

STATE OF SOUTH CAROLINA  
OFFICE OF THE COMPTROLLER GENERAL

*POLICIES--FINANCIAL STATEMENTS INCORPORATED INTO THE STATE'S CAFR*

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This document summarizes changes made between the draft version of this manual distributed in training sessions held in May 2002 and the final version of the manual effective for financial statements to be incorporated into the statewide CAFR for the fiscal year ended June 30, 2002.

Throughout the document: Relocated footnotes and footnote indicators so they match up properly; boxed items that represent State policies rather than GAAP; removed boxes from items that represent GAAP rather than State policy; made minor technical and grammatical corrections to materials previously provided in draft form.

THE GAAP HIERARCHY'S APPLICATION TO GOVERNMENTAL ENTITIES (Level 1 GAAP) in Section 2: Provides information regarding URLs for the GASB's and FASB's websites for the convenience of readers.

THE GAAP HIERARCHY'S APPLICATION TO GOVERNMENTAL ENTITIES (Level 2 GAAP and Level 4 GAAP) in Section 2: Clarified that agency financial statements are expected to comply with all GASB implementation guides and any other Level 2, 3, or 4 GAAP.

FASB PRONOUNCEMENTS ISSUED AFTER 11-30-89 ARE NOT APPLICABLE: Clarified that no activities or funds of the primary government reported on government-wide and/or fund financial statements should apply FASB pronouncements issued after November 30, 1989.

TRANSITION TO GASB 34--PROSPECTIVE APPLICATION OF SOME PRONOUNCEMENTS in Section 2: Corrected the reference to GASB 23 (rather than FASB 23) and clarified that prospective application relates to governmental activities reported in government-wide financial statements. Clarified that agencies should apply these pronouncements prospectively rather than retroactively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) in Section 3: Added a new subsection entitled *Transition to New Financial Reporting Model*.

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FUND FINANCIAL STATEMENTS in Section 3: Added a requirement that agencies with multiple fiduciary funds present combining financial statements (so the State can comply with GFOA Certificate of Achievement requirements).

OPERATING STATEMENTS AND STATEMENTS OF ACTIVITIES (Government-wide Statement of Activities--Intergovernmental Expenses, Grants and Revenue-Sharing) in Section 3: Clarified that the Intergovernmental category relates to disbursements to non-State governmental entities.

RECONCILIATION OF GOVERNMENT-WIDE STATEMENTS TO FUND FINANCIAL STATEMENTS in Section 3: Clarified the conditions under which agencies must present a reconciliation.

SEPARATE COLUMN REQUIRED FOR EACH BLENDED COMPONENT UNIT in Section 4: Added a subsection entitled "*The Number of Funds Principle*" and the Notion of "*Functional Basis Combining.*"

GOVERNMENTAL BLENDED COMPONENT UNITS in Section 4: Clarified content of the non-major funds column.

Section 5: Added a section entitled RESTRICTED ASSETS AND LIABILITIES.

Section 5: Added a section entitled PREPAID EXPENSES.

CAPITAL ASSETS--CATEGORIES FOR FINANCIAL REPORTING (Buildings and Improvements) in Section 5: Clarified the recommended procedure for high-cost improvements.

CAPITAL ASSETS-CATEGORIES FOR FINANCIAL REPORTING (Works of Art and Historical Treasures) in Section 5: Clarified the policy for applying the \$5,000 capitalization threshold to collections of works of art and historical treasures.

CAPITAL ASSETS-CATEGORIES FOR FINANCIAL REPORTING (Intangible Assets) in Section 5: Clarified the capitalization policy for computer software.

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CAPITAL ASSETS-CAPITALIZATION CRITERIA in Section 5: Added *modular furniture* to the list of examples of assets affected by the policy to apply the capitalization thresholds to individual items rather than to groups.

CAPITAL ASSETS-BOOK VALUE (Book Value of Capital Assets Received Through Intra-State Transfers) in Section 5: Added a paragraph emphasizing the importance of communication between agencies when accounting for intra-State transfers.

CAPITAL ASSETS-DEPRECIATION REQUIREMENTS (Selection of Useful Life for Depreciation Purposes) in Section 5: Added a few examples of *other land improvements* to the schedule of useful lives.

Section 5: Added a section entitled COMPENSATED ABSENCES.

Section 5: Added a section entitled STATE CAPITAL IMPROVEMENT BONDS AND INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT.

RESTRICTED NET ASSETS (Purpose Categories of Restricted Net Assets to be Reported) in Section 5: Corrected this section to reflect the fact that all State agencies, including colleges and universities, use the same purpose categories.

Section 5: Added a section entitled CLASSIFICATION OF PROGRAM-SPECIFIC GRANTS AND CONTRIBUTIONS—OPERATING VERSUS CAPITAL.

INDIRECT EXPENSES in Section 5: Clarified the policy regarding presentation in a separate column.

INTERNAL SERVICE FUNDS in Section 5: Added two new entities to the list of discretely presented component units and moved this list to Appendix B of the manual.

Section 5: Added a new section entitled FIDUCIARY FUNDS.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in Section 6: Added a subsection entitled ELECTION NOT TO APPLY FASB PRONOUNCEMENTS ISSUED AFTER NOVEMBER 30, 1989.

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CASH, DEPOSITS, AND INVESTMENTS DISCLOSURES (Schedule of Investments) in Section 6: Changed and expanded the level of detail for investments.

OTHER REQUIRED DISCLOSURES FOR CAPITAL ASSETS (Noncapitalized Collections of Works of Art and Historical Treasures) in Section 6: Clarified the cross-reference to material in Section 5.

SHORT-TERM DEBT in Section 6: Clarified details to be disclosed and the effective date.

LONG-TERM OBLIGATIONS (Debt Service to Maturity) in Section 6: Clarified the requirement to reconcile the Principal column in the note to the amount of Bonds and Notes on the Balance Sheet or Statement of Net Assets. Changed the example to better illustrate the concepts described narratively.

DETAIL OF APPROPRIATIONS RECORDED AS REVENUE in Section 6: Added an option to present this schedule as supplementary information (i.e., following the basic financial statements) rather than within Notes to the Financial Statements. Added instructions for displaying appropriation reductions. Added reasons for requiring this presentation.

SEGMENT REPORTING in Section 6: Added a requirement that agencies identify by name, within the notes to the financial statements, any of its major funds that are segments.

REQUIRED INFORMATION ON BUSINESS-TYPE ACTIVITIES FOR THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, Section 6: Clarified conditions under which this disclosure applies.

Section 7: Added a section entitled CAPITAL OUTLAY.

Section 7: Added a section entitled CLASSIFICATION OF STATE HIGHWAY BONDS.

Section 7: Combined OTHER REQUIREMENTS and REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A (Budgetary Comparison Schedules) into a new section, REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY COMPARISON. Clarified the wording.

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Section 8: Changed "template" to "spreadsheet" throughout.

Section 8, first paragraph: Clarified that the financial statement spreadsheets are in Appendix E rather than in Section 8.

Section 8: Added a section entitled CLASSIFICATION OF STATE INSTITUTION BONDS.

APPROPRIATIONS VS. GRANTS in Section 8: Updated technical references to definitions/discussions of terms.

PRESENTATION OF GRANTS in Section 8: Removed the discussion regarding the difference between capital and operating grants since this is not exclusively a college/university issue. (As discussed above, added a new section, CLASSIFICATION OF PROGRAM-SPECIFIC GRANTS AND CONTRIBUTIONS—OPERATING VERSUS CAPITAL, to Section 5.) Changed name of the section to PRESENTATION OF STATE GRANTS to better describe the text in that section.

Section 8: Added a section entitled FEDERAL PERKINS LOAN PROGRAM ACTIVITY.

FOOTNOTE DISCLOSURE FOR DEBT SERVICE LIMITATION ON STATE INSTITUTION BONDS in Section 8: Added a definition of "tuition fees" as defined in Code of Laws Section 59-107-30.

DISCLOSURE—OPERATING VS. NONOPERATING REVENUE AND EXPENSES in Section 8: Rephrased the policy to help clarify.

Appendixes:

Added APPENDIX B—THE STATE'S DISCRETELY PRESENTED COMPONENT UNITS.

Added APPENDIX C—AGENCIES BY FUNCTION.

Added APPENDIX D—THE STATE'S MAJOR ENTERPRISE FUNDS.

Added Appendix E—FINANCIAL STATEMENT SPREADSHEETS, COLLEGES AND UNIVERSITIES

Added APPENDIX F—CLASSIFICATION OF AMOUNTS RECEIVED BY COLLEGES AND UNIVERSITIES FROM THE COMMISSION ON HIGHER EDUCATION.