the current fiscal year, the Governor's Office governmental funds reported combined ending fund balances of \$14,909,914, a decrease of \$82,397,560 in comparison with the prior year.
- At the end of the current fiscal year, reserved fund balance for the general fund was \$33,143 or .17 percent of total general fund expenditures.
- The Governor's Office total debt increased by \$108,890, during the current fiscal year. The key factor in this increase was a \$500,000 loan to construct a State Veteran's Cemetery.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Governor's Office basic financial statements. The Governor's Office basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 Governor's Office finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Governor's Office 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 Governor's Office 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned by unused vacation leave.)

**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 Governor's Office, 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 Governor's Office are classified as governmental funds.

**Governmental 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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

The SC Legislature adopts a budget for all state agencies, including the Governor's Office. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-44 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Governor's Office progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 45-48.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 49-67 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Governor's Office, assets exceeded liabilities by \$13,884,302 at the close of the most recent fiscal year.

By far the largest portion of the Governor's Office net assets (99.6 percent) represents cash, cash equivalents, and cash held by fiscal agent.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the agency. They are also able to determine how much the agency owes vendors. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the agency.

Net assets are divided into two categories. The first category, invested in capital assets, net of debt, provides the agency equity in equipment owned by the agency. The second category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the agency.

Condensed Statement of Net Assets – June 30, 2002

**Assets:**

Current assets	\$18,080,649
Capital assets, net of accumulated depreciation	<u>\$59,909</u>

**Total Assets** **\$18,140,558**

**Liabilities**

Current liabilities	\$3,780,140
Non-current	<u>\$476,116</u>

**Total Liabilities** **\$4,256,256**

**Net Assets**

Invested in capital assets	\$59,909
Unrestricted	<u>\$13,824,393</u>

**Total Net Assets** **\$13,884,302**

**Statement of Revenue, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the agency, and the expenses paid by the agency, and any other revenue, expenses, gains, and losses received or spent by the agency.

The statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

At the end of the current fiscal year, the Governor’s Office is able to report a positive balance in net assets. The same situation held true for the prior fiscal year.

There was a decrease of \$82,397,560 in net assets reported from the prior fiscal year. Most of this decrease was due to the distribution of Tobacco Settlement funds.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2002.

Revenue	\$ 58,751,110
Expenditures	<u>141,020,134</u>
Excess “deficit” of revenue over “under” expenditures	(82,269,024)
Other financing uses, gains, or losses	<u>(128,536)</u>
Change in Fund Balance	(82,397,560)
Fund Balance-beginning of year	<u>97,307,474</u>
Net assets at end of year	<u><u>\$ 14,909,914</u></u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in the net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- State budget cuts during the year resulted in a loss of \$777,621 in appropriations.
- Depreciation expense of \$109,672 was recorded as required by GASB Statement 34.
- The cumulative effects of changes in accounting principles are the result of accumulated depreciation of capital assets and changes due to the definition of capital assets.

### **General Fund Budgeting Highlights**

General Fund Appropriations were \$2,164,430 less than fiscal year 2000-2001. This can be attributed to a shortfall in total revenue for the state.

### **Capital Assets and Debt Administration**

**Capital Assets.** The Governor’s Office investment in capital assets for its governmental activities as of June 30 2002 amounts to \$59,909 (net of accumulated depreciation). This investment in capital assets includes vehicles and equipment. Currently the Governor’s Office has no investments in land or buildings.

The Governor’s Office has a \$500,000 loan from the South Carolina Department of Commerce for the construction of a state’s veteran cemetery. Once the project gains final approval of the United States Department of Veteran’s Affairs, funds will be available to satisfy the Commerce loan.

### **Economic Outlook**

The agency is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the agency’s economic outlook during the fiscal year that started July 1, 2002.

The agency’s overall financial position is sound. Even with fluctuations in state funding, the agency level of operations has remained stable. The current fiscal year promises to be similar to that of the last several years, with resources being closely guarded in order to maintain the agency’s ability to react to changing economic conditions.

## **Requests for Information**

This financial report is designed to provide a general overview of the Governor's Office 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 the Governor's Office, Director of Administrative Services, P.O. Box 12267, Columbia, SC 29211.

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF NET ASSETS

JUNE 30, 2002

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 15,322,388
Cash held by fiscal agent	2,161,838
Federal grant receivable	144,653
Accrued interest	4,568
Due from the State General Fund	447,202
Total current assets	<u>18,080,649</u>
Noncurrent assets:	
Capital assets:	
Equipment	169,581
Less accumulated depreciation	<u>(109,672)</u>
Total capital assets, net of depreciation	<u>59,909</u>
Total assets	<u>\$ 18,140,558</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 1,344,527
Accrued payroll	1,288,356
Accrued compensated absences	609,405
Notes payable	500,000
Deposits held for others	118
Due to the State General Fund	37,734
Total current liabilities	<u>3,780,140</u>
Noncurrent liabilities:	
Accrued compensated absences	476,116
Total non-current liabilities	<u>476,116</u>
Total liabilities	<u>4,256,256</u>
<b>Net Assets</b>	
Invested in capital assets	59,909
Unrestricted	<u>13,824,393</u>
Total net assets	<u><u>\$ 13,884,302</u></u>

*See accompanying notes.*

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2002

	<b>Expenses</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Functions/Programs:</b>			
General government	\$ 19,503,489	\$ -	\$ (19,503,489)
Grants and programs	121,758,502	40,133,762	(81,624,740)
Total primary government	\$ 141,261,991	\$ 40,133,762	(101,128,229)
General revenue:			
State appropriations			18,590,542
Interest income			26,806
			(82,510,881)
Net assets-beginning (as restated)			96,395,183
Net assets-ending			\$ 13,884,302

*See accompanying notes.*

SOUTH CAROLINA GOVERNOR'S OFFICE

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2002

	General	Special Revenue	Totals
<b>Assets and Other Debits</b>			
Cash and cash equivalents	\$ 830,016	\$ 14,492,372	\$ 15,322,388
Cash held by fiscal agent	-	2,161,838	2,161,838
Federal grant revenue receivable	-	144,653	144,653
Accrued interest	-	4,568	4,568
Due from the State General Fund	447,202	-	447,202
<b>Total assets</b>	<b>\$ 1,277,218</b>	<b>\$ 16,803,431</b>	<b>\$ 18,080,649</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 759,139	\$ 585,388	\$ 1,344,527
Accrued payroll and related liabilities	447,202	841,154	1,288,356
Notes payable	-	500,000	500,000
Deposits held for clients	-	118	118
Due to the State General Fund	37,734	-	37,734
<b>Total liabilities</b>	<b>1,244,075</b>	<b>1,926,660</b>	<b>3,170,735</b>
Fund equity:			
Fund balances:			
Reserved for various restricted purposes	-	14,876,771	14,876,771
Reserved for restricted purposes to be carried forward	33,143	-	33,143
<b>Total fund equity</b>	<b>33,143</b>	<b>14,876,771</b>	<b>14,909,914</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,277,218</b>	<b>\$ 16,803,431</b>	<b>\$ 18,080,649</b>

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE  
BALANCE SHEET - GOVERNMENTAL FUNDS

(CONTINUED)

Reconciliation to the statement of net assets:

Total fund balances - governmental funds

\$ 14,909,914

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. These assets consist of:

Equipment	169,581
Accumulated depreciation	<u>(109,672)</u>

Total capital assets

59,909

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	<u>(1,085,521)</u>
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Net assets of governmental activities

\$ 13,884,302

*See accompanying notes.*

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2002

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b>Revenue</b>			
State appropriations	\$ 18,590,542	\$ -	\$ 18,590,542
Federal grants and programs	-	24,186,495	24,186,495
Other government grants and contributions	-	2,602,463	2,602,463
Interest	-	26,806	26,806
Medicaid reimbursements	-	5,146,216	5,146,216
Victim restitutions	-	4,829,362	4,829,362
Tobacco Settlement	-	673,480	673,480
Litter Control Program	-	2,664,642	2,664,642
Miscellaneous	-	31,104	31,104
Total revenue	<u>18,590,542</u>	<u>40,160,568</u>	<u>58,751,110</u>
<b>Expenditures</b>			
Federal grants and programs:			
Personal services	-	1,154,208	1,154,208
Employer contributions	-	272,537	272,537
Other operating	-	2,086,566	2,086,566
Case services	-	20,530,416	20,530,416
Claims and awards	-	842,225	842,225
Distributions to subrecipients	-	761,637	761,637
Finance and administration:			
Personal services	3,124,440	-	3,124,440
Employer contributions	868,089	-	868,089
Other operating	1,796,120	3,326,112	5,122,232
Claims and awards	-	72,409,210	72,409,210
Intergovernmental affairs:			
Personal services	257,999	-	257,999
Employer contributions	50,000	-	50,000
Other operating	20,886	-	20,886

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

(CONTINUED)

	General	Special Revenue	Totals
<b>Expenditures (Continued)</b>			
Continuum of Care:			
Personal services	1,768,590	2,513,747	4,282,337
Employer contributions	462,642	527,130	989,772
Other operating	542,373	553,391	1,095,764
Case services	5,652,256	967,552	6,619,808
Distributions to subrecipients	32,000	-	32,000
Foster Care:			
Personal services	331,722	351,922	683,644
Employer contributions	88,979	88,488	177,467
Other operating	71,807	96,114	167,921
Distributions to subrecipients	423,769	-	423,769
Guardian Ad Litem:			
Personal services	273,249	1,437,650	1,710,899
Employer contributions	73,294	363,307	436,601
Other operating	111,148	568,487	679,635
Health and Human Services:			
Personal services	-	10,542	10,542
Employer contributions	-	1,830	1,830
Other operating	-	104,721	104,721
Developmental Disabilities:			
Personal services	48,812	-	48,812
Employer contributions	13,093	-	13,093
Other operating	16,164	-	16,164
Distributions to subrecipients	124,286	-	124,286
Ombudsman/Citizen Services:			
Personal services	255,545	106,502	362,047
Employer contributions	49,860	28,456	78,316
Other operating	41,120	16,096	57,216

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

(CONTINUED)

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<b>Expenditures (Continued)</b>			
Victims' Assistance:			
Personal services	-	913,041	913,041
Employer contributions	-	262,607	262,607
Other operating	-	8,690,831	8,690,831
Claims and awards	397,344	-	397,344
Distributions to subrecipients	59,585	1,814,183	1,873,768
Veterans' Affairs:			
Personal services	857,770	-	857,770
Employer contributions	164,717	-	164,717
Other operating	61,510	474,010	535,520
Distributions to subrecipients	453,206	-	453,206
Commission on Women:			
Personal services	155,098	-	155,098
Employer contributions	30,300	-	30,300
Other operating	23,759	-	23,759
Children Affairs:			
Personal services	180,799	-	180,799
Employer contributions	28,095	-	28,095
Other operating	10,777	-	10,777
Case services	131,721	-	131,721
Small and Minority Business:			
Personal services	170,847	-	170,847
Employer contributions	33,869	-	33,869
Other operating	27,722	-	27,722
Economic Opportunity:			
Case services	-	423,520	423,520
Remitted to State General Fund	37,734	-	37,734
<b>Total expenditures</b>	<b>19,323,096</b>	<b>121,697,038</b>	<b>141,020,134</b>
<b>Excess (deficit) of revenue over (under) expenditures</b>	<b>(732,554)</b>	<b>(81,536,470)</b>	<b>(82,269,024)</b>

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

(CONTINUED)

	<b>General</b>	<b>Special Revenue</b>	<b>Totals</b>
<b>Other Financing Uses</b>			
Recoveries of indirect costs	-	(128,536)	(128,536)
Total other financing uses	-	(128,536)	(128,536)
Excess (deficit) of revenue over (under) expenditures and other financing uses	(732,554)	(81,665,006)	(82,397,560)
Fund balances, beginning of year	765,697	96,541,777	97,307,474
Fund balances, end of year	\$ 33,143	\$ 14,876,771	\$ 14,909,914

Reconciliation to the statement of activities:

Net change in fund balances-total governmental funds \$ (82,397,560)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Depreciation Expense	(28,215)	(28,215)
Excess of capital outlay over depreciation expense		

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

Increase in compensated absences		(85,106)
Change in net assets of governmental activities		\$ (82,510,881)

*See accompanying notes.*

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

**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 Governor's Office 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 Governor's Office (a primary entity).

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

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

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

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Reporting Entity (Continued)

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

The primary responsibility and services of the divisions of the Governor's Office are as follows: The Mansion and Grounds division is responsible for the household operations of the Governor's mansion. The Executive Control of State serves as a liaison office between the governor and other state agencies and public and private entities. These two divisions are funded solely by State General Fund appropriations. The Office of Executive Policy and Programs is responsible for administering various federal and state grant programs. The services include planning, grant financial records, program evaluation and program audit. The Office of Executive Policy and Programs also provides direct program services to the citizens of South Carolina. This area is funded by federal and state grants, state appropriations, and program service revenues and other sources. Under the Office of Executive Policy and Programs, they are divided into three divisions, Division of Administrative Services, Division of Children Services and Division of Constituent Services (see *Note 16*). Each of these divisions is made of offices, which provide the services mentioned above. The governor appoints directors of the state cabinet agencies. These agencies are not included in the reporting entity.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Government Wide and Fund Financial Statements

The financial statement presentation for the Governor's Office has been changed to meet 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue are recognized as soon as they are both measurable and available. Revenue 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 revenue 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.

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

The government reports the following major governmental funds:

**General Fund**-The General Fund is used to account for all financial transactions funded from State General Fund appropriations of the three divisions of the Governor's Office (Mansion and Grounds, Executive Control of State and Office of Executive Policy and Programs). Separate programs have been established for each department of the Governor's Office that receives State appropriations.

**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 Governor's Office that administers restricted proceeds. In the current year, these funds have been broken out by department. The Federal Fund is used to account for the proceeds from the United States government.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

During fiscal year 2000, the Office was the recipient of \$17,836,348 in Federal program funds under the Tobacco Loss Assistance Program. The revenues and expenditures of this federal program are reported in the Federal Fund. These funds are restricted and must be used to make payments to tobacco growers who suffered a reduction in the quantity of tobacco quote or acreage allotted to farms from the 1998 crop year to the 1999 crop year. Interest earned on TLAP Funds may be retained by the Office, but must be used for payment of program claims and awards and reasonable administrative costs.

During fiscal year 2001, the State legislature enacted the Tobacco Settlement Revenue Management Authority Act. This act provides for the establishment of a State instrumentality, the South Carolina Tobacco Community Development Board (the "Board"), to receive payments from the tobacco product manufacturers under the masters settlement agreement between the State of South Carolina and tobacco products manufacturers. In addition, the Board was given the authority to issue bonds, in order to convert all or a portion of these future payments to be received under the master settlement agreement into current funds. The bonds are payable solely from and secured solely by the State's tobacco receipts or the portion of the State's tobacco receipts the Board determines to pledge for payment. The Act further states "that the bonds are neither a general, legal, nor moral obligation of the State or any of its political subdivisions and that it is not backed by the full faith, credit or taxing power" of the State or any of its political subdivisions. The Office received \$117,862,576 of the bond proceeds and \$1,528,645 of interest on said proceeds to reimburse tobacco growers, tobacco quota holders and tobacco warehousemen for actual losses due to reduced quotas since 1998.

The other special revenue funds are used to account for all other restricted revenue. Monies received include Education Improvement Act (EIA) allocations and Medicaid funds for the Continuum of Care, victim restitution fees for the State Office of Victim Assistance programs used for claims and awards, revenue received from individual donors, awards and grants and federal programs. Other expenditures include allocations of non-State General Fund monies to various sub-recipients under various federal and other programs, administrative costs of the Governor's Office, direct program services, and claims and awards paid under various federal grants and federal programs. In 1996 the Governor's Office received a supplemental appropriation for the creation of the Legacy Trust Fund. The purpose of this fund is to preserve and acquire ecological, recreational, natural and historical resources and sites. The Finance and Administration Special Revenue Fund reports the unexpended balance of the cumulative funding and all interest earned thereon which are legally restricted for Legacy Trust Fund purposes.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Budget Policy

The Governor's Office is granted an annual appropriation for operating purposes by the General Assembly. The Appropriations Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds.

The Total Funds column includes all budgeted resources, including the State General Fund as well as most federal and department-generated sources. A revenue budget is not adopted for individual budgetary units.

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

The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate state government for the current fiscal year. Any unexpended State General Fund appropriations lapse to the General Fund of the State on July 31 unless specific authorization is given to carry over the funds to the ensuing fiscal year. Appropriations carried forward for a specific purpose are reported as reserved fund balance. Proviso 72.43 of the 2002/2003 Appropriations Act authorized departments and agencies to carry forward unspent State General Fund appropriations (excluding those for which it has separate carry forward authority) up to ten percent of its original General Fund budget. This carry forward is shown as a designated fund balance.

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

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

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Budget Policy (Continued)

The state maintains budgetary control at the line-item level of expenditure within each program of each department or agency. All general fund expenditures are budgeted. The Governor's Office processes its disbursement vouchers through a central budgetary accounting system maintained by the Comptroller General's Office. Disbursement vouchers can only be processed if there is enough cash and appropriations exist. The level of legal control is reported in a publication of the State Comptroller General's Office titled *A Detailed Report of Appropriations and Expenditures*. Transfers of funds may be approved by the State Budget and Control Board (the "Board") under its authority or by the agency as set forth in Appropriation Act Proviso 72.14 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses of the Board and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the current fiscal year, the Governor's Office budget was amended in accordance with the procedures outlined above. Per Proviso 56DD.16 of the 2001-02 Appropriations Act, all other provisions of the law notwithstanding, the Office of Executive Policy and Programs section, the Executive Control of State section, and Mansion and Grounds section, shall be treated as a single budget section for the purpose of transfers and budget reconciliation.

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 Office, 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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Cash and Cash Equivalents (Continued)

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

For credit risk information pertaining to the cash management pool, see the deposits disclosures in *Note 14*.

Cash Held by Fiscal Agent

The account shown in the financial statements "cash held by fiscal agent" represents amounts transferred to a fiscal agent that has not yet been disbursed by that agent. At June 30, 2002, these funds amounted to \$2,161,838 and were a part of the Tobacco Loss Assistance Program and the Tobacco Community Trust Fund of the Special Revenue Fund.

Federal Revenue Receivable

Federal grant revenue receivable represents expenditures incurred through June 30, 2002, for federal programs/projects but not reimbursed until fiscal year 2003.

Capital Assets

Capital assets are recorded at cost if purchased. Capital assets contributed by other State agencies or funds are recorded at the Governor's Office's original acquisition cost less accumulated depreciation from the purchase date. Assets donated by other parties are valued at fair market value at the date of gift. The capitalization dollar threshold limit for capital assets is \$5,000, and software is \$100,000. The Office has one class of capital assets, furniture, equipment, which is depreciated on a straight-line basis over the estimated useful lives of 5-12 years.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

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 Governor's Office calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded. Changes in compensated absences are shown in *Note 12*.

Net Assets/Fund Balances

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets”.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

Net Assets/Fund Balances (Continued)

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

Interfund Transactions-Fund Financial Statements

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

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

Indirect Cost Recoveries

The receipt of indirect cost recoveries has been included in the Special Revenue Fund as federal revenue and payment of these recoveries to the State's General Fund is recorded as other financing uses. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by the Office. Also, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund. State law requires the Governor's Office to remit non-exempt recoveries to the State's General Fund. The State of South Carolina General Fund receives indirect cost reimbursements from Blue Cross/Blue Shield for the Infant Mortality Program and from federal granting agencies based on a predetermined percentage of the personnel costs of the Governor's Office. The remitted cost reimbursements amounted to \$128,536 in fiscal year 2002. The Office did not retain any indirect cost recoveries in fiscal year 2002.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

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. Budgetary Reporting Basis**

Financial statements prepared on the legally enacted basis differ from GAAP basis statements. All of the Office's general fund resources and most of the funds and accounts in its Special Revenue Fund are included in the total funds authorized by the General Assembly. Indirect cost remittances to the State General Fund that are shown as other financing uses are unbudgeted. The Statement of Expenditures-Budget and Actual-All Budgeted Funds presented on pages 45-48 present all funds for which a legal budget was enacted.

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

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. State Appropriations**

The 2001-2002 original appropriations are the base budget amounts for the Mansion and Grounds, the Executive Control of State, and the Office of Executive Policy and Program budgetary units and are presented in the General Funds column of Sections 56D, 56A, and 56C, respectively, of Part IA of the Appropriations Act. The following are reconciliations of adjusted appropriations to the appropriations revenue and General Fund legal basis budget amounts on the Combined Statement of Revenue, Expenditures and Changes in Fund Balances-All Governmental Fund Types and the Combined Statement of Expenditures-Budget and Actual-All Budgeted Funds.

	<b>Mansion and Grounds</b>	<b>Executive Control of State</b>	<b>Office of Executive Policy and Programs</b>	<b>Total</b>
Original appropriation	\$ 490,088	\$ 1,527,586	\$ 9,847,016	\$ 11,864,690
Appropriations Reductions (Part IV of 2002 Appropriation Act):	(32,207)	(100,607)	(644,807)	(777,621)
Appropriation allocations by State Budget & Control Board mandated by proviso:				
Pay increase	-	-	249,317	249,317
Appropriations transferred from: Control Board	174,930	276,565	6,355,459	6,806,954
Revised appropriations-legal basis	632,811	1,703,544	15,806,985	18,143,340
Net adjustments to accrual basis:				
Personal services	33,788	86,911	258,922	379,621
Employer contributions	5,930	15,618	46,033	67,581
Revenue from state appropriations	<u>\$ 672,529</u>	<u>\$ 1,806,073</u>	<u>\$ 16,111,940</u>	<u>\$ 18,590,542</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. State Appropriations (Continued)**

	<b>Mansion and Grounds</b>	<b>Executive Control of State</b>	<b>Office of Executive Policy and Programs</b>	<b>Total</b>
Revised appropriations	\$ 632,811	\$ 1,703,544	\$ 15,806,985	\$ 18,143,340
Brought-forward appropriations from fiscal year ended June 30, 2001:				
(a) Implementing federal programs-match	-	-	343,047	343,047
(b) Continuum of Care case services	-	-	685,601	685,601
(c) Littlefield Case	-	-	3,567	3,567
Legal basis appropriation available for 2002 expenditures	\$ 632,811	\$ 1,703,544	\$ 16,839,200	\$ 19,175,555
Approved carry forward of appropriated funds to fiscal year 2002:				
(d) Implementing federal programs-match	\$ -	\$ -	\$ 336,797	336,797
	-	-	336,797	336,797
Less accounts payable	-	-	(303,654)	(303,654)
Total carry forward accrual basis	\$ -	\$ -	\$ 33,143	\$ 33,143

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. State Appropriations (Continued)**

The following cite the authorities for the Office to bring forward appropriations from fiscal year 2001 for expenditures in fiscal year 2002 and to carry forward unspent appropriations from fiscal year 2002 to expenditure in fiscal year 2003. The restricted purposes are noted in the captions for the referenced amounts on page 22 and page 23.

- (a) 2002 Appropriations Act, Proviso 56DD.1
- (b) 2002 Appropriations Act, Proviso 56DD.23
- (c) 2002 Appropriations Act, Proviso 56DD.2
- (d) 2003 Appropriations Act, Proviso 56DD.1
- (e) 2003 Appropriations Act, Proviso 56DD. 23
- (f) 2003 Appropriations Act, Proviso 72.43
- (g) 2002 Appropriations Act, Proviso 72.44
- (h) 2002 Appropriations Act, Proviso 56DD.31

Annual fiscal year 2002 appropriations of \$336,797 for implementing federal programs approved for carry forward to fiscal year 2003 for expenditure for the same purposes. There were no remaining unspent appropriations authorized for carry forward to be reported as unreserved, designated fund balance of the Office's General Fund.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**4. Operating Leases**

The Governor's Office rents office and parking space on a year-to-year basis from the State Budget and Control Board-Office of General Services. During fiscal year 2002, total payments under this lease were \$473,232. The Governor's Office leases automobiles from the State Budget and Control Board-State Fleet Management on a year-to-year basis. During fiscal year 2002, total payments under this lease were \$244,379. The Governor's Office anticipates that such lease expenditures will remain at approximately the same level for fiscal year 2003 and subsequent years.

The Governor's Office leased non-state owned real property under noncancelable operating leases. The rent expense under these leases was \$692,808 in fiscal year 2002. These leases expire between 2003 and 2007. Some leases contain renewal options and scheduled rent increases. The Governor's Office anticipates that such lease expenditures will remain at approximately the same level for 2003 and subsequent years. When these leases expire, they will be replaced with similar leases for like real property.

The Governor's Office also has noncancelable operating leases for various copying and data processing equipment. During fiscal year 2002, total payments were \$135,848, and the Governor's Office anticipates that such lease expenditures will remain at approximately the same level for 2003 and subsequent years. These leases expire between 2003 and 2007 and do not contain renewal options or escalation clauses. When these leases expire, they will be replaced with similar leases for equipment.

Future minimum lease payments required under noncancelable operating leases that have remaining lease terms of more than one year as of June 30, 2002, are:

**Year Ending June 30,**

2003	\$ 334,467
2004	271,466
2005	164,614
2006	106,877
2007	31,086
Thereafter	14,114
	<u>\$ 922,624</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**5. Due From State General Fund**

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

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

**6. Due To State General Fund**

At June 30, 2002, the Office had \$37,734 of appropriations to be remitted back to the State General Fund due to the lapse in funds.

**7. Changes In Capital Assets**

A summary of changes in capital assets follows:

	<b>Balance as Restated July 1, 2001</b>	<b>Additions</b>	<b>Deletions and Retirements</b>	<b>Balance June 30, 2002</b>
Furniture and equipment:				
Executive Control of State	\$ 6,343	\$ -	\$ -	\$ 6,343
Office of Executive Policy and Programs	189,644	5,040	(31,445)	163,238
Accumulated depreciation:				
Executive Control of State	(3,172)	(1,269)	-	(4,440)
Office of Executive Policy and Programs	(108,447)	(26,946)	30,161	(105,232)
Capital assets, net of accumulated depreciation	<u>\$ 84,368</u>	<u>\$ (23,175)</u>	<u>\$ (1,284)</u>	<u>\$ 59,909</u>

The Office capitalizes qualifying equipment with a unit cost of \$5,000 or more and software greater than \$100,000 with a life of two years or more.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**8. Pension Plan**

Substantially all employees of the Governor's Office are eligible to participate in the South Carolina Retirement System and the State Health Insurance Group Plan. The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit public employee retirement system which provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. Section 9-1-480 Code of Laws of South Carolina, 1976 (as amended), states that all 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 Governor's Office has no fiduciary responsibility or further liability for the retirement plan beyond the current contributions.

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**8. Pension Plan (Continued)**

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 Governor's Office total covered payroll for the year ended June 30, 2002, was \$11,737,280. Employees are required to contribute 6% of compensation to the plan. Under Section 9-1-480 of the Code, the Governor's Office's liability under the plan is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. The required contributions and the percentages of that amount for the past three years are as follows:

	<b>June 30, 2002</b>	<b>June 30, 2001</b>	<b>June 30, 2000</b>
Employer contribution rate	7.55%	7.55%	7.55%
Employer contribution	\$ 886,165	\$ 890,922	\$ 763,499
Employee contributions	\$ 704,237	\$ 711,714	\$ 606,754

In addition, the Governor's office paid \$17,481 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-Office of Insurance Services (administering agency for the State health insurance plan).

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**8. Pension Plan (Continued)**

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

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

**9. Post-Employment and Other Employee Benefits**

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

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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

These benefits are provided through annual appropriations by the General Assembly to the Office for its active employees and to the State Budget and Control Board for all participating State retirees except the portion funded through the pension surcharge and provided from other applicable sources of the Office for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The Office recorded employer contributions expenditures within the applicable administrative expenditure categories for these insurance benefits for active employees of \$1,069,384 for the year ended June 30, 2002. As discussed in *Note 10*, the Office paid \$253,525, for the year ended June 30, 2002, applicable to the surcharge included with the employer contributions for retirement benefits.

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

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

**10. Deferred Compensation Plans**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Governor's Office have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**10. Deferred Compensation Plans (Continued)**

The State appropriated funds from unspent fiscal year 1999 State General Fund appropriations above the ten percent set aside, for contributions to 401(k) accounts of eligible State employees whose salaries are funded from State General Fund appropriations. In addition, the 2000 Appropriation Act required agencies to match certain 401(k) contributions of eligible employees whose salaries were funded from its other applicable revenue sources. The appropriated 401(k) match is limited to \$300. To be eligible, an employee must meet the following eligibility requirement:

1. The employee must be a permanent full-time State employee for 24 continuous months as of July 1, 1999 and be employed on the date of distribution and
2. Must have established a 401(k) account with annual contributions equal to the match (permanent full-time employees making less than \$20,000 as of July 1, 2000, are not required to contribute in order to receive this match).

In June 2002, the State contributed \$300 to the 401(k) accounts of each eligible State employee.

**11. Risk Management**

The Governor's Office is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settled claims have not exceeded this coverage in any of the past three years. The Governor's Office pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for deductibles.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**11. Risk Management (Continued)**

Several state funds accumulate assets and the State itself assumes substantially all risks for the following:

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

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

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

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

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

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**11. Risk Management (Continued)**

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

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

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

Changes in long-term obligations for the year ended June 30, 2002, were as follows:

	<b>Beginning Balance July 1, 2001</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2002</b>	<b>Due Within One Year</b>
Accrued compensated absences:					
Mansion and Grounds	\$ 20,963	\$ 26,192	\$ (13,317)	\$ 33,838	\$ 18,996
Executive Control of State	84,897	119,539	(116,942)	87,494	49,119
Office of Executive Policy and Programs	894,655	694,080	(624,546)	964,189	541,290
Veterans Cemetery	-	500,000	-	500,000	500,000
	<u>\$ 1,000,515</u>	<u>\$ 1,339,811</u>	<u>\$ (754,805)</u>	<u>\$ 1,585,521</u>	<u>\$ 1,109,405</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**13. Transactions With State Entities**

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

Services received at no cost from state agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; check preparation, banking functions from the State Treasurer; legal services from the Attorney General; interagency mail services from the State Budget and Control Board; and record storage from the Department of Archives and History. The Governor's Office also leases space, equipment and autos from state agencies. See *Note 5* for further disclosure. The Governor's Office paid the State Budget and Control Board \$160,272 for telephone services, \$22,734 for unemployment insurance, \$1,900 for household laundry, janitorial and security, \$2,080 for motorized vehicle repair, \$2,760 for rent, \$1,883 for fees and fines, \$176,588 for computer services, \$19,700 for printing services, \$2,731 for photocopy services, \$11,055 for postage and freight, \$47,114 for salaries, \$3,604 for social security, \$40,360 for retirement and \$15,331 for office supplies. The Governor's Office paid the South Carolina Department of Legislative Printing and the Department of Vocational Rehabilitation \$1,050 and \$4,750, respectively, for office supplies, and paid the University of South Carolina \$1,754 for data processing services. Also, \$149,260 was paid to the State Budget and Control Board Office of Insurance Services for insurance. The State Accident Fund was paid \$43,366 for Worker's Compensation Insurance. The Office paid the Department of Corrections \$15,795 for office supplies.

The Governor's Office paid the University of South Carolina, the South Carolina Department of Disabilities and Special Needs, the South Carolina Department of Health and Human Services, the South Carolina Department of Mental Health, the South Budget and Control Board and the South Carolina ESC \$16,456, \$10,336, \$67,000, \$69,800, \$472,370, and \$2,300, respectively, for contractual services. The Office paid \$4,449 to the Probation Parole and Pardon for salaries. The Governor's Office paid the South Carolina Department of Health and Human Services, the South Carolina Department of Mental Health, Department of Social Services, University of South Carolina and the South Carolina Department of Disabilities and Special Needs \$200,000, \$278,116, \$3,345,725, \$49,441, and \$25,143, respectively, for case services. Also, \$524,191 and \$3,821 were paid to the Medical University of South Carolina and the South Carolina Department of Mental Health for indemnity claims and awards. The Office paid University of South Carolina, the Budget and Control Board and the Children's Law Office \$837, \$11,923, \$2,375, respectively, for in state registration fees.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**13. Transactions With State Entities (Continued)**

Continuum of Care received \$400,000 in revenue for patient care and maintenance from the Department of Mental Health which is recorded as non-federal grants and contributions.

The Office of Guardian Ad Litem received \$1,542,599 from the South Carolina State Department of Social Services for training of volunteers to be guardians.

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

**14. Cash Deposits**

All cash deposits of the South Carolina Governor's Office are under the control of the State Treasurer, who, by law, has sole authority for investing state funds. Monies for the Tobacco Loss Assistance program are deposited with a fiscal agent as authorized by the State Treasurer's Office.

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

	<b>Financial Statements</b>	<b>Footnotes</b>
Deposits with State Treasurer's Office	\$ -	\$ 15,322,388
Cash and cash equivalents	15,322,388	-
Cash held by fiscal agent	2,161,838	-
Other deposits	-	2,161,838
Total	<u>\$ 17,484,226</u>	<u>\$ 17,484,226</u>

**Deposits held by State Treasurer**-State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2002, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**14. Cash Deposits (Continued)**

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

**Other Deposits**-Other deposits represent amounts on deposit at year-end with a fiscal agent. These funds are held in an account in the name of the Tobacco Loss Assistance Program and Tobacco Community Trust Fund. At June 30, 2002, the other deposits of the Office were as follows:

	<b>Category</b>			<b>Total Bank Balance</b>	<b>Carrying Amount</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Other deposits	\$ 2,452,641	\$ -	\$ -	\$ 2,452,641	\$ 2,161,838

Category 1 deposits are those covered by Federal depository insurance or by collateral held by the Office or by its agent in the Office's name. Category 2 deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the Office's name. Category 3 deposits are uncollateralized.

**15. Litigation and Contingencies**

At June 30, 2002, the Governor's office was involved in a number of legal proceedings (predominately civil suits) and claims with various parties which arose in the normal course of business.

Although any litigation has an element of uncertainty, it is management's opinion that the outcome of litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Office. No provision has been made in these financial statements for losses, if any, which might result from litigation pending, threatened, or the combination thereof because there is no evidence to indicate that a loss expenditure and liability should be recorded at year end.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**15. Litigation and Contingencies (Continued)**

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

**16. Program Classification Changes**

In January 1999, the Office realigned their organizational functional structure. As of July 1, 1999, the accounting area of the Office realigned their accounts to reflect the change in the organizational structure. The budget, however, did not reflect this change until July 1, 2000. The following is how the Office is structured as of fiscal year 2002.

Division of Administrative Services	Division of Children Services	Division of Constituent Services
Office of Finance and Administration	Office of Continuum of Care Office of Foster Care Office of Guardian Ad Litem Office of Education Office of Health Services	Office of Veterans' Affairs Office of Commission on Women Office of Ombudsman/Citizen Services Office of Developmental Disabilities Council Office of Victims' Assistance Office of Economic Opportunity Office of Intergovernmental Affairs Office of Small and Minority Business

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**17. Reserved Fund Balances**

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

Continuum of Care:	
Patient care and maintenance programs	\$ 42,926
Case management Medicaid	(272,727)
Total Continuum of Care	<u>(229,801)</u>
Foster Care:	
Local review board	<u>79,190</u>
Victims' Assistance:	
Trust fund for claims	<u>5,110,686</u>
Economic Opportunity:	
Donations	<u>169,623</u>
Guardian Ad Litem:	
Operations	<u>607,137</u>
Health and Human Services:	
Caring for Tomorrow's Children	<u>3,166</u>
Ombudsman/Citizen Services:	
Operations	<u>(3,016)</u>
Veterans Affairs:	
Veterans Cemetery	<u>(469,442)</u>
Finance and Administration:	
Litter Control Task Force	338,577
Tobacco Settlement	9,286,343
Total financial administration	<u>9,624,920</u>
Federal Program:	
Tobacco Loss Assistance Program	<u>(15,692)</u>
Total reserved fund balance	<u><u>\$ 14,876,771</u></u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**18. Restatement**

As a result of the adoption of GASB Statement No. 34, as discussed in *Note 1*, the Office was required to make certain changes in accounting principles, specifically (1) all State agencies and institutions were required to adopt a capitalization limit of \$5,000 for movable personal property and \$100,000 for depreciable land improvements, building and improvements, and intangible assets, as of July 1, 2001. As a result of the change in asset capitalization policy, the Office removed capitalized assets on hand July 1, 2001, which did not meet the new capitalization levels, and (2) the related accumulated depreciation for these assets that were removed.

Net assets, June 30, 2001 as previously reported	\$ -
Record fund equity at June 30, 2001 of fund-based activities previously reported in general-purpose financial statements	97,307,474
Adjustments resulting from increase in capitalized limit for capital assets	(1,409,675)
GASB Statement 34 restatements to record assets and liabilities:	
Capital assets	1,609,518
Accumulated depreciation on net capital assets	(111,619)
Accrued compensated absences	(1,000,515)
Net assets, June 30, 2001 as restated	\$ 96,395,183

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL -  
ALL BUDGETED FUNDS

YEAR ENDED JUNE 30, 2002

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:									
Personal services	\$ 3,268,779	\$ 3,268,779	\$ -	\$ -	\$ -	\$ -	\$ 3,268,779	\$ 3,268,779	\$ -
Employer contributions	868,831	868,090	741	-	-	-	868,831	868,090	741
Other operating	817,295	796,972	20,323	2,802,000	2,801,226	774	3,619,295	3,598,198	21,097
Special items:									
Implementing federal programs	149,294	149,294	-	-	-	-	149,294	149,294	-
Southern growth policies	26,312	26,312	-	-	-	-	26,312	26,312	-
Southern States Energy Board	31,372	31,372	-	-	-	-	31,372	31,372	-
Poet Laureate	-	-	-	-	-	-	-	-	-
Appalachian Regional Commission	-	-	-	-	-	-	-	-	-
Litter Control Program	408,008	408,007	1	-	-	-	408,008	408,007	1
Southern Governor's Association	7,110	7,110	-	-	-	-	7,110	7,110	-
National Governor's Association	85,957	85,957	-	-	-	-	85,957	85,957	-
Mining Council	3,427	3,427	-	-	-	-	3,427	3,427	-
Governor's School Gifted Children	205,202	205,202	-	-	-	-	205,202	205,202	-
Governor's School Supplemental	75,557	75,557	-	-	-	-	75,557	75,557	-
Office of Guardian Ad Litem:									
Personal services	273,249	273,249	-	1,569,108	1,437,650	131,458	1,842,357	1,710,899	131,458
Employer contributions	73,412	73,295	117	678,172	588,963	89,209	751,584	662,258	89,326
Other operating	111,254	111,148	106	890,959	569,598	321,361	1,002,213	680,746	321,467

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL -  
ALL BUDGETED FUNDS

(CONTINUED)

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Foster Care:									
Personal services	332,716	331,722	994	402,176	331,713	70,463	734,892	663,435	71,457
Employer contributions	89,122	88,979	143	156,477	135,893	20,584	245,599	224,872	20,727
Other operating	71,847	71,807	40	123,785	89,090	34,695	195,632	160,897	34,735
South Carolina Protection and Advocacy	423,769	423,769	-	-	-	-	423,769	423,769	-
Office of Continuum of Care:									
Personal services	1,737,596	1,724,771	12,825	2,627,173	2,188,446	438,727	4,364,769	3,913,217	451,552
Employer contributions	463,383	462,642	741	156,477	135,893	20,584	619,860	598,535	21,325
Other operating	542,373	542,373	-	662,352	550,107	112,245	1,204,725	1,092,480	112,245
Case services	5,622,028	5,622,028	-	1,298,000	1,001,073	296,927	6,920,028	6,623,101	296,927
Distributions to subdivisions	32,000	32,000	-	-	-	-	32,000	32,000	-
Office of Small and Minority Business									
Personal services	126,268	126,267	1	-	-	-	126,268	126,267	1
Employer contributions	33,923	33,869	54	-	-	-	33,923	33,869	54
Other operating	27,725	27,722	3	-	-	-	27,725	27,722	3
Office of Victims' Assistance:									
Personal services	-	-	-	1,162,747	930,147	232,600	1,162,747	930,147	232,600
Employer contributions	-	-	-	430,344	374,564	55,780	430,344	374,564	55,780
Other operating	-	-	-	12,061,147	10,403,350	1,657,797	12,061,147	10,403,350	1,657,797
Distributions to subdivisions	-	-	-	2,175,000	1,814,183	360,817	2,175,000	1,814,183	360,817
Victims' Rights	139,736	139,734	2	-	-	-	139,736	139,734	2
Victims' Witness	257,610	257,610	-	-	-	-	257,610	257,610	-
SCVAN	59,585	59,585	-	-	-	-	59,585	59,585	-

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL -  
ALL BUDGETED FUNDS

(CONTINUED)

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Health and Human Services:									
Personal services	-	-	-	101,345	10,542	90,803	101,345	10,542	90,803
Employer contributions	-	-	-	4,973	4,319	654	4,973	4,319	654
Other operating	-	-	-	323,200	110,026	213,174	323,200	110,026	213,174
Office of Developmental Disabilities:									
Personal services	48,812	48,812	-	189,412	168,631	20,781	238,224	217,443	20,781
Employer contributions	13,114	13,093	21	47,088	44,085	3,003	60,202	57,178	3,024
Other operating	16,250	16,164	86	90,000	61,727	28,273	106,250	77,891	28,359
Distributions to subdivisions	124,286	124,286	-	1,611,705	761,637	850,068	1,735,991	885,923	850,068
Office of Veterans' Affairs:									
Personal services	614,081	614,081	-	-	-	-	614,081	614,081	-
Employer contributions	164,981	164,717	264	-	-	-	164,981	164,717	264
Other operating	60,632	60,632	-	500,000	474,010	25,990	560,632	534,642	25,990
Distributions to subdivisions	453,206	453,206	-	-	-	-	453,206	453,206	-
Special item:									
POW Commission	878	878	-	-	-	-	878	878	-
Veterans' Roster	-	-	-	-	-	-	-	-	-
Office of Commission on Women:									
Personal services	112,961	112,961	-	-	-	-	112,961	112,961	-
Employer contributions	30,348	30,300	48	-	-	-	30,348	30,300	48
Other operating	24,697	23,759	938	-	-	-	24,697	23,759	938

SOUTH CAROLINA GOVERNOR'S OFFICE

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL -  
ALL BUDGETED FUNDS  
(CONTINUED)

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Ombudsman/Citizen									
Services:									
Personal services	185,888	185,882	6	252,128	197,703	54,425	438,016	383,585	54,431
Employer contributions	49,940	49,860	80	75,706	67,474	8,232	125,646	117,334	8,312
Other operating	41,156	41,120	36	76,520	37,560	38,960	117,676	78,680	38,996
Office of Children's Affairs:									
Personal services	104,741	104,741	-	-	-	-	104,741	104,741	-
Employer contributions	28,140	28,095	45	-	-	-	28,140	28,095	45
Other operating	10,800	10,777	23	-	-	-	10,800	10,777	23
Children's Case Resolution System	131,721	131,721	-	-	-	-	131,721	131,721	-
Office of Economic									
Opportunity:									
Personal services	-	-	-	817,155	738,872	78,283	817,155	738,872	78,283
Employer contributions	-	-	-	206,321	193,164	13,157	206,321	193,164	13,157
Other operating	-	-	-	609,721	239,204	370,517	609,721	239,204	370,517
Distributions to subdivisions	-	-	-	21,872,710	21,252,794	619,916	21,872,710	21,252,794	619,916
Office of Intergovernmental									
Affairs:									
Personal services	186,405	186,404	1	-	-	-	186,405	186,404	1
Employer contributions	50,080	50,000	80	-	-	-	50,080	50,000	80
Other operating	20,901	20,886	15	-	-	-	20,901	20,886	15
Total expenditures	<u>\$ 18,838,758</u>	<u>\$ 18,801,024</u>	<u>\$ 37,734</u>	<u>\$ 53,973,901</u>	<u>\$ 47,713,644</u>	<u>\$ 6,260,257</u>	<u>\$ 72,812,659</u>	<u>\$ 66,514,668</u>	<u>\$ 6,297,991</u>

See accompanying notes.

## OTHER FINANCIAL INFORMATION

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS -

GENERAL FUND BY DIVISION

JUNE 30, 2002

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 25,000	\$ 6,594	\$ 798,422	\$ 830,016
Due from the State General Fund	39,717	102,530	304,955	447,202
Total assets	<u>\$ 64,717</u>	<u>\$ 109,124</u>	<u>\$ 1,103,377</u>	<u>\$ 1,277,218</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 25,000	\$ 3,035	\$ 731,104	\$ 759,139
Accrued payroll and other liabilities	39,717	102,530	304,955	447,202
Due to the State General Fund	-	3,559	34,175	37,734
Total liabilities	<u>64,717</u>	<u>109,124</u>	<u>1,070,234</u>	<u>1,244,075</u>
Fund equity:				
Fund balances				
Reserved for restricted appropriations to be carried forward	-	-	33,143	33,143
Total fund equity	<u>-</u>	<u>-</u>	<u>33,143</u>	<u>33,143</u>
Total liabilities and fund equity	<u>\$ 64,717</u>	<u>\$ 109,124</u>	<u>\$ 1,103,377</u>	<u>\$ 1,277,218</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS -

GENERAL FUND BY DIVISION

YEAR ENDED JUNE 30, 2002

	<b>Mansions and Grounds</b>	<b>Executive Control of State</b>	<b>Office of Executive Policy and Programs</b>	<b>Totals</b>
<b>Revenue</b>				
State appropriations	\$ 672,528	\$ 1,806,075	\$ 16,111,939	\$ 18,590,542
Total revenue	<u>672,528</u>	<u>1,806,075</u>	<u>16,111,939</u>	<u>18,590,542</u>
<b>Expenditures</b>				
Finance and Administration:				
Personal services	436,901	1,248,291	2,057,762	3,742,954
Employer contributions	117,918	287,244	462,927	868,089
Other operating	117,709	266,981	1,411,429	1,796,119
Intergovernmental Affairs:				
Personal services	-	-	220,892	220,892
Employer contributions	-	-	50,000	50,000
Other operating	-	-	20,886	20,886
Continuum of Care:				
Personal services	-	-	1,514,221	1,514,221
Employer contributions	-	-	462,642	462,642
Other operating	-	-	542,373	542,373
Case services	-	-	5,652,256	5,652,256
Distributions to subdivisions	-	-	32,000	32,000
Education:				
Personal services	-	-	-	-
Employer contributions	-	-	-	-
Other operating	-	-	-	-
Foster Care:				
Personal services	-	-	284,012	284,012
Employer contributions	-	-	88,979	88,979
Other operating	-	-	71,807	71,807
Distributions to subdivisions	-	-	423,769	423,769

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS -

GENERAL FUND BY DIVISION

(CONTINUED)

	<b>Mansions and Grounds</b>	<b>Executive Control of State</b>	<b>Office of Executive Policy and Programs</b>	<b>Totals</b>
<b>Expenditures (Continued)</b>				
Guardian Ad Litem:				
Personal services	-	-	233,949	233,949
Employer contributions	-	-	73,294	73,294
Other operating	-	-	111,148	111,148
Health and Human Services:				
Personal services	-	-	-	-
Employer contributions	-	-	-	-
Other operating	-	-	-	-
Developmental Disabilities:				
Personal services	-	-	41,792	41,792
Employer contributions	-	-	13,093	13,093
Other operating	-	-	16,164	16,164
Distributions to subdivisions	-	-	124,286	124,286
Ombudsman/Citizen Services:				
Personal services	-	-	218,791	218,791
Employer contributions	-	-	49,860	49,860
Other operating	-	-	41,120	41,120
Victims' Assistance:				
Claims and awards	-	-	397,344	397,344
Distributions to subrecipients	-	-	59,585	59,585
Veterans' Affairs:				
Personal services	-	-	734,400	734,400
Employer contributions	-	-	164,717	164,717
Other operating	-	-	61,510	61,510
Distributions to subdivisions	-	-	453,206	453,206
Commission on Women:				
Personal services	-	-	132,791	132,791
Employer contributions	-	-	30,300	30,300
Other operating	-	-	23,759	23,759

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS -

GENERAL FUND BY DIVISION

(CONTINUED)

	<b>Mansions and Grounds</b>	<b>Executive Control of State</b>	<b>Office of Executive Policy and Programs</b>	<b>Totals</b>
<b>Expenditures (Continued)</b>				
Children Affairs:				
Personal services	-	-	154,795	154,795
Employer contributions	-	-	28,095	28,095
Other operating	-	-	10,777	10,777
Case services	-	-	131,721	131,721
Small and Minority Business:				
Personal services	-	-	146,275	146,275
Employer contributions	-	-	33,869	33,869
Other operating	-	-	27,722	27,722
Remitted to State General Fund	-	3,559	34,175	37,734
<b>Total expenditures</b>	<b>672,528</b>	<b>1,806,075</b>	<b>16,844,493</b>	<b>19,323,096</b>
Excess of revenue over (under) expenditures	-	-	(732,554)	(732,554)
Fund balances, beginning of year	-	-	765,697	765,697
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,143</b>	<b>\$ 33,143</b>

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

YEAR ENDED JUNE 30, 2002

	<b>Mansions and Grounds</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Administration:			
Personal services	\$ 397,184	\$ 397,184	\$ -
Employer contributions	117,918	117,918	-
Other operating	117,709	117,709	-
Special items:			
Implementing federal programs	-	-	-
Southern growth policies	-	-	-
Southern States Energy Board	-	-	-
Poet Laureate	-	-	-
Appalachian Regional Commission	-	-	-
Litter control program	-	-	-
Southern Governor's Association	-	-	-
National Governor's Association	-	-	-
Mining Council	-	-	-
Governor's School Gifted Children	-	-	-
Governor's School Supplemental	-	-	-
Office of Guardian Ad Litem:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Foster Care:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
South Carolina Protection and Advocacy	-	-	-
Office of Continuum of Care:			
Personal services	-	-	-
Employer contributions	-	-	-
Case services	-	-	-
Distribution to subdivisions	-	-	-

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

(CONTINUED)

	<b>Mansions and Grounds (Continued)</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Small and Minority Business:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Victims' Assistance:			
Victims' Rights	-	-	-
Victims' Witness	-	-	-
SCVAN	-	-	-
Office of Health and Human Services:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Developmental Disabilities:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Distribution to subdivisions	-	-	-
Office of Veterans' Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Distribution to subdivisions	-	-	-
Office of Commission on Women:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Ombudsman/Citizen Services:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-

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

(CONTINUED)

	<b>Mansions and Grounds (Continued)</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Children Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Total expenditures	\$ 632,811	\$ 632,811	\$ -

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

YEAR ENDED JUNE 30, 2002

	<b>Executive Control of State</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Administration:</b>			
Personal services	\$ 1,145,760	\$ 1,145,760	\$ -
Employer contributions	287,244	287,244	-
Other operating	270,540	266,981	3,559
<b>Special items:</b>			
Implementing federal programs	-	-	-
Southern growth policies	-	-	-
Southern States Energy Board	-	-	-
Poet Laureate	-	-	-
Appalachian Regional Commission	-	-	-
Litter control program	-	-	-
Southern Governor's Association	-	-	-
National Governor's Association	-	-	-
Mining Council	-	-	-
Governor's School Gifted Children	-	-	-
Governor's School Supplemental	-	-	-
<b>Office of Guardian Ad Litem:</b>			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
<b>Office of Foster Care:</b>			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
South Carolina Protection and Advocacy	-	-	-
<b>Office of Continuum of Care:</b>			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Case services	-	-	-
Distribution to subdivisions	-	-	-

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

(CONTINUED)

<b>Executive Control of State (Continued)</b>			
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Small and Minority Business:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Distribution to subdivisions	-	-	-
Office of Victims' Assistance:			
Victims' Rights	-	-	-
Victims' Witness	-	-	-
SCVAN	-	-	-
Office of Health and Human Services:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Developmental Disabilities:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Distribution to subdivisions	-	-	-
Office of Veterans' Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Distribution to subdivisions	-	-	-
Office of Commission on Women:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
 BUDGET AND ACTUAL -  
 BUDGETARY GENERAL FUND BY DIVISION

(CONTINUED)

	<b>Executive Control of State (Continued)</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Ombudsman/Citizen Services:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Children Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
<b>Total expenditures</b>	<b>\$ 1,703,544</b>	<b>\$ 1,699,985</b>	<b>\$ 3,559</b>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

YEAR ENDED JUNE 30, 2002

	<b>Office of Executive Policy and Programs</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Administration:			
Personal services	\$ 1,725,835	\$ 1,725,835	\$ -
Employer contributions	463,669	462,928	741
Other operating	429,046	412,282	16,764
Special items:			
Implementing federal programs	149,294	149,294	-
Southern growth policies	26,312	26,312	-
Southern States Energy Board	31,372	31,372	-
Poet Laureate	-	-	-
Appalachian Regional Commission	-	-	-
Litter control program	408,008	408,007	1
Southern Governor's Association	7,110	7,110	-
National Governor's Association	85,957	85,957	-
Mining Council	3,427	3,427	-
Governor's School Gifted Children	205,202	205,202	-
Governor's School Supplemental	75,557	75,557	-
Office of Guardian Ad Litem:			
Personal services	273,249	273,249	-
Employer contributions	73,412	73,295	117
Other operating	111,254	111,148	106
Office of Foster Care:			
Personal services	332,716	331,722	994
Employer contributions	89,122	88,979	143
Other operating	71,847	71,807	40
South Carolina Protection and Advocacy	423,769	423,769	-
Office of Continuum of Care:			
Personal services	1,737,596	1,724,771	12,825
Employer contributions	463,383	462,642	741
Other operating	542,373	542,373	-
Case services	5,622,028	5,622,028	-
Distribution to subdivisions	32,000	32,000	-

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

(CONTINUED)

<b>Office of Executive Policy and Programs (Continued)</b>			
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Office of Small and Minority Business:</b>			
Personal services	126,268	126,267	1
Employer contributions	33,923	33,869	54
Other operating	27,725	27,722	3
<b>Office of Victims' Assistance:</b>			
Victims' Rights	139,736	139,734	2
Victims' Witness	257,610	257,610	-
SCVAN	59,585	59,585	-
<b>Office of Health and Human Services:</b>			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
<b>Office of Developmental Disabilities:</b>			
Personal services	48,812	48,812	-
Employer Contributions	13,114	13,093	21
Other operating	16,250	16,164	86
Distribution to subdivisions	124,286	124,286	-
<b>Office of Veterans' Affairs:</b>			
Personal services	614,081	614,081	-
Employer contributions	164,981	164,717	264
Other operating	60,632	60,632	-
Distribution to subdivisions	453,206	453,206	-
<b>Special items:</b>			
POW Commission	878	878	-
Veterans' Roster	-	-	-

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

(CONTINUED)

	<b>Office of Executive Policy and Programs (Continued)</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Commission on Women:			
Personal services	112,961	112,961	-
Employer contributions	30,348	30,300	48
Other operating	24,697	23,759	938
Office of Ombudsman/Citizen Services			
Personal services	185,888	185,882	6
Employer Contributions	49,940	49,860	80
Other operating	41,156	41,120	36
Office of Children's Affairs			
Personal services	104,741	104,741	-
Employer Contributions	28,140	28,095	45
Other operating	10,800	10,777	23
Children's case resolution system	131,721	131,721	-
Office of Intergovernmental Affairs			
Personal services	186,405	186,404	1
Employer Contributions	50,080	50,000	80
Other operating	20,901	20,886	15
<b>Total expenditures</b>	<b>\$ 16,502,403</b>	<b>\$ 16,468,228</b>	<b>\$ 34,175</b>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL -  
BUDGETARY GENERAL FUND BY DIVISION

YEAR ENDED JUNE 30, 2002

	<b>Total Budgetary General Fund</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Administration:			
Personal services	\$ 3,268,779	\$ 3,268,779	\$ -
Employer contributions	868,831	868,090	741
Other operating	817,295	796,972	20,323
Special items:			
Implementing federal programs	149,294	149,294	-
Southern growth policies	26,312	26,312	-
Southern States Energy Board	31,372	31,372	-
Poet Laureate	-	-	-
Appalachian Regional Commission	-	-	-
Litter control program	408,008	408,007	1
Southern Governor's Association	7,110	7,110	-
National Governor's Association	85,957	85,957	-
Mining Council	3,427	3,427	-
Governor's School Gifted Children	205,202	205,202	-
Governor's School Supplemental	75,557	75,557	-
Office of Guardian Ad Litem:			
Personal services	273,249	273,249	-
Employer contributions	73,412	73,295	117
Other operating	111,254	111,148	106
Office of Foster Care:			
Personal services	332,716	331,722	994
Employer contributions	89,122	88,979	143
Other operating	71,847	71,807	40
South Carolina Protection and Advocacy	423,769	423,769	-
Office of Continuum of Care:			
Personal services	1,737,596	1,724,771	12,825
Employer contributions	463,383	462,642	741
Other operating	542,373	542,373	-
Case services	5,622,028	5,622,028	-
Distribution to subdivisions	32,000	32,000	-

(CONTINUED)

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

(CONTINUED)

<b>Total Budgetary General Fund (Continued)</b>			
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Office of Small and Minority Business:</b>			
Personal services	126,268	126,267	1
Employer contributions	33,923	33,869	54
Other operating	27,725	27,722	3
<b>Office of Victims' Assistance:</b>			
Victims' Rights	139,736	139,734	2
Victims' Witness	257,610	257,610	-
SCVAN	59,585	59,585	-
<b>Office of Health and Human Services:</b>			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
<b>Office of Developmental Disabilities:</b>			
Personal services	48,812	48,812	-
Employer contributions	13,114	13,093	21
Other operating	16,250	16,164	86
Distribution to subdivisions	124,286	124,286	-
<b>Office of Veterans' Affairs:</b>			
Personal services	614,081	614,081	-
Employer contributions	164,981	164,717	264
Other operating	60,632	60,632	-
Distribution to subdivisions	453,206	453,206	-
<b>Special items:</b>			
POW Commission	878	878	-
Veteran's Roster	-	-	-
<b>Office of Commission on Women:</b>			
Personal services	112,961	112,961	-
Employer contributions	30,348	30,300	48
Other operating	24,697	23,759	938

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

(CONTINUED)

	<b>Total Budgetary General Fund (Continued)</b>		
	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Office of Ombudsman/Citizen Services:			
Personal services	185,888	185,882	6
Employer contributions	49,940	49,860	80
Other operating	41,156	41,120	36
Office of Children's Affairs:			
Personal services	104,741	104,741	-
Employer contributions	28,140	28,095	45
Other operating	10,800	10,777	23
Children's Case Resolution System	131,721	131,721	-
Office of Intergovernmental Affairs:			
Personal services	186,405	186,404	1
Employer contributions	50,080	50,000	80
Other operating	20,901	20,886	15
Total expenditures	<u>\$ 18,838,758</u>	<u>\$ 18,801,024</u>	<u>\$ 37,734</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS -  
SPECIAL REVENUE FUNDS

JUNE 30, 2002

	Federal Grants and Programs	Finance and Adminis- tration	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman/ Citizen Services	Victims' Assistance	Economic Opportunity	Veterans' Affairs	Total
<b>Assets</b>											
Cash and cash equivalents	\$ 54,511	\$ 7,488,954	\$ 537,874	\$ 151,792	\$ 642,517	\$ 63,736	\$ 75	\$ 5,357,300	\$ 169,623	\$ 25,990	\$ 14,492,372
Cash held by fiscal agent	-	2,161,838	-	-	-	-	-	-	-	-	2,161,838
Federal grant revenue receivable	144,653	-	-	-	-	-	-	-	-	-	144,653
Accrued interest	-	-	-	-	-	-	-	-	-	4,568	4,568
<b>Total assets</b>	<b>\$ 199,164</b>	<b>\$ 9,650,792</b>	<b>\$ 537,874</b>	<b>\$ 151,792</b>	<b>\$ 642,517</b>	<b>\$ 63,736</b>	<b>\$ 75</b>	<b>\$ 5,357,300</b>	<b>\$ 169,623</b>	<b>\$ 30,558</b>	<b>\$ 16,803,431</b>
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
Accounts payable	\$ 129,872	\$ -	\$ 230,988	\$ 10,492	\$ 35,380	\$ 60,570	\$ 3,091	\$ 114,995	\$ -	\$ -	\$ 585,388
Accrued payroll and related liabilities	84,984	25,872	536,569	62,110	-	-	-	131,619	-	-	841,154
Notes payable	-	-	-	-	-	-	-	-	-	500,000	500,000
Deposits held for clients	-	-	118	-	-	-	-	-	-	-	118
<b>Total liabilities</b>	<b>214,856</b>	<b>25,872</b>	<b>767,675</b>	<b>72,602</b>	<b>35,380</b>	<b>60,570</b>	<b>3,091</b>	<b>246,614</b>	<b>-</b>	<b>500,000</b>	<b>1,926,660</b>
<b>Fund balances</b>	<b>(15,692)</b>	<b>9,624,920</b>	<b>(229,801)</b>	<b>79,190</b>	<b>607,137</b>	<b>3,166</b>	<b>(3,016)</b>	<b>5,110,686</b>	<b>169,623</b>	<b>(469,442)</b>	<b>14,876,771</b>
<b>Total liabilities and fund equity</b>	<b>\$ 199,164</b>	<b>\$ 9,650,792</b>	<b>\$ 537,874</b>	<b>\$ 151,792</b>	<b>\$ 642,517</b>	<b>\$ 63,736</b>	<b>\$ 75</b>	<b>\$ 5,357,300</b>	<b>\$ 169,623</b>	<b>\$ 30,558</b>	<b>\$ 16,803,431</b>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS -  
SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2002

	Federal Grants and Programs	Finance and Adminis- tration	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman/ Citizen Services	Victims' Assistance	Economic Opportunity	Veterans' Affairs	Total
<b>Revenue</b>											
Federal grants and programs	\$ 24,050,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,644	\$ -	\$ -	\$ -	\$ 24,186,495
Other government grants and contribution	298,859	-	400,000	-	1,242,336	-	-	237,333	423,935	-	2,602,463
Interest	-	22,238	-	-	-	-	-	-	-	4,568	26,806
Medicaid reimbursements	-	-	2,991,408	580,705	1,576,613	(7,718)	-	5,208	-	-	5,146,216
Victim restitution	-	-	-	-	-	-	-	4,829,362	-	-	4,829,362
Tobacco Settlement	-	673,480	-	-	-	-	-	-	-	-	673,480
Litter Control Program	-	2,664,642	-	-	-	-	-	-	-	-	2,664,642
Miscellaneous	30,987	-	-	-	117	-	-	-	-	-	31,104
<b>Total revenue</b>	<b>24,380,697</b>	<b>3,360,360</b>	<b>3,391,408</b>	<b>580,705</b>	<b>2,819,066</b>	<b>(7,718)</b>	<b>135,644</b>	<b>5,071,903</b>	<b>423,935</b>	<b>4,568</b>	<b>40,160,568</b>
<b>Expenditures</b>											
Administration:											
Personal services	1,154,208	-	2,513,747	351,922	1,437,650	10,542	106,502	913,041	-	-	6,487,612
Employer contributions	272,537	-	527,130	88,488	363,307	1,830	28,456	262,607	-	-	1,544,355
Other operating	2,086,566	3,326,112	553,391	96,114	568,487	104,721	16,096	8,690,831	-	474,010	15,916,328
Special items:											
Case services	20,530,416	-	967,552	-	-	-	-	-	423,520	-	21,921,488
Claims and awards	842,225	72,409,210	-	-	-	-	-	-	-	-	73,251,435
Distributions to subrecipients:											
Allocations to other state agencies	761,637	-	-	-	-	-	-	1,814,183	-	-	2,575,820
<b>Total expenditures</b>	<b>25,647,589</b>	<b>75,735,322</b>	<b>4,561,820</b>	<b>536,524</b>	<b>2,369,444</b>	<b>117,093</b>	<b>151,054</b>	<b>11,680,662</b>	<b>423,520</b>	<b>474,010</b>	<b>121,697,038</b>

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS -  
SPECIAL REVENUE FUNDS

(CONTINUED)

	Federal Grants and Programs	Finance and Adminis- tration	Continuum of Care	Foster Care	Guardian Ad Litem	Health & Human Services	Ombudsman/ Citizen Services	Victims' Assistance	Economic Opportunity	Veterans' Affairs	Total
Excess of revenue over (under) expenditures	(1,266,892)	(72,374,962)	(1,170,412)	44,181	449,622	(124,811)	(15,410)	(6,608,759)	415	(469,442)	(81,536,470)
Other financing sources (uses):											
Recoveries of indirect costs of federal grants and certain earmarked funds remitted to the General Fund of the State	(128,536)	-	-	-	-	-	-	-	-	-	(128,536)
Excess of revenue over (under) expenditures and other uses	(1,395,428)	(72,374,962)	(1,170,412)	44,181	449,622	(124,811)	(15,410)	(6,608,759)	415	(469,442)	(81,665,006)
Fund balances, beginning of year	1,379,736	81,999,882	940,611	35,009	157,515	127,977	12,394	11,719,445	169,208	-	96,541,777
Fund balances, end of year	<u>\$ (15,692)</u>	<u>\$ 9,624,920</u>	<u>\$ (229,801)</u>	<u>\$ 79,190</u>	<u>\$ 607,137</u>	<u>\$ 3,166</u>	<u>\$ (3,016)</u>	<u>\$ 5,110,686</u>	<u>\$ 169,623</u>	<u>\$ (469,442)</u>	<u>\$ 14,876,771</u>

**SINGLE AUDIT SECTION**

SOUTH CAROLINA GOVERNOR'S OFFICE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
<b>U. S. Department of Education</b>		
Rehabilitation Services-Client Assistance Program	84.161	\$ 133,693
<b>U. S. Department of Energy</b>		
Weatherization Assistance for Low Income Persons	81.042	1,333,642
<b>U. S. Department of Justice</b>		
Crime Victim Compensation	16.576	1,762,679
<b>U. S. Department of Health and Human Services</b>		
Low income Home Energy Assistance	93.568	9,516,180
* Community Services Block Grant	93.569	9,483,532
Community Services Block Grant Discretionary Awards-Community Food and Nutrition	93.571	55,902
Developmental Disabilities Basic Support and Advocacy Grants	93.63	1,061,837
<b>U. S. Department of Housing and Urban Development</b>		
*Emergency Shelter Grants Program	14.231	1,408,899
<b>U. S. Department of Agriculture</b>		
Tobacco Loss Assistance Program	Not Available	607,041
<b>Grand Total</b>		<b>\$ 25,363,405</b>

*The accompanying notes are an integral part of this schedule.*

*\*Denotes major program*

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2002

**Note 1. Basis of Presentation:**

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

**Note 2. Subrecipients:**

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

Federal Grantor/ Program Title	Federal CFDA Number	Amount Provided to Subrecipients
<b>U. S. Department of Health and Human Services</b>		
*Developmental Disabilities Basic Support and Advocacy Grants	93.630	\$ 885,923
Community Services Block Grant	93.569	8,977,152
* Low Income Home Energy Assistance	93.568	8,983,375
Community Services Block Grant Discretionary Awards- Community Food and Nutrition	93.571	55,902
<b>U. S. Department of Energy</b>		
Weatherization Assistance for Low Income Persons	81.042	1,182,964
<b>U. S. Department of Housing and Urban Development</b>		
Emergency Shelter Grants Program	14.231	1,331,026
Total provided to subrecipients		<u>\$ 21,416,342</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(CONTINUED)

**Note 3. Tobacco Loss Assistance Program:**

During fiscal year 2000, the Office was the recipient of \$17,836,348 from the U.S. Department of Agriculture's Tobacco Loss Assistance Program. The Office had total expenditures for this program during fiscal year 2002 of \$607,041. The rules for this program state that interest earned on any unspent funds must be used to compensate eligible growers, except that a portion of earnings can be used to pay for reasonable administrative costs. During fiscal year 2002, the Office earned \$22,238 in interest income on those funds.

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

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

We have audited the financial statements of the South Carolina Governor's Office as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the South Carolina Governor's Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Governor, management of the Governor's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Rebeck & Williamson, L.L.P.*

December 20, 2002

**D**eLOACH & **W**ILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of the South Carolina Governor's Office with the types of compliance requirements described in the US. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The South Carolina Governor's Office's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Governor's Office management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the South Carolina Governor's Office complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

#### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Governor, management of the Governor's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Deloach & Williamson, L.L.P.*

December 20, 2002

SOUTH CAROLINA GOVERNOR'S OFFICE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

**Summary of Auditors' Results:**

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No material weaknesses in internal control over financial reporting were identified by the audit of the financial statements.
3. No reportable conditions in internal control over financial reporting were identified by the audit of the financial statements.
4. No instances of noncompliance material to the financial statements were identified by the audit of the financial statements.
5. No material weaknesses in internal controls over major programs were identified by the audit of the compliance for major programs.
6. No reportable conditions in internal control over major programs were identified by the audit of compliance over major programs.
7. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
8. The audit did not disclose a finding that the auditor is required to report under Section 510(a) of OMB Circular A-133.
9. Major federal programs:
  - (1) Community Services Block Grant – CFDA # 93.569
  - (2) Emergency shelter Grant Program – CFDA # 14.231
10. The threshold for distinguishing between Type A and Type B Programs was \$760,902.
11. South Carolina Governor's Office qualified to be a low risk auditee.

**Financial Statement Findings:**

None reported.

**Federal Awards Findings and Questioned Costs:**

None reported.

**Status of Prior Year Findings:**

None reported.