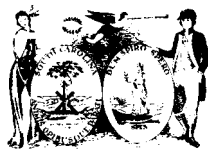


**SOUTH CAROLINA
STATE BUDGET AND CONTROL BOARD**

**FINANCIAL STATEMENTS
JUNE 30, 2000**

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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October 6, 2001

The Honorable Jim Hodges, Governor
and
Members of the South Carolina State
Budget and Control Board
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina State Budget and Control Board for the fiscal year ended June 30, 2000, was issued by Rogers & Laban, PA, 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,


for Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

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ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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 State Budget and Control Board (the Board) as of June 30, 2000, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Office of Insurance Services, which represents 65.84% of the assets and 87.59% of the revenues and 88.93% of the operating expenses of the Internal Service Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Office of Insurance Services is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and auditing standards applicable to financial audits contained in Government 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 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 audit and the report of the other auditors provide a reasonable basis for our opinion.

As described in the reporting entity topic to Note 1 to the financial statements, the accompanying financial statements of the South Carolina State Budget and Control Board are intended to present the financial position and results of operations and cash flows of proprietary



fund types of only that portion of the funds and account groups of the State of South Carolina financial reporting entity that is attributable to the transactions of those divisions of the Board that comprise the South Carolina State Budget and Control Board reporting entity, an agency of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, funds or component units of the State of South Carolina primary government.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the South Carolina State Budget and Control Board as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying required supplementary information listed in the table of contents and the accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the South Carolina State Budget and Control Board. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with the Government Auditing Standards, we have also issued our report dated August 2, 2001 on our consideration for the Board's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Rogers + Lalan, PA

August 2, 2001

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Expressed in Thousands)

	Governmental Fund Types			Proprietary	Fiduciary Fund Types		Account Groups	
	General	Special	Capital	Fund Type	Trust	Agency	General	General Long-
		Revenue	Projects	Internal Service			Fixed Assets	Term Debt
ASSETS AND OTHER DEBITS								
Cash and Cash Equivalents	\$ 24,749	\$ 34,620	\$ 16,298	\$ 125,400	\$ 2,644,322	\$ 106,389	\$ -	\$ -
Restricted Assets:								
Cash and Cash Equivalents	-	-	-	1,650	-	-	-	-
Investments	-	-	-	269,787	16,706,701	750	-	-
Accounts Receivable	1,052	-	775	14,417	-	90	-	-
Contributions Receivable	-	-	-	-	124,078	-	-	-
Premiums Receivable	-	-	-	19,771	-	-	-	-
Reinsurance Recovery Receivable	-	-	-	3,644	-	-	-	-
Prescription Drug Rebate Receivable	-	-	-	1,162	-	-	-	-
Unsettled Investment Sales	-	-	-	-	28,395	-	-	-
Prepaid Expenses	-	-	-	2,118	-	-	-	-
Securities Lending Cash Collateral Invested	-	-	-	-	1,413,893	-	-	-
Due from State General Fund	1,333	-	-	44	-	-	-	-
Due from State:								
Capital Improvement Bond	-	-	-	-	-	378	-	-
Departmental Capital Improvement Bonds	-	-	4,302	-	-	-	-	-
Capital Reserve Fund	-	-	1,497	-	-	-	-	-
Due from Federal Government	70	156	-	-	-	-	-	-
Due from Other State Agencies	5,250	-	100	-	-	606	-	-
Due from Other Funds	2,682	13	256	22,497	-	617	-	-
Accrued Investment Income Receivable	-	484	-	7,202	201,946	1,641	-	-
Inventories	-	-	-	1,384	-	-	-	-
Inventory Held on Consignment	-	-	-	365	-	-	-	-
Interfund Notes Receivable	-	-	-	1,787	-	149	-	-
Intergovernmental Notes Receivable	-	12,551	-	23,024	-	193,065	-	-
Fixed Assets:								
Land and Improvements	-	-	-	6,338	582	-	930	-
Buildings and Improvements	-	-	-	176,477	4,749	-	7,314	-
Equipment and Furniture	-	-	-	105,655	-	-	3,626	-
Construction in Progress	-	-	-	500	-	-	3,193	-
Less Accumulated Depreciation	-	-	-	(120,037)	(923)	-	-	-
Amount to be Provided for Payment of								
General Long-Term Debt	-	-	-	-	-	-	-	2,556
Other Assets	-	-	-	195	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 35,136	\$ 47,824	\$ 23,228	\$ 663,380	\$ 21,123,743	\$ 303,685	\$ 15,063	\$ 2,556

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Expressed in Thousands)

	Governmental Fund Types			Proprietary	Fiduciary Fund Types		Account Groups	
	Special		Capital	Fund Type			General	General Long-
	General	Revenue	Projects	Internal Service	Trust	Agency	Fixed Assets	Term Debt
LIABILITIES, FUND EQUITY, AND OTHER CREDITS								
LIABILITIES								
Accounts Payable	\$ 1,999	\$ 358	\$ 1,103	\$ 11,637	\$ 4,156	\$ -	\$ -	\$ -
Retainage Payable	-	-	763	-	-	-	-	-
Accounts Payable - Unsettled Investment Purchases	-	-	-	-	28,864	-	-	-
Accrued Payroll & Employer Contributions	1,682	73	-	3,378	-	-	-	-
Accrued Interest	-	-	-	1,159	-	-	-	-
Claims Payable	-	-	-	128,955	-	-	-	-
Deferred Premium Revenue	-	-	-	40,985	-	-	-	-
Claims Incurred But Not Reported	-	-	-	179,633	-	-	-	-
Investment Fees Payable	-	-	-	-	1,524	-	-	-
Obligations under Securities Lending	-	-	-	-	1,413,893	-	-	-
Due to Local Government/Subdivision-Inter-Governmental Payables	-	-	-	-	-	58	-	-
Due to State General Fund	3,099	-	-	146	-	-	-	-
Due to the State	-	-	-	-	-	1,521	-	-
Due to Other State Agencies	-	-	5,711	427	-	281,880	-	-
Due to Other Funds - \$256 for Restricted Assets	13	-	9,883	256	15,913	-	-	-
Due to Others	-	-	-	-	-	20,224	-	-
Capital Lease Payable	-	-	-	2,834	-	-	-	-
Interfund Notes Payable	-	-	-	1,936	-	-	-	-
Intergovernmental Notes Payable	-	-	-	6,339	-	-	-	-
Notes Payable	-	-	-	4,015	-	-	-	-
Advances from State	-	-	-	6,930	-	2	-	-
Lease Revenue Bonds - \$130 for Restricted Assets	-	-	-	35,345	-	-	-	-
Liability for Compensated Absences	-	-	-	4,580	-	-	-	2,556
Liability for Inventory Held on Consignment	-	-	-	365	-	-	-	-
Other Liabilities	133	-	-	-	-	-	-	-
TOTAL LIABILITIES	6,926	431	17,460	428,920	1,464,350	303,685	-	2,556

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Expressed in Thousands)

	Governmental Fund Types			Proprietary	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Fund Type Internal Service	Trust	Agency	General Fixed Assets	General Long- Term Debt
LIABILITIES, FUND EQUITY, AND OTHER CREDITS (CONTINUED)								
FUND EQUITY & OTHER CREDITS:								
Contributed Capital	-	-	-	96,231	-	-	-	-
Investment in General Fixed Assets	-	-	-	-	-	-	15,063	-
Retained Earnings:								
Reserved:								
Installment Purchase Program	-	-	-	35,000	-	-	-	-
Savannah Valley Development Division								
Loans	-	-	-	20,000	-	-	-	-
Construction Contracts	-	-	-	117	-	-	-	-
Purchase Agreements	-	-	-	1,147	-	-	-	-
Appropriation to be Carried Forward	-	-	-	3,000	-	-	-	-
Retained Earnings - Unreserved	-	-	-	164,226	-	-	-	-
Retained Deficit	-	-	-	(85,261)	-	-	-	-
Fund Balances:								
Reserved:								
Employees' Pension Benefits	-	-	-	-	19,659,178	-	-	-
Subsequent Years' Expenditures	-	34,864	5,768	-	-	-	-	-
Long-Term Notes	-	12,495	-	-	-	-	-	-
South Carolina War Memorial	-	-	-	-	215	-	-	-
Appropriation to be Carried Forward	25,366	34	-	-	-	-	-	-
Unreserved - Undesignated	2,844	-	-	-	-	-	-	-
TOTAL FUND EQUITY & OTHER CREDITS	28,210	47,393	5,768	234,460	19,659,393	-	15,063	-
TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS	\$ 35,136	\$ 47,824	\$ 23,228	\$ 663,380	\$ 21,123,743	\$ 303,685	\$ 15,063	\$ 2,556

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND
TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
Revenues:				
Charges for Sales and Services	\$ 8,840	\$ -	\$ -	\$ -
Intergovernmental:				
State Appropriations	44,481	2,500	-	-
Education Improvement Act Allocation	-	20,639	-	-
Capital Reserve Fund Appropriations	-	-	3,056	-
Board Offices and Other State Agencies	755	89	10,534	-
Federal Grants	687	1,754	-	-
Litigation and Court Recovery	-	236	-	-
Public Education E-Rate Discount Rebate	-	9,270	-	-
Investment Income	-	2,239	-	-
Other	72	1	-	-
Total Revenues	54,835	36,728	13,590	-
Expenditures:				
Division of Executive Director				
Board Administration	5,190	8	-	-
Office of General Counsel	898	-	-	-
Office of Internal Operations	11,247	1,031	-	-
	17,335	1,039	-	-
Division of Operations				
Division Director	150	-	-	-
Office of Information Resources	-	31,886	-	-
Office of General Services	8,659	-	-	-
	8,809	31,886	-	-
Division of Budget and Analyses				
Division Director	138	-	-	-
Office of State Budget	1,816	-	-	-
Office of Research and Statistics	5,562	-	-	-
Office of Human Resources	4,281	-	-	-
Confederate Relic Room	316	-	-	-
Board of Economic Advisors	354	-	-	-
	12,467	-	-	-
Division of Regional Development				
Division Director	115	-	-	-
State Energy Office	13	2,112	-	-
Office of Local Government	15,085	1	-	-
Advisory Commission on Inter- governmental Relations	30	-	-	-
Office of Regional Development	1,236	-	-	-
	16,479	2,113	-	-

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND
TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
Expenditures (Continued)				
Capital Projects Expenditures:				
Capitalizable Projects - Board	-	-	6,777	-
Capitalizable Projects - Other State Agencies	-	-	230	-
Repairs and Maintenance	-	-	6,497	-
Total Expenditures	<u>55,090</u>	<u>35,038</u>	<u>13,504</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	(255)	1,690	86	-
Other Financing Sources (Uses):				
Transfer from Other State Agency	-	-	230	-
Remitted to General Fund of the State	<u>(3,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,099)</u>	<u>-</u>	<u>230</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(3,354)	1,690	316	-
Fund Balances - Beginning of Year	<u>31,564</u>	<u>45,703</u>	<u>5,452</u>	<u>215</u>
Fund Balances - End of Year	<u>\$ 28,210</u>	<u>\$ 47,393</u>	<u>\$ 5,768</u>	<u>\$ 215</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - ALL BUDGETED FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis	Actual on	Variance	Legal Basis	Actual on	Variance	Legal Basis	Actual on	Variance
	Budget	Budgetary Basis	Favorable (Unfavorable)	Budget	Budgetary Basis	Favorable (Unfavorable)	Budget	Budgetary Basis	Favorable (Unfavorable)
Expenditures:									
DIVISION OF EXECUTIVE DIRECTOR									
Personal Services	\$ 3,022	\$ 3,009	\$ 13	\$ 1,778	\$ 1,687	\$ 91	\$ 4,800	\$ 4,696	\$ 104
Employer Contributions	691	691	-	469	409	60	1,160	1,100	60
Other Operating	4,840	4,665	175	1,419	598	821	6,259	5,263	996
Civil Contingent Fund	253	15	238	-	-	-	253	15	238
Total Quality Management	90	88	2	-	-	-	90	88	2
Equity Lawsuit	250	-	250	-	-	-	250	-	250
Accounting System Analysis	25	-	25	-	-	-	25	-	25
Brandenburg Committee	50	20	30	-	-	-	50	20	30
Citadel Lawsuit	2,251	2,251	-	-	-	-	2,251	2,251	-
H. L. Hunley	3,000	2,982	18	-	-	-	3,000	2,982	18
Prepaid College Tuition	59	59	-	-	-	-	59	59	-
Statewide Performance Audit	150	150	-	400	9	391	550	159	391
Hurricane Bonnie Match	864	864	-	-	-	-	864	864	-
Town of Summerville Project	-	-	-	575	575	-	575	575	-
Allocations:									
Other State Agencies	-	-	-	932	916	16	932	916	16
Division Total	15,545	14,794	751	5,573	4,194	1,379	21,118	18,988	2,130
DIVISION OF OPERATIONS									
Personal Services	3,344	3,311	33	620	619	1	3,964	3,930	34
Employer Contributions	768	768	-	151	142	9	919	910	9
Other Operating	1,585	1,508	77	298	264	34	1,883	1,772	111
800 Mhz Communication Sustum	3,000	-	3,000	-	-	-	3,000	-	3,000
Public School Technology Initiative	3,159	3,125	34	10,662	9,939	723	13,821	13,064	757
Renovations:									
State House	46	46	-	-	-	-	46	46	-
Other Buildings	183	183	-	-	-	-	183	183	-
Governor's Complex	92	92	-	-	-	-	92	92	-
Capital Complex Rent	1,500	1,500	-	-	-	-	1,500	1,500	-
Capital Complex Renovations	1,835	1,835	-	-	-	-	1,835	1,835	-
State House Operations	957	957	-	-	-	-	957	957	-
Division Total	16,469	13,325	3,144	11,731	10,964	767	28,200	24,289	3,911

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - ALL BUDGETED FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	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)
Expenditures (Continued):									
DIVISION OF BUDGET AND ANALYSES									
Personal Services	6,317	6,005	312	1,509	1,054	455	7,826	7,059	767
Employer Contributions	1,466	1,450	16	481	249	232	1,947	1,699	248
Other Operating	2,311	1,877	434	2,254	1,052	1,202	4,565	2,929	1,636
Mapping Program	154	154	-	-	-	-	154	154	-
State Boundary Program	110	47	63	73	47	26	183	94	89
Total Quality Management	189	189	-	-	-	-	189	189	-
S.C. Leadership Program	168	168	-	-	-	-	168	168	-
Flags and Artifacts Restoration	23	21	2	12	12	-	35	33	2
Travel and Educational Outreach	9	7	2	-	-	-	9	7	2
Confederate Relic Room Rent Increase	209	32	177	-	-	-	209	32	177
Chairman Allowance	10	10	-	-	-	-	10	10	-
Appointee Allowances	16	16	-	-	-	-	16	16	-
Board Members Travel	1	1	-	-	-	-	1	1	-
Division Total	10,983	9,977	1,006	4,329	2,414	1,915	15,312	12,391	2,921
DIVISION OF REGIONAL DEVELOPMENT									
Personal Services	716	716	-	986	811	175	1,702	1,527	175
Employer Contributions	157	157	-	219	187	32	376	344	32
Other Operating	202	202	-	2,734	831	1,903	2,936	1,033	1,903
Allocations:									
Municipalities - Restricted	-	-	-	358	69	289	358	69	289
Counties - Restricted	-	-	-	416	112	304	416	112	304
School Districts	-	-	-	663	127	536	663	127	536
Planning Districts	-	-	-	139	-	139	139	-	139
Other State Agencies	-	-	-	964	164	800	964	164	800
Other Entities	-	-	-	245	96	149	245	96	149
Private Sector	-	-	-	2,556	-	2,556	2,556	-	2,556
Anderson County Broadway Lake Revitalization Project	100	100	-	-	-	-	100	100	-
Water & Sewer for Newry	600	600	-	-	-	-	600	600	-
Distribution to Subdivisions - Loans	-	-	-	50,283	41,112	9,171	50,283	41,112	9,171
Advisory Commission on Inter-governmental Relations	39	-	39	-	-	-	39	-	39
Town of Greeleyville Project	-	-	-	150	150	-	150	150	-
Rural Community Hardship Assistance	-	-	-	1,165	-	1,165	1,165	-	1,165
Other Debt Service	420	420	-	-	-	-	420	420	-
Board Grant Program/EPA State Match	34,960	13,173	21,787	-	-	-	34,960	13,173	21,787
Infrastructure Revolving Loan Fund	-	-	-	10,000	-	10,000	10,000	-	10,000
Division Total	37,194	15,368	21,826	70,878	43,659	27,219	108,072	59,027	49,045
Total Budgeted Expenditures	\$ 80,191	\$ 53,464	\$ 26,727	\$ 92,511	\$ 61,231	\$ 31,280	\$ 172,702	\$ 114,695	\$ 58,007

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Internal Service</u>
Operating Revenues:	
Charges for Sales and Services	\$ 82,705
Insurance Premiums	838,918
Licenses, Fees, and Permits	843
Rental Revenue	39,087
Investment Income	24,741
Prescription Drug Rebates	3,771
Other Revenue	<u>530</u>
Total Operating Revenues	990,595
Operating Expenses:	
Cost of Sales and Services	19,922
Reinsurance Premiums	22,622
Premiums	104,860
Claims	781,725
Personal Services	27,983
Employer Contributions	6,848
Contractual Services	24,567
Fixed Charges and Contributions	5,992
Light, Power, and Heat	5,834
Other Operating Expenses	13,502
Professional and Administrative Fees	34,462
Insurance Administration and Planning	10,894
Depreciation	14,408
Other	<u>74</u>
Total Operating Expenses	<u>1,073,693</u>
Operating (Loss)	(83,098)
Non-Operating Revenues (Expenses):	
State Appropriations	3,712
Federal Grant Revenue	50
Investment Income	439
Net Loss on Disposals of Fixed Assets	(492)
Interest Expense	(3,267)
Principal and Interest Forgiven	1,051
Other Debt Service Charges	<u>(2)</u>
Total Non-Operating Revenue (Expenses)	<u>1,491</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Internal Service</u>
Net (Loss)	(81,607)
Retained Earnings - Beginning of Year	220,017
Residual Equity Transfers In	9
Residual Equity Transfers Out	<u>(190)</u>
Retained Earnings - End of Year	138,229
Contributed Capital - Beginning of Year	74,625
Residual Equity Transfers In	20,811
Net Change in Contributed Capital	<u>795</u>
Contributed Capital - End of Year	<u>96,231</u>
Total Fund Equity	\$ <u><u>234,460</u></u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Internal Service</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Operating (Loss)	\$ (83,098)
Reclassify investment and note interest income included in operating (loss) to investing activity	(24,741)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	14,408
Change in Fair Value of Long-Term Investments	5,547
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(1,668)
(Increase) in Premiums Receivable	(3,643)
(Increase) in Reinsurance Recovery Receivable	(756)
Decrease in Due from Other Funds	884
Decrease in Inventory	362
Net (Increase) in Prepaid Expenses, Prescription Drug Rebate Receivable and Other Assets	(706)
Increase in Accounts Payable	3,279
Increase in Accrued Payroll & Employer Contributions	278
Increase for Liability for Compensated Absences	389
Increase in Claims Payable and Incurred But Not Reported	40,883
Increase in Deferred Premium Revenue	1,205
Increase in Liability for Inventory on Consignment	26
(Decrease) in Due to Other State Agencies	(14)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>(47,365)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State Appropriations Received	3,717
Federal Grants Received	50
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	<u>3,767</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Sale of Fixed Assets	949
Proceeds from Notes Payable	3,500
Acquisition and Construction of Capital Assets	(19,073)
Unfunded Construction Project Expenditures	256
Funding of Construction Projects	(3,687)
Principal Paid on Interfund Notes Payable	(586)
Principal Paid on Intergovernmental Notes Payable	(1,023)
Principal Paid on Lease Revenue Bonds	(3,050)
Principal Paid on Capital Leases	(278)

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Internal Service</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES: (CONTINUED)	
Principal Paid on Notes Payable	(968)
Interest Paid on Interfund Notes Payable	(137)
Interest Paid on Intergovernmental Notes Payable	(589)
Interest Paid on Lease Revenue Bonds	(1,861)
Interest Paid on Capital Leases	(209)
Interest Paid on Notes Payable	(62)
Other Debt Service	<u>(2)</u>
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(26,820)</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:	
Payments Received on Intergovernmental Notes Receivable	2,040
Payments Received on Interfund Notes Receivable	586
Payments to Fund Intergovernmental Notes Receivable	(1,224)
Purchase of Investments	(148,412)
Proceeds from Sale and Maturity of Investments	107,056
Interest Received on Interfund Notes Receivable	137
Interest Received on Intergovernmental Notes Receivable	1,731
Interest Received on Deposits and Investments	<u>21,685</u>
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	<u>(16,401)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(86,819)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>213,869</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 127,050</u></u>
SUPPLEMENTAL INFORMATION:	
NONCASH CAPITAL AND FINANCING ACTIVITIES	
Transfers of Fixed Assets To General Fixed Assets Account Group	\$ (1)
Transfers of Fixed Assets through Residual Equity Transfer	20,630
Advances from State - Principal Forgiveness	555
Advances from State - Interest Forgiveness	496
Donated Fixed Assets	830
Disposal of Fixed Assets	(9,866)

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINING STATEMENT OF PLAN NET ASSETS -
ALL PENSION TRUST FUNDS
June 30, 2000
(Expressed in thousands)

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	Total
ASSETS					
Cash and Cash Equivalents	\$ 2,216,075	\$ 408,697	\$ 3,981	\$ 15,569	\$ 2,644,322
Receivables:					
Due from Other Systems	-	309	1	22	332
Employee and Employer Contributions	107,690	13,016	13	351	121,070
Employer Contributions Long-term	2,576	432	-	-	3,008
Accrued Investment Income	180,851	19,670	444	981	201,946
Unsettled Investment Sales	25,281	2,930	59	125	28,395
Total Receivables	<u>316,398</u>	<u>36,357</u>	<u>517</u>	<u>1,479</u>	<u>354,751</u>
Investments, at Fair Value:					
Short-term Securities	291,848	8,834	-	999	301,681
United States Government Securities	2,577,261	258,431	8,586	3,812	2,848,090
United States Government Agencies and Government-insured	2,819,870	305,790	6,012	21,486	3,153,158
Corporate Bonds	4,324,758	490,086	11,371	24,106	4,850,321
Financial and Other	2,391,447	240,822	4,368	7,780	2,644,417
Equities	2,591,886	297,962	6,084	12,887	2,908,819
Total Investments	<u>14,997,070</u>	<u>1,601,925</u>	<u>36,421</u>	<u>71,070</u>	<u>16,706,486</u>
Securities Lending Cash Collateral Invested	1,277,578	130,418	2,201	3,696	1,413,893
Property, net of accumulated depreciation	<u>3,972</u>	<u>406</u>	<u>11</u>	<u>19</u>	<u>4,408</u>
TOTAL ASSETS	<u>\$ 18,811,093</u>	<u>\$ 2,177,803</u>	<u>\$ 43,131</u>	<u>\$ 91,833</u>	<u>\$ 21,123,860</u>
LIABILITIES					
Due to Other Systems	\$ 332	\$ -	\$ -	\$ -	\$ 332
Accounts Payable-Unsettled Investment Purchases	25,698	2,979	60	127	28,864
Investment Fees Payable	1,357	157	3	7	1,524
Obligations under Securities Lending	1,277,578	130,418	2,201	3,696	1,413,893
Due to Other Funds	15,323	590	-	-	15,913
Accounts Payable and Accrued Liabilities	<u>3,525</u>	<u>624</u>	<u>2</u>	<u>5</u>	<u>4,156</u>
TOTAL LIABILITIES	<u>1,323,813</u>	<u>134,768</u>	<u>2,266</u>	<u>3,835</u>	<u>1,464,682</u>
FUND EQUITY					
Fund Balances					
Reserved for:					
Employees' Pension Benefits	<u>17,487,280</u>	<u>2,043,035</u>	<u>40,865</u>	<u>87,998</u>	<u>19,659,178</u>
TOTAL FUND EQUITY	<u>17,487,280</u>	<u>2,043,035</u>	<u>40,865</u>	<u>87,998</u>	<u>19,659,178</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 18,811,093</u>	<u>\$ 2,177,803</u>	<u>\$ 43,131</u>	<u>\$ 91,833</u>	<u>\$ 21,123,860</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -
ALL PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in thousands)

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	Total
Additions					
Contributions					
Employee	\$ 379,467	\$ 48,621	\$ 638	\$ 1,122	\$ 429,848
Employer	455,914	76,267	2,636	5,659	540,476
Contribution Transfers from Other Systems	24	1,817	-	72	1,913
Total Contributions	<u>835,405</u>	<u>126,705</u>	<u>3,274</u>	<u>6,853</u>	<u>972,237</u>
Investment Income					
Net Appreciation (Depreciation) in					
Fair Value of Investments	(72,431)	(14,071)	(501)	(1,014)	(88,017)
Interest and Dividend Income	863,607	107,314	2,328	4,807	978,056
Investment Expense	<u>(3,137)</u>	<u>(387)</u>	<u>(6)</u>	<u>(12)</u>	<u>(3,542)</u>
Net Income from Investing Activities	<u>788,039</u>	<u>92,856</u>	<u>1,821</u>	<u>3,781</u>	<u>886,497</u>
From Securities Lending Activities:					
Securities Lending Income	78,026	9,125	153	169	87,473
Securities Lending Expense	<u>(73,783)</u>	<u>(8,556)</u>	<u>(147)</u>	<u>(159)</u>	<u>(82,645)</u>
Net Income from Securities Lending Activities	<u>4,243</u>	<u>569</u>	<u>6</u>	<u>10</u>	<u>4,828</u>
Total Net Investment Income	<u>792,282</u>	<u>93,425</u>	<u>1,827</u>	<u>3,791</u>	<u>891,325</u>
Supplemental Retirement Benefits					
Funded by the State	<u>3,873</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>3,986</u>
Total Additions	<u>1,631,560</u>	<u>220,243</u>	<u>5,101</u>	<u>10,644</u>	<u>1,867,548</u>
Deductions					
Refunds of Contributions to Members	72,452	10,643	16	71	83,182
Contributions Transfers to Other Systems	1,879	-	34	-	1,913
Regular Retirement Benefits	779,297	84,386	3,998	6,979	874,660
Supplemental Retirement Benefits	3,873	113	-	-	3,986
Group Life Insurance Claims	10,026	1,404	36	15	11,481
Accidental Death Benefits	-	736	-	-	736
Depreciation	107	11	1	-	119
Administrative Charges	<u>13,189</u>	<u>1,514</u>	<u>32</u>	<u>67</u>	<u>14,802</u>
Total Deductions	<u>880,823</u>	<u>98,807</u>	<u>4,117</u>	<u>7,132</u>	<u>990,879</u>
Net Increase in Plan Net Assets	750,737	121,436	984	3,512	876,669
Net Assets Held in Trust for Employees'					
Pension Benefits					
Beginning of Year	16,736,543	1,921,599	39,881	84,486	18,782,509
End of Year	<u>\$ 17,487,280</u>	<u>\$ 2,043,035</u>	<u>\$ 40,865</u>	<u>\$ 87,998</u>	<u>\$ 19,659,178</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Carolina State Budget and Control Board (the Board), formerly the Budget Commission, was created by Reorganization Plan No. 2 adopted by the General Assembly in 1950 pursuant to the terms and provisions of Act 621, Acts of 1948. Under the Act, ten state agencies were abolished as separate entities and their functions and duties were brought under the supervision of the South Carolina State Budget and Control Board. The laws of the State and the policies and procedures specified by the State for state agencies and institutions are applicable to the activities of the Board.

The Board is composed of the Governor, the Chairman of the Board; the State Treasurer; the Comptroller General; the Chairman of the Senate Finance Committee; and the Chairman of the House Ways and Means Committee; all of whom serve in the ex-officio capacity.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, 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 Board has determined it has no component units.

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 primary government or entity is financially accountable if it appoints a voting majority of the 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 a 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 dependent on the primary entity that holds one or more 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; or,
- (3) Issue bonded debt without approval by another government.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The accompanying financial statements present the financial position and the results of operations and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Board's reporting entity which is under the direct control of the Executive Director. The funds and account groups of the reporting entity are included in the State's Comprehensive Annual Financial Report (CAFR) as part of the operations of the State, the primary government.

Revenues of the Board are derived primarily from annual appropriations of State funds authorized by the South Carolina General Assembly; charges to other state agencies and governmental entities for services provided, including: transportation equipment, communications facilities; data processing services; rental of state-owned facilities; insurance coverage and earnings on accumulated deposits; pension plan contributions; and the sale of surplus state and federal property.

The accompanying financial statements include five budgetary units of the Board. The five budgetary units included are considered to be under the direct control of the Executive Director of the Board as follows:

The five divisions included in the reporting entity are:

1. Division of Executive Director:

- Board Administration
- Office of General Counsel
- Office of Internal Operations

2. Division of Operations:

- Division Director
- Office of Information Resources
- Office of General Services (OGS)
- Office of Insurance Services

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

3. Division of Budget and Analyses:

- Division Director
- Office of State Budget
- Office of Research and Statistics
- Office of Human Resources
- Confederate Relic Room
- Board of Economic Advisors

4. Division of Regional Development

- Division Director
- State Energy Office
- Office of Local Government
- Advisory Commission on Intergovernmental Relations (ACIR)
- Office of Regional Development

5. Retirement Division

Three divisions are excluded because they operate independently of the Board and are as follows:

1. Office of the State Auditor
2. Employee Benefits Division
3. Capital Expenditure Fund

No separate financial statements of the Office of the State Auditor are issued. The accounts of the Employee Benefits Division and the Capital Expenditure Fund are included in the financial statements of each state agency to which an allocation of these funds are made. In addition, separate financial statements for the Office of Insurance Services and the Retirement Systems are issued.

Basis of Presentation - Fund Accounting

The financial statements of the Board are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

To ensure observance of limitations and restrictions placed on the use of resources available to the Board, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions in the combined financial statements have been recorded and reported by fund type. In accordance with governmental accounting standards, the portions of fund balances that are not available for appropriation and expenditure and are legally segregated for a specific use are presented as reserved. The portion of fund balances in which internal-discretionary restricted uses have been established are presented as designated. Contributed capital in proprietary funds represent the initial contribution to fund a new Internal Service Fund and resources restricted for the acquisition or construction of capital assets or the value of equipment transferred from other governmental agencies or the General Fixed Asset Account Group.

Governmental Funds

The measurement focus of the governmental funds is on sources, uses, and balances of financial resources. Governmental funds include the General Fund, Special Revenue Fund and Capital Projects Fund.

The General Fund is the general operating fund of the Board. It is used to account for all financial resources, except those required to be accounted for in another fund. Revenues include the annual State appropriation as approved by the General Assembly, sales and services, reimbursements, and interest earnings. Sales, services, and reimbursements are generated by activities such as statistical information, licenses and fees, and publications. These funds are used to defray the general administrative costs of the Board's divisions.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. The Board has the following Special Revenue Funds:

State Public Assistance Program

Federal grants from the Federal Emergency Management Agency are accounted for in this fund. These funds are restricted for use by government entities for losses associated with specific weather-related disasters. This fund reports allocations to municipalities, counties, school districts, state agencies and other entities and the related administrative costs of the program. The federal grants operate on a reimbursable basis.

Energy Programs

Revenues received from court ordered settlements resulting from oil overcharges by various oil companies and related earnings and federal grants from the Department of Energy are accounted for in this fund. These funds are restricted for use by municipalities, counties, school districts, state agencies and other entities for energy-related programs designed to benefit all categories of petroleum product users. The federal grants operate on a reimbursable basis.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Governmental Funds (Continued)

EIA School Technical Initiative

Pursuant to fiscal year 2000 Proviso 72.57, the Division of Operations – Office of Information Resources in consultation with the State Department of Education and South Carolina Educational Television Commission and the collaborative efforts from the public-private sector began the development of a statewide educational technology initiative to provide technology connectivity for K-12 public school throughout the State. During the year, the Board collected Public Education E-Rate Discount Rebate fees received from telecommunication providers which assist with the connectivity of technology from public schools and libraries under Public Law 104-104 of the Telecommunications Act of 1996. This program accepts contributions and donations from the general public and receives funding from State appropriations. The Board is authorized to retain and carryforward monies within this fund to be used for its specific purposes.

Statewide Performance Audit

Effective July 1, 1996, the Board established a Special Revenue fund for the Statewide Performance Audit. All funds appropriated by the General Assembly or contributed by the various Board Offices that are to be used to conduct a performance audit are accounted for in this fund. Part VI Sections 1 and 2 of the FY97 Appropriations Act requires that both State appropriated dollars and other contributions be placed in an account to be used exclusively to conduct a performance audit in all aspects of the South Carolina State Government and allows for unexpended funds to be carried forward to succeeding fiscal years and expended for the same purposes.

State Infrastructure Revolving Loan

Section 11-40-50 of the SC Code of Laws authorizes an Infrastructure Revolving Loan Fund. Amounts in the fund must be available in perpetuity for the purpose of providing financial assistance in accordance with the provisions of this chapter and such federal programs as have provided grants therefor. The fund may receive monies from federal, state, and other public and private sources. The Infrastructure Revolving Loan Fund provides loans and grants to local governments for the purpose of constructing, extending, rehabilitating, repairing, replacing, and renewing infrastructure facilities necessary for public purposes and commercial residential, and industrial development purposes.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction and repair of capital facilities. The Board accounts for and oversees capital projects for certain other state agencies. Thus, the constructed facilities are not normally owned by the Board. Projects funded by proceeds from Capital Improvement Bonds are accounted for in the Capital Improvement Bonds fund. All projects funded by other resources are accounted for in the Other fund.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Governmental Funds (Continued)

Capitalizable assets acquired and/or constructed through the Capital Projects Fund are either capitalized in the General Fixed Assets Account Group, the Internal Service Fund, or by other state agencies as appropriate. Construction in progress that is financed by internal service fund sources is capitalized in the applicable Internal Service Fund which will take possession of the capitalized asset upon completion. Projects funded by other Board resources are recorded as contributed capital and construction in progress when the assets will be used in Internal Service Fund operations.

Proprietary Funds

All proprietary fund types are accounted for on a flow of economic resources measurement focus. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. These funds apply all applicable pronouncements issued by GASB. The Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. In accordance with GASB guidance for proprietary funds, the Board's Proprietary Funds have elected to apply only those standards issued by those organizations on or before November 30, 1989. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The Internal Service Funds (ISF) account for the financing of goods, services, and insurance coverage provided by service departments and the rental operation of the state-owned property. It is the intent of the Board that the costs of providing goods and services and operation of state-owned property be recovered primarily through user charges and insurance premiums. The ISFs are:

Insurance Reserve

The Insurance Reserve (IRF) insures state agencies, school districts, special purpose political subdivisions, county governments and municipal governments in South Carolina. The IRF provides property insurance on government owned buildings, the contents of such buildings and automobiles. The IRF provides automobile liability insurance on government owned vehicles and school buses, tort liability insurance for government premises and operations, and medical professional liability for hospitals.

Health Insurance Reserve

Health Insurance Reserve provides health, dental, group life, and long-term disability insurance to eligible employees and retirees of state agencies and school districts who elect coverage.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds (Continued)

Engineering Services

Engineering Services provides building systems and building support services for state-owned facilities. This fund also provides leasing, construction and planning, capital improvement, parking, appraisal, and statewide building services to meet the real property needs of state government.

Data Processing

Data Processing provides computer services to several governmental agencies.

Telecommunications

Telecommunications (Teleco) provides telecommunications and microwave services to governmental agencies and institutions.

Motor Vehicle Management

Motor Vehicle Management provides centralized management of the State's motor vehicle fleet.

Pension Administration

Pension Administration provides for the administration of the pension trust funds.

Other General Services

Other General Services provides centralized procurement services for all state agencies, purchases and resells routine office supplies to various governmental agencies, and sells surplus state and federal property.

Other Internal Services

Other Internal Services provides printing services to various governmental institutions, provides temporary employee services to various governmental agencies and administers the various revolving loan funds held by the Board.

Fiduciary Funds

Fiduciary funds account for assets held by the Board as trustee or agent for outside individuals, private organizations, or other governmental units.

When the Board receives and holds assets either by public law or private agreement and acts in a trustee capacity having authority to employ, dispose or otherwise use the assets for the purposes of the trust, a trust fund is created to record the assets and related transactions.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

When the objective of a trust fund can be achieved by spending both the principal and the earnings of the fund, the fund is referred to as an expendable trust fund. The following expendable trust fund which is in the Office of General Services is accounted for in essentially the same manner as governmental funds.

War Memorial

The purpose of the War Memorial is to account for the expenditures of monies authorized in the permanent provisions of the 1984-85 Appropriations Act for the purpose of erecting a memorial on the State House Grounds in honor of South Carolina's Veterans. In addition to State funds transferred from the Ordinary Sinking Fund, the War Memorial is authorized to collect and spend monies, gifts, grants or services, or properties from national posts or chapters of organizations of War Veterans or from private organizations or individuals.

Assets held and benefits paid by pension plans are reported in pension trust funds. Each Pension Trust Fund (PTF) operates on an autonomous basis; funds may not be utilized for any purpose other than for the benefit of the applicable plan's participants. The following pension trust funds, which are in the Retirement Systems, have the same measurement focus as proprietary funds.

South Carolina Retirement System

The South Carolina Retirement System (SCRS), a cost-sharing multiple employer defined benefit pension plan, was established, effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the 1976 South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the State and political subdivisions thereof.

South Carolina Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen.

Retirement System for Members of the General Assembly

The Retirement System for Members of the General Assembly of the State of South Carolina (GARS), a single employer defined benefit pension plan, was created, effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the Code of Laws to provide retirement allowances and other benefits for members of the General Assembly.

Retirement System for Judges and Solicitors

The Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), a single employer defined benefit pension plan, was created, effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the Code of Laws for the purpose of providing retirement allowances and other benefits for judges and solicitors.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

When the objective of the fiduciary fund is to account for the assets that the Board holds on behalf of others in a custodial capacity as an agent, the fund is referred to as an agency fund. The following funds are reported as agency funds.

Clean Water Revolving Loan Fund

The Board has fiscal responsibility for the Clean Water Revolving Loan Assistance Program. This responsibility is in support of the Department of Health and Environmental Control (DHEC), who has the responsibility for administering the technical and programmatic aspects of the Fund. The Fund's assets are held on behalf of DHEC. Approximately \$266.8 million held for DHEC is included as Due to Other State Agencies as of June 30, 2000. The administrative function of this fund is accounted for in the Other Internal Services Fund – Internal Service Fund.

Drinking Water Revolving Loan Fund

S.C. Code of Laws Section 48-5-55 established that the Board has fiscal responsibility for the Drinking Water Revolving Loan Assistance Program. This responsibility is in support of the DHEC, who has the responsibility for administering the technical and programmatic aspects of the Fund. The Fund's assets are held on behalf of DHEC. Approximately \$14.7 million held for DHEC is included as Due to Other State Agencies as of June 30, 2000. The administrative function of this fund is accounted for in the Other Internal Services Fund – Internal Service Fund.

Tuition Prepayment Program

Section 59-4-30 of the SC Code of Laws authorized the Tuition Prepayment Program. This Program allows contributors to make affordable payments under the terms of a tuition prepayment contract to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public college or university. The administrative function of this program is accounted for in the Office of Executive Director – General Fund.

State Agencies' Fund

The State Agencies' Funds include the following:

The Department of Commerce fund was established to account for funds advanced to the City of Charleston by the South Carolina Coordinating Council for Economic Development of the Department of Commerce. All advanced funds were received and remitted by the end of the fiscal year.

The Capital Improvement Bonds Proceeds fund is used to account for capital improvement bonds receivable that are owned by other state agencies and used for capital projects overseen by the Board.

The Redevelopment Authority was established by Section 61-4-510 of the SC Code of Laws. It authorizes the establishment of a separate fund to collect specific alcohol permits from the Department of Revenue and distribute them to support redevelopment authorities, municipalities, or counties which have suffered from military base closures.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

Sinking Funds

The Sinking Funds include the following:

The Funded Debt Sinking Fund accounts for monies held for the State to be used to liquidate the principal and interest on all bonds evidenced in the Funded Debt of the State and was created by Legislative Act No. 213 in 1943. The funded debt includes teachers' notes issued during the Depression. Approximately \$28,000 is included in Due to the State as of June 30, 2000.

The Ordinary Sinking Fund accounts for monies held for the State and is authorized by the South Carolina Code of Laws Section 11-9-610 through Section 11-9-660 to finance the acquisition of property and to handle all monies arising from the redemption of land leases and sales of property or otherwise coming to the Board for the Ordinary Sinking Fund. Approximately \$1.493 million is included in Due to the State as of June 30, 2000.

Other Parties' Funds

The Other Parties' Funds include the following:

The Friends to Save the Hunley Fund, established on October 18, 1995 by the Hunley Commission, is used to account for the receipt and holding of donations of money to assist the Commission in achieving its goals for protecting the submarine H.L. Hunley and its artifacts.

Account Groups

In addition to the funds described above, the Board maintains two account groups to establish accounting control and accountability for the Board's general fixed assets and general long-term debt as follows:

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Board with the exception of those accounted for in the Internal Service Funds and the Pension Trust Funds. General fixed asset acquisitions require the use of governmental fund financial resources and are recorded as expenditures, but they are not assets of any fund but of the governmental unit as an instrumentality.

The Board records capital improvement expenditures in the capital projects fund and simultaneously capitalizes costs in the General Fixed Assets Account Group or in the Internal Service Fund as Construction in Progress. For Construction in Progress capitalized in the General Fixed Assets Account Group, when the improvement is placed in service, it is then capitalized as building or other improvements as applicable in the General Fixed Assets Account Group.

In accordance with generally accepted accounting principles for governmental entities, no provision for depreciation of general fixed assets is recorded.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Account Groups (Continued)

General Long-Term Debt Account Group

This group of accounts is used to account for the long-term liability for compensated absences of the Board and other unmatured long-term liabilities expected to be financed from governmental funds.

Basis of Accounting

The financial statements are presented on the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and results of operations by fund type.

Governmental fund and expendable trust fund revenues and expenditures are recognized on the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes available and measurable. State appropriations are recorded as revenue in the General Fund in the year for which granted and made available by the General Assembly, and federal reimbursement type grants are recorded when the related expenditures are incurred. Capital projects funds recognize revenues on projects from the general or internal service funds as expenditures are incurred for projects of the Board and for projects handled for other state agencies. Other revenues, such as interest and charges for services, are considered "measurable and available" when the amount of the transaction can be determined and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Further, expenditures for insurance and similar services benefiting more than one accounting period are not allocated among accounting periods, but are accounted for as expenditures in the year of payment.

Proprietary fund revenue and expenses are recognized on the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and becomes measurable; expenses are recognized in the period incurred, if measurable. The Internal Service funds record prepaid expenses for routinely recurring prepaid operating costs as assets and allocates the costs to benefiting periods. State appropriations are recorded as revenue in the year for which granted and made available by the General Assembly.

Transfers are recognized in the accounting period in which the interfund receivable and payable arise.

Pension Trust Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Agency fund assets and liabilities are accounted for on the modified accrual basis.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy

The Board is granted an annual appropriation for operating purposes by the General Assembly of the State of South Carolina. The appropriation as enacted becomes the legal operating budget for the Board. 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 in the Appropriations Act includes all budgeted resources. The General Assembly enacts the budget through passage of line item appropriations by program within Budget and Control Board divisions. Budgetary control is maintained at the line item level of the program within the division. Budgets are kept separate by program within each division. Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Office of State Budget and to the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the Budget and Control Board upon formal approval by a majority of the members of the Budget and Control Board. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

The Board may transfer appropriations between programs provided transfers between programs do not exceed twenty percent of a program budget. Any transfer from Personal Service to other budget codes must be approved by the Office of State Budget, with a yearly limit not to exceed \$50,000 or 1% of total Personal Service budget, whichever is greater. Requests to exceed this limit would require the approval of the Budget and Control Board. The Board may transfer other operating or other budget codes to Personal Service as needed, provided that for significant amounts, evidence of the ability to annualize the amount involved is shown, and such transfers have to be fully justified and explained to the Office of State Budget.

Agencies may charge vendor, interagency and interfund payments for a fiscal year to that year's appropriations in July. Any unexpended General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over money to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State General Fund appropriations authorized to be carried forward and expended for specific purposes are reported as a reservation of fund balance. Unrestricted carry-forward funds are reported in the unreserved fund balance. The General Assembly enacts the Capital Projects Funds budgets on a project basis, as opposed to an annual basis. Therefore, budget statements have not been provided for the Capital Projects Funds.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy (Continued)

State law does not precisely define the budgetary basis of accounting. The current Appropriations Act states that the General Assembly intends to appropriate all monies to operate State Government for the current fiscal year. The State=s annual budget is prepared primarily on the modified accrual basis method of accounting with several exceptions, principally the cash basis for payroll expenditures. 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 and generally accepted accounting principles bases is presented in Note 29.

The Statement of Expenditures - Budget and Actual presents actual expenditures of certain budgeted funds on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item within division basis. The level of legal control for each budgetary unit by line-item by program within division is reported in a publication of the State Comptroller General=s Office titled A Detailed Report of Appropriations and Expenditures.

Cash and Cash Equivalents

The amounts shown in the financial statements as Acash and cash equivalents” represent cash on hand with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State’s cash management pool.

For purposes of the Statements of Cash Flows, the Board considers all the highly liquid securities purchased with a maturity of three months or less at the time of acquisition to be cash and cash equivalents. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. 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.

The State Treasurer=s internal cash management pool consists of a general deposit account and several special deposit accounts. The general deposits include monies reported in the Board’s general funds and its operating and federal funds. Legally restricted monies are held in special deposit accounts. The State records each investee=s equity interest in the aggregate general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Board records and reports its deposits in the general deposit account at cost and records and reports its deposits in the special deposit accounts at fair value. Investments in the pool are recorded at fair value.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Amortization of premiums and discounts is allocated and reported as net investment income. Interest earned by the special deposit accounts is posted to the Board=s account at the end of each month and is retained by the Board. Investment/interest earnings are allocated based on the percentage of the Board=s accumulated daily interest receivable to the income receivable of the pool. Realized gains and losses are allocated daily and are included in the accrued interest receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool. Reported income includes interest earnings, realized gains/losses and unrealized gains/losses arising from changes in the fair value of investments in the pool. Although the cash management includes some long-term investments, it operates as a demand deposit account; therefore, for credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

Investments

Investments are reported at fair value except short-term investments of the Retirement Systems are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income earned. Retirement Systems investment income also includes income from securities lending activities, less deductions for investments and securities lending expenses.

Securities and securities transactions are reflected in the financial statements on a trade-date basis.

Accounts Receivable

Accounts receivable consists primarily of amounts due for sales, services and rentals provided by the various internal service funds. The Board considers its receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established. The SC Code of Laws Section 11-9-95 (effective June 29, 1995) authorizes the Board to transfer any funds remaining in agency accounts to pay debts owed to the Board.

Premium Revenue - IRF

Premiums billed to agencies (premiums receivable) for insurance coverage are deferred and amortized into income over the term of the insurance policy.

Premium Revenue – Health Insurance Reserve

Premiums billed to employers, employees and retirees (premiums receivable) for insurance coverage are recorded as revenue when earned on a monthly basis. The retiree surcharge on employees is recognized as the liability is incurred by the various state agencies and school districts.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Revenue – Pension Trust Funds

Employee and employer contributions are reported in the period in which the contributions are due. Substantially all contributions receivable are collected within 30 days of year-end. Under certain conditions new employers entering the Retirement System are allowed up to 10 years to remit matching employer contributions resulting from their employee's purchase of prior service credits. Interest is assessed annually on the unpaid balance of these accounts. Transfers between systems are statutorily authorized transfers of contributions and service credit from one retirement system to another retirement system.

Deferred Premium Revenue

Premiums billed in advance of coverage, payments received in advance of coverage or in excess of amounts billed, and premiums collected but unearned are recorded as deferred premium revenue in the Insurance Reserve Fund and the Health Insurance Reserve Fund.

Reinsurance Recovery Receivable

Reinsurance Recovery Receivable represents claims that have been paid by the Insurance Reserve Fund which are recoverable from reinsurers. Reinsurance permits partial recovery of losses from reinsurance; however, the Insurance Reserve Fund, as direct insurers remains primarily liable. Amounts deemed recoverable from reinsurance are deducted from claims expenses.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid insurance premiums payments made to insurers and reinsurers for services that will benefit future periods. The related expense is recognized prorata over the policy periods.

Inventories

Inventories of telecommunications, engineering services and motor vehicle management are valued on the weighted average cost method. Central supply inventory, Other General Services – ISF, is valued at cost on the first-in, first-out (FIFO) method.

Inventory held on consignment by the State Surplus Property, Other General Services – ISF, is valued at the current selling price or market value and includes only state property. Inventory of surplus property obtained from various state agencies held on consignment for sale or donation is equally offset on the balance sheet as Inventory Held On Consignment and as Liability for Inventory Held on Consignment. State surplus property is sold at the estimated fair market value. The Board receives a sales commission fee on the sale of state surplus property. This fee is recognized as revenue when the property is sold. The remainder of the sales proceeds is remitted back

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

to the originating agency of the property. Federal surplus property is donated to eligible donee organizations who pay a service charge upon donation. The service charge is set in accordance with state and federal regulations for the surplus property program and is basically the estimated fair market value of the property. Expenditures from these service charges are restricted for the purpose of operating the federal surplus property program. Federal surplus property inventory is not reported in the financial statements.

Fixed Assets

Property, plant and equipment, including infrastructure (streets, sidewalks, drainage systems and similar assets that are immobile and of value to the Board only) used in governmental fund type operations which are paid in full at time of acquisition, and meet the Board's capitalization policy (cost of \$1,000 and estimated useful life of more than one year), are recorded as expenditures of the applicable fund and simultaneously capitalized at cost in the General Fixed Assets Account Group. Major capital additions which are being constructed over several years are recorded as expenditures in the applicable governmental fund and simultaneously capitalized as construction in progress in the General Fixed Asset Account Group. Fixed assets which are donated and contributed by non-state parties are recorded at their fair market value on the date of contribution. Furthermore, if received by an internal service fund, an equal amount is recorded as contributed capital. Fixed assets used in proprietary funds and pension trust funds are recorded in that fund at cost. Fixed asset additions purchased through installment purchase or capitalized lease contracts are capitalized in the appropriate fund or account group in the year of acquisition at their total cost, excluding interest charges. Payments of principal and interest on such contracts for non-proprietary fund assets are recorded as equipment expenditures, except those for telephone equipment from the State Budget and Control Board - Division of Operations - Office of Information Resources, which are recorded as contractual services expenditures of the General Fund when the capital lease payments are made. Payments on capital lease principal for Internal Service Fund contracts are recorded as reductions of the liability and interest payments as expense in the applicable Internal Service Fund. Net interest expenses/expenditures on debt (interest expense in excess of earning on debt incurred to finance capital projects) during the construction period are capitalized. Cumulative capital project expenditures are capitalized as land, land improvements, buildings, leasehold improvements, equipment, and furniture and fixtures in the General Fixed Assets Account Group or Internal Service Fund, if applicable, when the projects are substantially complete and available for use.

In accordance with generally accepted accounting principles for governmental entities, no provision for depreciation of general fixed assets is recorded. Fixed assets donated/transferred by other State entities and those transferred between the General Fixed Assets Account Group and Internal Service Funds or between Internal Service Funds are recorded at the historical cost (or estimated historical cost) of the originating fund. When an internal service fund is the receiving fund, cost is less accumulated depreciation or accumulated depreciation which would have been recorded had the

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

fixed asset always been an asset of proprietary funds. A net value is recorded as contributed capital by the receiving internal service fund.

Depreciation of all exhaustible fixed assets used by proprietary funds and pension trust funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund and pension trust fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 - 50 Years
Furniture and Equipment	5 - 10 Years
Vehicles	3 - 5 Years

In accordance with GASB's accounting treatment option, the Board has elected to close depreciation expense applicable to assets acquired as contributed capital to unreserved retained earnings rather than recognize such as a reduction of contributed capital. This has the effect of creating a negative unreserved retained earnings in the Engineering Services Internal Service Fund, although total fund equity for this fund is positive.

Claims Liabilities Including Claims Incurred But Not Reported (IBNR)

Losses are recorded at estimated amounts at the time they are reported and include a provision for expenses associated with claim settlements. Insurance claims are expensed as incurred over the period of coverage. The Office of Insurance Services (OIS) establishes an unpaid claim liability for claims in the process of review and for IBNR claims. The liability for IBNR claims is actuarially estimated based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, award trends, and estimates of health care trend (cost, utilization and intensity of services) changes. Estimates of liabilities for incurred claims are continually reviewed and revised as changes in these factors occur and revisions are reflected in the current year's operating statement in the applicable claims expense. The liability is reported net of estimated receivables for salvage, subrogation and reinsurance for the IRF. Claims payable and the related expense have been reduced by reinsurance recoveries receivable for claims paid and for estimated receivables for claims to be paid of approximately \$6,100,000 and \$5,600,000 as of June 30, 2000 and 1999. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of IBNR.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims Liabilities Including Claims Incurred But Not Reported (IBNR) (Continued)

Claim costs for basic group life and long-term disability coverages are actuarially calculated using the one-year term cost method; the cost of coverage is the present value of all benefit payments that will be made on expected claims incurred during the year following the valuation date. Claim liabilities are equal to the present value, as of the valuation date, of all future payments to be made for disabilities and deaths up to that date. Actuarial assumptions include an interest rate of 5.50% for 2000 and 1999, compounded annually.

Claims Payable

Insurance Reserve Fund

Claims payable represents claims resulting from losses that have been incurred but not paid at June 30. The claims payable balance is based on actual losses incurred and settled and estimated losses for claims in the final stages of review and settlement.

Health Insurance Reserve

Claims payable in the Health Insurance Reserve Fund represents claims related to health claims, dental claims, and state life and long-term disability claims payable at June 30. The claims payable balance is based on claims that have been paid by the third party administrators on behalf of the Health Insurance Reserve.

Compensated Absences

State employees are entitled to accrue and carry forward at calendar year end a maximum of 180 days of sick leave and 45 days of annual vacation leave. Upon termination of state employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum of 45 days, but are not entitled to any payment for unused sick leave. In the governmental funds, expenditures for compensated absences are recorded when payment is made. Since no funds are budgeted for compensated absences in excess of a normal year's accumulation, no additional expenditures are accrued. The compensated absences liability includes accrued annual leave, compensatory holiday, and overtime leave earned for which the employees are entitled to paid time off or payment at termination. The Board calculates the compensated absences liability based on recorded balances of unused leave for which the Board expects to compensate employees through paid time off or cash payments at termination. The liability for governmental funds is calculated at fiscal year-end current salary costs plus the cost of the salary-related benefit payments and is recorded in the General Long Term Debt Group. The liability for internal service fund employees is similarly calculated and recorded in the applicable internal service fund.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Reserved components of fund equity represent amounts legally segregated and amounts that cannot be appropriated. The unreserved component of fund equity is computed as total fund equity less reserved amounts.

Interfund Transactions

Interfund transactions are treated as follows:

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the Board are similarly treated when involving other funds of the Board. Major transactions that fall into this category include services of the central supply function of the Other General Services, Telecommunications, Data Processing, Engineering Services, Motor Vehicle Management, IRF, Health Insurance Reserve, Pension Administration and print shop function of the Other Internal Services Fund. Allocation of indirect costs for the Office of Internal Operations is also accounted for in this manner.

Transfers from funds receiving revenues to funds in which the resources are to be expended are accounted for as operating transfers. Operating transfers represent transfers of funds from one fund to another when both funds are part of the same reporting entity. Transfers are not considered revenues by the receiving fund or expenditures by the dispersing fund. Contributions to the capital of the Internal Service Funds, transfers between such funds and the General Fixed Asset Account Group of the Board, and other nonrecurring or nonroutine transfers are classified as residual equity transfers. A transfer of equity may represent the creation or expansion of a fund or the liquidation or contraction of a fund.

There have been no eliminations of interfund transactions in the financial statements.

Noncash Transactions

Federal surplus property is received by the Surplus Property Fund and either donated to various state or local governmental agencies or sold. For financial statement purposes, the property on hand at year-end is not considered an asset of the Board.

State Appropriations and Lapses

State appropriations are recognized as revenue when received and made available. The Board may carry forward up to 10% of unexpended Budgetary General Fund appropriations to the next fiscal year as authorized in the Appropriations Act. Any remaining unexpended amounts at year end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry certain of the monies over to the next fiscal year.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The Board uses estimates and assumptions in preparing its financial statements in accordance with GAAP. 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 the estimates that were used.

Other Significant Accounting Policies

Other significant accounting policies are included in the succeeding notes to the combined financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

As prescribed by Statute, the State Treasurer is the custodian and investment manager of all investments and deposits of the Board. The Board may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements.

All deposits are required to be insured or collateralized with securities held by the State of its agent in the State Treasurer's name as custodian. Certain short-term highly liquid securities, which were insured or registered by the Board or in the Board's name, with an original maturity of three months or less are considered cash equivalents in accordance with GASB Statement 9. Cash and cash equivalents whose cost and approximate fair value (in thousands) at June 30, 2000, were composed of the following:

	<u>CASH EQUIVALENTS</u>						
	<u>CASH</u>	<u>REPURCHASE AGREEMENTS</u>	<u>DISCOUNT NOTES</u>	<u>COMMERCIAL PAPER</u>	<u>FEDERAL AGENCIES</u>	<u>CASH EQUIVALENTS TOTAL</u>	<u>TOTAL</u>
Governmental Funds	\$ 75,667	\$	\$	\$	\$	\$	\$ 75,667
Internal Service Funds	65,620	61,430				61,430	127,050
Pension Trust Funds	532	1,066,071	1,000,821	575,898	1,000	2,643,790	2,644,322
Agency Funds	<u>106,389</u>						<u>106,389</u>
Total	<u>\$ 248,208</u>	<u>\$1,127,501</u>	<u>\$1,000,821</u>	<u>\$ 575,898</u>	<u>\$ 1,000</u>	<u>\$ 2,705,220</u>	<u>\$2,953,428</u>

The short-term investments consist of U.S. Government agency and government insured securities.

As disclosed in Note 17, Engineering Services – Internal Service Fund includes \$130,000 restricted cash held by the STO for debt service reserve funds as required by a bond indenture. Engineering Services – Internal Service Fund also includes approximately \$373,000 in restricted cash from revenue bond proceeds dedicated to construction contracts in the construction of the Consolidated Data Processing project. In addition, Telecommunication – Internal Service Fund includes approximately \$1,147,000 in restricted cash from note payable proceeds.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Governmental accounting standards require that the investments reported as of the balance sheet date be categorized according to the level of credit risk associated with the Board's custodial arrangements at that time. The level of credit risk is defined as follows: Category 1 – insured or registered, or securities held by the Board or in the Board's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Board's name; and Category 3 – uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Board's name.

The fair values of the securities held by the STO for the various funds of the Board by type of investment (expressed in thousands) were as follows at June 30, 2000:

	<u>Fair Value</u>
Investments-Category 1:	
Short-term Securities	\$ 301,681
U.S. Government Securities:	
Unloaned Securities	1,583,209
On Securities Loan – Noncash Collateral	24,217
U.S. Government Agencies and Government Insured Securities:	
Unloaned Securities	3,181,817
On Securities Loan – Noncash Collateral	994
Corporate Bonds:	
Unloaned Securities	4,933,816
Financial and Other	2,739,117
Equities	1,496,975
Total Category 1	14,261,826
Items Not Categorized:	
Equities – S&P 500 Index Fund	1,353,928
Investments Held by Broker-Dealers Under	
Securities Loans with Cash Collateral:	
U.S. Government Securities	1,268,951
Corporate Bonds	34,617
Equities	<u>57,916</u>
Total Not Categorized	2,715,412
 Total Investments	 16,977,238
 Securities Lending Cash Collateral Invested-Category 3	 <u>1,413,893</u>
 Total	 <u><u>\$ 18,391,131</u></u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Effective May 26, 1998, legislation was passed implementing the 1996 public vote amending the State Constitution to allow the Retirement Systems to invest in equity securities. This legislation established a five-member investment panel responsible for defining and developing the investment goals, objectives and the types of investments to be purchased. The Act also specifies a maximum of 10% of assets of each system may be invested in equities annually until a maximum of 40% of assets are invested in equities. The annual Investment Plan adopted by the panel for 1998-99 provided for 5% of the assets to be invested in a S&P 500 Index Fund. The annual Investment Panel adopted by the panel for 1999-2000 provided for an additional investment of 10% of the market value of the Systems' assets (as of June 30, 1999) in the equity market during the 1999-2000 fiscal year. As of June 30, 2000, approximately 15% of the Retirement Systems' assets were invested in equities as follows:

**Equity Investment
(Amounts in Thousands)**

<u>System</u>	<u>S&P 500 Index Fund</u>	<u>Equities</u>	<u>Total Equities</u>
SCRS	\$ 1,207,435	\$ 1,384,451	\$ 2,591,886
PORS	137,591	160,371	297,962
GARS	2,864	3,220	6,084
JSRS	<u>6,038</u>	<u>6,849</u>	<u>12,887</u>
Total	<u>\$ 1,353,928</u>	<u>\$ 1,554,891</u>	<u>\$ 2,908,819</u>

Effective December 16, 1998, an agreement was executed between the Systems and a consultant related to the investment consulting services necessary to fulfill the duties for investing in equity securities. The agreement commenced upon the effective date of December 16, 1998 and expired June 30, 2000 (end of fiscal year) with an automatic renewal for another fiscal year unless terminated based on the terms of the contract. There has been no termination of the agreement; therefore, the automatic renewal will be effective for the next fiscal year.

Effective June 14, 1999 an agreement was executed between the Systems and an equity investments manager. The agreement is effective for a period of one year from the June 14, 1999 effective date with a renewal provision on a year-by-year basis for a maximum of four additional years. During the terms of the agreement, the manager will comply with all applicable provisions of laws, codes, ordinances, rules and regulations, tariffs, and industry standards.

During fiscal year 1999-2000 individual agreements were executed between the Systems and thirteen equity investment managers in order to introduce active management and achieve style diversification.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Retirement Systems maintains a portfolio of short-term securities in order to actively manage all funds waiting to be placed in a more permanent investment. These short-term securities may include U.S. Treasury obligations, commercial paper and repurchase agreements.

Short-term Securities
Fair Value as of June 30, 2000
(amounts in thousands)

	<u>SCRS</u>	<u>PORS</u>	<u>JSRS</u>	<u>Total</u>
Federal Agency Paper	\$ 242,588	\$	\$ 999	\$243,587
Commercial Paper	<u>49,260</u>	<u>8,834</u>	<u></u>	<u>58,094</u>
Total	<u>\$ 291,848</u>	<u>\$ 8,834</u>	<u>\$ 999</u>	<u>\$301,681</u>

Through a custodial agent, the Systems participate in a securities lending program whereby securities are loaned for the purpose of generating additional income to the Systems. The Systems lend securities from their investment portfolios on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100%. There are no restrictions on the amount of securities that may be loaned. The type of securities available for loan during the year ended June 30, 2000, included U.S. corporate bonds, equities, and U.S. Government securities. The contractual agreement with the Systems' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities were received as collateral for these loans. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invest cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan. The weighted average maturity of collateral investments generally matched the maturity of the loans during the year. At year-end the average number of days that loans were outstanding was one day and the average weighted maturity of investments was from three to eighteen days. There have been no losses resulting from a default and the Systems did not have negative credit exposure at June 30, 2000.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The following table presents the fair value (in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2000:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>
Securities Lent for Cash Collateral:					
U.S. Government Securities	\$ 1,143,993	\$ 119,663	\$ 2,003	\$ 3,292	\$ 1,268,951
Corporate Bonds	34,617				34,617
Equities	<u>51,556</u>	<u>5,983</u>	<u>122</u>	<u>255</u>	<u>57,916</u>
Total for Cash Collateral	\$ 1,230,166	\$ 125,646	\$ 2,125	\$ 3,547	\$ 1,361,484

Securities Lent for Noncash Collateral:

U.S. Government Securities	<u>19,248</u>	<u>4,969</u>		<u>994</u>	<u>25,211</u>
Total Securities Lent	<u>\$ 1,249,414</u>	<u>\$ 130,615</u>	<u>\$ 2,125</u>	<u>\$ 4,541</u>	<u>\$ 1,386,695</u>

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>
Cash Collateral Invested as Follows:					
Repurchase Agreements	\$ 463,250	\$ 100,289	\$ 2,180	\$ 3,652	\$ 569,371
U.S. Government Securities	805,421				805,421
Corporate Bonds		29,095			29,095
Commercial Paper	<u>8,907</u>	<u>1,034</u>	<u>21</u>	<u>44</u>	<u>10,006</u>
Total for Cash Collateral Invested	\$1,277,578	\$ 130,418	\$ 2,201	\$ 3,696	\$1,413,893

Securities Received as Collateral:

U.S. Government Securities	<u>19,593</u>	<u>5,125</u>		<u>1,025</u>	<u>25,743</u>
Total Collateral Invested	<u>\$1,297,171</u>	<u>\$ 135,543</u>	<u>\$ 2,201</u>	<u>\$ 4,721</u>	<u>\$1,439,636</u>

On June 30, 2000, the Board's Pension Trust Funds held collateralized mortgage obligations (CMOs) in our portfolios. The CMOs in these portfolios consist of the planned amortizations class-1 (PAC 1) tranche of these issues. The PAC-1 tranche CMO structure securities were entered into for several reasons: (1) to protect the Systems' portfolios from principal prepayment risk during an environment of declining interest rates, (2) to provide incremental yield above that available on corporate securities with similar terms, (3) to provide diversification in the portfolios, (4) to maintain the high quality of government-sponsored credits in the portfolios, and (5) to utilize the estimated future term cash flows provided by these securities to match the term of the liabilities of the Systems. These securities are all rated AAA by the major rating agencies and the PAC-1 structure is a highly marketable security.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Board's Pension Trust Fund held the following CMOs included in the financial and other investments category (in thousands):

	June 30, 2000
	<u>Fair Value</u>
SCRS	\$ 612,040
PORS	29,059
GARS	1,299
JSRS	<u>1,027</u>
Totals	<u>\$ 643,425</u>

On June 30, 2000, the Board also held asset-backed securities in our portfolios. These securities had an average life of one to three years with a legal final maturity of five to six years. These securities represent an undivided ownership interest in a trust consisting of credit card, auto loan and utility receivables. These securities are rated AAA by the major rating agencies.

The Board held the following asset-backed securities included in the financial and other investments category (in thousands):

	June 30, 2000
	<u>Fair Value</u>
SCRS	\$ <u>69,216</u>
Totals	<u>\$ 69,216</u>

In addition to CMOs and asset backed securities, the financial and other investments category primarily consisted of corporate financial paper as follows (in thousands):

	June 30, 2000
	<u>Fair Value</u>
SCRS	\$ 1,710,191
PORS	211,763
GARS	3,069
JSRS	<u>6,753</u>
Totals	<u>\$ 1,931,776</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 3. PREMIUMS RECEIVABLE

Premiums receivable at June 30, 2000 consist of the following:

<u>Due From:</u>	<u>Due To:</u>		
	<u>Insurance Reserve Fund</u>	<u>Health Insurance Reserve Fund</u>	<u>Total Internal Service Fund</u>
Local Government	\$ 9,792,628	\$ 298,187	\$ 10,090,815
State Government	9,215,404	8,418	9,223,822
Other	<u>367,617</u>	<u>88,531</u>	<u>456,148</u>
	<u>\$19,375,649</u>	<u>\$ 395,136</u>	<u>\$19,770,785</u>

Premiums receivable and deferred premium revenue include approximately \$16,000,000 attributable to premiums billed in advance of coverage as of June 30, 2000.

NOTE 4. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE

Intergovernmental notes receivable at June 30 consist of the following:

Internal Service Fund:

Insurance Reserve Fund due from State Agencies	
Six notes at 6.5%; collateralized by the assignment of notes issued by the Office of General Services for the Installment Purchase Program in monthly/annual installments; range of maturity 2000 to 2006	\$ 6,160,099

Internal Service Fund:

Insurance Reserve Fund due from Savannah Valley Development Division of the Department of Commerce	
Eleven notes at 8%; range of maturity 2021 to 2030	<u>16,863,482</u>

Subtotal Internal Service Fund	\$23,023,581
Less Current Portion	<u>1,256,692</u>
Non-Current Portion	<u>\$21,766,889</u>

Special Revenue Fund:

State Infrastructure Revolving Loan Fund due from Various Local Governments and Special Districts	
Twelve notes with interest from 3.0% to 4.75%; range of maturity 2007 to 2029	\$12,395,505

Energy Programs due from Various Local Governments and Special Districts

Two notes with interest at 4.70%; maturity 2004	<u>155,081</u>
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Subtotal Special Revenue Fund	<u>\$12,550,586</u>
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SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 4. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)

Agency Fund:

Clean Water Revolving Loan Fund – Held for S.C. Department of Health
and Environmental Control due from Various Local Governments and Special Districts
Fifty-two notes due in quarterly installments, including interest from 2% to 4.75%;
range of maturities 2001 to 2021 \$181,636,783

Drinking Water Revolving Loan Fund – Held for S.C. Department of Health and Environ-
mental Control due from Various Local Governments and Special Districts
Five notes due in quarterly installments, including interest from 3.5% to 4.0%; range of
maturities 2009 to 2020 11,427,914

Subtotal Agency Fund \$193,064,697

Total Intergovernmental Notes Receivable \$228,638,864

Intergovernmental notes payable at June 30, 2000 consist of the following:

Internal Service Fund:

Telecommunications Fund due to State Treasurer's Office
One note due in annual installments of \$1,361,044, including interest at 8%;
original amount \$12,828,000; matures 2004 \$ 5,434,255

One note due in annual installments of \$250,730, including interest at 8%;
original amount of \$1,975,000; matures 2004 904,492

Subtotal Internal Service Fund \$ 6,338,747

Agency Fund:

State Agencies' Fund due to Department of Commerce
One note, City of Charleston, due in annual installments of \$133,333, plus 5% interest;
matures 1999; principal payment of \$133,333 was made during July of 1999 \$ -0-

Subtotal Agency Fund \$ -0-

Total Intergovernmental Notes Payable \$ 6,338,747

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 4. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)

Principal payments and interest expense for the year were:

	<u>Principal</u>	<u>Interest</u>
Internal Service Fund	\$1,022,839	\$507,108
Agency Fund	<u>133,333</u>	<u> </u>
Total	<u>\$1,156,172</u>	<u>\$507,108</u>

Future maturities on Internal Service Fund intergovernmental notes payable as of June 30, 2000 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$1,104,666	\$ 507,108	\$1,611,774
2002	1,193,039	418,734	1,611,773
2003	1,288,483	323,291	1,611,774
2004	1,391,561	220,213	1,611,774
2005	<u>1,360,998</u>	<u>108,888</u>	<u>1,469,886</u>
	<u>\$6,338,747</u>	<u>\$1,578,234</u>	<u>\$7,916,981</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 5. INTERFUND NOTES RECEIVABLE/PAYABLE

Interfund notes receivable/payable consist of the following:

Due from Internal Service Fund:

Engineering Services Fund to Agency Fund – Sinking Funds

One note on state owned parking lot, without interest, collections contingent upon parking fee, which have historically averaged approximately \$1,900 annually \$ 74,083

Due from Internal Service Fund:

Engineering Services Fund to Agency Fund – Sinking Funds

One note on state-owned parking lot, without interest payment to be made from collections of parking fees or other revenues generated by the use of the property or from proceeds from the sale of the property. Currently, use of parking lot is free to state employees. Therefore, there has been no reduction of the liability. 75,000

Due between Internal Service Fund:

Engineering Services Fund to Insurance Reserve Fund

Three notes due in annual installments, including interest from 5.5% to 8%; Range of maturities 2004 to 2009 1,787,393

Total Interfund Notes Receivable/Payable	<u>\$1,936,476</u>
Internal Service Fund Interfund Notes Receivable	\$1,787,393
Less Current Portion	<u>299,326</u>
Non-Current Portion	<u>\$1,488,067</u>

Future maturities on Internal Service Funds interfund notes payable with scheduled annual payments as of June 30, 2000 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 299,326	\$ 105,264	\$ 404,590
2002	317,333	87,257	404,590
2003	336,454	68,137	404,591
2004	356,760	47,830	404,590
2005	85,560	26,264	111,824
Thereafter	<u>391,960</u>	<u>55,336</u>	<u>447,296</u>
	<u>\$1,787,393</u>	<u>\$ 390,088</u>	<u>\$2,177,481</u>

Principal payments and interest expense for the year were:

	<u>Principal</u>	<u>Interest</u>
Internal Service Fund	\$ 586,448	\$ 137,428

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 6. INVENTORIES

Inventories consist of the following:

Telecommunications	
Telecommunication Supplies Held for Resale	\$ 754,031
Other General Services	
Office and Maintenance Supplies Held for Resale	478,117
Vehicles Held for Resale	<u>44,900</u>
	523,017
	Total Other General Services
Engineering Services	
Fuel Oil	92,531
Motor Vehicle Management	
Auto Supply and Repair Parts	<u>14,309</u>
	Total <u>\$1,383,888</u>

In addition, the Board received, distributed or sold, and had federal surplus property on hand in the Other General Services Fund – Internal Service Fund as follows:

On Hand at Beginning of Year	\$ 752,801
Received	166,321
Distributed or Sold	<u>(349,533)</u>
On Hand at End of Year	<u>\$ 569,589</u>

The above federal surplus property balances and transactions are reflected at market value and are not reported in the Board's financial statements.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 7. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>	<u>Construction in Progress</u>	<u>Total</u>
July 1, 1999 Balance	\$ 929,974	\$7,314,455	\$3,761,915	\$	\$12,006,344
Additions			330,135	3,192,418	3,522,553
Retirements			(467,377)		(467,377)
Transfers from Internal Service Funds	<u> </u>	<u> </u>	<u>1,071</u>	<u> </u>	<u>1,071</u>
June 30, 2000 Balance	<u>\$ 929,974</u>	<u>\$7,314,455</u>	<u>\$3,625,744</u>	<u>\$3,192,418</u>	<u>\$15,062,591</u>

There was no capitalized construction interest for the year ended June 30, 2000.

A summary of general fixed assets by Division at June 30, 2000:

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>	<u>Construction in Progress</u>
DIVISION OF EXECUTIVE DIRECTOR				
Board Administration			\$ 30,344	
Office of General Counsel			47,523	
Office of Internal Operations			<u>397,400</u>	
DIVISION TOTAL			475,267	
DIVISION OF BUDGET AND ANALYSES				
Office of State Budget			96,188	
Office of Research and Statistics			2,123,533	
Office of Human Resources			164,474	
Confederate Relic Room			14,555	
Board of Economic Advisors			<u>61,386</u>	
DIVISION TOTAL			2,460,136	
DIVISION OF OPERATIONS				
Office of General Services	<u>929,974</u>	<u>7,314,455</u>	<u>454,855</u>	<u>3,192,418</u>
DIVISION TOTAL	929,974	7,314,455	454,855	3,192,418

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 7. FIXED ASSETS (CONTINUED)

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>	<u>Construction in Progress</u>
DIVISION OF REGIONAL DEVELOPMENT				
State Energy Office			102,027	
Office of Local Government			67,127	
Office of Regional Development			<u>66,332</u>	
DIVISION TOTAL	<u> </u>	<u> </u>	<u>235,486</u>	<u> </u>
BOARD TOTAL	<u>\$ 929,974</u>	<u>\$7,314,455</u>	<u>\$3,625,744</u>	<u>\$3,192,418</u>

NOTE 8. AMOUNTS DUE FROM/TO STATE GENERAL FUND

The amount Due from State General Fund at June 30 represents the amount due for personal services and the related fringe benefits accrued at June 30 for employees funded by State Appropriations but collected on or after the subsequent July 1. South Carolina State law provides for the payroll accruals to be paid with subsequent year appropriations.

Amounts Due to State General Fund represent monies which must be remitted to the General Fund of the State at year end. Monies collected include payphone commissions, rental/parking income, funding for capital improvement bond debt service, refund of prior year expenditures and various charges and fees.

NOTE 9. CAPITAL PROJECTS

The Board is charged with the responsibility of coordinating and accounting for all major construction projects for certain state agencies. Construction costs incurred on behalf of other state agencies is paid from monies deposited with the Board for those specific projects. Such projects do not represent an asset to the Board. Additionally, the Board conducts construction projects on its own behalf, primarily for state-owned office buildings operated by the Board. Such projects are generally funded by State appropriations, advances of capital improvement bond proceeds, revenue bond proceeds, or income of the Internal Service Fund - Engineering Services Fund.

As of June 30, 2000, the Board had received advances from various state agencies in excess of expenditures incurred. These amounts are reflected as due to other state agencies in the Capital Projects Fund - Other.

The estimated cost to complete Board capital projects as of June 30, 2000 was:

	<u>Capitalized</u>	<u>Non-Capitalized</u>	<u>Total</u>
Internal Service Fund	\$ 414,638	\$ 6,248,807	\$6,663,445
Governmental Funds	740,797	7,243,323	7,984,120
Agency Fund	<u>470,998</u>	<u>145,615</u>	<u>616,613</u>
Board Total	<u>\$1,626,433</u>	<u>\$13,637,745</u>	<u>\$15,264,178</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 9. CAPITAL PROJECTS (CONTINUED)

The estimated cost to complete construction projects for other state agencies was approximately \$5,758,000 as of June 30, 2000. The amount of outstanding commitments for all construction projects was approximately \$2,011,000 as of June 30, 2000.

In the current and in prior years, the State authorized money for improvement and expansion of facilities using the proceeds of State capital improvement bonds. The State Capital Improvement Bonds are issued as general obligations of the State and do not have to be repaid by the Board and, therefore, are not recorded as a liability. As capital projects were authorized by the State Budget and Control Board, the bond proceeds were allocated to the projects. In most instances, the Board recorded the proceeds as revenue in the Capital Projects Fund at the time the funds were authorized. These authorized funds could be requested at the time and to the extent that allowable project expenditures were incurred once State authorities have given approval to begin specific projects.

A summary of balances available from these authorizations as of June 30, 2000 and recorded in the Departmental Capital Improvement Bonds receivable account follows:

<u>Legislative Act Number</u>	<u>Authorized Net of Adjustments</u>	<u>Amounts Drawn in Prior Years</u>	<u>Amounts Drawn in 1999/00</u>	<u>Balance Authorized June 30, 2000</u>
646 of 1978	\$ 431,933	\$ 423,059	\$ 1,989	\$ 6,885
638 of 1988	684,718	683,675	1,043	
256 of 1991	3,050,000	1,993,492	936,026	120,482
28 of 1999	<u>4,281,193</u>	<u> </u>	<u>106,504</u>	<u>4,174,689</u>
Totals	<u>\$8,447,844</u>	<u>\$3,100,226</u>	<u>\$ 1,045,562</u>	<u>\$4,302,056</u>

The Board also acts in a fiduciary capacity with respect to certain capital improvement bonds authorized for other agencies. The Board can draw on these funds as construction funds are expended for other state agencies. These receivables totaled \$377,619 as of June 30, 2000 and are included in the assets – Capital Improvement Bonds Receivable - and in the liabilities – Due to Other State Agencies - of the State Agencies' Fund - Agency Fund.

During the year, the Board received \$3,056,104 in Capital Reserve Fund appropriations to be used in the relocation of the Confederate Relic Room and renovation of the Governor's Mansion. The Board received \$230,000 in Capital Reserve Fund appropriations transferred from the Commission of the Blind to be used for renovation/maintenance projects. As of June 30, 2000, approximately \$1,497,000 had not been spent and is reported as a Due from State – Capital Reserve Fund in the Capital Projects Fund – Other.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS

The South Carolina Retirement Systems (the System) administers four defined benefit retirement plans: the SCRS, PORs, GARS, and JSRS.

Membership:

SCRS – Generally all employees are required to participate in and contribute to the System as a condition of employment. This plan covers general employees and teachers.

PORS – Generally all full-time employees whose principal duties are the preservation of public order, protection of life and property, detection of crime, or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment.

GARS – All persons are required to participate in and contribute to the System upon taking office as a member of the General Assembly.

JSRS – All solicitors, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the System upon taking office.

Pension Benefits:

SCRS – Monthly pension payable at age 65 or with 30 years credited service regardless of age. Reduced pension benefits are payable as early as age 55. Member is vested for a deferred annuity with 5 years service. A group life insurance benefit is also provided to members with at least one year of service.

PORS – Monthly pension payable at age 55 with minimum 5 years service or 25 years credited service regardless of age. Member is vested for a deferred annuity with 5 years service. A group life insurance benefit is also provided to members with at least one year of service. An additional accidental death benefit is provided to officers killed in the line of duty.

SCRS and PORS retirees may receive ad hoc cost of living adjustments of up to 4% annually based on increases in the Consumer Price Index. These increases are provided annually based on compliance with the Systems funding policies and on approval by the State Budget and Control Board.

GARS – Member is eligible for a monthly pension at age 60 or with 30 years of credited service. Member is vested for a deferred annuity with 8 years service. A group life insurance benefit is also provided to members with at least one year of service.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS (CONTINUED)

JSRS – Pension benefit payable at age 70 with 15 years service, age 65 with 20 years service or with 25 years service regardless of age. Member is vested for a deferred annuity with 12 years service. A group life insurance benefit is also provided to members with at least one year of service.

Automatic cost of living adjustments for GARS and JSRS are provided based on increases in current salary of the respective active positions.

Membership, benefits and employee and employer contribution requirements are prescribed in Title 9 of the S.C. Code of Laws of 1976 (as amended).

As an alternative to membership in the SCRS, certain teachers and administrators of the institutions of higher learning employed on or after July 1, 1987 may elect to participate in the Optional Retirement Program (ORP). Certain teachers and administrators of the public supported technical colleges employed on or after July 1, 1998 also have the option to participate in this program. The SCRS assumes no liability for the ORP participants. Contributions to the ORP are at the same rates as the SCRS. A direct remittance is required from the institutions and technical colleges to the vendors for the member's contribution (6 percent) and the employer portion of the normal cost (5 percent). Also, a direct remittance is required for the employer's portion of the unfunded liability (2.55 percent) to the SCRS in order for this portion to be retained by the SCRS and applied to the unfunded accrued liability of the SCRS. Based on covered payroll of \$177.8 million, \$4.5 million was retained by the SCRS and reported as employer contributions for the year ended June 30, 2000.

Employee and employer contributions of \$10.7 million and \$8.9 million respectively were remitted directly to the designated vendors from the institutions and the technical colleges.

Contributions:

Contributions to each of the Plans are prescribed in Title 9 of the South Carolina Code of Laws.

Plan members are required to contribute at the following statutorily established rates:

SCRS	6% of salary
PORS	6.5% of salary
GARS	10% of earnable compensation
JSRS	7% of salary

Employer contributions are established by the State Budget and Control Board at the actuarially determined rates recommended by the Systems' actuary.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS (CONTINUED)

Participating Employers:

Information concerning the number of participating employers at June 30, 2000 was as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
State Agencies *	111	42	2	2
Public School Districts	98			
Other Governmental Entities	<u>520</u>	<u>255</u>	—	—
Total	<u>729</u>	<u>297</u>	<u>2</u>	<u>2</u>

*Each State Agency is considered a separate employer for reporting purposes.

A schedule of funding progress, schedule of employer contributions, and additional information concerning the latest actuarial valuation are included as required supplementary information.

The System issues its own publicly available CAFR. A copy may be obtained by writing to the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

NOTE 11. PENSION PLAN

The majority of employees of the Board are covered by a retirement plan through the SCRS, a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the Budget and Control Board, a public employee retirement system (PERS). Generally, all state employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the SC Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 30 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. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of 5 years credited service. 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.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 11. PENSION PLAN (CONTINUED)

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 1999, the employer contribution rate became 9.50 percent, which included 1.95 percent surcharge to fund retiree health and dental insurance coverage. Effective January 1, 2000, the surcharge was increased to 2.16 percent and employer contribution rate became 9.71 percent. The Board's actual contributions to the SCRS for the years ended June 30, 2000, 1999 and 1998 were approximately \$3,654,000, \$3,410,000, and \$3,144,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. The contribution for the fiscal year 1998 has not been adjusted to reflect changes in the Board's reporting entity. Also, the Board paid employer group-life insurance contributions of approximately \$73,000 in the current fiscal year at the rate of .15 percent of compensation.

The amounts paid by the Board for pension, group-life benefits and accidental death benefits are reported as employer contribution expenditures/expenses within the applicable fund/program or fund/object code expenditure/expense categories to which the related salaries are charged.

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 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liability for individual employers. Under Title 9 of the South Carolina Code of Laws, the Board'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. Therefore, the Board's liability under the pension plan is limited to the amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Board recognizes no contingent liability for unfunded costs associated with participation in the plan.

At retirement, employees participating in the SCRS may receive additional service credit for up to 90 days for accumulated unused sick leave.

Effective July 1, 2000, Chapter 1, Title 9 of the 1976 Code of Laws, relating to the SCRS was amended with some provisions effective January 1, 2001. The amendment will enact the Teacher and Employee Retention Incentive Program (TERI), reduce from thirty to twenty-eight the years of creditable service required to retire at any age without penalty and make other changes to the SCRS.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS

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 Board 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.

These benefits are provided through State General Fund appropriations by the General Assembly to the Board for its active employees and its retirees except for the portion funded through the pension surcharge or provided from other applicable fund sources of the Board for its active employees who are not funded by annual appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,000 State retirees met these eligibility requirements as of June 30, 2000.

The Board recorded employer contributions expenditures/expenses within the applicable fund/program or fund/object code expenditure/expense categories for these insurance benefits for active employees of approximately \$3,182,000 for the year ended June 30, 2000. As discussed in Note 11, the Board paid approximately \$995,000 applicable to the 1.95% surcharge for July 1, 1999 to December 31, 1999 and the 2.16% surcharge for January 1, 2000 to June 30, 2000 included with the employer contributions for retirement benefits. These amounts were remitted to the SCRS for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to Board retirees is not available. By State law, the Board 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 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 annually appropriated from the State General Fund.

NOTE 13. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to state employees and employees of its political subdivisions. Certain employees of the Board 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 CAFR 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

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 13. DEFERRED COMPENSATION PLANS (CONTINUED)

prior to termination if they meet requirements specified by the applicable plan. The State appropriated funds from unspent fiscal year 1998-1999 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 1999-00 Appropriation Act required State institutions and agencies to match certain 401(k) contributions by employees whose salaries are funded from its applicable revenue sources. The appropriated 401(k) match is limited to \$300. To be eligible, an employee must meet the following eligibility requirements:

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 (this requirement is not required for employees earning less than \$20,000).

In April, 2000 the Board made contributions from applicable funding sources of \$118 to the 401(k) accounts of each eligible State employee for a total of \$83,308. The payment is reported as employer contributions expenditures/expenses within the applicable fund/program or fund/object code expenditure/expense categories to which the salaries are charged.

NOTE 14. LEASE OBLIGATIONS

The Board leases real estate under agreements which have been classified as capital leases in the Engineering Services Internal Service Fund. In addition, other real estate and equipment leases have been classified as operating leases which generally expire within the next one to six years. In most cases, the Board expects that operating leases will be renewed or replaced by other leases as they expire.

Capital leases of the Internal Service Funds have been recorded as property and long-term debt. All capital leases are reported in the Internal Service Fund. Capital lease payments during the fiscal year ended June 30, 2000 totaled approximately \$487,000, and the portion representing interest was approximately \$209,000. The Board incurred approximately \$208,000 in interest expense related to these capital leases.

The following is a summary of the cost of property under capital leases at June 30, 2000:

Buildings	\$5,231,337
Less Accumulated Depreciation	<u>1,307,830</u>
Carrying Value	<u>\$3,923,507</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 14. LEASE OBLIGATIONS (CONTINUED)

Details of the significant leases follow:

In December 1987, the Board entered into a capital lease agreement for the period December 1987 through December 2007 for the Adjutant General Building. The annual rent is \$486,702 plus additional amounts required for taxes, insurance, assessments and other expenses required to be covered under the lease agreement. The purchase price is 240 base rental payments plus one dollar. This lease is accounted for in the Internal Service Fund - Engineering Services Fund. The applicable interest rate is 7.000%. The original present value of lease payments is \$5,200,000, and the balance at June 30, 2000 is \$2,833,588.

Effective May 1, 1996, the Board renewed a non-cancelable operating lease agreement with amendments for the period July 1997 to June 2002 for rental of approximately 148,000 square feet of office space in the Capital Center Office Building. The annual base rental (excluding operating cost contribution) is \$1,330,047 (nine dollars (\$9.00) per square foot) payable in equal advance monthly installments of \$110,837. The estimated operating cost is \$4.00 per rentable square foot, payable in equal advanced monthly installments of \$49,261. The lease payments are fixed for the remaining life of the lease which expires on June 30, 2002. The lease contains a renewal option which expires June 30, 2001. The Board has the option to renew this lease for one additional three year period. Notice to exercise this option must be given at least twelve months prior to the termination of the then-current lease term.

In April 2000, the Board exercised the renewal option of this lease agreement for the period July 2002 to June 2005. The Board will rent approximately 159,000 square feet of office space. The annual base rental (excluding operating cost contribution) is \$1,672,682 (\$10.50 per square foot) payable in equal advance monthly installments of \$139,390. The estimated operating cost is \$4.00 per rentable square foot, payable in equal advanced monthly installments of \$53,101. The lease payments are fixed for the remaining life of the lease, which expires on June 30, 2005. The lease contains a renewal option, which expires June 30, 2004. The Board has the option to renew this lease for one additional three year period. Notice to exercise this option must be given at least twelve months prior to the termination of the then-current lease term.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 14. LEASE OBLIGATIONS (CONTINUED)

The following schedule summarizes the Board's future obligations under non-cancelable capital and operating leases with remaining terms in excess of one year:

<u>Fiscal Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2001	\$2,956,169	\$ 486,702
2002	2,906,808	486,702
2003	2,009,007	486,702
2004	1,953,822	486,702
2005	1,830,785	486,702
Thereafter	<u>10,084</u>	<u>1,216,757</u>
Total Payments	<u>\$11,666,675</u>	\$3,650,267
Less Amount Representing Interest		<u>816,679</u>
Present Value of Capital Lease Payments		<u>\$2,833,588</u>

The Board is obligated on these leases, and the source of the future obligations will be based on which division is utilizing the assets. Rental expenditures/expenses under operating leases were approximately \$2,280,000 from the General Fund, \$5,585,000 from the Internal Service Funds, and \$137,000 from the Special Revenue Funds for the year ended June 30, 2000.

The Board has also entered into a number of operating leases which expire in various years from 2001 through 2006 for office equipment and office space 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.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 15. SUBLEASED MAJOR CAPITAL ASSETS

The Board sublets office space to the Adjutant General's Office. No formal lease agreement exists. The lease is on a year-to-year basis. Applicable information for the fiscal year is as follows. This income is reported in the Internal Service Fund – Engineering Services Fund. Rent received includes base rent plus operating and maintenance fees.

<u>Facility</u>	<u>Tenant</u>	<u>Rent Received</u>
Adjutant General Building	Adjutant General	\$ 841,985

See Note 14 for a description of the capital lease related to this building.

NOTE 16. GENERAL LONG-TERM DEBT

The following is a summary of changes in general long-term debt of the Board for the year ended June 30, 2000:

	<u>Liability for Compensated Absences</u>
Balance - June 30, 1999	\$2,418,018
Net Increase	<u>138,006</u>
Balance – June 30, 2000	<u>\$2,556,024</u>

Changes in amounts payable are reflected at net since details to support gross increases and decreases are not available.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE

Advances from State

Advances from State at June 30 consist of capital improvement bond proceeds advanced from the State Treasurer for authorized construction projects of the Board. The Board is required to repay these advances annually to the State Treasurer based on amortization schedules established for each applicable project. The Internal Service Fund - Engineering Services Fund is responsible for repaying the capital improvement bond proceeds. The Board's liability is recorded at the time that the bonds are issued by the State. The repayment will be funded from rents received from the applicable agencies renting the buildings. Following is a summary of capital improvement bond advances outstanding at June 30:

<u>Project Description</u>	<u>Amortization Schedule</u>		<u>Interest Rate</u>	<u>Amount Advanced</u>	<u>Total Outstanding June 30, 2000</u>	<u>Current Portion of Advance</u>	<u>Current Annual Payments</u>
	<u>Began</u>	<u>Matures</u>					
Roof and Parapets	1986	2004	9.00%	\$ 75,000	\$ 26,617	\$ 5,820	\$ 8,216
HVAC Five Points Building	1988	2008	6.573%	50,000	27,711	2,743	4,564
Calhoun Building	1989	2009	6.573%	6,557,000	3,971,494	337,499	598,545
Fire Systems	1989	2009	7.00%	150,000	92,248	7,701	14,159
Supreme Court	1993	2009	6.65%	<u>4,238,000</u>	<u>2,812,321</u>	<u>238,230</u>	<u>425,249</u>
Total Advances from State				<u>\$11,070,000</u>	<u>\$6,930,391</u>	<u>\$591,993</u>	<u>\$1,050,733</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)

Advances from State (Continued)

The Board of the Budget and Control Board, approved the following expenditure priorities for 1999-2000 for rent revenues from State-controlled office buildings, as recommended by the Office of General Services: (a) revenues will be expended for maintenance and operation costs of State-controlled office buildings; and (b) any revenues over and above those expended for maintenance and operation costs of State-controlled office buildings shall be paid to the General Fund for the annual debt service appropriation.

With the deterioration of many of the State-controlled office buildings, many capital projects were funded during the year which resulted in no revenues being available for the payment of principal and interest for Advances from State. As a result, the State forgave principal of \$555,169 and interest of \$495,564 for a total forgiveness of \$1,050,733. The following summarizes the Board's obligation under these Advances from State:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 591,993	\$ 458,740	\$ 1,050,733
2002	631,262	419,471	1,050,733
2003	673,139	377,593	1,050,732
2004	717,799	332,933	1,050,732
2005	757,210	285,307	1,042,517
Thereafter	<u>3,558,988</u>	<u>606,514</u>	<u>4,165,502</u>
	<u>\$6,930,391</u>	<u>\$2,480,558</u>	<u>\$9,410,949</u>

Lease Revenue Bonds Payable

Lease Revenue Bonds Payable at June 30 consists of revenue bond proceeds from bonds issued in the Board's name and for which the State Treasurer serves as agent and acts as Bond Trustee. These bonds are secured by (1) all rental receipts and revenues derived from the use of the buildings, (2) proceeds from the sale or disposition of the facility, and (3) all interest or other income held for the investment of any money from the bond resolution. The Internal Service Fund – Engineering Services Fund is responsible for repayment of the bond proceeds annually with interest payments semi-annually. The repayment will be funded from rents received from the applicable agencies renting the buildings.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)

Lease Revenue Bonds Payable (Continued)

The bond documents outline certain covenant terms to secure the bonds. For all series of bonds, the Board must maintain its rates and charges at amounts necessary to maintain certain specified earning levels, and the Board must generate net revenues available for debt service of not less than 110 percent of debt service payments due in each bond year.

During fiscal year 1998, the Board issued a lease revenue bond in the amount of \$8,620,000 to be used in the construction of the Data Processing Computer Center. Approximately \$373,000 in unspent lease revenue bond proceeds is reported as Restricted Asset – Cash and Cash Equivalents in the Internal Service Fund – Engineering Services. On September 1, 1999, the Data Processing Computer Center became operational. During this fiscal year and while the construction of the Data Center was in progress, the Board earned approximately \$32,000 in interest on the bond proceeds on deposit with the State Treasurer's Office, and incurred approximately \$66,000 in interest expense on this bond. The interest revenue has been netted against interest expense.

Bond covenant requirements specify that at least fifteen (15) days prior to each Bond Payment Date, there shall be deposited with the State Treasurer a sum equal to one-half (1/2) of the aggregate amount of principal and the interest payment to become due on the next Bond Payment Date on which payment of principal is due. The Board's required bond payment deposit of \$130,000 was made and is reported within the Internal Service Fund – Engineering Services and is presented as Restricted Assets – Cash and Cash Equivalents.

Following is a summary of lease revenue bonds outstanding at June 30:

<u>Project Description</u>	<u>Amortization Schedule</u>		<u>Interest Rate</u>	<u>Original Amount</u>	<u>Total Outstanding June 30, 2000</u>	<u>Current Portion of Bonds Payable</u>	<u>Current Annual Payments</u>	<u>Restricted Assets</u>
	<u>Began</u>	<u>Matures</u>						
Department of Social Services-Harden Street	1995	2014	5.25-7.00%	\$ 6,880,000	\$ 5,810,000	\$ 260,000	\$ 586,358	\$ 130,000
Mt. Vernon Mills Building	1997	2007	4.00-6.00%	22,625,000	16,900,000	2,105,000	2,935,310	-0-
Computer Center	1998	2014	4.25-4.95%	8,620,000	8,230,000	415,000	791,752	373,000
Robert Mills Building	1999	2009	4.00-4.20%	<u>4,800,000</u>	<u>4,405,000</u>	<u>410,000</u>	<u>588,435</u>	<u>-0-</u>
				<u>\$42,925,000</u>	<u>\$35,345,000</u>	<u>\$ 3,190,000</u>	<u>\$4,901,855</u>	<u>\$ 503,000</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)

Lease Revenue Bonds Payable (Continued)

Beginning December 1, 2000 certain of the bonds used for the Department of Social Services – Harden Street Project may be redeemed at a premium prior to the mandatory redemption dates and final maturities at the option of the Board. The redemption prices (expressed as a percentage of the principal redeemed) for the bonds range from 102 percent in 2004 to 100 percent in 2006.

Beginning March 1, 2008 certain of the bonds used for the Computer Center may be redeemed at a premium prior to the mandatory redemption dates and final maturities at the option of the Board. The redemption prices (expressed as a percentage of the principal redeemed) for the bonds range from 102 percent in 2008 to 100 percent in 2010.

For the year ended June 30, 2000, the Board paid \$3,050,000 of principal and incurred approximately \$1,808,000 of interest expense attributable to these Lease Revenue Bonds. The following summarizes the Board's obligation under these Lease Revenue Bonds until maturity:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 3,190,000	\$ 1,711,855	\$ 4,901,855
2002	3,330,000	1,535,980	4,865,980
2003	3,480,000	1,364,999	4,844,999
2004	3,655,000	1,205,504	4,860,504
2005	3,820,000	1,035,561	4,855,561
Thereafter	<u>17,870,000</u>	<u>3,485,155</u>	<u>21,355,155</u>
	<u>\$35,345,000</u>	<u>\$10,339,054</u>	<u>\$45,684,054</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)

Notes Payable

The Board has entered into three purchase agreements under the STO Master Lease Program with First Union National Bank (First Union). The Board is required to repay these loan agreements to First Union based on amortization schedules established for each loan: (1) the Internal Service – Engineering Service used the proceeds to improve the energy efficiency of several of its buildings. The repayment will be funded from rents received from the applicable agencies renting the buildings; (2) the Internal Service – Motor Vehicle Management used the proceeds to purchase additional vehicles for its fleet of state-owned automobiles. The repayment will be funded from rents received from the applicable agencies renting the motor vehicles. During the current fiscal year, Motor Vehicle Management paid off this notes payable. The Internal Service – Telecommunications used the proceeds to purchase telephone switches and related equipment. The repayment will be funded from the revenue produced by the applicable agencies utilizing the new equipment. Payments are made semi-annually.

Proceeds from the purchase agreements are placed in interest bearing escrow accounts with an outside financial institution. Eighteen months after the closing date of each agreement, this escrow account will be closed and any remaining proceeds plus interest will be remitted to First Union as a principal payment.

For the year ending June 30, 2000, the Board paid \$968,414 of principal and incurred approximately \$143,000 of interest expense attributed to these Notes Payable. Following is a summary of notes payable outstanding at June 30:

<u>Loan Agreement</u>	<u>Amortization Schedule</u>		<u>Interest Rate</u>	<u>Amount Advanced</u>	<u>Total Outstanding June 30, 2000</u>	<u>Current Portion of Advance</u>	<u>Current Annual Payments</u>	<u>Restricted Assets</u>
	<u>Began</u>	<u>Matures</u>						
Engineering Services	1998	2005	4.91%	\$ 764,856	\$ 514,968	\$ 93,252	\$ 117,406	\$
Telecommunications	2000	2005	5.324%	<u>3,500,000</u>	<u>3,500,000</u>	<u>628,436</u>	<u>806,521</u>	<u>1,147,112</u>
				<u>\$4,264,856</u>	<u>\$4,014,968</u>	<u>\$ 721,688</u>	<u>\$ 923,927</u>	<u>\$ 1,147,112</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)

Notes Payable (Continued)

The following summarizes the Board's obligations under these notes payables:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 721,687	\$ 202,240	\$ 923,927
2002	760,225	163,701	923,926
2003	800,823	123,104	923,927
2004	843,590	80,337	923,927
2005	<u>888,643</u>	<u>35,284</u>	<u>923,927</u>
	<u>\$4,014,968</u>	<u>\$604,666</u>	<u>\$4,619,634</u>

The Agency Fund – Sinking Funds reports a liability – Advances from the State – of \$1,991 to holders of Teachers Notes issued by the State during the depression. Holders of the bonds are currently unknown.

NOTE 18. DEFICIT BALANCES

The Engineering Services – Internal Service Fund – has a deficit Retained Earnings balance of approximately \$3,276,000 as of June 30, 2000. The Engineering Services deficit is due to the Board's practice of closing depreciation expense attributable to contributed fixed assets to Retained Earnings rather than Contributed Capital. This Fund had an overall positive equity balance of approximately \$91,984,000 at June 30, 2000.

The Health Insurance Reserve – Internal Service Fund – has a deficit Retained Earnings balance of approximately \$81,985,000 as of June 30, 2000. See Note 31 for further details.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 19. CONTRIBUTED CAPITAL

Following is a schedule of the net changes in contributed capital of the Internal Service Funds for the year ended June 30, 2000:

	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Other General Services	Other Internal Services	Totals
Balance, June 30, 1999	\$ 1,007	\$73,501,979	\$ 14,584	\$ 52,595	\$ 246,956	\$720,093	\$ 86,833	\$74,624,047
Residual Equity Transfer In:								
Transfer from Data Processing- Internal Service Fund		189,503						189,503
Transfers from Department of Archives & History		<u>20,621,370</u>						<u>20,621,370</u>
Total Residual Equity Transfer In		20,810,873						20,810,873
Donated Assets		830,399						830,399
Disposal/Retirements of Equipment Previously Contributed			<u>(4,669)</u>		<u>(30,150)</u>			<u>(34,819)</u>
Balance, June 30, 2000	<u>\$ 1,007</u>	<u>\$95,143,251</u>	<u>\$ 9,915</u>	<u>\$ 52,595</u>	<u>\$ 216,806</u>	<u>\$ 720,093</u>	<u>\$ 86,833</u>	<u>\$96,230,500</u>

Note: There is hidden text for 2000 statements on Page 65 of Note 19, Contributed Capital

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 20. RESERVE BALANCES

General Fund

The General Fund does not use encumbrance accounting. The Reserve for Appropriations to be Carried Forward, however, identifies situations which the General Assembly has authorized appropriations to be carried forward to the next fiscal year to be expended for legally specified purposes.

Special Revenue Funds

Long-term notes do not represent expendable available resources. The State Infrastructure Revolving Loan Fund and Energy Programs, therefore, reserve a corresponding portion of fund balance.

The Reserve for Appropriations to be Carried Forward and the reserve for Subsequent Years' Expenditures identifies situations which the General Assembly has authorized appropriations and other funding to be carried forward to the next fiscal year to be expended for legally specified purposes.

Capital Projects Fund

Capital improvement bonds and other have reserved a portion of their fund balances for Subsequent Years' Expenditures.

Pension Trust Funds

The Reserve for Employee's Pension Benefits represents the net plan amounts held in trust and for pension group life, benefits and for accidental death benefits available through the PORs.

Expendable Trust Funds

Monies for the War Memorial, OGS, were authorized by the General Assembly in the permanent provisions of the 1984-85 Appropriations Act in the amount of \$300,000. The current balance reserved for the war memorial is \$215,000 as of June 30, 2000.

Internal Service Funds

The IRF "Installment Purchase Program" consists of notes issued by state agencies and institutions to the OGS 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 IRF to the OGS. Effective July 1, 1994, this program is administered by the State Treasurer's Office. At June 30, 2000, \$35,000,000 of the retained earnings of the IRF was reserved for support of the program. The total balance outstanding at June 30, 2000 was \$6,160,099.

At June 30, 2000, \$20,000,000 of the IRF retained earnings has been reserved for loans to the Savannah Valley Development Division of the Department of Commerce, as authorized under South Carolina Code 13-1-10, 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, 2000, \$16,863,482 was outstanding.

Engineering Services Fund reserved a portion of its retained earnings for construction contracts. This represents revenue bond proceeds restricted to construct the Consolidated Data Center.

Teleco reserved a portion of its retained earnings for appropriations to be carried forward.

Teleco reserves a portion of its retained earnings for purchase agreements. This represents note payable proceeds restricted under this purchase agreement.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES

The 1999-00 original appropriation is the base budget of the Board presented in the General Fund's column of Section 63A-63D of Part I of the Appropriations Act. The following is a reconciliation of the original appropriations enacted by the General Assembly to the State appropriations revenue reported in the financial statements.

	<u>FUND TYPE</u>	<u>Original Appropriation</u>	<u>Supplemental/ Additional Appropriations (C, D, E)</u>	<u>Net Transfers Between Agencies (B)</u>	<u>Civil Contingency Transfers (A)</u>	<u>Revised Appropriation - Budgetary Basis</u>	<u>Plus Current Year Accruals</u>	<u>Less Prior Year Accruals</u>	<u>Revised Appropriation - GAAP Basis</u>
Divisions									
Division of the									
Executive Director	General	\$ 8,439,655	\$ 2,511,496	\$ 2,758,474	\$ (27,500)	\$ 13,682,125	\$ 332,340	\$ 318,429	\$ 13,696,036
Division of Operations	General	7,351,527	1,932,340	172,582		9,456,449	286,311	281,373	9,461,387
	Special Revenue		16,500,000	(14,000,000)		2,500,000			2,500,000
	Internal Service	<u>821,194</u>	<u>3,034,920</u>	<u>(139,192)</u>	<u> </u>	<u>3,716,922</u>	<u>43,766</u>	<u>48,679</u>	<u>3,712,009</u>
		8,172,721	21,467,260	(13,966,610)		15,673,371	330,077	330,052	15,673,396
Division of Budget and									
Analyses	General	<u>9,345,903</u>	<u>727,307</u>	<u>321,539</u>	<u> </u>	<u>10,394,749</u>	<u>642,763</u>	<u>650,457</u>	<u>10,387,055</u>
Division of Regional									
Development	General	<u>6,445,174</u>	<u>3,742,124</u>	<u>774,553</u>	<u> </u>	<u>10,961,851</u>	<u>71,656</u>	<u>96,591</u>	<u>10,936,916</u>
Agency Total		<u>\$ 32,403,453</u>	<u>\$ 28,448,187</u>	<u>\$ (10,112,044)</u>	<u>\$ (27,500)</u>	<u>\$ 50,712,096</u>	<u>\$ 1,376,836</u>	<u>\$ 1,395,529</u>	<u>\$ 50,693,403</u>
	Total General Fund	\$ 31,582,259	\$ 8,913,267	\$ 4,027,148	\$ (27,500)	\$ 44,495,174	\$ 1,333,070	\$ 1,346,850	\$ 44,481,394
	Total Special Revenue Fund		16,500,000	(14,000,000)		2,500,000			2,500,000
	Total Internal Service Fund	<u>821,194</u>	<u>3,034,920</u>	<u>(139,192)</u>	<u> </u>	<u>3,716,922</u>	<u>43,766</u>	<u>48,679</u>	<u>3,712,009</u>
Agency Total		<u>\$ 32,403,453</u>	<u>\$ 28,448,187</u>	<u>\$ (10,112,044)</u>	<u>\$ (27,500)</u>	<u>\$ 50,712,096</u>	<u>\$ 1,376,836</u>	<u>\$ 1,395,529</u>	<u>\$ 50,693,403</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)

- (A) Includes transfers from Civil Contingent Fund as provided by Proviso 63A.1 and to other state agencies as follows:

State Ethics Commission for payment of judgement	\$(27,500)
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- (B) Includes transfers to and from other state agencies as follows:

From the Will Lou Gray Opportunity School to the Division of Executive Director to return unused Total Quality Management Funds	\$ 942
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From the Department of Parks, Recreation and Tourism to the Division of Executive Director for the recovery, restoration, and renovation of the H.L. Hunley	3,000,000
---	-----------

From the Governor's Office to the Division of Executive Director to fund the transfer of Employee Benefits Section to the Board	136,683
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From the Employee Benefit Division for Deferred Compensation matching funds for state funded positions

Division of Executive Director	\$4,878	
Division of Operations	6,382	
Division of Budget and Analyses	9,440	
Division of Regional Development	<u>1,062</u>	21,762

From the Division of Operations to Department of Education for the K-12 Technology Initiative	(14,000,000)
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From the Division of Budget and Analyses to the Governor's Office to fund the transfer of a program manager position	(41,918)
--	----------

From the House of Representatives to the Division of Budget and Analyses to fund the transfer of a Program Coordinator position	19,987
---	--------

From the Division of Regional Development to Jobs Economic Development Authority (JEDA) for operating expenses	(125,000)
--	-----------

From the Division of Regional Development to the University of South Carolina for the Salkehatchie Leadership Center	(125,000)
--	-----------

From the Division of Regional Development to Office of Adjutant General for public assistance grants and hazard mitigation grant program associated with Hurricane Floyd	(2,999,500)
--	-------------

From the Division of Regional Development to Department of Social Services for the individual assistance grant program associated with Hurricane Floyd	(1,250,000)
--	-------------

From the Office of Adjutant General to Division of Regional Development for the repayment of Hurricane Floyd matching funds	<u>5,250,000</u>
---	------------------

Total	<u>\$(10,112,044)</u>
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SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)

The "Net Transfers Between Agencies" column includes both transfers between divisions of the Board and transfers between the Board and other state agencies. The accruals consist of appropriated salaries and related employee benefits paid in July for work performed in June. The salaries, benefits and related appropriations are allocated to the periods in which the costs were incurred to conform to GAAP bases.

- (C) Includes additional allocations for employee compensation and benefits pursuant to Section 63C.10 of the 1999-00 Appropriations Act. Details are as follows:

	<u>General Fund</u>	<u>Internal Service Fund</u>
Division of Executive Director	\$ 110,794	
Division of Operations	97,071	\$ 34,920
Division of Budget and Analyses	243,789	
Division of Regional Development	22,318	
	<u>\$ 473,972</u>	<u>\$ 34,920</u>

- (D) Supplemental appropriations from fiscal year 1998-99 State General Fund Revenue.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	FY00 Appropriation Act - Part IV	Statewide Performance Audit	\$ 150,000
Operations	Information Resources	FY00 - Act 406	800 MHZ Communication System	\$ 3,000,000
	Information Resources	FY00 Appropriation Act - Part IV	K-12 Technology Initiative	16,500,000
	Operations	FY00 Appropriation Act - Part IV	Capital Complex Renovation	<u>1,835,269</u>
				<u>\$ 21,335,269</u>
Budget and Analyses	Confederate Relic Room	FY00 Appropriation Act - Part IV	Rent Increase	\$ 208,518
	Office of Research and Statistics	FY00 Appropriation Act - Part IV	State Ortho Mapping	100,000
	Office of Research and Statistics	FY00 Appropriation Act - Part IV	State Boundary Program	100,000
	Office of Human Resources	FY00 Appropriation Act - Part IV	Leadership South Carolina	<u>75,000</u>
				<u>\$ 483,518</u>
Regional Development	Local Government	FY00 Appropriation Act - Part IV	Local Government Grant	2,894,806
	Regional Development	FY00 Appropriation Act - Part IV	Water & Sewer for Newry	600,000
	Regional Development	FY00 Appropriation Act - Part IV	Salkehatchie Leadership Center	125,000
	Regional Development	FY00 Appropriation Act - Part IV	Anderson County Broadway Lake Revitalization Project	<u>100,000</u>
				<u>\$ 3,719,806</u>
Total Supplemental Appropriations				<u>\$ 25,688,593</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)

- (E) Open-Ended appropriations are authorized in the Appropriation Act but the dollar amount is not known at the time of its enactment.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Internal Operations	FY00 Proviso 63A.7	Citadel Lawsuit	\$2,250,702

- (F) Capital Reserve Fund appropriations authorized by a June 1999 Joint Resolution are shown below that are not shown in the reconciliation:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>Capital Projects Fund</u>
Operations	General Services	Governor's Mansion Renovation	\$2,604,224
Budget and Analyses	Confederate Relic Room	Confederate Relic Room Relocation/Building Renovation	451,880
Total Capital Reserve			<u>\$3,056,104</u>

Funds Brought Forward

General Proviso 72.48 of the fiscal year 1999-00 Appropriations Act provides that each agency shall be authorized to carry forward unspent General Fund appropriations from the prior year into the current fiscal year into the next fiscal year, up to a maximum of 10% of its original General Fund appropriations less any appropriations reductions for the current fiscal year. Proviso 72.48 does not apply to Board funds covered by separate carry forward authority.

Under Proviso 72.48 of the 2000 Appropriations Act, appropriations were brought forward in unreserved, undesignated fund balance from fiscal year 1999 to 2000 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 343,525
	Internal Operations	Undesignated	<u>309,791</u>
			\$ 653,316
Operations	Division Director	Undesignated	\$ 2,035
	Operations	Undesignated	<u>134,690</u>
			\$ 136,725
Budget and Analyses	State Budget	Undesignated	\$ 121,162
	Research and Statistics	Undesignated	326,699
	Human Resources	Undesignated	95,346
	Confederate Relic Room	Undesignated	7,567
	Board of Economic Advisors	Undesignated	<u>5,938</u>
			<u>\$ 556,712</u>
Total Carried Forward Under Proviso 72.48			<u>\$1,346,753</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)

Under separate authorizations, appropriations were brought forward from fiscal year 1999 to 2000 in reserved fund balances for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	FY00 Proviso 63A.2	Total Quality Management	\$ 11,325
	Board Administration	FY00 Proviso 63A.6	Equity Lawsuit	250,000
	Board Administration	FY00 Proviso 63A.4	Accounting System Analysis	25,000
	Internal Operations	FY00 Part III Supplemental Appropriation	Hurricane Bonnie Match	863,881
	Board Administration	1998 Appropriation Act – Part III	Prepaid College Tuition	<u>59,320</u>
				\$ 1,209,526
Budget and Analyses	Confederate Relic Room	June 1998 Joint Resolution	Flags and Artifacts Restoration	\$ 22,741
	Confederate Relic Room	June 1998 Joint Resolution	Travel and Educational Outreach	<u>9,341</u>
				\$ 32,082
Regional Development	Local Government	FY00 Proviso 63D.1	Board Grant Program/EPA Grant State Match	\$22,362,603
	Local Government	FY00 Part III Supplemental Appropriation	Local Government Grant Fund	3,693,813
	Local Government	June 1998 Joint Resolution	Local Government Grants	136,619
	ACIR	June 95 Joint Resolution	ACIR	<u>39,136</u>
				\$26,232,171
			Total Special Proviso	<u>\$27,473,779</u>
<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY00 Proviso 72.57	FY99 Capital Reserve Fund Appropriation for Public School Technology Initiative	<u>\$ 658,589</u>

Funds Carried Forward

Appropriations carried forward from fiscal year 2000 to fiscal year 2001 were authorized as follows:

All Agencies

General Proviso 72.44 of the fiscal year 2000-01 Appropriations Act provides that each agency shall be authorized to carry forward unspent General Fund appropriations from the current fiscal year into the next fiscal year, up to a maximum of 10% of its original General Fund appropriations less any appropriations reductions for the current fiscal year. Proviso 72.44 does not apply to agencies which have separate carry forward authority.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)

Under proviso 72.44 of the 2001 Appropriations Act, appropriations were carried forward in unreserved, undesignated fund balance from fiscal year 2000 to fiscal year 2001 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 285,007
	Internal Operations	Undesignated	<u>170,512</u>
			\$ 455,519
Operations	Operations	Undesignated	\$ 109,558
			<u>\$ 109,558</u>
Budget and Analyses	State Budget	Undesignated	\$ 126,951
	Research and Statistics	Undesignated	551,610
	Human Resources	Undesignated	81,244
	Confederate Relic Room	Undesignated	1,956
	Board of Economic Advisors	Undesignated	<u>99</u>
			\$ 761,860
Total Carried Forward Under Proviso 72.44			<u>\$1,326,937</u>

Under separate authorizations, appropriations were carried forward from fiscal year 2000 to 2001 in reserved fund balances for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	FY01 Proviso 63A.2	Total Quality Management	\$ 2,655
	Board Administration	FY01 Proviso 63A.6	Equity Lawsuit	250,000
	Board Administration	FY01 Proviso 63A.4	Accounting System Analysis	25,000
	Board Administration	FY00 Appropriation Act – Part IV	H.L. Hunley	<u>18,227</u>
				\$ 295,882
Operations	Information Resources	FY00 - Act 406	800 MHZ Communication System	\$ 3,000,000
Budget and Analyses	Confederate Relic Room	June 1998 Joint Resolution	Flags and Artifacts Restoration	\$ 2,156
	Confederate Relic Room	June 1998 Joint Resolution	Travel and Educational Outreach	1,362
	Confederate Relic Room	FY00 Appropriation Act - Part IV	Rent Increase	\$ 177,110
	Office of Research & Statistics	FY00 Appropriation Act - Part IV	State Boundary Program	<u>63,051</u>
				\$ 243,679
Regional Development	Local Government	FY01 Proviso 63D.1	Board Grant Program/EPA Grant State Match	\$21,787,000
	ACIR	June 95 Joint Resolution	ACIR	<u>39,136</u>
				\$21,826,136
Total Special Proviso				<u>\$25,365,697</u>

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY01 Proviso 72.53	FY99 Capital Reserve Fund Appropriation for Public School Technology Initiative	<u>\$ 34,098</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 22. TRANSACTIONS WITH STATE ENTITIES

The Board has significant transactions which include services received and provided at no charge for the State of South Carolina and various state agencies.

Services received include:

From the Comptroller General:

- Payroll processing
- Disbursement processing
- Maintenance of certain accounting records

From the State Treasurer:

- Check preparation
- Banking
- Investment functions
- Revenue Bond Trustee
- IPP Loan Administrator

From the Attorney General:

- Legal services

From the State Auditor's Office:

- Audit services

Services provided by the Board to the above listed agencies and to various other agencies include personnel management, assistance in the preparation of the State budget, property management and record keeping, review and approval of certain budget amendments, insurance plans administration, pension plan administration, and other centralized functions.

The following services are provided for a fee to various state agencies and within the State Budget and Control Board. The fees from Board divisions and external agencies are recorded as revenues in the financial statements.

Information Resource Management:

- Telecommunications - Telecommunication services, including telephone
- Data Processing - Computer services and programming

Motor Vehicle Management:

- Management and maintenance of vehicles

General Services:

- Engineering Services -
 - Rental of State-owned office buildings
 - Management of architectural and engineering services for State office buildings

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)

Other General Services:

- Procurement research and training
- Interagency mail service
- Purchase and distribution of office, janitorial, and repair items
- Disposal of state and federal surplus property

Human Resources Management:

- Research and Training - Training and seminars

Other Internal Services:

- Printing services, copying and binding
- Temporary employee services

Health Insurance Reserve Fund:

- Health, dental, basic group-life and disability, and state life and long-term disability insurance coverage for state agencies and local governments

Insurance Reserve Fund:

- Property coverage for state and local governments

The Office of Insurance Services charged insurance premiums to other state agencies and divisions of the South Carolina State Budget and Control Board during the year ended June 30, 2000. Approximately \$9,224,000 was due from these entities at June 30, 2000. Total amounts of premiums charged to other State agencies were approximately \$356.5 million.

The Retirement Division collected employee and employer pension contributions from other state departments and agencies during the year ended June 30, 2000. An amount of \$23.9 million was due from other state departments and agencies at June 30, 2000. Total amounts of employee and employer premium contributions from other state agencies and the S.C. Budget and Control Board were as follows (expressed in thousands).

SCRS	\$309,275
PORS	53,635
GARS	3,274
JSRS	<u>6,781</u>
Total	<u>\$372,965</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)

The Board rents a portion of its office facilities in state-owned buildings from the Office of General Services. The agreements have one-year terms and are renewed annually. Total rental payments to the Office of General Services for the year ended June 30, 2000 by division (expressed in thousands) are as follows:

Division of Executive Director	\$ 69
Division of Operations	2,348
Division of Budget and Analyses	329
Retirement Division	<u>305</u>
Total Paid	<u>\$ 3,051</u>

These payments are included in the total operating lease expenditures reported in Note 14. Due to the nature of these agreements, no amounts related to the agreements are included in the operating lease commitments schedule at Note 14.

The Division of Operations - Office of Information Resources Special Revenue Fund – EIA School Technical Initiative received revenue of an EIA allocation of approximately \$20,639,000 of Education Improvement Act funds designated for school technology from the State Department of Education.

During July of 2000, the Adjutant General's Office transferred \$5,250,000 in state appropriated funds to the Division of Regional Development – Office of Local Government General Fund. These funds are reported as a Due From Other State Agencies.

The Consolidated Data Center is located on land owned by the Department of Corrections. The Budget and Control Board has approved the transfer of this land to the Board. The transfer has not been completed as of June 30, 2000.

The amount of expenditures for the fiscal year ended June 30, 2000 applicable to related party transactions is not readily available.

NOTE 23. RISK MANAGEMENT/REINSURANCE

The Board is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks except for certain types of risks for which it is self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years for covered losses. The Board pays insurance premiums to the OIS, 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 accordance with insurance policy and benefit program limits.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. 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 Board and other entities pay premiums to the Office of Insurance Services - 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 Board assets, activities, and/or events:

1. Real property, including contents and equipment;
2. Motor vehicles;
3. Theft of, damage to, or destruction of assets;
4. Auto liability for non-state owned vehicles; and
5. General torts.

The Board retains the risk of loss on property damage to the vehicles (automobile collision) operated by the Board because it estimates the cost of repairs will be less than the cost of insurance. Expenses reported by the Board are recorded in the contractual service expense category in the Motor Vehicle Management – Internal Service Fund. The Board has not set aside assets for payment of these claims. A summary of the claims activity for the last two fiscal years is as follows:

	<u>Unpaid Claims Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Paid</u>	<u>Unpaid Claims Ending of Year</u>
Fiscal Year Ended June 30, 2000	\$6,281	\$45,227	\$48,517	\$2,991
Fiscal Year Ended June 30, 1999	\$4,657	\$66,212	\$64,588	\$6,281

State agencies and other entities are the primary participants in the Health Insurance Reserve Fund and in the IRF.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)

The Office of Insurance Services obtains coverage of up to \$750,000 per loss through a commercial carrier for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

The Office of Insurance Services has recorded insurance premium expense in the applicable administrative expense categories.

The Office of Insurance Services has not transferred the portion of the risk of loss related to insurance policy deductibles and limits. The Office has not reported an estimated claims loss expense nor the related liability at June 30, 2000 based on the requirements of GASB Statement No. 10. This Statement says that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30 and the amount of loss is reasonably estimable. In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Board's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore no loss accrual has been recorded.

The IRF purchases insurance and reinsurance and separately reports the related reinsurance premium and premium expenses. Insurance is purchased to cover risks where the IRF has limited expertise (aircraft insurance and ocean marine insurance). Reinsurance is purchased to limit the IRF's liability for catastrophic loss (property reinsurance and medical professional liability reinsurance), to obtain specialized engineering services (boiler and machinery reinsurance), or to obtain services for which the IRF is not adequately staffed (automobile liability reinsurance).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. The Office of Insurance Services – Health Insurance Reserve Fund, self-insures health and dental insurance for all participating governmental employees. It purchases coverage for basic group-life, dependent life, optional supplemental life, and group optional life and basic disability from commercial carriers. The State Life and Long-term Disability program is also self-insured.

The IRF self-insures Tort Liability Insurance, Automobile Physical Damage Insurance, and the self-insured retention for Property, Medical Professional Liability, and Boiler and Machinery Insurance.

Reinsurance for catastrophic losses is purchased for losses above the following loss levels:

Property - \$2,000,000 per location/\$10,000,000 per occurrence

Medical malpractice - \$250,000 per occurrence

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 24. RECONCILIATIONS OF CLAIMS LIABILITIES BY FUND

The schedule below presents the changes in claims liabilities for the past two years for the Office of Insurance Services' two funds.

	Insurance Reserve Fund		Health Insurance Reserve Fund	
	2000	1999	2000	1999
	(In Thousands)		(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 138,899	\$ 146,778	\$ 128,806	\$ 101,644
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	36,860	38,515	666,644	476,306
Increases (decreases) in provision for insured events of prior fiscal years	<u>2,984</u>	<u>(17,494)</u>	<u>75,238</u>	<u>165,842</u>
Total incurred claims and claim adjustment expenses	<u>39,844</u>	<u>21,021</u>	<u>741,882</u>	<u>642,148</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	7,422	10,785	566,987	405,982
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>20,172</u>	<u>18,115</u>	<u>146,262</u>	<u>209,004</u>
Total Payments	<u>27,594</u>	<u>28,900</u>	<u>713,249</u>	<u>614,986</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 151,149</u>	<u>\$ 138,899</u>	<u>\$ 157,439</u>	<u>\$ 128,806</u>
The above totals are comprised of the following:				
Claims payable	\$ 89,916	\$ 87,881	\$ 39,039	\$ 27,234
Claims incurred but not reported	<u>61,233</u>	<u>51,018</u>	<u>118,400</u>	<u>101,572</u>
Total	<u>\$ 151,149</u>	<u>\$ 138,899</u>	<u>\$157,439</u>	<u>\$128,806</u>

The HMO self-insured managed care plan liability at June 30, 2000 was \$906,774 and is included in the claims liability of the Health Insurance Reserve Fund listed above.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 25. CONTINGENCIES

The Board is a defendant in various lawsuits arising from the conduct of its normal business. By the nature of its operations and responsibilities as an insurer, the Board has been named in a number of lawsuits, many of which are pending. A provision has been made in the financial statements for the payment of routine claims. Management is not aware of any other claims that, in their opinion, would have a material effect on the financial statements. Although any litigation has an element of uncertainty, it is management's opinion that the outcome of any litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Board. Furthermore, there is no evidence that a liability should be recorded. Therefore, an estimated liability has not been recorded. The outcome of any litigation has an element of uncertainty.

The Board has several grants with the federal government for the funding of specific costs related to the various programs described in each grant. These funds are subject to audit and/or adjustment by the various funding sources. At the present time, amounts, if any, which may be due federal grantors have not been determined but the Board believes that any such amount in the aggregate would not have a material adverse effect on the financial position of the Board. Furthermore, there is no evidence that a liability should be recorded.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 26. TRANSFERS

Transfers reported in the Board's funds for the year ended June 30, 2000 were as follows:

Operating Transfer

Capital Project Fund

During the fiscal year ending June 30, 2000, Other-Capital Projects Fund received \$230,000 in Capital Reserve Fund appropriations from the Commission of the Blind to be used in the renovation/maintenance of their facilities.

Residual Equity Transfer

Internal Service Fund

During the fiscal year ending June 30, 2000, Engineering Services – Internal Service Fund – took possession of the Archives and History Building from the Department of Archives and History. The building value of approximately \$20,621,000 was recorded as an increase to contributed capital.

During the fiscal year ending June 30, 2000, Data Processing – Internal Service Fund – took possession of several pieces of equipment worth \$8,757 from the Department of Mental Health as part of Data Processing Consolidation.

The residual equity transfer from Data Processing – Internal Service Fund to Engineering Service – Internal Service Fund – contributed capital of approximately \$190,000 represents the value of construction in progress for the Consolidated Data Center project funded by Data Processing, but which will be owned and maintained by Engineering Services upon completion.

NOTE 27. DUE BETWEEN FUNDS

Due to Other Funds and Due from Other Funds for each individual fund at June 30, 2000 (expressed in thousands) were as follows:

<u>Fund</u>	<u>Due To</u>		<u>Due From</u>	
General Fund	\$ 2,682	A	\$ 13	B
Special Revenue				
Energy Programs	13	B		
Capital Projects				
Other	256	C	9,883	A
Internal Service				
Health Insurance Reserve	15,913	D		
Engineering Services	5,384	A	256	C
Data Processing	310	A		
Telecommunications	783	A		
Motor Vehicle Management	31	A		
Pension Administration	75	A		
Other General Services	1	A		
Total Internal Service	22,497		256	
Pension Trust				
SCRS			15,323	D
PORS			590	D
Total Pension Trust			15,913	
Agency				
Sinking Funds	617	A		
Total All Funds	\$ 26,065		\$ 26,065	

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 27. DUE BETWEEN FUNDS (CONTINUED)

- A. This amount due from the Capital Projects Fund to the General Fund, Internal Service Funds, and Agency Funds represent advances made by these funds for projects with funding provided in excess of the amount expended as of each year end. These amounts will be used for capital project expenditures or refunded to the original fund from which they were received.
- B. During the current fiscal year, Energy Programs – Special Revenue – made certain payments on behalf of the Division of Regional Development – General Fund. These funds will be repaid during the next fiscal year.
- C. This \$256,000 represents Lease Revenue Bond proceeds on deposit in the Engineering Service – Internal Service Fund – which has not been advanced to the Capital Projects Fund, but where expenditures have occurred.
- D. The amount of \$15,913,098 (\$15,322,911 from SCRS and \$590,187 from PORS) due from the Pension Trust Fund – Trust Fund at June 30, 2000 represents revenues recognized on behalf of the Health Insurance Reserve Fund of 1.95% from July 1, 1999 to December 31, 1999 and 2.16% from January 1, 2000 to June 30, 2000 of covered compensation from all state agencies and public school systems during fiscal year 2000 to be used for health and dental insurance benefits of state retirees. In accordance with provisions of the Appropriations Act for each year, an additional employer contribution surcharge on covered payroll was added to the contribution rate applicable to entities covered by the State Health Insurance Plan.

NOTE 28. INTRAFUND ELIMINATIONS

The Intrafund Due from Engineering Services – Internal Service Fund to Telecommunications – Internal Service Fund has been eliminated for combined purposes. Telecommunications paid \$850,000 for certain software on behalf of Engineering Services. Engineering Services agrees to repay Telecommunications \$170,000 a year over the next four years. This loan is interest free. The balance as of June 30, 2000 was \$170,000.

The Intrafund Advance to Engineering Services – Internal Service Fund from Telecommunications – Internal Service Fund has been eliminated for combined purposes. As mentioned in the prior paragraph, this loan will be repaid over the next four years. As of June 30, 2000, the entire \$850,000 has been paid by Telecommunications. The balance of this advance as of June 30, 2000 was \$510,000.

The funding for Interfund loans in the Telecommunications – Internal Service Fund and the proceeds from Interfund loans in the Engineering Services – Internal Service Fund has been eliminated for combined purposes. The balances as of June 30, 2000 were approximately \$329,000.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 28. INTRAFUND ELIMINATIONS (CONTINUED)

The payment on Interfund loans in the Engineering Services – Internal Service Fund and payments received on Interfund loans in the Telecommunications – Internal Service Fund of \$170,000 has been eliminated for combined purposes.

Intrafund balance Due from Other Systems and Due to Other Systems accounts in the Pension Trust Funds have been eliminated for combined reporting purposes. These intrafund balance result from statutorily authorized transfers of pension contributions and service credit from one retirement system to another. The balance as of June 30, 2000 was approximately \$332,000.

NOTE 29. BUDGETARY REPORTING AND CHANGE IN STATEMENT PRESENTATION

GAAP requires presentation of budget and actual data for all governmental fund types for which annual budgets have been adopted. GAAP does not require budgetary comparisons for proprietary or fiduciary funds for which legal budgets are adopted. However, GAAP requires presentation of other data necessary to report the entity's legal compliance responsibilities and accountabilities. For its budgetary comparison statement, the Board has chosen to include those legally budgeted expenditures of its Internal Service Funds funded by State General Fund appropriations and of its Clean Water Revolving Loan Fund and Drinking Water Revolving Loan Fund for distributions to local governments under notes receivable.

Financial statements prepared on the legally enacted basis differ from GAAP basis statements. The Statement of Expenditures – Budget and Actual presents the General Fund and all Special Revenue funds for which a legal budget was enacted. Also that statement presents those budgeted administrative and other charges for the Internal Service Funds funded by State General Fund appropriations and presents distributions to subdivisions funded by the Clean Water Revolving Loan Agency Fund and Drinking Water Revolving Loan Agency Fund.

The Engineering Services - Internal Service Fund received and spent approximately \$717,000 in State General Fund appropriations for the fiscal year 2000.

The Statement of Expenditures – Budget and Actual includes funds that represent budgeted amounts for administrative and other charges for aid distributions to local political subdivisions from the Special Revenue Funds, and from the Clean Water Revolving Loan Fund and the Drinking Water Revolving Loan Fund included in the Agency Funds. These budgetary amounts are included in the General Fund and Other Budgeted Funds columns, respectively.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 29. BUDGETARY REPORTING AND CHANGE IN STATEMENT PRESENTATION (CONTINUED)

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 removal of unbudgeted accounts and funds. Unbudgeted items consist primarily of reimbursements by the General Fund for certain Capital Project Funds expenditures, and all Internal Service Fund expenditures except those funded from State General Fund appropriations. Funding payments to the Capital Projects Funds are shown as expenditures at the time of payment for budgetary reporting purposes and are shown in the financial statements – General Fund - as expenditures for the actual amount spent on projects during the year by the Capital Projects Fund. The funding for the Intergovernmental notes receivable in the Energy Programs – Special Revenue Funds are shown as an expenditure for budgetary purposes but are not GAAP expenditures. Intrafund activity represents related transactions within the same fund – General Fund – which are eliminated for financial statement purposes, but are shown for budgetary purposes. Other unbudgeted amounts in the General Fund and Special Revenue Fund are mostly reclassified budgeting transfers which have been charged to expenditures for financial statement reporting. The Public School Technology Initiative – Special Revenue Fund reimbursed other state agencies for public school technology initiative expenditures spent on its behalf. These expenditures are shown as expenditures for financial statement purposes, but not for budgetary purposes. In addition, remittances to the State General Fund and interfund transfers are not budgeted. The following schedule reconciles the differences (expressed in thousands):

	Financial Statement Fund Type				Budgetary Fund Category	
	General	Special Revenue	Internal Service	Agency Fund	General	Other
Expenditures/expenses on GAAP Basis	\$ 55,090	\$ 35,038	\$ 1,073,694	\$ 41,112	\$	\$
Fund Reclassification						
State Appropriation	(48,739)	(3,125)	(717)		52,581	
Federal Grants	(687)	(1,754)				2,441
Other	(6,158)	(11,341)		(41,112)		58,611
Net Accruals						
Payroll and Employer Contributions					19	(9)
Unbudgeted Public School Technology Initiative						
Expenditures		(18,763)				
Energy Programs Loan Funding						188
Intrafund Activity					864	
Unbudgeted Capital Projects Expenditures	1,600					
Other Unbudgeted	(1,106)	(55)				
Unbudgeted Operating Expenses			(1,072,977)			
Expenditures on Legal Basis	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 53,464</u>	<u>\$ 61,231</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 30. SUBSEQUENT EVENTS

In April 2001, Engineering Service – Internal Service Fund issued \$2.0 million in Lease Revenue Bonds with an average interest rate of 4.25% to purchase the building occupied by the Arts Commission located at 1800 Gervais Street, Columbia, South Carolina.

In June 2001, Telecommunications – Internal Service Fund – issued approximately \$5.6 million under the STO Master Lease Program. This note payable with an interest rate of 3.74% will be used to pay off the Intergovernmental Notes Payable.

During the fiscal year ending June 30, 2001, the Tuition Prepayment Program – Agency Fund – was transferred to the State Treasurer’s Office.

NOTE 31. NET LOSS

Discussion of Net Loss in Fiscal Year 1999-2000

During 1999/2000, the Health Insurance Reserve reported a net loss of \$91,797,766. This loss, along with other losses in recent years, has resulted in a retained deficit of approximately \$81,985,000 for the Fund at June 30, 2000. Additionally, Section 1-11-710(A)(4) of the South Carolina Code of Laws, 1976, as amended, stipulates that “a reserve equal to not less than an average of one and one-half months’ claims must be maintained in the accounts and all funds in excess of the reserve must be used to reduce premium rates or expand benefits as funding permits.” Due to the above loss and the resulting decrease in cash reserves, the Health Insurance Reserve is not in compliance with the above statute.

Management has reviewed the above situation and offers the following analysis:

State Health Plan (Plan) claims expenditures during the fiscal year continued to grow at a pace unprecedented in recent years. Contribution rates for Calendar Year 1999 were thought to be adequate at the time they were established in August 1998. Subsequent claims experience proved that not to be the case. Because of this excessive growth in claims, primarily the result of additional service volume, an “emergency” increase in the employer contribution was enacted in June 1999 for a January 2000 effective date. It was understood at that time that expenditures would exceed income for Calendar Year 2000; the contribution increase was established with the intent of generating sufficient revenue, in combination with cash reserves, to pay claims throughout Plan Year 2000.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 31. NET LOSS (CONTINUED)

Discussion of Net Loss in Fiscal Year 1999-2000 (Continued)

Office of Insurance Services staff spent a considerable amount of time briefing representatives of the executive and legislative branches as to the Plan's financial condition from the time the critical situation was known late last spring through the 2000 legislative session. A standard presentation was prepared and constantly updated with detailed information concerning the causes of the situation and projections as to short-term financial outcomes. Quarterly reports were distributed to Board members and other interested parties noting the declining cash balance in the State Health Plan's reserve account. The General Assembly recognized the unique nature of the current financial situation by enacting a temporary proviso reducing the cash reserve requirement for Plan Year 2001 by half: from the statutory 1 ½ claim months to 22 days.

Another factor contributing to the operating deficit during the fiscal year is the change in the prescription drug benefit methodology effective January 2000. The Plan went from a system in which prescription drugs were payable after filing of a paper claim by the patient to one in which prescriptions are electronically filed by the pharmacy. This change, estimated to be cost neutral over the course of a year, nonetheless resulted in an acceleration of drug claims payments, such that during the first half of Calendar 2000, the Plan was paying substantially for both 1999 and 2000 drug claims incurrals.

The Plan's critical funding situation has been addressed with a series of major actions that will become effective January 2001. The employer contribution will increase by 20% for Calendar Year 2001, and benefit payments will be reduced in the form of a hike in the annual deductible of \$50/person, \$100/family, and an increase in the patient share of coinsurance by 5%. In addition, enrollee contribution rates will increase by \$5/month regardless of level of coverage. Management is hopeful that these actions will result in positive movement toward restoration of Plan reserves and correction of the Plan's deficit financial position.

**SOUTH CAROLINA RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS
(amounts express in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Lia- bility(AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
<u>SCRS</u>						
07/01/1999	\$ 16,120,513	\$ 16,298,438	\$ 177,925	98.9%	\$ 5,473,759	3.3%
07/01/1998	14,946,070	15,952,345	1,006,275	93.7%	5,191,408	19.4%
07/01/1997	13,621,362	14,977,179	1,355,817	90.9%	4,927,124	27.5%
07/01/1996	12,499,235	14,062,092	1,562,857	88.9%	4,540,100	34.4%
07/01/1995	11,453,462	12,980,497	1,527,035	88.2%	4,318,827	35.4%
<u>PORS</u>						
07/01/1999	1,844,517	1,898,237	53,720	97.2%	638,086	8.4%
07/01/1998	1,684,641	1,733,578	48,937	97.2%	606,426	8.1%
07/01/1997	1,512,390	1,570,816	58,426	96.3%	562,553	10.4%
07/01/1996	1,367,549	1,427,785	60,236	95.8%	505,516	11.9%
07/01/1995	1,236,610	1,299,119	62,509	95.2%	475,176	13.2%
<u>GARS</u>						
07/01/1999	38,685	63,501	24,816	60.9%	4,979	498.4%
07/01/1998	36,260	60,330	24,070	60.1%	4,810	500.4%
07/01/1997	33,627	60,052	26,425	56.0%	4,721	559.7%
07/01/1996	31,702	59,914	28,212	52.9%	4,771	591.3%
07/01/1995	30,528	58,577	28,049	52.1%	4,704	596.3%
<u>JSRS</u>						
07/01/1999	81,780	134,272	52,492	60.9%	12,748	411.8%
07/01/1998	75,699	124,756	49,057	60.7%	11,564	424.2%
07/01/1997	68,980	112,185	43,205	61.5%	11,221	385.0%
07/01/1996	62,850	101,020	38,170	62.2%	10,109	377.6%
07/01/1995	57,917	94,420	36,503	61.3%	9,417	387.6%

Information not available for valuation date of July 1, 1994.

**SOUTH CAROLINA RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(amounts express in thousands)**

Year Ended June 30,	Employer Contributions			
	SCRS		PORS	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2000	\$ 455,914	100%	\$ 76,267	100%
1999	419,918	100%	69,541	100%
1998	398,845	100%	65,538	100%
1997	374,452	100%	61,651	100%
1996	359,268	100%	55,956	100%

Year Ended June 30,	GARS		JSRS	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2000	\$ 2,636	100%	\$ 5,659	100%
1999	2,768	100%	5,485	100%
1998	2,796	100%	4,991	100%
1997	2,492	100%	4,771	100%
1996	1,679	100%	4,244	100%

Information not available for year ended June 30, 1995.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
Valuation Date	07/01/1999	07/01/1999	07/01/1999	07/01/1999
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization period	Level percent open	Level percent open	Level percent open	Level percent open
Remaining amortization period	2 years	5 years	25 years	27 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:				
Investment rate of return	7.25%	7.25%	7.25%	7.25%
Projected salary increases	4.00% - 9.00%	5.25% - 9.00%	2.00%	5.25%
Includes inflation at	3.75%	3.75%	4.25%	4.25%
Cost-of-living adjustments	None	None	2.00%	4.25%

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in Thousands)

	<u>Statewide Performance Audit</u>	<u>State Public Assistance Program</u>	<u>EIA School Technical Initiative</u>	<u>Energy Programs</u>	<u>State Infrastructure Revolving Loan</u>	<u>Totals</u>
ASSETS						
Cash and Cash Equivalents	\$ 11	\$ -	\$ 3,291	\$ 18,101	\$ 13,217	\$ 34,620
Due from Federal Government	-	-	-	156	-	156
Due from Other Funds	-	-	-	13	-	13
Accrued Investment Income Receivable	-	-	-	239	245	484
Intergovernmental Notes Receivable	-	-	-	155	12,396	12,551
TOTAL ASSETS	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 3,291</u>	<u>\$ 18,664</u>	<u>\$ 25,858</u>	<u>\$ 47,824</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ 157	\$ 201	\$ -	\$ 358
Accrued Payroll & Employer Contributions	-	-	-	73	-	73
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>157</u>	<u>274</u>	<u>-</u>	<u>431</u>
FUND EQUITY:						
Fund Balance Reserved:						
Subsequent Years' Expenditures	11	-	3,100	18,236	13,517	34,864
Long-Term Notes	-	-	-	154	12,341	12,495
Appropriation to be Carried Forward	-	-	34	-	-	34
TOTAL FUND EQUITY	<u>11</u>	<u>-</u>	<u>3,134</u>	<u>18,390</u>	<u>25,858</u>	<u>47,393</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 3,291</u>	<u>\$ 18,664</u>	<u>\$ 25,858</u>	<u>\$ 47,824</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	-	Statewide Performance Audit	State Public Assistance Program	EIA School Technical Initiative	Energy Programs	State Infrastructure Revolving Loan	Totals	
REVENUES								
Intergovernmental:								
Education Improvement Act Allocation	\$	-	\$	-	\$	20,639	\$	20,639
State Appropriations		-		-		2,500		2,500
Board Offices and Other State Agencies		-		-		89		89
Federal Grants		-	1,031	-	723	-		1,754
Public Education E-Rate Discount Rebate		-	-	9,270	-	-		9,270
Litigation and Court Recovery		-	-	-	236	-		236
Investment Income		-	-	-	949	1,290		2,239
Other Income		-	-	-	1	-		1
TOTAL REVENUES		-	1,031	32,498	1,909	1,290		36,728
EXPENDITURES								
Allocations		-	920	21,499	392	-		22,811
Operating Expenditures		8	111	10,387	1,720	1		12,227
TOTAL EXPENDITURES		8	1,031	31,886	2,112	1		35,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(8)	-	612	(203)	1,289		1,690
FUND BALANCES - BEGINNING OF YEAR		19	-	2,522	18,593	24,569		45,703
FUND BALANCES - END OF YEAR	\$	11	\$	-	\$	3,134	\$	18,390
						25,858	\$	47,393

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in Thousands)

	<u>Capital Improvement Bonds</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 117	\$ 16,181	\$ 16,298
Accounts Receivable	-	775	775
Due from State:			
Departmental Capital Improvement Bonds	4,302	-	4,302
Capital Reserve Fund	-	1,497	1,497
Due from Other State Agencies	-	100	100
Due from Other Funds	<u>-</u>	<u>256</u>	<u>256</u>
TOTAL ASSETS	<u>\$ 4,419</u>	<u>\$ 18,809</u>	<u>\$ 23,228</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts Payable	\$ 20	\$ 1,083	\$ 1,103
Retainage Payable	-	763	763
Due to Other State Agencies	-	5,711	5,711
Due to Other Funds	<u>-</u>	<u>9,883</u>	<u>9,883</u>
TOTAL LIABILITIES	<u>20</u>	<u>17,440</u>	<u>17,460</u>
FUND EQUITY:			
Fund Balances:			
Reserved for Subsequent Years' Expenditures	<u>4,399</u>	<u>1,369</u>	<u>5,768</u>
TOTAL FUND EQUITY	<u>4,399</u>	<u>1,369</u>	<u>5,768</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,419</u>	<u>\$ 18,809</u>	<u>\$ 23,228</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Capital Improvement Bonds</u>	<u>Other</u>	<u>Total</u>
REVENUES			
Intergovernmental:			
Board Offices and Other State Agencies	\$ -	\$ 10,534	\$ 10,534
Capital Reserve Fund Appropriations	<u>-</u>	<u>3,056</u>	<u>3,056</u>
TOTAL REVENUES	<u>-</u>	<u>13,590</u>	<u>13,590</u>
EXPENDITURES			
Capital Projects Expenditures:			
Capitalizable Projects - Board	943	5,834	6,777
Capitalizable Projects - Other State Agencies	-	230	230
Repairs and Maintenance	<u>110</u>	<u>6,387</u>	<u>6,497</u>
TOTAL EXPENDITURES	<u>1,053</u>	<u>12,451</u>	<u>13,504</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,053)	1,139	86
OTHER FINANCING SOURCES (USES)			
Transfer from Other State Agency	<u>-</u>	<u>230</u>	<u>230</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>230</u>	<u>230</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,053)	1,369	316
FUND BALANCES - BEGINNING OF YEAR	<u>5,452</u>	<u>-</u>	<u>5,452</u>
FUND BALANCES - END OF YEAR	\$ <u><u>4,399</u></u>	\$ <u><u>1,369</u></u>	\$ <u><u>5,768</u></u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
ASSETS										
Current Assets:										
Cash and Cash Equivalents	\$ 53,012	\$ 39,287	\$ 4,973	\$ 6,260	\$ 10,994	\$ 5,096	\$ 1,997	\$ 1,086	\$ 2,695	\$ 125,400
Restricted Assets - Cash and Cash Equivalents	-	-	503	-	1,147	-	-	-	-	1,650
Accounts Receivable	-	-	2,124	2,874	5,781	2,335	1	985	317	14,417
Premiums Receivable	19,376	395	-	-	-	-	-	-	-	19,771
Reinsurance Recovery Receivable	3,644	-	-	-	-	-	-	-	-	3,644
Prepaid Expenses	2,118	-	-	-	-	-	-	-	-	2,118
Due from State General Fund	-	-	44	-	-	-	-	-	-	44
Prescription Drug Rebate Receivable	-	1,162	-	-	-	-	-	-	-	1,162
Accrued Investment Income Receivable	5,813	1,232	12	-	6	-	46	1	92	7,202
Inventories	-	-	93	-	754	14	-	523	-	1,384
Inventory on Consignment	-	-	-	-	-	-	-	365	-	365
Interfund Notes Receivable	299	-	-	-	-	-	-	-	-	299
Intergovernmental Notes Receivable	1,257	-	-	-	-	-	-	-	-	1,257
Due from Other Funds	-	15,913	5,384	310	953	31	75	1	-	22,667
Other Assets	192	2	-	-	-	-	-	1	-	195
Total Current Assets	85,711	57,991	13,133	9,444	19,635	7,476	2,119	2,962	3,104	201,575
Non-Current Assets:										
Investments	251,098	18,439	250	-	-	-	-	-	-	269,787
Interfund Notes Receivable	1,488	-	-	-	-	-	-	-	-	1,488
Intergovernmental Notes Receivable	21,767	-	-	-	-	-	-	-	-	21,767
Advance to Other Funds	-	-	-	-	510	-	-	-	-	510
Land and Improvements	-	-	6,009	-	-	329	-	-	-	6,338
Buildings and Improvements	-	-	174,516	-	-	1,127	-	834	-	176,477
Equipment and Furniture	926	1,249	1,852	10,468	54,451	32,038	3,648	814	209	105,655
Construction in Progress	-	-	500	-	-	-	-	-	-	500
Less Accumulated Depreciation	(685)	(771)	(52,197)	(4,796)	(40,852)	(18,207)	(1,665)	(747)	(117)	(120,037)
Total Non-Current Assets	274,594	18,917	130,930	5,672	14,109	15,287	1,983	901	92	462,485
Total Assets	\$ 360,305	\$ 76,908	\$ 144,063	\$ 15,116	\$ 33,744	\$ 22,763	\$ 4,102	\$ 3,863	\$ 3,196	\$ 664,060

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
LIABILITIES AND FUND EQUITY										
Current Liabilities:										
Accounts Payable	\$ 248	\$ 202	\$ 1,554	\$ 2,018	\$ 4,751	\$ 1,069	\$ 789	\$ 802	\$ 204	\$ 11,637
Accrued Payroll & Employer Contributions	210	300	627	742	483	102	703	153	58	3,378
Accrued Interest	-	-	569	-	590	-	-	-	-	1,159
Claims Payable	89,916	39,039	-	-	-	-	-	-	-	128,955
Deferred Premium Revenue	40,412	573	-	-	-	-	-	-	-	40,985
Claims Incurred But Not Reported	61,233	118,400	-	-	-	-	-	-	-	179,633
Due to State General Fund	-	-	-	-	-	-	-	146	-	146
Due to Other Funds -										
\$256 for Restricted Assets	-	-	426	-	-	-	-	-	-	426
Due to Other State Agency	-	-	-	-	-	-	-	427	-	427
Capital Lease	-	-	298	-	-	-	-	-	-	298
Interfund Notes Payable	-	-	299	-	-	-	-	-	-	299
Intergovernmental Notes Payable	-	-	-	-	1,105	-	-	-	-	1,105
Notes Payable	-	-	93	-	628	-	-	-	-	721
Advances from State	-	-	592	-	-	-	-	-	-	592
Lease Revenue Bonds Payable -										
\$130 for Restricted Assets	-	-	3,190	-	-	-	-	-	-	3,190
Liability for Inventory Held on Consignment	-	-	-	-	-	-	-	365	-	365
Liability for Compensated Absenses	269	378	833	1,148	590	119	958	196	89	4,580
Total Current Liabilities	192,288	158,892	8,481	3,908	8,147	1,290	2,450	2,089	351	377,896
Non-Current Liabilities										
Advance from Other Funds	-	-	510	-	-	-	-	-	-	510
Capital Lease Payable	-	-	2,536	-	-	-	-	-	-	2,536
Interfund Notes Payable	-	-	1,637	-	-	-	-	-	-	1,637
Intergovernmental Notes Payable	-	-	-	-	5,234	-	-	-	-	5,234
Notes Payable	-	-	422	-	2,872	-	-	-	-	3,294
Advances from State	-	-	6,338	-	-	-	-	-	-	6,338
Lease Revenue Bonds Payable	-	-	32,155	-	-	-	-	-	-	32,155
Total Non-Current Liabilities	-	-	43,598	-	8,106	-	-	-	-	51,704
Total Liabilities	192,288	158,892	52,079	3,908	16,253	1,290	2,450	2,089	351	429,600

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in Thousands)

	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Engineering Services</u>	<u>Data Processing</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Pension Administration</u>	<u>Other General Services</u>	<u>Other Internal Services</u>	<u>Totals</u>
LIABILITIES AND FUND EQUITY (CONTINUED)										
Fund Equity										
Contributed Capital	-	1	95,143	10	53	217	-	720	87	96,231
Retained Earnings:										
Reserved For:										
Installment Purchase Program	35,000	-	-	-	-	-	-	-	-	35,000
Savannah Valley Development Division Loans	20,000	-	-	-	-	-	-	-	-	20,000
Appropriation to be Carried Forward	-	-	-	-	3,000	-	-	-	-	3,000
Construction Contracts	-	-	117	-	-	-	-	-	-	117
Purchase Agreements	-	-	-	-	1,147	-	-	-	-	1,147
Retained Earnings - Unreserved	113,017	-	-	11,198	13,291	21,256	1,652	1,054	2,758	164,226
Retained Deficit	-	(81,985)	(3,276)	-	-	-	-	-	-	(85,261)
Total Fund Equity	<u>168,017</u>	<u>(81,984)</u>	<u>91,984</u>	<u>11,208</u>	<u>17,491</u>	<u>21,473</u>	<u>1,652</u>	<u>1,774</u>	<u>2,845</u>	<u>234,460</u>
Total Liabilities and Fund Equity	<u>\$ 360,305</u>	<u>\$ 76,908</u>	<u>\$ 144,063</u>	<u>\$ 15,116</u>	<u>\$ 33,744</u>	<u>\$ 22,763</u>	<u>\$ 4,102</u>	<u>\$ 3,863</u>	<u>\$ 3,196</u>	<u>\$ 664,060</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
Operating Revenues:										
Charges for Sales and Services	\$ -	\$ -	\$ 4,321	\$ 19,754	\$ 30,456	\$ 3,602	\$ 14,801	\$ 7,880	\$ 1,891	\$ 82,705
Insurance Premiums	69,553	769,365	-	-	-	-	-	-	-	838,918
License, Fees, and Permits	-	-	-	-	-	11	-	-	832	843
Rental Revenue	-	-	25,270	-	2,158	11,657	-	2	-	39,087
Investment Income	17,331	7,410	-	-	-	-	-	-	-	24,741
Prescription Drug Rebates	-	3,771	-	-	-	-	-	-	-	3,771
Other Revenue	11	226	113	9	39	108	18	6	-	530
Total Operating Revenues	86,895	780,772	29,704	19,763	32,653	15,378	14,819	7,888	2,723	990,595
Operating Expenses:										
Cost of Sale and Services	-	-	-	-	15,214	-	-	4,708	-	19,922
Reinsurance Premiums	22,622	-	-	-	-	-	-	-	-	22,622
Premiums	1,439	103,421	-	-	-	-	-	-	-	104,860
Claims	39,844	741,881	-	-	-	-	-	-	-	781,725
Personal Services	-	-	5,941	7,432	4,576	1,084	6,863	1,541	546	27,983
Employer Contributions	-	-	1,513	1,786	1,021	293	1,669	426	140	6,848
Contractual Services	-	-	6,402	5,951	3,061	3,256	4,134	777	986	24,567
Fixed Charges and Contributions	-	-	411	3,365	964	711	187	118	236	5,992
Light, Power, and Heat	-	-	5,722	-	61	18	-	33	-	5,834
Other Operating Expenses	-	-	4,778	892	3,459	2,783	971	285	334	13,502
Professional and Administrative Fees	13,647	20,815	-	-	-	-	-	-	-	34,462
Insurance Administration and Planning	4,594	6,300	-	-	-	-	-	-	-	10,894
Depreciation	145	146	3,608	1,500	3,238	5,079	571	105	16	14,408
Other	-	-	64	10	-	-	-	-	-	74
Total Operating Expenses	82,291	872,563	28,439	20,936	31,594	13,224	14,395	7,993	2,258	1,073,693
Operating Income (Loss)	4,604	(91,791)	1,265	(1,173)	1,059	2,154	424	(105)	465	(83,098)
Non-Operating Revenues (Expenses):										
State Appropriations	-	-	712	-	3,000	-	-	-	-	3,712
Federal Grant Revenue	-	-	-	-	50	-	-	-	-	50
Investment Income	-	-	123	-	47	1	174	2	92	439
Net Gain (Loss) on Disposals of Fixed Assets	(5)	(7)	(18)	(752)	(188)	620	(128)	(13)	(1)	(492)
Interest Expense	-	-	(2,644)	-	(590)	(33)	-	-	-	(3,267)
Principal and Interest Forgiven	-	-	1,051	-	-	-	-	-	-	1,051
Other Debt Service Charges	-	-	(2)	-	-	-	-	-	-	(2)
Total Non-Operating Revenues (Expenses)	(5)	(7)	(778)	(752)	2,319	588	46	(11)	91	1,491

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
Net Income (Loss)	4,599	(91,798)	487	(1,925)	3,378	2,742	470	(116)	556	(81,607)
Retained Earnings										
Beginning of Year	163,418	9,813	(3,646)	13,304	14,060	18,514	1,182	1,170	2,202	220,017
Residual Equity Transfer In	-	-	-	9	-	-	-	-	-	9
Residual Equity Transfer Out	-	-	-	(190)	-	-	-	-	-	(190)
Retained Earnings (Deficit) - End of Year	<u>168,017</u>	<u>(81,985)</u>	<u>(3,159)</u>	<u>11,198</u>	<u>17,438</u>	<u>21,256</u>	<u>1,652</u>	<u>1,054</u>	<u>2,758</u>	<u>138,229</u>
Contributed Capital										
Beginning of Year	-	1	73,502	15	53	247	-	720	87	74,625
Residual Equity Transfer In	-	-	20,811	-	-	-	-	-	-	20,811
Net Change in Contributed Capital	-	-	830	(5)	-	(30)	-	-	-	795
Contributed Capital - End of Year	<u>-</u>	<u>1</u>	<u>95,143</u>	<u>10</u>	<u>53</u>	<u>217</u>	<u>-</u>	<u>720</u>	<u>87</u>	<u>96,231</u>
Total Fund Equity	<u>\$ 168,017</u>	<u>\$ (81,984)</u>	<u>\$ 91,984</u>	<u>\$ 11,208</u>	<u>\$ 17,491</u>	<u>\$ 21,473</u>	<u>\$ 1,652</u>	<u>\$ 1,774</u>	<u>\$ 2,845</u>	<u>\$ 234,460</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES										
Operating Income (Loss)	\$ 4,604	\$ (91,791)	\$ 1,265	\$ (1,173)	\$ 1,059	\$ 2,154	\$ 424	\$ (105)	\$ 465	\$ (83,098)
Reclassify investment and note interest income included in operating income(loss) to investing activity	(17,331)	(7,410)	-	-	-	-	-	-	-	(24,741)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:										
Depreciation	145	146	3,608	1,500	3,238	5,079	571	105	16	14,408
Change in Fair Value of Long-Term Investments	4,736	848	(12)	-	-	-	(24)	(1)	-	5,547
Changes in Assets and Liabilities:										
(Increase) Decrease in Accounts Receivable	-	-	(1,259)	2,109	(2,155)	32	-	(281)	(114)	(1,668)
(Increase) Decrease in Premiums Receivable	(3,688)	45	-	-	-	-	-	-	-	(3,643)
(Increase) in Reinsurance Recovery Receivable	(756)	-	-	-	-	-	-	-	-	(756)
(Increase) Decrease in Due from Other Funds	-	(1,500)	2,292	183	(167)	-	76	-	-	884
(Increase) Decrease in Inventory	-	-	8	-	320	(3)	-	37	-	362
(Increase) Decrease in Prepaid Expenses, Prescription Drug Rebate Receivable and Other Assets	(39)	(671)	-	-	-	-	-	-	4	(706)
Increase (Decrease) in Accounts Payable	136	202	(74)	1,471	1,304	62	151	(93)	120	3,279
Increase (Decrease) in Accrued Payroll & Employer Contributions	20	57	89	19	29	(11)	57	15	3	278
Increase in Liability for Compensated Absences	24	19	79	72	58	2	113	20	2	389
Increase in Claims Payable and Incurred But Not Reported	12,250	28,633	-	-	-	-	-	-	-	40,883
Increase (Decrease) in Deferred Premium Revenue	1,394	(189)	-	-	-	-	-	-	-	1,205
Increase in Liability for Inventory on Consignment	-	-	-	-	-	-	-	26	-	26
(Decrease) in Due to Other State Agencies	-	-	-	-	-	-	-	(14)	-	(14)
Net Cash From (Used for) Operating Activities	1,495	(71,611)	5,996	4,181	3,686	7,315	1,368	(291)	496	(47,365)
CASH FLOWS FROM (USED FOR) NON-CAPITAL FINANCING ACTIVITIES:										
State Appropriations Received	-	-	717	-	3,000	-	-	-	-	3,717
Federal Grants Received	-	-	-	-	50	-	-	-	-	50
Funding for Interfund Loans	-	-	-	-	(329)	-	-	-	-	(329)
Proceeds from Interfund Loans	-	-	329	-	-	-	-	-	-	329
Payments on Interfund Loans	-	-	(170)	(1,000)	-	-	-	-	-	(1,170)
Payments Received on Interfund Loans	-	-	-	-	1,170	-	-	-	-	1,170
Net Cash From (Used For) Non-Capital Financing Activities	-	-	876	(1,000)	3,891	-	-	-	-	3,767
CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:										
Proceeds from Sale of Fixed Assets	-	-	8	5	-	914	6	16	-	949
Proceeds from Notes Payable	-	-	-	-	3,500	-	-	-	-	3,500
Acquisition and Construction of Capital Assets	(24)	(84)	(2,980)	(2,996)	(4,211)	(8,015)	(676)	(87)	-	(19,073)
Unfunded Construction Project Expenditures	-	-	256	-	-	-	-	-	-	256
Funding of Construction Projects	-	-	(3,687)	-	-	-	-	-	-	(3,687)

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES: (CONTINUED)										
Principal Paid on Interfund Notes Payable	-	-	(586)	-	-	-	-	-	-	(586)
Principal Paid on Intergovernmental Notes Payable	-	-	-	-	(1,023)	-	-	-	-	(1,023)
Principal Paid on Lease Revenue Bonds	-	-	(3,050)	-	-	-	-	-	-	(3,050)
Principal Paid on Capital Leases	-	-	(278)	-	-	-	-	-	-	(278)
Principal Paid on Notes Payable	-	-	(153)	-	-	(815)	-	-	-	(968)
Interest Paid on Interfund Notes Payable	-	-	(137)	-	-	-	-	-	-	(137)
Interest Paid on Intergovernmental Notes Payable	-	-	-	-	(589)	-	-	-	-	(589)
Interest Paid on Lease Revenue Bonds	-	-	(1,861)	-	-	-	-	-	-	(1,861)
Interest Paid on Capital Leases	-	-	(209)	-	-	-	-	-	-	(209)
Interest Paid on Notes Payable	-	-	(29)	-	-	(33)	-	-	-	(62)
Other Debt Service	-	-	(2)	-	-	-	-	-	-	(2)
Net Cash From (Used For) Capital and Related Financing Activities	(24)	(84)	(12,708)	(2,991)	(2,323)	(7,949)	(670)	(71)	-	(26,820)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:										
Payments Received on Intergovernmental Notes Receivable	2,040	-	-	-	-	-	-	-	-	2,040
Payments Received on Interfund Notes Receivable	586	-	-	-	-	-	-	-	-	586
Payments to Fund Intergovernmental Notes Receivable	(1,224)	-	-	-	-	-	-	-	-	(1,224)
Purchase of Investments	(147,297)	(1,110)	(5)	-	-	-	-	-	-	(148,412)
Proceeds from Sales and Maturity of Investments	103,529	3,527	-	-	-	-	-	-	-	107,056
Interest Received on Interfund Notes Receivable	137	-	-	-	-	-	-	-	-	137
Interest Received on Intergovernmental Notes Receivable	1,731	-	-	-	-	-	-	-	-	1,731
Interest Received on Deposits and Investments	13,695	7,610	165	-	41	1	170	3	-	21,685
Net Cash From (Used For) Investing Activities	(26,803)	10,027	160	-	41	1	170	3	-	(16,401)
Net Increase (Decrease) in Cash and Cash Equivalents	(25,332)	(61,668)	(5,676)	190	5,295	(633)	868	(359)	496	(86,819)
CASH AND CASH EQUIVALENTS										
Beginning of Year	78,344	100,955	11,152	6,070	6,846	5,729	1,129	1,445	2,199	213,869
CASH AND CASH EQUIVALENTS										
End of Year	<u>\$ 53,012</u>	<u>\$ 39,287</u>	<u>\$ 5,476</u>	<u>\$ 6,260</u>	<u>\$ 12,141</u>	<u>\$ 5,096</u>	<u>\$ 1,997</u>	<u>\$ 1,086</u>	<u>\$ 2,695</u>	<u>\$ 127,050</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	<u>Insurance Reserve</u>	<u>Health Insurance Reserve</u>	<u>Engineering Services</u>	<u>Data Processing</u>	<u>Telecom- munications</u>	<u>Motor Vehicle Management</u>	<u>Pension Administration</u>	<u>Other General Services</u>	<u>Other Internal Services</u>	<u>Totals</u>
SUPPLEMENTAL INFORMATION										
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:										
Transfers of Fixed Assets to General Fixed Assets Account Group	\$ -	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)
Transfers of Fixed Assets through Residual Equity Transfer	-	-	20,621	9	-	-	-	-	-	20,630
Transfers of Construction in Progress Between Internal Service Funds	-	-	190	(190)	-	-	-	-	-	-
Advances from State - Principal Forgiveness	-	-	555	-	-	-	-	-	-	555
Advances from State - Interest Forgiveness	-	-	496	-	-	-	-	-	-	496
Donated Fixed Assets	-	-	830	-	-	-	-	-	-	830
Disposal of Fixed Assets	(36)	(83)	(182)	(2,018)	(2,970)	(3,791)	(694)	(86)	(6)	(9,866)

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
FIDUCIARY TRUST FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000
(Expressed in thousands)

	EXPENDABLE TRUST		
	War Memorial	Total Pension Trust	Total Fiduciary Trust
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 2,644,322	\$ 2,644,322
Receivables:			
Due from Other Systems	-	332	332
Employee and Employer Contributions	-	121,070	121,070
Employer Contributions Long-term	-	3,008	3,008
Accrued Investment Income	-	201,946	201,946
Unsettled Investment Sales	-	28,395	28,395
Total Receivables	-	354,751	354,751
Investments, at Fair Value:			
Short-term Securities	-	301,681	301,681
United States Government Securities	-	2,848,090	2,848,090
United States Government Agencies and Government-insured	215	3,153,158	3,153,373
Corporate Bonds	-	4,850,321	4,850,321
Financial and Other	-	2,644,417	2,644,417
Equities	-	2,908,819	2,908,819
Total Investments	215	16,706,486	16,706,701
Securities Lending Cash Collateral Invested	-	1,413,893	1,413,893
Property, net of accumulated depreciation	-	4,408	4,408
TOTAL ASSETS	\$ 215	\$ 21,123,860	\$ 21,124,075
LIABILITIES			
Due to Other Systems	\$ -	\$ 332	\$ 332
Accounts Payable-Unsettled Investment Purchases	-	28,864	28,864
Investment Fees Payable	-	1,524	1,524
Obligations under Securities Lending	-	1,413,893	1,413,893
Due to Other Funds	-	15,913	15,913
Accounts Payable and Accrued Liabilities	-	4,156	4,156
TOTAL LIABILITIES	-	1,464,682	1,464,682
FUND EQUITY			
Fund Balances			
Reserved for:			
Employees' Pension Benefits	-	19,659,178	19,659,178
S. C. War Memorial	215	-	215
TOTAL FUND EQUITY	215	19,659,178	19,659,393
TOTAL LIABILITIES AND FUND EQUITY	\$ 215	\$ 21,123,860	\$ 21,124,075

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	War Memorial
REVENUES	\$ <u> -</u>
EXPENDITURES	<u> -</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	-
FUND BALANCES - BEGINNING OF YEAR	<u> 215</u>
FUND BALANCES - END OF YEAR	\$ <u><u> 215</u></u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Beginning Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
CLEAN WATER REVOLVING LOAN FUND				
Assets:				
Cash and Cash Equivalents	\$ 68,347	\$ 90,609	\$ 75,103	\$ 83,853
Accrued Investment Income Receivable	780	1,404	780	1,404
Due from Other State Agencies	-	5,518	5,518	-
Intergovernmental Notes Receivable	153,133	35,143	6,639	181,637
Total Assets	<u>\$ 222,260</u>	<u>\$ 132,674</u>	<u>\$ 88,040</u>	<u>\$ 266,894</u>
Liabilities:				
Due to Local Government/ Subdivisions-Intergovern- mental Payables	\$ -	\$ 35,418	\$ 35,360	\$ 58
Due to Other State Agencies	222,260	84,577	40,001	266,836
Total Liabilities	<u>\$ 222,260</u>	<u>\$ 119,995</u>	<u>\$ 75,361</u>	<u>\$ 266,894</u>
DRINKING WATER REVOLVING LOAN FUND				
Assets:				
Cash and Cash Equivalents	\$ 871	\$ 13,802	\$ 11,458	\$ 3,215
Accrued Investment Income Receivable	7	23	7	23
Due from Other State Agencies	-	2,905	2,905	-
Intergovernmental Notes Receivable	5,780	5,884	236	11,428
Total Assets	<u>\$ 6,658</u>	<u>\$ 22,614</u>	<u>\$ 14,606</u>	<u>\$ 14,666</u>
Liabilities:				
Due to Local Government/ Subdivisions-Intergovern- mental Payables	\$ -	\$ 5,694	\$ 5,694	\$ -
Due to Other State Agencies	6,658	13,772	5,764	14,666
Total Liabilities	<u>\$ 6,658</u>	<u>\$ 19,466</u>	<u>\$ 11,458</u>	<u>\$ 14,666</u>
TUITION PREPAYMENT PROGRAM				
Assets:				
Cash and Cash Equivalents	\$ 8,104	\$ 11,317	\$ 148	\$ 19,273
Accounts Receivable	48	90	48	90
Accrued Investment Income Receivable	47	214	47	214
Total Assets	<u>\$ 8,199</u>	<u>\$ 11,621</u>	<u>\$ 243</u>	<u>\$ 19,577</u>
Liabilities:				
Due to Others	\$ 8,199	\$ 11,526	\$ 148	\$ 19,577
Total Liabilities	<u>\$ 8,199</u>	<u>\$ 11,526</u>	<u>\$ 148</u>	<u>\$ 19,577</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Beginning Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
STATE AGENCIES' FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 182	\$ 2,092	\$ 2,238	\$ 36
Due from State:				
Capital Improvement Bond	378	-	-	378
Due from Other State Agencies	509	606	509	606
Total Assets	<u>\$ 1,069</u>	<u>\$ 2,698</u>	<u>\$ 2,747</u>	<u>\$ 1,020</u>
Liabilities:				
Due to Other State Agencies	\$ 378	\$ -	\$ -	\$ 378
Due to Others	551	2,189	2,098	642
Accrued Interest	7	-	7	-
Intergovernmental Notes Payable	133	-	133	-
Total Liabilities	<u>\$ 1,069</u>	<u>\$ 2,189</u>	<u>\$ 2,238</u>	<u>\$ 1,020</u>
SINKING FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 9	\$ 1,259	\$ 1,261	\$ 7
Investments	1,605	5	860	750
Interfund Notes Receivable	149	-	-	149
Due from Other Funds	219	617	219	617
Total Assets	<u>\$ 1,982</u>	<u>\$ 1,881</u>	<u>\$ 2,340</u>	<u>\$ 1,523</u>
Liabilities:				
Advances from The State	\$ 2	\$ -	\$ -	\$ 2
Due to The State	1,980	400	859	1,521
Total Liabilities	<u>\$ 1,982</u>	<u>\$ 400</u>	<u>\$ 859</u>	<u>\$ 1,523</u>
OTHER PARTIES' FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 69	\$ 825	\$ 889	\$ 5
Total Assets	<u>\$ 69</u>	<u>\$ 825</u>	<u>\$ 889</u>	<u>\$ 5</u>
Liabilities:				
Due to Others	\$ 69	\$ 825	\$ 889	\$ 5
Total Liabilities	<u>\$ 69</u>	<u>\$ 825</u>	<u>\$ 889</u>	<u>\$ 5</u>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Beginning Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
TOTALS				
Assets:				
Cash and Cash Equivalents	\$ 77,582	\$ 119,904	\$ 91,097	\$ 106,389
Accounts Receivable	48	90	48	90
Investments	1,605	5	860	750
Due from Other State Agencies	509	9,029	8,932	606
Due from State:				
Capital Improvement Bond	378	-	-	378
Accrued Investment Income Receivable	834	1,641	834	1,641
Interfund Notes Receivable	149	-	-	149
Intergovernmental Notes Receivable	158,913	41,027	6,875	193,065
Due from Other Funds	219	617	219	617
Total Assets	\$ <u>240,237</u>	\$ <u>172,313</u>	\$ <u>108,865</u>	\$ <u>303,685</u>
Liabilities:				
Advances from State	\$ 2	\$ -	\$ -	\$ 2
Due to Local Government/ Subdivision-Intergovern- mental Payables	-	41,112	41,054	58
Due to Other State Agencies	229,296	98,349	45,765	281,880
Due to The State	1,980	400	859	1,521
Due to Others	8,819	14,540	3,135	20,224
Accrued Interest	7	-	7	-
Intergovernmental Notes Payable	133	-	133	-
Total Liabilities	\$ <u>240,237</u>	\$ <u>154,401</u>	\$ <u>90,953</u>	\$ <u>303,685</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Total Expenditures to Subrecipients</u>
U. S. Department of Agriculture			
Passed Through SC Forestry Commission			
Cooperative Forestry Assistance	10.664	8,986	-
Total U. S. Department of Agriculture		<u>8,986</u>	<u>-</u>
U. S. Department of Commerce:			
Direct Programs:			
Economic Development - Technical Assistance	11.303	25,000	25,000
Economic Development - State and Local Economic			
Development Planning	11.305	60,426	-
Geodetic Surveys and Services	11.400	444,758	436,113
Total U. S. Department of Commerce		<u>530,184</u>	<u>461,113</u>
U. S. Department of Transportation			
Direct Programs:			
State and Community Highway Safety	20.600	119,941	-
Total U. S. Department of Transportation		<u>119,941</u>	<u>-</u>
General Services Administration:			
Direct Programs:			
Donation of Federal Surplus Personal Property	39.003	166,321 *	-
Total General Services Administration		<u>166,321</u>	<u>-</u>
National Foundation on the Arts and the Humanities			
Direct Programs:			
Museum Assessment Program	45.302	1,250	-
Total National Foundation on the Arts and the Humanities		<u>1,250</u>	<u>-</u>
U. S. Department of Energy:			
Direct Programs:			
State Energy Program	81.041	689,874	154,582
Energy Program\Petroleum Violation Escrow Funds	N/A	1,599,081	389,114
Total U. S. Department of Energy		<u>2,288,955</u>	<u>543,696</u>
Federal Emergency Management Agency:			
Passed Through S. C. Adjutant General's Office			
Public Assistance Grants	83.544	\$ 996,562	\$ 915,507
Total Federal Emergency Management Agency		<u>996,562</u>	<u>915,507</u>
Total Federal Assistance		<u>\$ 4,112,199</u>	<u>\$ 1,920,316</u>

* This amount represents fair market value of assets received.

This schedule of expenditures of federal awards is prepared using the cash basis method of accounting.



ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

**REPORT ON COMPLIANCE AND ON 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 State Budget and Control Board (the Board) as of and for the year ended June 30, 2000, and have issued our report thereon dated August 2, 2001. 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 Board'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 instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board'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.

We noted one matter involving the internal control as noted in the management letter comment on page 113.

This report is intended for the information and use of the members and management of the Board and federal awarding agencies and pass-through agencies and is not intended and should not be used by anyone other than these specified parties.

Rogers & Lohan, PA

August 2, 2001



ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

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 State Budget and Control Board (the Board) with the types of compliance requirements described in the U.S. 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, 2000. The Board's major federal programs are identified in the summary of auditor's 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 Board's management. Our responsibility is to express an opinion on the Board's compliance 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 Board's 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 Board's compliance with those requirements.



In our opinion, the Board 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, 2000. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 00-1 to 00-5.

Internal Control Over Compliance

The management of the Board 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 Board'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 for the information and use of the members and management of the Board and federal awarding agencies and pass-through agencies and is not intended and should not be used by anyone other than these specified parties.

Rogers + Lalan, PA

August 2, 2001

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. An unqualified opinion dated August 2, 2001 on the financial statements of the Board for the year ended June 30, 2000 was issued.
2. No reportable conditions relating to the internal control over financial reporting were noted during our audit of the financial statements.
3. No instances of noncompliance that were material to the financial statements were noted.

Federal Awards:

4. No reportable conditions relating to internal control over compliance resulting from the audit of the major federal award programs are reported.
5. An unqualified opinion on compliance for major programs dated August 2, 2001 was issued.
6. Audit findings relative to the major federal award programs are reported on this schedule as required by Section 510(a) of Circular A-133.
7. The major programs of the Board are:

<u>CFDA #</u>	<u>Program</u>
11.400	Geodetic Surveys and Services
83.544	Public Assistance Grants
N/A	Energy Program/Petroleum Violation Escrow Funds
39.003	Donation of Federal Surplus Personal Property

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Board was determined not to be a low-risk auditee.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FINDING RELATED TO THE FINANCIAL STATEMENTS

None reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

00-1. ALL PROGRAMS

Statement of Condition: OMB Circular A-133 Subpart C - Section .320 required audit reports to be submitted no later than 9 months after the end of the audit period. The Board did not meet this requirement for the year ended June 30, 2000. The same condition was cited in prior year's schedule of findings and questioned costs.

Criteria: OMB Circular A-133 Subpart C – Section .320.

Effect of Condition: Failure to follow federal regulations.

Cause of Condition: Failure to have prior year audits completed timely and failure to have current year's records ready in time to complete audit within specified timeframe.

Recommendation: Implement procedures to have records and financial statements timely completed and audited and reports submitted within the required deadlines.

**00-2. FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS CFDA # 83.544**

Statement of Condition: The schedule of expenditures of federal awards prepared by the Board included a \$50,476 expenditure twice resulting in the overstatement of expenditures. In addition, the \$50,476 included \$12,252 which was funded by the State and should not have been reported on the schedule of expenditures of federal awards. Adjustments were made to the schedule to correct the errors.

Criteria: Good accounting controls require that records be maintained that allow the preparation of an accurate schedule of expenditures of federal awards.

Effect of Condition: Overstatement of expenditures on schedule of federal awards.

Cause of Condition: The expenditure of \$50,476 was recorded twice because it was recorded as an expenditure when transferring the funds between different divisions of the Board and upon its actual expenditure.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**00-2. FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS CFDA # 83.544 (CONTINUED)**

Recommendation: The Board should implement procedures to ensure that amounts reported on the schedule of expenditures of federal awards are accurate.

**00-3. FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS CFDA # 83.544**

Statement of Condition: The Board could produce no evidence that personnel who administer the grant had examined or reviewed an audit report for a subrecipient or that any monitoring of the program had been performed. The same finding was cited last year for a different federal program.

Criteria: Section 400(d) of OMB Circular A-133 contains the responsibilities of passthrough entities regarding monitoring and single audit requirements.

Effect of Condition: The requirements of OMB Circular A-133 regarding monitoring are not being followed. As a result, subrecipients who do not spend federal funds in accordance with applicable federal regulations and program requirements may not be identified and be required to take corrective action to be in compliance.

Cause of Condition: The Board did not have monitoring procedures in place.

Recommendation: The Board should develop appropriate procedures for monitoring its subrecipients of federal funds and implement procedures to ensure it timely performs monitoring of all subrecipients.

**00-4. FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS CFDA #83.544**

Statement of Condition: The Board reimbursed \$81,418 to Sea Grant Consortium, a subrecipient, during the year and the Board could not provide documentation to support \$17,718 of the reimbursement. Also, the Board claimed reimbursement for \$12,000 for estimated cell phone and long distance charges.

Criteria: Good internal controls require that supporting documentation be maintained to support expenditures.

Questioned Cost: \$29,718

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**00-4. FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS – CFDA # 83.544 (CONTINUED)**

Effect of Condition: The Board could not document that expenditures were for allowable costs.

Cause of Condition: Unknown

Recommendation: The Board should ensure that documentation is received and maintained to support all expenditures and only claim reimbursement for actual costs incurred.

**00-5. U. S. DEPARTMENT OF COMMERCE
GEODETIC SURVEYS AND SERVICES CFDA # 11.400**

Statement of Condition: The Board advanced \$70,000 to Oconee County during the year under a subgrant agreement. Actual expenditures through June 30, 2000 by Oconee County were only \$62,933. The Board did not follow up to determine if Oconee County actually expended the remainder of the funds. Through inquiry, we determined that Oconee County did not expend the \$7,067 prior to the end of the subgrant agreement and did not refund the \$7,067 to the Board.

Criteria: OMB Circular A-102 requires that subrecipients minimize the time elapsing between the transfer of federal funds from the recipient and the pay out of funds for program purposes.

Questioned costs: \$7,067

Effect of Condition: The Board is not monitoring that all funds advanced are spent in a timely manner.

Cause of Condition: Unknown

Recommendation: The Board should implement procedures to ensure that all funds advanced are expended in a timely manner and that any unexpended funds are refunded.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**MANAGEMENT LETTER COMMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Amounts Due General Fund of the State

Our audit disclosed that the federal surplus funds account contains \$145,723 that is due to the general fund. According to personnel of the Board, this balance represents several prior fiscal years' accumulation of revenues in excess of expenditures. It has been on the books since 1983 and is still outstanding at June 30, 2000. The same finding was cited in prior years' management letter comments.

Code Section 11-9-125 of the South Carolina Code of Laws states that "State Agencies shall remit to the General Fund of the State any funds found to exist in the agency accounts."

We recommend that the Board remit these funds to the State General Fund.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

One of the four findings reported for the year ending June 30, 1999 is repeated for 2000.

99X-1. ALL PROGRAMS

Condition: OMB Circular A-133 Subpart C - Section .320 required audit reports to be submitted no later than 9 months after the end of the audit period. The Board did not meet this requirement for the year ended June 30, 1999. The same condition was cited in the prior year's schedule of findings and questioned costs.

Recommendation: Implement procedures to have records and financial statements timely completed and audited and reports submitted within the required deadlines.

Current Status: The finding continued to exist for the year ended June 30, 2000.

99X-2. GENERAL SERVICES ADMINISTRATION (GSA) - DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY

CFDA # 39.003

Condition: Our sample of 15 property transactions included 13 items that were donated to donees whose eligibility files are required to be updated every three years. One of these 13 had not been updated. The donee was determined to be eligible. The same condition was cited in the prior year's schedule of findings and questioned costs.

Current Status: Corrective action was taken.

99X-3. DEPARTMENT OF COMMERCE – GEODETIC SURVEYS AND SERVICES

CFDA # 11.400

Condition: In testing of federal disbursements in a prior year, we noted that the Board could produce no evidence that personnel who administer the grant had examined or reviewed an audit report for a subrecipient or that any monitoring of the program had been performed. Through inquiry, we determined that the same conditions continued to exist in fiscal year 1999.

Current Status: Corrective action was taken.

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
(CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**99X-4. DEPARTMENT OF ENERGY – ENERGY PROGRAM/PETROLEUM
VIOLATION ESCROW FUNDS**

CFDA # N/A

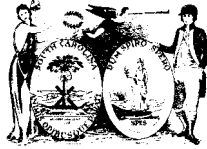
Condition: The Department of Energy requires that the Board file a yearly report on Petroleum Escrow Violations by September 30 of each year. The Board requested an extension until November 1, 1999 for the fiscal year ended June 30, 1999, but did not file its annual report until November 5, 1999. A similar condition was cited in the prior year's schedule of findings and questioned costs.

Current Status: Corrective action was taken.

APPENDIX A

Management's Response

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF INTERNAL OPERATIONS



JIM HODGES, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

JAMES A. LANDER
COMPTROLLER GENERAL

HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK FUSCO
EXECUTIVE DIRECTOR

1201 MAIN STREET, SUITE 700
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0500
(803) 737-1978 FAX

STEPHEN L. ELLIOTT
DIRECTOR

South Carolina State Budget and Control Board

Corrective Action Plan

October 9, 2001

Department of Energy

South Carolina State Budget and Control Board respectfully submits the following corrective action plan for the year ended June 30, 2000.

Name and address of independent public accounting firm: Rogers & Laban, PA, 1529 Hampton Street, Suite 200, Columbia, SC 29201

Audit period: July 1, 1999 – June 30, 2000

The findings from the June 30, 2000 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

00-1. All Programs

Recommendation: Implement procedures to have records and financial statements timely completed and audited and reports submitted within the required deadlines.

Action Taken: Beginning in fiscal year 2002, the Board will be included in the State of South Carolina Statewide Single Audit which is submitted within the required deadline.

**FEDERAL EMERGENCY MANAGEMENT AGENCY
PUBLIC ASSISTANCE GRANTS CFDA # 83.544**

Recommendation: The Board should implement procedures to ensure that amounts reported on the schedule of expenditures of federal awards are accurate.

Action Taken: Condition corrected.

- 00-3. *Recommendation:* The Board should develop appropriate procedures for monitoring its subrecipients of federal funds and implement procedures to ensure it timely performs monitoring of all subrecipients.

Action Taken: The federal program under the Board was dissolved and transferred to another state agency in fiscal year 2000. All funds distributed to subrecipients had incurred allowable expenditures.

- 00-4. *Recommendation:* The Board should ensure that documentation is received and maintained to support all expenditures and only claim reimbursement for actual costs incurred.

Action Taken: The reimbursement for \$12,000 for estimated cell phone and long distance charges was approved by FEMA personnel. The \$17,718 for which no documentation was attached to the voucher occurred as the result of an over-billing which we subsequently detected and corrected on Sea Grant's fourth billing during that same fiscal year.

**U.S. DEPARTMENT OF COMMERCE
GEODETIC SURVEYS AND SERVICES CFDA # 11.400**

Recommendation: The Board should implement procedures to ensure that all funds advanced are expended in a timely manner and that any unexpended funds are refunded.

Action Taken: The Board was aware that the funds were on hand at June 30, 2000 by the subrecipient. The subrecipient had spent more than the amount questioned on the program and could have used the funds. The subrecipient recorded the funds as deferred revenue on its annual financial statements and spent the funds along with additional funds in fiscal year 2001 on the program.

MANAGEMENT LETTER COMMENT

Amounts Due General Fund of the State

Recommendation: We recommend that the Board remit these funds to the State General Fund.

Action Taken: We are beginning the legislative process to obtain relief from this liability. Anticipated resolution will not be until fiscal year 2003.

If there are any questions regarding this plan, please call Ronald E. Claypool at (803) 737-0520.

Sincerely yours,

A handwritten signature in cursive script that reads "Stephen L. Elliott".

Stephen L. Elliott
Director
Office of Internal Operations