

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 16. CONTINGENCIES:

Federal Grants - The various programs administered by the Commission for fiscal years June 30, 1998 and prior are subject to audit by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the Commission believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the Commission. Furthermore, there is no evidence to indicate that a liability should be recorded at year-end.

Purchase Commitments - In November 1993, the Commission entered into an agreement with Wang Laboratories to purchase an electronic image management system. The total estimated cost of this project equals \$5,082,119 over a five-year period. Through June 30, 1998, the Commission has spent \$4,072,509 on this project. These expenditures are recorded in the General Fund as capital outlay, services and supplies.

Litigation - The Commission is party to various legal proceedings arising principally in the normal course of operations. The outcome of any litigation has an element of uncertainty. Because, in the opinions of management and legal counsels, the risk of loss in excess of insurance coverage for any litigation is remote, the outcome of any litigation and claims is not expected to have a material adverse effect on the financial position of the Commission. Therefore, an estimated liability has not been recorded.

NOTE 17. TRANSFERS

The Commission has a set of accounts required by the State of South Carolina which is used to pay for the normal expenditures in the purchase and construction of agency buildings. There are three types of funds, Federal (Expendable Trust Fund), Contingency Assessment (General Fund) and Capital Improvement Bonds (Capital Projects Fund), which are used in these payments of these buildings. The authorization and appropriation for each building project is set up through an approved Statewide Permanent Improvement Program form. As invoices are received for payment against the building program, cash transfers are made for the federal and Contingency Assessment accounts into the building accounts. Only enough cash is transferred to the building accounts to cover the current invoices for payment. Once the invoices are paid, the account balance will be zero. This procedure takes place every time a building program invoice is paid. \$598,866 was transferred during the current fiscal year for capital projects.

The Commission also makes transfers from the General Fund to the Expendable Trust Fund - Basic Unemployment Compensation. The Commission is allowed to recover the cost of certain buildings purchased using Reed Act Funds over a period of twenty years. These costs are transferred to the Expendable Trust Fund until authorization is received to expend the funds. \$36,209 was transferred during the current fiscal year.

NOTE 18. PRIOR PERIOD ADJUSTMENTS:

The following adjustments were required to be made to various balance sheet accounts to correct errors involving the application of accounting principles for the proper recording of certain assets and liabilities and applicable fund balances as of June 30, 1997:

| | General Fund | Expendable Trust Fund | General Fixed Assets |
|--|-----------------|-----------------------------|----------------------------|
| To increase amounts due from grantor for revenues to equal expenditures for federal programs | \$ 440,679 | \$ | \$ |
| To record proceeds of capital lease entered into in prior period | 1,272,247 | | |
| To record amortized portion of expenditures for goods and services purchased under capital lease | (511,128) | | |