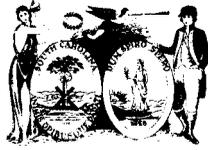


SOUTH CAROLINA GOVERNOR'S OFFICE

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

YEAR ENDED JUNE 30, 2001

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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

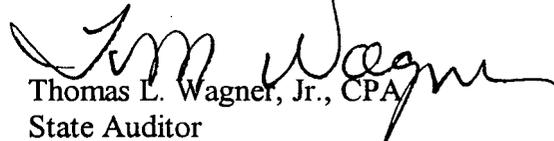
February 25, 2002

The Honorable Jim Hodges, 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, 2001, 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

AUDITED FINANCIAL STATEMENTS,
OTHER FINANCIAL INFORMATION
AND SINGLE AUDIT SECTION

YEAR ENDED JUNE 30, 2001

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DeLOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

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, 2001, 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.

As discussed in *Note 20*, the Office has restated certain accounts to properly reflect the implementation of Governmental Accounting Standards Board Statement No. 33 (GASB 33) "Accounting and Financial Reporting for Nonexchange Transactions".

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, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in *Note 20* that we applied to restate the 2000 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated January 18, 2002, on our consideration of the South Carolina Governor's Office 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 results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the South Carolina Governor's Office. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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.

DeLoach & Williamson, L.L.P.

January 18, 2002

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
Assets and Other Debits					
Cash and cash equivalents	\$ 2,560,473	\$ 110,453,325	\$ -	\$ -	\$ 113,013,798
Cash held by fiscal agent	-	13,671	-	-	13,671
Federal grant revenue receivable	-	913,046	-	-	913,046
Accrued interest	-	6,936	-	-	6,936
Due from Victims' Assistance Fund (Note 4)	-	129,336	-	-	129,336
Due from the State General Fund (Note 6)	757,719	-	-	-	757,719
Fixed assets (Note 9)	-	-	1,609,518	-	1,609,518
Due from other state agencies (Note 15)	-	214,625	-	-	214,625
Amount to be provided for retirement of general long-term debt	-	-	-	1,000,515	1,000,515
Total assets and other debits	\$ 3,318,192	\$ 111,730,939	\$ 1,609,518	\$ 1,000,515	\$ 117,659,164

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

(CONTINUED)

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
Liabilities, Fund Equity, and Other Credits					
Liabilities:					
Accounts payable	\$ 661,546	\$ 988,222	\$ -	\$ -	\$ 1,649,768
Accrued payroll and related liabilities	757,719	565,367	-	-	1,323,086
Deposits held for clients	-	115	-	-	115
Due to Guardian Ad Litem Fund (Note 4)	-	120,335	-	-	120,335
Due to Ombudsman/Citizens Services Fund (Note 4)	-	9,001	-	-	9,001
Due to the State General Fund (Note 7)	1,133,230	-	-	-	1,133,230
Due to fiscal agent (Note 8)	-	13,506,122	-	-	13,506,122
Accrued compensated absences and related benefits (Note 14)	-	-	-	1,000,515	1,000,515
Total liabilities	2,552,495	15,189,162	-	1,000,515	18,742,172

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

(CONTINUED)

	Governmental Fund Types		Account Groups		Totals (Memorandum Only)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	
Fund equity and other credits:					
Investment in general fixed assets	-	-	1,609,518	-	1,609,518
Fund balances:					
Reserved for various restricted purposes (Note 19)	-	96,541,777	-	-	96,541,777
Reserved for restricted appropriations to be carried forward (Note 3)	765,697	-	-	-	765,697
Unreserved, designated for appropriations to be carried forward (Note 3)	-	-	-	-	-
Total fund equity and other credits	<u>765,697</u>	<u>96,541,777</u>	<u>1,609,518</u>	<u>-</u>	<u>98,916,992</u>
Total liabilities, fund equity and other credits	<u>\$ 3,318,192</u>	<u>\$ 111,730,939</u>	<u>\$ 1,609,518</u>	<u>\$ 1,000,515</u>	<u>\$ 117,659,164</u>

See accompanying notes.

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Totals (Memorandum Only)
Revenue			
State appropriations (<i>Note 3</i>)	\$ 14,554,281	\$ -	\$ 14,554,281
Federal grants and programs	-	30,092,025	30,092,025
Other government grants and contributions	-	1,830,857	1,830,857
Interest	-	924,036	924,036
Medicaid reimbursements	-	4,106,433	4,106,433
Education Improvement Act (EIA) allocations	-	2,942,496	2,942,496
Victim restitutions	-	9,887,862	9,887,862
Private donations	-	746,677	746,677
Tobacco Settlement	-	117,862,576	117,862,576
Litter Control Program	-	1,569,379	1,569,379
Miscellaneous	-	282,007	282,007
Total revenue	14,554,281	170,244,348	184,798,629
Expenditures			
Federal grants and programs:			
Personal services	-	909,808	909,808
Employer contributions	-	231,744	231,744
Other operating	-	528,646	528,646
Claims and awards	-	2,992,807	2,992,807
Distributions to subrecipients	-	25,436,607	25,436,607
Finance and administration:			
Personal services	3,184,211	-	3,184,211
Employer contributions	685,911	-	685,911
Other operating	2,340,580	1,300,666	3,641,246
Claims and awards	-	37,010,977	37,010,977

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

(CONTINUED)

	General	Special Revenue	Totals (Memorandum Only)
Expenditures (Continued)			
Intergovernmental affairs:			
Personal services	208,714	-	208,714
Employer contributions	58,217	-	58,217
Other operating	27,429	-	27,429
Continuum of Care:			
Personal services	502,694	3,192,083	3,694,777
Employer contributions	113,211	807,042	920,253
Other operating	154,642	1,078,566	1,233,208
Case services	1,564,353	2,593,180	4,157,533
Distributions to subdivisions	25,000	-	25,000
Foster Care:			
Personal services	374,967	372,867	747,834
Employer contributions	89,492	85,951	175,443
Other operating	86,299	84,684	170,983
Distributions to subdivisions	560,860	-	560,860
Guardian Ad Litem:			
Personal services	506,645	1,222,779	1,729,424
Employer contributions	152,205	433,952	586,157
Other operating	290,503	664,959	955,462
Health and Human Services:			
Personal services	67,351	128,581	195,932
Employer contributions	17,701	31,677	49,378
Other operating	21,023	337,089	358,112
Developmental Disabilities:			
Personal services	61,147	-	61,147
Employer contributions	17,472	-	17,472
Other operating	17,203	-	17,203
Distributions to subdivisions	155,748	-	155,748

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

(CONTINUED)

	General	Special Revenue	Totals (Memorandum Only)
Expenditures (Continued)			
Ombudsman/Citizen Services:			
Personal services	238,397	88,920	327,317
Employer contributions	58,756	23,886	82,642
Other operating	34,536	14,278	48,814
Victims' Assistance:			
Personal services	-	775,832	775,832
Employer contributions	-	197,243	197,243
Other operating	-	714,103	714,103
Claims and awards	177,716	5,709,880	5,887,596
Distributions to subrecipients	419,020	1,998,787	2,417,807
Veterans' Affairs:			
Personal services	618,414	-	618,414
Employer contributions	151,008	-	151,008
Other operating	296,510	21,000	317,510
Distributions to subdivisions	582,178	-	582,178
Commission on Women:			
Personal services	128,248	-	128,248
Employer contributions	30,242	-	30,242
Other operating	24,602	-	24,602
Children Affairs:			
Personal services	112,418	-	112,418
Employer contributions	29,909	-	29,909
Other operating	169,639	-	169,639
Case services	2,637	-	2,637

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

(CONTINUED)

	General	Special Revenue	Totals (Memorandum Only)
Expenditures (Continued)			
Small and Minority Business:			
Personal services	137,459	-	137,459
Employer contributions	33,388	-	33,388
Other operating	27,618	-	27,618
Economic Opportunity:			
Distributions to subrecipients	-	567,489	567,489
Remitted to State General Fund	1,133,230	-	1,133,230
Total expenditures	15,689,503	89,556,083	105,245,586
Excess (deficit) of revenue over (under) expenditures	(1,135,222)	80,688,265	79,553,043
Other Financing Uses			
Recoveries of indirect costs of federal grants and certain earmarked funds remitted to the General Fund of the State	-	(114,288)	(114,288)
Total other financing uses	-	(114,288)	(114,288)
Excess (deficit) of revenue over (under) expenditures and other financing uses	(1,135,222)	80,573,977	79,438,755
Fund balances, beginning of year, as restated	1,900,919	15,967,800	17,868,719
Fund balances, end of year	\$ 765,697	\$ 96,541,777	\$ 97,307,474

See accompanying notes.

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINED STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL
 ALL BUDGETED FUNDS
 YEAR ENDED JUNE 30, 2001

	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	\$ 3,263,852	\$ 3,153,923	\$ 109,929	\$ -	\$ -	\$ -	\$ 3,263,852	\$ 3,153,923	\$ 109,929
Employer contributions	817,259	742,017	75,242	-	-	-	817,259	742,017	75,242
Other operating	1,660,505	1,190,675	469,830	2,500,000	1,110,520	1,389,480	4,160,505	2,301,195	1,859,310
Special items:									
Implementing federal programs	398,368	55,321	343,047	-	-	-	398,368	55,321	343,047
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	1,200	-	1,200	-	-	-	1,200	-	1,200
Appalachian Regional Commission	76,028	36,000	40,028	-	-	-	76,028	36,000	40,028
Litter Control Program	534,600	534,600	-	-	-	-	534,600	534,600	-
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	6,258	6,225	33	-	-	-	6,258	6,225	33
Governor's School Gifted Children	267,869	267,869	-	-	-	-	267,869	267,869	-
Governor's School Supplemental	100,000	100,000	-	-	-	-	100,000	100,000	-
Office of Guardian Ad Litem:									
Personal services	589,000	510,966	78,034	1,599,115	1,204,104	395,011	2,188,115	1,715,070	473,045
Employer contributions	158,271	120,341	37,930	394,095	325,073	69,022	552,366	445,414	106,952
Other operating	305,000	290,503	14,497	1,181,287	782,119	399,168	1,486,287	1,072,622	413,665

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED 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	397,311	377,051	20,260	377,742	365,013	12,729	775,053	742,064	32,989
Employer contributions	106,761	88,802	17,959	93,094	98,544	(5,450)	199,855	187,346	12,509
Other operating	100,000	86,256	13,744	94,029	84,670	9,359	194,029	170,926	23,103
South Carolina Protection and Advocacy	560,860	560,860	-	-	-	-	560,860	560,860	-
Office of Continuum of Care:									
Personal services	404,182	390,732	13,450	3,888,173	3,282,236	605,937	4,292,355	3,672,968	619,387
Employer contributions	104,994	92,024	12,970	990,969	901,252	89,717	1,095,963	993,276	102,687
Other operating	175,000	154,643	20,357	1,442,352	640,041	802,311	1,617,352	794,684	822,668
Case services	1,928,068	1,564,353	363,715	8,548,519	3,031,693	5,516,826	10,476,587	4,596,046	5,880,541
Distributions to subdivisions	57,238	25,000	32,238	-	-	-	57,238	25,000	32,238
Office of Small and Minority Business									
Personal services	138,659	136,889	1,770	-	-	-	138,659	136,889	1,770
Employer contributions	37,259	32,240	5,019	-	-	-	37,259	32,240	5,019
Other operating	30,000	27,618	2,382	-	-	-	30,000	27,618	2,382
Office of Economic Opportunity:									
Personal services	-	-	-	770,884	634,180	136,704	770,884	634,180	136,704
Employer contributions	-	-	-	185,747	161,614	24,133	185,747	161,614	24,133
Other operating	-	-	-	446,451	291,851	154,600	446,451	291,851	154,600
Distributions to subdivisions	-	-	-	27,032,464	25,466,800	1,565,664	27,032,464	25,466,800	1,565,664

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINED 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 Victims' Assistance:									
Personal services	-	-	-	957,162	762,694	194,468	957,162	762,694	194,468
Employer contributions	-	-	-	235,888	205,904	29,984	235,888	205,904	29,984
Other operating	-	-	-	9,604,670	8,806,186	798,484	9,604,670	8,806,186	798,484
Distributions to subdivisions	-	-	-	2,495,224	1,998,787	496,437	2,495,224	1,998,787	496,437
Victims' Rights	179,682	177,716	1,966	-	-	-	179,682	177,716	1,966
Victims' Witness	340,948	340,948	-	-	-	-	340,948	340,948	-
SCVAN	78,072	78,072	-	-	-	-	78,072	78,072	-
Office of Health and Human Services:									
Personal services	99,110	72,902	26,208	199,105	147,545	51,560	298,215	220,447	77,768
Employer contributions	26,632	17,170	9,462	48,805	39,566	9,239	75,437	56,736	18,701
Other operating	48,500	20,967	27,533	503,439	337,860	165,579	551,939	358,827	193,112
Office of Developmental Disabilities:									
Personal services	61,681	61,681	-	175,005	166,446	8,559	236,686	228,127	8,559
Employer contributions	16,574	14,527	2,047	42,168	42,417	(249)	58,742	56,944	1,798
Other operating	30,000	17,259	12,741	85,000	61,535	23,465	115,000	78,794	36,206
Distributions to subdivisions	162,847	155,748	7,099	1,604,705	538,550	1,066,155	1,767,552	694,298	1,073,254
Office of Veterans' Affairs:									
Personal services	620,764	618,576	2,188	-	-	-	620,764	618,576	2,188
Employer contributions	166,805	145,685	21,120	-	-	-	166,805	145,685	21,120
Other operating	282,200	282,310	(110)	40,000	20,000	20,000	322,200	302,310	19,890
Distributions to subdivisions	582,178	582,178	-	-	-	-	582,178	582,178	-
Special item:									
POW Commission	1,375	934	441	-	-	-	1,375	934	441
Veterans' Roster	13,266	13,266	-	-	-	-	13,266	13,266	-

SOUTH CAROLINA GOVERNOR'S OFFICE
 COMBINED 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 Commission on Women:									
Personal services	127,759	127,759	-	-	-	-	127,759	127,759	-
Employer contributions	34,330	30,089	4,241	-	-	-	34,330	30,089	4,241
Other operating	24,750	24,602	148	-	-	-	24,750	24,602	148
Office of Ombudsman/Citizen Services:									
Personal services	229,502	228,710	792	192,760	180,813	11,947	422,262	409,523	12,739
Employer contributions	61,669	53,865	7,804	46,939	47,416	(477)	108,608	101,281	7,327
Other operating	41,000	34,536	6,464	61,832	40,225	21,607	102,832	74,761	28,071
Office of Children's Affairs:									
Personal services	118,907	112,355	6,552	-	-	-	118,907	112,355	6,552
Employer contributions	31,951	26,462	5,489	-	-	-	31,951	26,462	5,489
Other operating	18,500	15,811	2,689	-	-	-	18,500	15,811	2,689
Children's Case Resolution System	172,181	156,466	15,715	-	-	-	172,181	156,466	15,715
Office of Intergovernmental Affairs:									
Personal services	263,774	214,693	49,081	-	-	-	263,774	214,693	49,081
Employer contributions	70,879	50,564	20,315	-	-	-	70,879	50,564	20,315
Other operating	28,000	27,429	571	-	-	-	28,000	27,429	571
Total expenditures	<u>\$ 16,303,129</u>	<u>\$ 14,398,939</u>	<u>\$ 1,904,190</u>	<u>\$ 65,837,623</u>	<u>\$ 51,775,654</u>	<u>\$ 14,061,969</u>	<u>\$ 82,140,752</u>	<u>\$ 66,174,593</u>	<u>\$ 15,966,159</u>

See accompanying notes.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

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 and account groups 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 18*). 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)

Basis of Presentation and Description of Funds

The financial statements of the Governor's Office are presented in accordance with generally accepted accounting principles applicable to state and local government units as promulgated by the Governmental Accounting Standards Board (GASB). The GASB is the recognized standard-setting body for accounting and reporting principles for state and local governmental units. Such standards require governments to use fund and account groups to report their financial positions and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein, which are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Separate general ledger accounts are maintained for each fund. In the accompanying financial statements, funds having similar characteristics have been combined by fund type, and transactions have been reported by fund type.

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.

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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.

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 quota 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 legislative 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 \$855,439 of interest on said proceeds to reimburse tobacco growers, tobacco quota holders and tobacco warehousemen for actual losses due to reduced quotas since 1998.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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.

General Fixed Assets Account Group

Fixed assets used in the operations of governmental fund types (General Fixed Assets) are accounted for in the general fixed asset account group. Details of fixed assets are shown in *Note 9*.

General Long-Term Debt Account Groups

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group. Such liabilities include the compensated absences liability. Details of long-term debt are shown in *Note 14*.

Totals Columns

Totals columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to consolidations. Interfund eliminations have not been made in the aggregation of this data.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Pronouncement

During the year ended June 30, 2001, the Office implemented Governmental Accounting Standards Board Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions". This statement changed the recognition of revenue arising from nonexchange transactions. Nonexchange transactions involving financial or capital resources are transactions in which the Office either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. Types of nonexchange transactions as defined by GASB 33 in which the Office engages include "voluntary nonexchange transactions" (Tobacco Settlement Revenue, Tobacco Loss Assistance Program and certain federal grants).

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State appropriations are recorded as revenue in the general fund in the year for which granted and made available by the South Carolina General Assembly; federal grant and federal program (TLAP) revenue is recorded in the Special Revenue Funds when all eligibility requirements are met and the resources are measurable and available to finance expenditures of the current period; and expenditures are recorded when goods or services are received. All other special fund revenues, including the Tobacco Settlement revenue, are recognized then they become both measurable and available to finance expenditures of the fiscal period. All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

Budget Policy (Continued)

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 2001/2002 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. A reconciliation 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 2000-01 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 16*.

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, 2001, these funds amounted to \$13,671 and were a part of the Tobacco Loss Assistance Program of the Special Revenue Fund.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

General Fixed Assets

Fixed assets are recorded in the general fixed assets account group at cost or estimated historical cost. The Office's policy is to only capitalize fixed assets with a cost of \$1,000 or more and an estimated useful life of 24 months or greater. Purchases of general office furniture, fixtures and equipment are recorded as expenditures in the governmental funds and simultaneously capitalized at cost as additions in general fixed assets accounting records. In many cases, costs for fixed assets purchased in prior years were estimated on the basis of price levels at the time of acquisition as well as costs of similar assets. Permanent improvement expenditures represent buildings that upon completion are transferred from the state to other entities, and, therefore, are not capitalized. Donated assets and those transferred in from other divisions and agencies as a result of restructuring are recorded at cost or estimated historical cost of the predecessor agency. Assets donated by non-state/private entities are recorded at fair market value at the time of donation. In accordance with government generally accepted account principles, the Governor's Office does not record depreciation expense or accumulated depreciation in the general fixed assets account group.

Compensated Absences

Compensated absences are recorded in the general long-term debt 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 14*.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

Fund Balance

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 fund balance that is not appropriate 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 equity is computed as total fund equity less reserved amounts. The undesignated fund balance is unreserved fund equity, which has not been designated by management.

Interfund Transactions

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (Continued)

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 \$114,288 in fiscal year 2001. The Office did not retain any indirect cost recoveries in fiscal year 2001.

Federal Revenue Receivable

Federal grant revenue receivable represents expenditures incurred through June 30, 2001, for federal programs/projects but not reimbursed until fiscal year 2002.

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.

New GASB Pronouncement

On June 30, 1999, Governmental Accounting Standards Board (GASB) issued Statement Number 34. This statement will change the reporting model of governmental entities. The Office plans to follow the implementation schedule for the State.

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Phase 1 governments with total annual revenues of \$100 million or more should implement this Statement in financial statements for periods beginning after June 15, 2001. The State and the Office will implement this guidance for fiscal year 2002.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

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 Combined Statement of Expenditures-Budget and Actual-All Budgeted Funds presented on pages 10-13 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 —

2. Budgetary Reporting Basis (Continued)

The following schedule reconciles the differences:

	Financial Statement Fund Type		Budgetary Fund Category	
	General	Special Revenue	General Fund	Other
Expenditures on GAAP basis	\$ 15,689,503	\$ 89,556,083	\$ -	\$ -
Fund reclassification:				
State appropriations	(14,556,273)	-	14,556,273	-
Federal programs	-	(29,458,884)	-	29,458,884
Other budgeted funds	-	(22,254,338)	-	22,254,338
Unbudgeted accounts:				
Continuum of Care:				
Client trust funds	-	(12)	-	-
Tobacco Loss Assistance Program	-	(640,728)	-	-
Tobacco Settlement	-	(37,201,121)	-	-
Veterans' Affairs:				
Refund of donation	-	(1,000)	-	-
Remitted to State General Fund	(1,133,230)	-	-	-
Net accruals:				
Personal services	-	-	(133,610)	52,147
Employer contributions	-	-	(23,724)	10,285
Expenditures on legal basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,398,939</u>	<u>\$ 51,775,654</u>

In March 2000, \$17,836,348 was transferred to the State by the United States Department of Agriculture under the Tobacco Loss Assistance Program (TLAP). TLAP is a government-to-government program created to use Commodity Credit Corporation funds; it makes payments to States on behalf of persons 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 in the amount of \$32,271 has been earned, collected and distributed to eligible tobacco growers as claims and awards expenditures. Additional interest of \$6,662 on TLAP funds was earned in fiscal year 2001 and was receivable at year-end. \$584,803 of the TLAP Funds is held by the State Treasurers' Office in a trust account for the Office. The remaining TLAP Funds, \$13,671, are held by a fiscal agent.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Budgetary Reporting Basis (Continued)

During fiscal year 2001, the Office received \$117,862,576 of bond proceeds and \$855,439 of interest on said proceeds to reimburse tobacco growers, tobacco quota holders and tobacco warehousemen for actual losses due to reduced quotas since 1998. This bond was issued under the authority of the South Carolina Tobacco Community Development Board as discussed in *Note 1*. In June 2001, \$37,201,121 was disbursed for claims and awards to tobacco growers and operating expenses.

3. State Appropriations

The 2000-2001 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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

3. State Appropriations (Continued)

	Mansion and Grounds	Executive Control of State	Office of Executive Policy and Programs	Total
Original appropriation	\$ 322,254	\$ 1,754,656	\$ 11,952,210	\$ 14,029,120
Appropriations Reductions (Part IV of 2001 Appropriation Act):	(3,310)	(18,091)	(121,967)	(143,368)
Appropriation allocations by State Budget & Control Board mandated by proviso:				
Employee pay plan and related employer contributions (Proviso 63C.10)	9,092	57,008	272,277	338,377
SC State Budget and Control Board 401k contribution (Proviso 63G.6)	375	3,225	20,458	24,058
Appropriations transferred to:				
SC State Budgeted Control Board for Human Resource functions of the Office	-	-	(11,240)	(11,240)
Appropriations transferred from:				
Various State agencies for funding of World War II Memorial in Washington, D.C.	-	-	160,000	160,000
Appropriations transferred within Governor's Office	169,874	100,000	(269,874)	-
Revised appropriations-legal basis	498,285	1,896,798	12,001,864	14,396,947
Net adjustments to modified accrual basis:				
Personal services	18,271	(18,119)	133,458	133,610
Employer contributions	3,348	(2,921)	23,297	23,724
Revenue from state appropriations	\$ 519,904	\$ 1,875,758	\$ 12,158,619	\$ 14,554,281

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

3. State Appropriations (Continued)

	Mansion and Grounds	Executive Control of State	Office of Executive Policy and Programs	Total
Revised appropriations	\$ 498,285	\$ 1,896,798	\$ 12,001,864	\$ 14,396,947
Brought-forward appropriations from fiscal year ended June 30, 2000:				
(a) Implementing federal programs-match	-	-	299,852	299,852
(b) Continuum of Care case services	-	-	610,048	610,048
(c) Mining Council	-	-	1,836	1,836
(h) Veteran's Roster	-	-	13,266	13,266
(g) Unspent appropriations	15,507	104,689	860,984	981,180
Legal basis appropriation available for 2001 expenditures	\$ 513,792	\$ 2,001,487	\$ 13,787,850	\$ 16,303,129
Approved carry forward of appropriated funds to fiscal year 2002:				
(d) Implementing federal programs-match	\$ -	\$ -	\$ 343,047	\$ 343,047
(e) Continuum of Care case services	-	-	685,601	685,601
(f) Littlefield case	-	-	3,567	3,567
	-	-	1,032,215	1,032,215
Less accounts payable	-	-	(266,518)	(266,518)
Total carry forward accrual basis	\$ -	\$ -	\$ 765,697	\$ 765,697
Reserved for restricted appropriations				765,697
Unreserved, designated for appropriations				-
				\$ 765,697

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 2000 for expenditures in fiscal year 2001 and to carry forward unspent appropriations from fiscal year 2001 to expenditure in fiscal year 2002. The restricted purposes are noted in the captions for the referenced amounts on page 22 and page 23.

- (a) 2001 Appropriations Act, Proviso 56DD.1
- (b) 2001 Appropriations Act, Proviso 56DD.23
- (c) 2001 Appropriations Act, Proviso 56DD.2
- (d) 2002 Appropriations Act, Proviso 56DD.1
- (e) 2002 Appropriations Act, Proviso 56DD. 23
- (f) 2002 Appropriations Act, Proviso 72.43
- (g) 2001 Appropriations Act, Proviso 72.44
- (h) 2001 Appropriations Act, Proviso 56DD.31

Annual fiscal year 2001 appropriations of \$765,697 for implementing federal programs, Continuum of Care services, and the Littlefield case are approved for carry forward to fiscal year 2002 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.

In June 2001, the South Carolina State Budget and Control Board transferred \$24,058 to the Governor's Office for contributions to the 401k accounts of state employees as provided by Proviso 63G.6 under the 2001 Appropriations Act.

In fiscal year 1999, the human resource function of the Office was transferred to the South Carolina State Budget and Control Board. In October 2000, \$7,877 for salary and fringe benefits and \$3,363 for base pay increase for human resource personnel was transferred to the South Carolina State Budget and Control Board.

Salary and fringe-human resources	7,877
Base pay increase	3,363
	<hr/>
	\$ 11,240
	<hr/> <hr/>

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. Interfund Receivables And Payables

At June 30, 2001, the Victims' Assistance Special Revenue Fund owed \$120,335 to the Guardian Ad Litem Special Revenue Fund and \$9,001 to the Ombudsman Special Revenue Fund for funding for payroll expenditures. The Guardian Ad Litem and Ombudsman/Citizens Services Funds will be reimbursed for these short-term loans from funds received in fiscal year 2002.

5. 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 2001, total payments under this lease were \$475,992. 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 2001, total payments under this lease were \$245,745. The Governor's Office anticipates that such lease expenditures will remain at approximately the same level for fiscal year 2002 and subsequent years.

The Governor's Office leased non-state owned real property under noncancelable operating leases. The rent expense under these leases was \$673,336 in fiscal year 2001. These leases expire between 2002 and 2006. 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 2002 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 2001, total payments were \$149,685, and the Governor's Office anticipates that such lease expenditures will remain at approximately the same level for 2002 and subsequent years. These leases expire between 2002 and 2006 and do not contain renewal options or escalation clauses. When these leases expire, they will be replaced with similar leases for equipment.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Operating Leases (Continued)

Future minimum lease payments required under noncancelable operating leases that have remaining lease terms of more than one year as of June 30, 2001, are:

<u>Years Ending June 30,</u>	
2002	\$ 361,351
2003	320,195
2004	246,903
2005	136,076
2006	82,682
	<u>\$ 1,147,207</u>

6. 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.

7. Due To State General Fund

At June 30, 2001, the Office had \$1,133,230 of appropriations to be remitted back to the State General Fund due to the lapse in funds.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Due to Fiscal Agent

The account shown in the financial statements “due to fiscal agent” represents amount the fiscal agent has disbursed and the Office had not transferred to the fiscal agent as of June 30, 2001. These funds amount to \$13,506,122 and were a part of the Tobacco Community Trust Fund.

9. Changes In General Fixed Assets

A summary of changes in general fixed assets follows:

	General Fixed Assets July 1, 2000	Additions	Deletions and Retirements	General Fixed Assets June 30, 2001
Furniture and equipment:				
Executive Control of State	\$ 41,989	\$ 2,047	\$ -	\$ 44,036
Office of Executive Policy and Programs	1,758,001	279,861	(472,380)	1,565,482
Total	\$ 1,799,990	\$ 281,908	\$ (472,380)	\$ 1,609,518

The Office capitalizes qualifying equipment with a unit cost of \$1,000 or more and a life of two years or more.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

10. 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 —

10. 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, 2001, was \$11,800,297. 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:

	June 30, 2001	June 30, 2000	June 30, 1999
Employer contribution rate	7.55%	7.55%	7.55%
Employer contribution	\$ 890,922	\$ 763,499	\$ 727,327
Employee contributions	\$ 711,714	\$ 606,754	\$ 578,008

In addition, the Governor's office paid \$17,939 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 —

10. 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).

11. 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 —

11. 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 \$939,238 for the year ended June 30, 2001. As discussed in *Note 10*, the Office paid \$254,886 for the year ended June 30, 2001, 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.

12. 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 —

12. 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 2001, the State contributed \$300 to the 401(k) accounts of each eligible State employee.

13. 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 —

13. 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 —

13. 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.

14. Changes In General Long-Term Debt

A summary of changes in general long-term debt follows:

	General Long-Term Debt June 30, 2000	Net Additions and (Retirements)	General Long-Term Debt June 30, 2001
Accrued compensated absences:			
Mansion and Grounds	\$ 15,616	\$ 5,347	\$ 20,963
Executive Control of State	116,640	(31,743)	84,897
Office of Executive Policy and Programs	817,929	76,726	894,655
Total	\$ 950,185	\$ 50,330	\$ 1,000,515

Changes in accrued compensated absences are recorded at net because gross additions and retirement amounts are not available.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

15. 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 \$211,699 for telephone services, \$378,818 for computer services, \$73,009 for printing services, \$7,500 for building renovations, \$6,494 for photocopy services, \$9,610 for postage and freight, \$1,900 for electricity, \$2,046 for data processing equipment, \$24,456 for salaries, \$7,659 for Workers Compensation insurance, \$1,871 for social security, \$8,314 for retirement and \$32,072 for office supplies. The Governor's Office paid the South Carolina Department of Corrections \$25,157 for office supplies, \$7,763 for printing, and paid the University of South Carolina \$3,500 for data processing services. Also, \$54,697 was paid to the State Budget and Control Board Office of Insurance Services for insurance. The State Accident Fund was paid \$39,938 for Worker's Compensation Insurance and the Employment Security Commission was paid \$62,177 for Unemployment Insurance. The Office paid legislative printing \$1,500 for office supplies.

The Governor's Office received Title XIX allocations from the Department of Health and Human Services which have been reported as Medicaid reimbursements. The Continuum of Care received \$2,214,990 in Title XIX allocations. A receivable of \$214,625 for unreimbursed expenditures has been recorded as due from other state agencies in various special revenue funds, primarily the Continuum of Care which reports a \$209,762 receivable.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

15. Transactions With State Entities (Continued)

The Governor's Office paid the University of South Carolina, the South Carolina Department of Disabilities and Special Needs, the South Carolina Department of Social Services, the South Carolina Department of Mental Health, the South Carolina Department of Vocational Rehabilitation and the South Carolina School for the Deaf and Blind \$65,940, \$2,594, \$60,000, \$2,500, \$4,537, and \$41,705, respectively for contractual services. \$50,206 was paid to the South Carolina School for the Deaf and Blind for other professional services. The Office paid \$1,553 to the Probation Parole and Pardon for testing supplies and \$1,483 for salaries. The Governor's Office paid the South Carolina Department of Health and Human Services, the South Carolina Department of Mental Health, Medical University of South Carolina and the South Carolina Department of Disabilities and Special Needs \$1,480,053, \$610,734, \$6,750 and \$14,954, respectively, for case services. Also, \$412,648, \$3,550 and \$2,576 were paid to the Medical University of South Carolina, the South Carolina Department of Mental Health, and South Carolina Department Health and Environmental Control, respectively, for indemnity claims and awards. The Office paid University of South Carolina, the Budget and Control Board and the State Bar \$4,227, \$18,203, \$1,070, respectively, for in state registration fees.

The Office of Continuum of Care of the Governor's Office received \$2,942,496 of EIA money from the South Carolina State Department of Education. Continuum of Care also 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 \$1,089,044 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.

In October 2000, the 2000/2001 State General Fund appropriation of \$7,877 for salary and fringe benefits and \$3,363 for base pay increase for human resource personnel was transferred to the South Carolina State Budget and Control Board. (See *Note 3*)

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

16. 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 balance sheet amounts:

	Balance Sheet	Footnotes
Deposits with State Treasurer's Office	\$ -	\$ 113,013,798
Cash and cash equivalents	113,013,798	-
Cash held by fiscal agent	13,671	-
Other deposits	-	13,671
Total	\$ 113,027,469	\$ 113,027,469

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, 2001, 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.

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

16. Cash Deposits (Continued)

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. At June 30, 2001, the other deposits of the Office were as follows:

	Category			Total	Carrying
	1	2	3	Bank	Amount
	Balance			Balance	Amount
Other deposits	\$ 50,808	\$ -	\$ -	\$ 50,808	\$ 13,671

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.

17. Litigation and Contingencies

At June 30, 2001, 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.

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.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

18. 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 2001.

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 —

19. 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	\$ 110,659
Case management Medicaid	829,952
Total Continuum of Care	940,611
Foster Care:	
Local review board	35,009
Victims' Assistance:	
Trust fund for claims	11,719,445
Economic Opportunity:	
Donations	169,208
Guardian Ad Litem:	
Operations	157,515
Health and Human Services:	
Caring for Tomorrow's Children	127,977
Ombudsman/Citizen Services:	
Operations	12,394
Finance and Administration:	
Legacy Trust Fund	24,130
Litter Control Task Force	458,858
Tobacco Settlement	81,516,894
Total financial administration	81,999,882
Federal Program:	
Tobacco Loss Assistance Program	1,379,736
Total reserved fund balance	\$ 96,541,777

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

20. Restatement

Due to the implementation of Governmental Accounting Standards Board Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", certain accounts from the prior year have been restated. These accounts have been restated to recognize revenue, which previously had been deferred (see *Note 1*).

	Deferred Federal Grant Revenue	Deferred TLAP Revenue	Federal Grants & Programs Fund Balance
Balance at June 30, 2000	\$ 227,517	\$1,068,767	\$ 138,164
Restatement	(227,517)	(1,068,767)	1,296,284
Balance as restated	\$ -	\$ -	\$ 1,434,448

OTHER FINANCIAL INFORMATION

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
GENERAL FUND BY DIVISION

JUNE 30, 2001

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 25,134	\$ 110,382	\$ 2,424,957	\$ 2,560,473
Due from the State General Fund	41,471	108,809	607,439	757,719
Total assets	<u>\$ 66,605</u>	<u>\$ 219,191</u>	<u>\$ 3,032,396</u>	<u>\$ 3,318,192</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 10,546	\$ 13,957	\$ 637,043	\$ 661,546
Accrued payroll	41,471	108,809	607,439	757,719
Due to the State General Fund	14,588	96,425	1,022,217	1,133,230
Total liabilities	<u>66,605</u>	<u>219,191</u>	<u>2,266,699</u>	<u>2,552,495</u>
Fund equity:				
Fund balances				
Reserved for restricted appropriations to be carried forward	-	-	765,697	765,697
Unreserved, designated for appropriations to be carried forward	-	-	-	-
Total fund equity	<u>-</u>	<u>-</u>	<u>765,697</u>	<u>765,697</u>
Total liabilities and fund equity	<u>\$ 66,605</u>	<u>\$ 219,191</u>	<u>\$ 3,032,396</u>	<u>\$ 3,318,192</u>

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND BY DIVISION

YEAR ENDED JUNE 30, 2001

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
Revenue				
State appropriations	\$ 519,904	\$ 1,875,758	\$ 12,158,619	\$ 14,554,281
Total revenue	<u>519,904</u>	<u>1,875,758</u>	<u>12,158,619</u>	<u>14,554,281</u>
Expenditures				
Finance and Administration:				
Personal services	230,112	1,233,651	1,720,448	3,184,211
Employer contributions	50,919	293,429	341,563	685,911
Other operating	239,792	356,942	1,743,846	2,340,580
Intergovernmental Affairs:				
Personal services	-	-	208,714	208,714
Employer contributions	-	-	58,217	58,217
Other operating	-	-	27,429	27,429
Continuum of Care:				
Personal services	-	-	502,694	502,694
Employer contributions	-	-	113,211	113,211
Other operating	-	-	154,642	154,642
Case services	-	-	1,564,353	1,564,353
Distributions to subdivisions	-	-	25,000	25,000
Education:				
Personal services	-	-	-	-
Employer contributions	-	-	-	-
Other operating	-	-	-	-
Foster Care:				
Personal services	-	-	374,967	374,967
Employer contributions	-	-	89,492	89,492
Other operating	-	-	86,299	86,299
Distributions to subdivisions	-	-	560,860	560,860

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND BY DIVISION

(CONTINUED)

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
Expenditures (Continued)				
Guardian Ad Litem:				
Personal services	-	-	506,645	506,645
Employer contributions	-	-	152,205	152,205
Other operating	-	-	290,503	290,503
Health and Human Services:				
Personal services	-	-	67,351	67,351
Employer contributions	-	-	17,701	17,701
Other operating	-	-	21,023	21,023
Developmental Disabilities:				
Personal services	-	-	61,147	61,147
Employer contributions	-	-	17,472	17,472
Other operating	-	-	17,203	17,203
Distributions to subdivisions	-	-	155,748	155,748
Ombudsman/Citizen Services:				
Personal services	-	-	238,397	238,397
Employer contributions	-	-	58,756	58,756
Other operating	-	-	34,536	34,536
Victims' Assistance:				
Claims and awards	-	-	177,716	177,716
Distributions to subrecipients	-	-	419,020	419,020
Veterans' Affairs:				
Personal services	-	-	618,414	618,414
Employer contributions	-	-	151,008	151,008
Other operating	-	-	296,510	296,510
Distributions to subdivisions	-	-	582,178	582,178
Commission on Women:				
Personal services	-	-	128,248	128,248
Employer contributions	-	-	30,242	30,242
Other operating	-	-	24,602	24,602

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND BY DIVISION

(CONTINUED)

	<u>Mansions and Grounds</u>	<u>Executive Control of State</u>	<u>Office of Executive Policy and Programs</u>	<u>Totals</u>
Expenditures (Continued)				
Children Affairs:				
Personal services	-	-	112,418	112,418
Employer contributions	-	-	29,909	29,909
Other operating	-	-	169,639	169,639
Case services	-	-	2,637	2,637
Small and Minority Business:				
Personal services	-	-	137,459	137,459
Employer contributions	-	-	33,388	33,388
Other operating	-	-	27,618	27,618
Remitted to State General Fund	14,588	96,425	1,022,217	1,133,230
Total expenditures	<u>535,411</u>	<u>1,980,447</u>	<u>13,173,645</u>	<u>15,689,503</u>
Excess of revenue over (under)				
expenditures	(15,507)	(104,689)	(1,015,026)	(1,135,222)
Fund balances, beginning of year	<u>15,507</u>	<u>104,689</u>	<u>1,780,723</u>	<u>1,900,919</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,697</u>	<u>\$ 765,697</u>

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

YEAR ENDED JUNE 30, 2001

	Mansions and Grounds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:			
Personal services	\$ 212,990	\$ 211,841	\$ 1,149
Employer contributions	48,188	47,571	617
Other operating	252,614	239,792	12,822
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)

	Mansions and Grounds (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
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)

	Mansions and Grounds (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Children Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Total expenditures	<u>\$ 513,792</u>	<u>\$ 499,204</u>	<u>\$ 14,588</u>

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

YEAR ENDED JUNE 30, 2001

	Executive Control of State		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:			
Personal services	\$ 1,292,426	\$ 1,251,770	\$ 40,656
Employer contributions	296,563	296,350	213
Other operating	412,498	356,942	55,556
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	-	-	-
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)

	Executive Control of State (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
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)

	Executive Control of State (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Ombudsman/Citizen Services:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Office of Children Affairs:			
Personal services	-	-	-
Employer contributions	-	-	-
Other operating	-	-	-
Total expenditures	<u>\$ 2,001,487</u>	<u>\$ 1,905,062</u>	<u>\$ 96,425</u>

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

YEAR ENDED JUNE 30, 2001

	Office of Executive Policy and Programs		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:			
Personal services	\$ 1,758,436	\$ 1,690,312	\$ 68,124
Employer contributions	472,508	398,096	74,412
Other operating	995,393	593,941	401,452
Special items:			
Implementing federal programs	398,368	55,321	343,047
Southern growth policies	26,312	26,312	-
Southern States Energy Board	31,372	31,372	-
Poet Laureate	1,200	-	1,200
Appalachian Regional Commission	76,028	36,000	40,028
Litter control program	534,600	534,600	-
Southern Governor's Association	7,110	7,110	-
National Governor's Association	85,957	85,957	-
Mining Council	6,258	6,225	33
Governor's School Gifted Children	267,869	267,869	-
Governor's School Supplemental	100,000	100,000	-
Office of Guardian Ad Litem:			
Personal services	589,000	510,966	78,034
Employer contributions	158,271	120,341	37,930
Other operating	305,000	290,503	14,497
Office of Foster Care:			
Personal services	397,311	377,051	20,260
Employer contributions	106,761	88,802	17,959
Other operating	100,000	86,256	13,744
South Carolina Protection and Advocacy	560,860	560,860	-
Office of Continuum of Care:			
Personal services	404,182	390,732	13,450
Employer contributions	104,994	92,024	12,970
Other operating	175,000	154,643	20,357
Case services	1,928,068	1,564,353	363,715
Distribution to subdivisions	57,238	25,000	32,238

(CONTINUED)

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

(CONTINUED)

	Office of Executive Policy and Programs (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Small & Minority Business			
Personal services	138,659	136,889	1,770
Employer contributions	37,259	32,240	5,019
Other operating	30,000	27,618	2,382
Office of Victims' Assistance:			
Victims' Rights	179,682	177,716	1,966
Victims' Witness	340,948	340,948	-
SCVAN	78,072	78,072	-
Office of Health and Human Services:			
Personal services	99,110	72,902	26,208
Employer contributions	26,632	17,170	9,462
Other operating	48,500	20,967	27,533
Office of Developmental Disabilities:			
Personal services	61,681	61,681	-
Employer Contributions	16,574	14,527	2,047
Other operating	30,000	17,259	12,741
Distribution to subdivisions	162,847	155,748	7,099
Office of Veterans' Affairs:			
Personal services	620,764	618,576	2,188
Employer contributions	166,805	145,685	21,120
Other operating	282,200	282,310	(110)
Distribution to subdivisions	582,178	582,178	-
Special items:			
POW Commission	1,375	934	441
Veterans' Roster	13,266	13,266	-

SOUTH CAROLINA GOVERNOR'S OFFICE

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

(CONTINUED)

	Office of Executive Policy and Programs (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Commission on Women:			
Personal services	127,759	127,759	-
Employer contributions	34,330	30,089	4,241
Other operating	24,750	24,602	148
Office of Ombudsman/Citizen Services			
Personal services	229,502	228,710	792
Employer Contributions	61,669	53,865	7,804
Other operating	41,000	34,536	6,464
Office of Children's Affairs			
Personal services	118,907	112,355	6,552
Employer Contributions	31,951	26,462	5,489
Other operating	18,500	15,811	2,689
Children's case resolution system	172,181	156,466	15,715
Office of Intergovernmental Affairs			
Personal services	263,774	214,693	49,081
Employer Contributions	70,879	50,564	20,315
Other operating	28,000	27,429	571
Total expenditures	<u>\$ 13,787,850</u>	<u>\$ 11,994,673</u>	<u>\$ 1,793,177</u>

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

YEAR ENDED JUNE 30, 2001

	Total Budgetary General Fund		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Administration:			
Personal services	\$ 3,263,852	\$ 3,153,923	\$ 109,929
Employer contributions	817,259	742,017	75,242
Other operating	1,660,505	1,190,675	469,830
Special items:			
Implementing federal programs	398,368	55,321	343,047
Southern growth policies	26,312	26,312	-
Southern States Energy Board	31,372	31,372	-
Poet Laureate	1,200	-	1,200
Appalachian Regional Commission	76,028	36,000	40,028
Litter control program	534,600	534,600	-
Southern Governor's Association	7,110	7,110	-
National Governor's Association	85,957	85,957	-
Mining Council	6,258	6,225	33
Governor's School Gifted Children	267,869	267,869	-
Governor's School Supplemental	100,000	100,000	-
Office of Guardian Ad Litem:			
Personal services	589,000	510,966	78,034
Employer contributions	158,271	120,341	37,930
Other operating	305,000	290,503	14,497
Office of Foster Care:			
Personal services	397,311	377,051	20,260
Employer contributions	106,761	88,802	17,959
Other operating	100,000	86,256	13,744
South Carolina Protection and Advocacy	560,860	560,860	-
Office of Continuum of Care:			
Personal services	404,182	390,732	13,450
Employer contributions	104,994	92,024	12,970
Other operating	175,000	154,643	20,357
Case services	1,928,068	1,564,353	363,715
Distribution to subdivisions	57,238	25,000	32,238

(CONTINUED)

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

(CONTINUED)

Total Budgetary General Fund (Continued)			
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Small & Minority Business:			
Personal services	138,659	136,889	1,770
Employer contributions	37,259	32,240	5,019
Other operating	30,000	27,618	2,382
Office of Victims' Assistance:			
Victims' Rights	179,682	177,716	1,966
Victims' Witness	340,948	340,948	-
SCVAN	78,072	78,072	-
Office of Health and Human Services:			
Personal services	99,110	72,902	26,208
Employer contributions	26,632	17,170	9,462
Other operating	48,500	20,967	27,533
Office of Developmental Disabilities:			
Personal services	61,681	61,681	-
Employer contributions	16,574	14,527	2,047
Other operating	30,000	17,259	12,741
Distribution to subdivisions	162,847	155,748	7,099
Office of Veterans' Affairs:			
Personal services	620,764	618,576	2,188
Employer contributions	166,805	145,685	21,120
Other operating	282,200	282,310	(110)
Distribution to subdivisions	582,178	582,178	-
Special items:			
POW Commission	1,375	934	441
Veteran's Roster	13,266	13,266	-
Office of Commission on Women:			
Personal services	127,759	127,759	-
Employer contributions	34,330	30,089	4,241
Other operating	24,750	24,602	148

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

(CONTINUED)

	Total Budgetary General Fund (Continued)		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Office of Ombudsman/Citizen Services:			
Personal services	229,502	228,710	792
Employer contributions	61,669	53,865	7,804
Other operating	41,000	34,536	6,464
Office of Children's Affairs			
Personal services	118,907	112,355	6,552
Employer contributions	31,951	26,462	5,489
Other operating	18,500	15,811	2,689
Children's Case Resolution System	172,181	156,466	15,715
Office of Intergovernmental Affairs			
Personal services	263,774	214,693	49,081
Employer contributions	70,879	50,564	20,315
Other operating	28,000	27,429	571
Total expenditures	\$ 16,303,129	\$ 14,398,939	\$ 1,904,190

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

JUNE 30, 2001

	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
Assets											
Cash and cash equivalents	\$ 847,349	\$ 95,505,730	\$ 1,330,522	\$ 73,793	\$ 213,454	\$ 133,609	\$ 13,197	\$ 12,166,463	\$ 169,208	\$ -	\$ 110,453,325
Cash held by fiscal agent	13,671	-	-	-	-	-	-	-	-	-	13,671
Federal grant revenue receivable	913,046	-	-	-	-	-	-	-	-	-	913,046
Accrued interest	6,662	274	-	-	-	-	-	-	-	-	6,936
Due from other special revenue funds	-	-	-	-	120,335	-	9,001	-	-	-	129,336
Due from other state agencies	-	-	209,762	-	-	4,863	-	-	-	-	214,625
Total assets	\$ 1,780,728	\$ 95,506,004	\$ 1,540,284	\$ 73,793	\$ 333,789	\$ 138,472	\$ 22,198	\$ 12,166,463	\$ 169,208	\$ -	\$ 111,730,939
Liabilities and Fund Equity											
Liabilities:											
Accounts payable	\$ 312,124	\$ -	\$ 388,304	\$ 4,225	\$ 55,939	\$ 327	\$ 803	\$ 226,500	\$ -	\$ -	\$ 988,222
Accrued payroll and related liabilities	88,868	-	211,254	34,559	120,335	10,168	9,001	91,182	-	-	565,367
Deposits held for clients	-	-	115	-	-	-	-	-	-	-	115
Due to other special revenue funds	-	-	-	-	-	-	-	129,336	-	-	129,336
Due to fiscal agent	-	13,506,122	-	-	-	-	-	-	-	-	13,506,122
Total liabilities	400,992	13,506,122	599,673	38,784	176,274	10,495	9,804	447,018	-	-	15,189,162
Fund equity:											
Fund balances	1,379,736	81,999,882	940,611	35,009	157,515	127,977	12,394	11,719,445	169,208	-	96,541,777
Total fund equity	1,379,736	81,999,882	940,611	35,009	157,515	127,977	12,394	11,719,445	169,208	-	96,541,777
Total liabilities and fund equity	\$ 1,780,728	\$ 95,506,004	\$ 1,540,284	\$ 73,793	\$ 333,789	\$ 138,472	\$ 22,198	\$ 12,166,463	\$ 169,208	\$ -	\$ 111,730,939

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2001

	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
Revenue											
Federal grants and programs	\$ 30,092,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,092,025
Other government grants and contributions	-	-	400,000	-	1,285,239	-	125,618	-	-	20,000	1,830,857
Interest	67,080	856,944	12	-	-	-	-	-	-	-	924,036
Medicaid reimbursements	-	-	2,214,990	531,941	1,089,044	270,458	-	-	-	-	4,106,433
EIA allocations	-	-	2,942,496	-	-	-	-	-	-	-	2,942,496
Victim restitution	-	-	-	-	-	-	-	9,887,862	-	-	9,887,862
Private donations	-	-	-	-	1,000	122,912	-	-	622,765	-	746,677
Tobacco Settlement	-	117,862,576	-	-	-	-	-	-	-	-	117,862,576
Litter Control Program	-	1,569,379	-	-	-	-	-	-	-	-	1,569,379
Miscellaneous	83	-	-	-	-	-	-	281,924	-	-	282,007
Total revenue	30,159,188	120,288,899	5,557,498	531,941	2,375,283	393,370	125,618	10,169,786	622,765	20,000	170,244,348
Expenditures											
Administration:											
Personal services	909,808	-	3,192,083	372,867	1,222,779	128,581	88,920	775,832	-	-	6,690,870
Employer contributions	231,744	-	807,042	85,951	433,952	31,677	23,886	197,243	-	-	1,811,495
Other operating	528,646	1,300,666	1,078,566	84,684	664,959	337,089	14,278	714,103	-	21,000	4,743,991
Special items:											
Case services	-	-	2,593,180	-	-	-	-	-	-	-	2,593,180
Claims and awards	2,992,807	37,010,977	-	-	-	-	-	5,709,880	-	-	45,713,664
Distributions to subrecipients:											
Allocations to other entities	25,177,498	-	-	-	-	-	-	-	567,489	-	25,744,987
Allocations to other state agencies	259,109	-	-	-	-	-	-	1,998,787	-	-	2,257,896
Total expenditures	30,099,612	38,311,643	7,670,871	543,502	2,321,690	497,347	127,084	9,395,845	567,489	21,000	89,556,083

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL 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	59,576	81,977,256	(2,113,373)	(11,561)	53,593	(103,977)	(1,466)	773,941	55,276	(1,000)	80,688,265
Other financing sources (uses):											
Recoveries of indirect costs of federal grants and certain earmarked funds remitted to the General Fund of the State	(114,288)	-	-	-	-	-	-	-	-	-	(114,288)
Excess of revenue over (under) expenditures and other uses	(54,712)	81,977,256	(2,113,373)	(11,561)	53,593	(103,977)	(1,466)	773,941	55,276	(1,000)	80,573,977
Fund balances, beginning of year	1,434,448	22,626	3,053,984	46,570	103,922	231,954	13,860	10,945,504	113,932	1,000	15,967,800
Fund balances, end of year	<u>\$ 1,379,736</u>	<u>\$ 81,999,882</u>	<u>\$ 940,611</u>	<u>\$ 35,009</u>	<u>\$ 157,515</u>	<u>\$ 127,977</u>	<u>\$ 12,394</u>	<u>\$ 11,719,445</u>	<u>\$ 169,208</u>	<u>\$ -</u>	<u>\$ 96,541,777</u>

SINGLE AUDIT SECTION

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U. S. Department of Education			
Rehabilitation Services-Client Assistance Program	84.161	H161A70041-99E	\$ 57
	84.161	H161A70041-00E	134,352
	84.161	H161A80041-01E	6,849
Total 84.161			<u>141,258</u>
U. S. Department of Energy			
Weatherization Assistance for Low Income Persons	81.042	DE-FG44-97R10680	2,662
	81.042	DE-FG44-97R10680	540,805
	81.042	DE-FG44-97R10680	598,086
Total 81.042			<u>1,141,553</u>
U. S. Department of Justice			
*Crime Victim Compensation	16.576	00-VC-GX-0045	<u>2,402,275</u>
U. S. Department of Health and Human Services			
Passed through South Carolina Department of Health and Environmental Control-Abstinence Education	93.235	HS-0-257	<u>22,659</u>
* Low Income Home Energy Assistance	93.568	G99B1SCLIEA	407,083
	93.568	G00B1SCLIEA	5,054,767
	93.568	G01B1SCLIEA	9,680,361
Total 93.568			<u>15,142,211</u>
Community Services Block Grant	93.569	G99B1SCCOSR	22,639
	93.569	G00B1SCCOSR	4,003,218
	93.569	G01B1SCCOSR	4,333,824
Total 93.569			<u>8,359,681</u>

*Denotes major program

(CONTINUED)

SOUTH CAROLINA GOVERNOR'S OFFICE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(CONTINUED)

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Community Services Block Grant Discretionary Awards-Community Food and Nutrition	93.571	G00B3SCCOSR	<u>57,693</u>
*Developmental Disabilities Basic Support and Advocacy Grants	93.63	01-9901-SCBS41	487,522
	93.63	01-0001-SCBS41	379,192
	93.63	01-0101-SCBS41	<u>171,947</u>
Total 93.630			<u>1,038,661</u>
U. S. Department of Housing and Urban Development			
Emergency Shelter Grants Program	14.231	S-99-DC-45-0001	77,746
	14.231	S-00-DC-45-0001	<u>1,293,388</u>
Total 14.231			<u>1,371,134</u>
U.S. Department of Justice			
Passed through South Carolina Department of Public Safety Crime Victim Assistance/Discretionary Grants	16.582		<u>97,708</u>
U. S. Department of Agriculture			
Tobacco Loss Assistance Program	Not available	(A)	<u>640,728</u>
Subtotal			<u>30,415,561</u>
Adjustments to Modified Accrual Basis			
Accrued payroll change			(1,278)
Accounts payable change			<u>(200,383)</u>
Total adjustments to modified accrual basis			<u>(201,661)</u>
Grand Total			<u>\$ 30,213,900</u>

The accompanying notes are an integral part of this schedule.

**Denotes major program.*

(A) Noted program represents expenditures related to the Tobacco Loss Assistance Program. This program represents funds received to compensate eligible tobacco growers for crop reductions.

SOUTH CAROLINA GOVERNOR'S OFFICE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

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 modified 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 Provide to Subrecipients
U. S. Department of Health and Human Services		
*Developmental Disabilities Basic Support and Advocacy Grants	93.630	\$ 1,003,707
Community Services Block Grant	93.569	7,904,830
* Low Income Home Energy Assistance	93.568	14,628,436
Community Services Block Grant Discretionary Awards- Community Food and Nutrition	93.571	57,693
U. S. Department of Energy		
Weatherization Assistance for Low Income Persons	81.042	999,524
U. S. Department of Housing and Urban Development		
Emergency Shelter Grants Program	14.231	1,313,061
Total provided to subrecipients		<u>\$ 25,907,251</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 for this program expenditures during fiscal year 2000 of \$16,767,601 and \$640,728 for fiscal year 2001. 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 2001, the Office earned \$38,933 in interest income on those funds.

DeLOACH & **W**ILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

**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, 2001, and have issued our report thereon dated January 18, 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 would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

DeLoach & Williamson, L.L.P.

January 18, 2002

DeLOACH & **W**ILLIAMSON, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855

FAX: (803) 771-6001

**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, 2001. 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, 2001.

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.

January 18, 2002

SOUTH CAROLINA GOVERNOR'S OFFICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001

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) Crime Victim Compensation-CFDA#16.576
 - (2) Low Income Home Energy Assistance-CFDA#93.568
 - (3) Developmental Disabilities Basic Support and Advocacy Grants-CFDA#93.63
10. The threshold for distinguishing between Type A and Type B Programs was \$912,467.
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.