

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
OFFICE OF INSURANCE SERVICES

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEARS ENDED JUNE 30, 2000 AND 1999

WITH

REPORT OF INDEPENDENT AUDITORS

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying combined financial statements of the South Carolina State Budget and Control Board, Office of Insurance Services (the “Office”) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the management of the South Carolina State Budget and Control Board, Office of Insurance Services. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 also 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 audits provide a reasonable basis for our opinion.

As discussed in *Note 1*, the accompanying financial statements of the South Carolina State Budget and Control Board, Office of Insurance Services are intended to present the financial position and results of operations and cash flows of its proprietary fund type of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the funds of the South Carolina State Budget and Control Board, Office of Insurance Services.

As discussed in *Note 15*, the Office is currently in violation of Section 1-11-710(A)(4) of the South Carolina Code of Laws, 1976, as amended. Additionally, the Office has incurred operating losses for the past four years which has resulted in a retained deficit in the Health, Life and Disability Insurance Reserve Fund. Managements analysis of these losses is more fully discussed in *Note 15*.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the funds of the South Carolina State Budget and Control Board, Office of Insurance Services, as of June 30, 2000 and 1999, and the results of operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

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

September 22, 2000