

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
OFFICE OF INSURANCE SERVICES

NOTES TO COMBINED FINANCIAL STATEMENTS

(CONTINUED)

7. Notes Receivable

Amounts due from notes receivable in the Insurance Reserve Fund at June 30, 2001 and 2000, consist of the following:

	<u>2001</u>	<u>2000</u>
Due from State Agencies		
One and six notes respectively, due under the I.P.P. program in monthly/annual installments, including interest at 6.5%; collateralized by the assignment of notes issued by the Office of General Services for the Installment Purchase Program; maturity date is August 1, 2001.	\$ 9,561	\$ 6,160,099
Due from Engineering Services Section of the Office of General Services		
Three notes, due in annual installments, including interest from 5.5% to 8%; range of maturity 2004 to 2009.	1,488,067	1,787,393
Due from South Carolina Grain Dealers Guaranty Fund administered by the South Carolina Department of Agriculture		
One note in the principal amount of \$3,500,000 with interest at 8.75%; maturity date is October 24, 2005.	3,500,000	-
Due from Savannah Valley Development Division of the Department of Commerce		
One note in the principal amount of \$3,306,893 with interest at 8%; maturity date is January 31, 2021.	776,892	976,892
One note in the principal amount of \$2,500,000 with interest at 8%; maturity date is January 31, 2022.	2,500,000	2,500,000
One note in the principal amount of \$121,239 with interest at 8%; maturity date is January 31, 2022.	121,239	121,239
One note in the principal amount of \$1,227,733 with interest at 8%; maturity date is January 31, 2023.	1,227,733	1,227,733

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NOTES TO COMBINED FINANCIAL STATEMENTS

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7. Notes Receivable (Continued)

	<u>2001</u>	<u>2000</u>
One note in the principal amount of \$2,690,812 with interest at 8%; maturity date is January 31, 2024.	2,690,812	2,690,812
One note in the principal amount of \$1,260,186 with interest at 8%; maturity date is January 31, 2024.	1,260,186	1,260,186
One note in the principal amount of \$1,569,410 with interest at 8%; maturity date is January 31, 2024.	1,569,410	1,569,410
One note in the principal amount of \$1,730,361 with interest at 8%; maturity date is January 31, 2027.	1,730,361	1,730,361
One note in the principal amount of \$1,139,070 with interest at 8%; maturity date is January 31, 2028.	1,139,070	1,139,070
One note in the principal amount of \$2,423,517 with interest at 8%; maturity date is January 31, 2029.	2,423,517	2,423,517
One note in the principal amount of \$1,224,262 with interest at 8%; maturity date is January 31, 2030.	1,224,262	1,224,262
One note in the principal amount of \$606,519 with interest at 8%; maturity date is January 31, 2031.	606,519	-
Total	<u>22,267,629</u>	<u>24,810,974</u>
Less current portion	<u>(326,894)</u>	<u>(1,556,018)</u>
Total	<u><u>\$ 21,940,735</u></u>	<u><u>\$ 23,254,956</u></u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

(CONTINUED)

8. Fixed Assets and Contributed Capital

The following are summaries of changes in fixed assets of the Internal Service Funds for each year.

	Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
Furniture and equipment	<u>\$ 2,175,544</u>	<u>\$ 266,053</u>	<u>\$ 96,620</u>	<u>\$ 2,344,977</u>

	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
Furniture and equipment	<u>\$ 2,186,130</u>	<u>\$ 108,086</u>	<u>\$ 118,672</u>	<u>\$ 2,175,544</u>

A summary of fixed assets by fund at June 30, 2001 and 2000, is as follows:

June 30, 2001	Furniture and Equipment	Accumulated Depreciation	Net Book Value
Insurance Reserve Fund	\$ 992,992	\$ 739,769	\$ 253,223
Health, Life and Disability Insurance Reserve Fund	1,351,985	653,170	698,815
Total	<u>\$ 2,344,977</u>	<u>\$ 1,392,939</u>	<u>\$ 952,038</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

(CONTINUED)

8. Fixed Assets and Contributed Capital (Continued)

<u>June 30, 2000</u>	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Insurance Reserve Fund	\$ 962,653	\$ 708,197	\$ 254,456
Health, Life and Disability Insurance Reserve Fund	1,212,891	608,523	604,368
Total	<u>\$ 2,175,544</u>	<u>\$ 1,316,720</u>	<u>\$ 858,824</u>

Depreciation expense for the years ended June 30, 2001 and 2000, was \$162,535 and \$151,214, respectively.

The following is a schedule of changes in contributed capital for the years ended June 30, 2001 and 2000.

	<u>Health, Life, and Disability Insurance Reserve Fund</u>
Balance, June 30, 1999	\$ 40,442
Donated assets-year ended June 30, 2000	-
Disposal of assets-year ended June 30, 2000	-
Balance, June 30, 2000	40,442
Donated assets-year ended June 30, 2001	-
Disposal of assets-year ended June 30, 2001	-
Balance, June 30, 2001	<u>\$ 40,442</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

(CONTINUED)

9. Due to State General Fund

Amounts due to State General Fund represent monies which must be remitted to the General Fund of the State at year end under the 2001-2002 Appropriations Bill 3687 Part IB, 72.110. The Special Revenue Fund had \$12,000,000 due to the State General Fund at June 30, 2001.

10. Lease Obligations

The Office leases office space accounted for as an operating lease. The office space lease was amended effective July 1, 2001, and now expires June 30, 2005. Rental expense under this lease for the years ended June 30, 2001 and 2000 was \$765,829 and \$791,107.

The following schedule summarizes the Office's obligations under operating leases having remaining terms in excess of one year as of June 30, 2001:

Fiscal Year Ending June 30,	Total
2002	\$ 765,890
2003	756,525
2004	756,525
2005	756,525
Total	<u>\$ 3,035,465</u>

The Office has also entered into a number of operating leases which expire in various years from 2003 through 2004 for office equipment which contain cancellation provisions and are subject to annual appropriation. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. For the years ended June 30, 2001 and 2000, expenses under these leases were approximately \$23,924 and \$26,550, respectively.

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(CONTINUED)

11. Retained Earnings-Reserved

Installment Purchase Program-The Insurance Reserve Fund “Installment Purchase Program” consists of notes issued by State agencies and institutions to the Division of General Services to finance the purchase of office, telecommunications, medical, and data processing equipment. The program is authorized under South Carolina State Code 1-1-1020. The program is funded through loans from the Insurance Reserve Fund to the Office of General Services. Effective July 1, 1994, this program is administered by the State Treasurer’s Office. At June 30, 2001 and 2000, \$35,000,000 of the retained earnings of the Insurance Reserve Fund was reserved for support of the program. The total balance outstanding at June 30, 2001 and 2000, was \$9,561 and \$6,160,099, respectively.

Savannah Valley Development Program-At June 30, 2001 and 2000, \$20,000,000 of the Insurance Reserve Fund retained earnings has been reserved for loans to the Savannah Valley Development Division of the Department of Commerce, as authorized under South Carolina State Code 13-9-10, formerly the Clark’s Hill-Russell Authority (a Joint Resolution; R-22, H2516; of the State, approved March 12, 1987, and R-755, H2680; of the State, approved June 20, 1988). As of June 30, 2001 and 2000, \$17,469,999 and \$16,863,482, respectively, was outstanding.

12. Fund Balance-Reserved

South Carolina Seniors’ Prescription Drug Program (the “Program”) at June 30, 2001, had \$2,705,952 in fund balance. These funds are restricted for claims and administrative expenditures of the Program.