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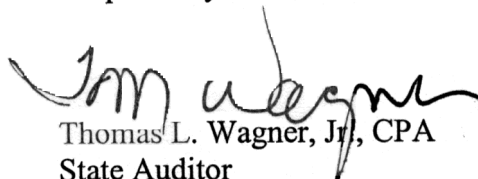
May 2, 2001

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, 1998, 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,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**SOUTH CAROLINA  
STATE BUDGET AND CONTROL BOARD**

**FINANCIAL STATEMENTS  
JUNE 30, 1998**

**TABLE OF CONTENTS**

**JUNE 30, 1998**

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 and 2
<b>FINANCIAL STATEMENTS:</b>	
Combined Balance Sheet - All Fund Types and Account Groups	3 - 5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	6 and 7
Statement of Expenditures – Budget and Actual – All Budgeted Funds	8 and 9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types	10 and 11
Combined Statement of Cash Flows - All Proprietary Fund Types	12 – 14
Combining Statement of Plan Net Assets – All Pension Trust Funds	15
Combining Statement of Changes in Plan Net Assets – All Pension Trust Funds	16
Notes to Financial Statements	17 - 98
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	99
Schedule of Employer Contributions	99
Notes to Required Supplementary Schedules	100
<b>SUPPLEMENTARY INFORMATION:</b>	
Special Revenue Funds - Combining Balance Sheet	101
Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
Capital Projects Funds - Combining Balance Sheet	103
Capital Projects Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	104
Internal Service Funds - Combining Balance Sheet	105 - 107
Internal Service Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Equity	108 and 109
Internal Service Funds - Combining Statement of Cash Flows	110 - 112
Fiduciary Trust Funds - Combining Balance Sheet	113
Expendable Trust Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Agency Funds - Combining Statement of Changes in Assets and Liabilities	115 - 117

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**TABLE OF CONTENTS**

**JUNE 30, 1998**

	<u>PAGE</u>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>118</b>
<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u></b>	<b>119 and 120</b>
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	<b>121 and 122</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>123 - 126</b>
<b>MANAGEMENT LETTER COMMENT</b>	<b>127</b>
<b>SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS</b>	<b>128 - 130</b>
<b>CORRECTIVE ACTION PLAN</b>	<b>APPENDIX A</b>





# 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, 1998, 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 represent 72% of the assets and 88% of the revenues and 89% of the operating expenses of the Internal Service Funds, or the South Carolina Retirement Systems, which represent 99.9% of the assets of the Trust Funds in the Fiduciary Fund type. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Office of Insurance Services and South Carolina Retirement Systems, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and 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 reports of the other auditors provide a reasonable basis for our opinion.

As described in the reporting entity topic in 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 reports 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, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 25 to the financial statements, the South Carolina Retirement Systems are a party to a legal action claiming substantial amounts as a result of the computation of retirement benefits for certain retired members. The ultimate outcome of the litigation cannot be presently determined. Accordingly, no provision for any liability has been made in the accompanying financial statements.

As described in Note 26 to the financial statements, effective for fiscal year 1998, the Retirement Administration Internal Service Fund and the Pension Trust Funds of the South Carolina Retirement Systems became part of the Board reporting entity.

As described in Note 31 to the financial statements, effective for fiscal year 1998, as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the Board changed its method of valuing investments and cash and cash equivalents in the State's internal investment pool. Also, as explained in Note 31, the Board changed its capitalization policy from \$500 to \$1,000 for furniture, vehicles and equipment.

Our audit was made 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 are presented for purposes of additional analysis and are not required parts 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 July 31, 2000 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.

*Roger A. Lalen, PA*

Columbia, South Carolina  
July 31, 2000

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1998**  
(Expressed in Thousands)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Trust	Agency	General Fixed Assets	General Long- Term Debt
<b>ASSETS AND OTHER DEBITS</b>								
Cash and Cash Equivalents	\$ 38,340	\$ 38,487	\$ 9,924	\$ 272,235	\$ 1,979,055	\$ 52,844	\$ -	\$ -
Restricted Assets								
Cash and Cash Equivalents	-	-	-	10,211	-	-	-	-
Investments	-	-	-	199,059	16,075,208	1,355	-	-
Accounts Receivable	345	76	242	9,167	57	-	-	-
Contributions Receivable	-	-	-	-	105,914	-	-	-
Premiums Receivable	-	-	-	14,560	-	-	-	-
Reinsurance Recovery Receivable	-	-	-	1,671	-	-	-	-
Preventive Drug Rebate Receivable	-	-	-	399	-	-	-	-
Unsettled Investment Sales	-	-	-	-	54,987	-	-	-
Prepaid Expenses	-	-	-	2,220	-	-	-	-
Invested Securities Lending Collateral	-	-	-	-	1,526,258	-	-	-
Due from State General Fund	1,256	-	-	46	-	-	-	-
Due from State								
Capital Improvement Bond	-	-	-	-	-	373	-	-
Departmental Capital Improvement Bonds	-	-	1,245	-	-	-	-	-
Capital Reserve Fund	-	-	3,308	-	-	-	-	-
Due from Federal Government	9	128	-	-	-	-	-	-
Due from Other Funds	1,995	-	97	20,184	-	346	-	-
Accrued Interest Receivable	-	351	-	5,775	212,124	768	-	-
Inventories	-	-	-	1,640	-	-	-	-
Inventory Held on Consignment	-	-	-	191	-	-	-	-
Interfund Notes Receivable	-	-	-	2,930	-	150	-	-
Intergovernmental Notes Receivable	-	2,811	-	31,586	-	140,331	-	-
Fixed Assets:								
Land and Improvements	-	-	-	5,958	582	-	930	-
Buildings and Improvements	-	-	-	145,659	4,749	-	7,314	-
Equipment and Furniture	-	-	-	96,551	-	-	3,425	-
Construction in Progress	-	-	-	868	-	-	-	-
Less Accumulated Depreciation	-	-	-	(114,738)	(685)	-	-	-
Amount to be Provided for Payment of General Long-Term Debt	-	-	-	-	-	-	-	2,382
Other Assets	-	-	-	186	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$ 41,945</u>	<u>\$ 41,853</u>	<u>\$ 14,816</u>	<u>\$ 706,358</u>	<u>\$ 19,958,249</u>	<u>\$ 196,167</u>	<u>\$ 11,669</u>	<u>\$ 2,382</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)**

**JUNE 30, 1998**

(Expressed in Thousands)

	Governmental Fund Types			Proprietary	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Trust	Agency	General Fixed Assets	General Long-Term Debt
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 1,472	\$ 291	\$ 1,326	\$ 7,572	\$ 60,136	\$ -	\$ -	\$ -
Retainage Payable	-	-	1,210	-	-	-	-	-
Accrued Payroll & Employer Contributions	1,554	80	-	2,995	-	-	-	-
Accrued Interest	-	-	-	1,322	-	-	-	-
Claims Payable	-	-	-	118,798	-	-	-	-
Deferred Premium Revenue	-	-	-	40,680	-	-	-	-
Claims Incurred But Not Reported	-	-	-	129,624	-	-	-	-
Obligations under Security Lending	-	-	-	-	1,526,258	-	-	-
Due to State General Fund	811	-	-	146	-	-	-	-
Due to the State	-	-	-	-	-	1,858	-	-
Due to Other State Agencies	-	-	1,530	254	-	192,049	-	-
Due to Other Funds	-	625	8,085	97	13,815	-	-	-
Due to Others	-	-	-	-	-	25	-	-
Capital Leases Payable	-	-	-	9,916	-	-	-	-
Interfund Notes Payable	-	-	-	3,080	-	-	-	-
Intergovernmental Notes Payable	-	-	-	8,309	-	2,233	-	-
Notes Payable	-	-	-	2,265	-	-	-	-
Advances from State	-	-	-	8,175	-	2	-	-
Lease Revenue Bonds - \$118 for Restricted Assets	-	-	-	35,765	-	-	-	-
Liability for Compensated Absences	-	-	-	3,810	-	-	-	2,382
Liability for Inventory Held on Consignment	-	-	-	191	-	-	-	-
Other Liabilities	90	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,927</b>	<b>996</b>	<b>12,151</b>	<b>372,999</b>	<b>1,600,209</b>	<b>196,167</b>	<b>-</b>	<b>2,382</b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)**

**JUNE 30, 1998**

(Expressed in Thousands)

	Governmental Fund Types			Proprietary	Fiduciary Fund Types		Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Trust	Agency	General Fixed Assets	General Long-Term Debt
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS (CONTINUED)</b>								
<b>FUND EQUITY &amp; OTHER CREDITS:</b>								
Contributed Capital	-	-	-	73,929	-	-	-	-
Investment in General Fixed Assets	-	-	-	-	-	-	11,669	-
Retained Earnings:								
Reserved:								
Installment Purchase Program	-	-	-	35,000	-	-	-	-
Savannah Valley Development Division								
Loans	-	-	-	20,000	-	-	-	-
Construction Contracts	-	-	-	8,174	-	-	-	-
Purchase Agreements	-	-	-	1,919	-	-	-	-
Retained Earnings - Unreserved	-	-	-	209,919	-	-	-	-
Retained Deficit	-	-	-	(15,582)	-	-	-	-
Fund Balances:								
Reserved:								
Employees' Pension Benefits	-	-	-	-	18,356,181	-	-	-
Repurchase Agreement (Sale/								
Lease Back)	-	-	-	-	1,644	-	-	-
Subsequent Years' Expenditures	-	38,039	2,665	-	-	-	-	-
Long-Term Notes	-	2,811	-	-	-	-	-	-
South Carolina War Memorial	-	-	-	-	215	-	-	-
Appropriation to be Carried Forward	32,838	7	-	-	-	-	-	-
Unreserved - Undesignated	5,180	-	-	-	-	-	-	-
<b>TOTAL FUND EQUITY &amp; OTHER CREDITS</b>	<u>38,018</u>	<u>40,857</u>	<u>2,665</u>	<u>333,359</u>	<u>18,358,040</u>	<u>-</u>	<u>11,669</u>	<u>-</u>
<b>TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>	\$ <u>41,945</u>	\$ <u>41,853</u>	\$ <u>14,816</u>	\$ <u>706,358</u>	\$ <u>19,958,249</u>	\$ <u>196,167</u>	\$ <u>11,669</u>	\$ <u>2,382</u>

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, 1998**

(Expressed in Thousands)

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
<b>Revenues:</b>				
Charges for Sales and Services	\$ 5,506	\$ -	\$ -	\$ -
Rental Revenues	-	-	-	56
Intergovernmental:				
State Appropriations	42,146	-	-	-
Education Improvement Act Allocation	-	25,117	-	-
Capital Reserve Fund Appropriation	-	625	10,649	-
Board Offices and Other State Agencies	587	755	11,486	-
Federal Grants	313	5,708	-	-
Litigation and Court Recovery	-	304	-	-
Interest Income	-	2,315	-	86
Other	252	1	-	-
<b>Total Revenues</b>	<u>48,804</u>	<u>34,825</u>	<u>22,135</u>	<u>142</u>
<b>Expenditures:</b>				
Division of Executive Director				
Board Administration	2,071	1,094	-	-
Office of General Counsel	799	-	-	-
Office of Internal Operations	8,170	5,047	-	-
	<u>11,040</u>	<u>6,141</u>	<u>-</u>	<u>-</u>
Division of Operations				
Division Director	131	-	-	-
Office of Information Resources	-	28,625	-	-
Office of General Services	11,640	-	-	-
	<u>11,771</u>	<u>28,625</u>	<u>-</u>	<u>-</u>
Division of Budget and Analyses				
Division Director	119	-	-	-
Office of State Budget	1,601	-	-	-
Office of Research and Statistics	4,921	-	-	-
Office of Human Resources	4,196	-	-	-
Board of Economic Advisors	307	-	-	-
	<u>11,144</u>	<u>-</u>	<u>-</u>	<u>-</u>
Division of Regional Development				
Division Director	97	-	-	-
State Energy Office	12	1,876	-	-
Office of Local Government	6,941	-	-	-
Advisory Commission on Inter- governmental Relations	194	-	-	-
Office of Regional Development	505	-	-	-
	<u>7,749</u>	<u>1,876</u>	<u>-</u>	<u>-</u>

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 (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998  
(Expressed in Thousands)**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
<b>Expenditures (Continued)</b>				
Capital Projects Expenditures				
Capitalizable Projects - Board	-	-	1,159	-
Capitalizable Projects - Other State Agencies	-	-	1,204	-
Repairs and Maintenance	-	-	18,494	-
<b>Total Expenditures</b>	<u>41,704</u>	<u>36,642</u>	<u>20,857</u>	<u>-</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	7,100	(1,817)	1,278	142
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	82	-	-	-
Transfer to Special Revenue Fund	(9,000)	-	-	-
Transfer from Special Revenue Fund	388	-	-	-
Transfer from General Fund	-	9,000	-	-
Transfer to General Fund	-	(388)	-	-
Remitted to General Fund of the State	(811)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(9,341)</u>	<u>8,612</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(2,241)	6,795	1,278	142
<b>Fund Balances</b>				
Beginning of Year (Restated)	<u>40,259</u>	<u>34,062</u>	<u>1,387</u>	<u>1,717</u>
<b>Fund Balances - End of Year</b>	<u>\$ 38,018</u>	<u>\$ 40,857</u>	<u>\$ 2,665</u>	<u>\$ 1,859</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - ALL BUDGETED FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
(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)
<b>Expenditures:</b>									
<b>DIVISION OF EXECUTIVE DIRECTOR</b>									
Personal Services	\$ 2,658	\$ 2,640	\$ 18	\$ 1,561	\$ 1,494	\$ 67	\$ 4,219	\$ 4,134	\$ 85
Employer Contributions	586	580	6	393	338	55	979	918	61
Other Operating	5,241	4,681	560	1,676	754	922	6,917	5,435	1,482
Civil Contingent Fund	223	8	215	-	-	-	223	8	215
Total Quality Management	191	136	55	-	-	-	191	136	55
Equity Lawsuit	250	-	250	-	-	-	250	-	250
Accounting System	25	-	25	-	-	-	25	-	25
Brandenburg Committee	55	31	24	-	-	-	55	31	24
Prepaid College Tuition Program	400	68	332	190	23	167	590	91	499
Statewide Performance Audit	600	600	-	1,151	1,043	108	1,751	1,643	108
Allocations:									
Municipalities - Restricted	46	46	-	2,813	2,521	292	2,859	2,567	292
Counties - Restricted	12	12	-	350	76	274	362	88	274
School Districts	-	-	-	75	-	75	75	-	75
Other State Agencies	-	-	-	2,200	1,940	260	2,200	1,940	260
Other Entities	-	-	-	200	-	200	200	-	200
<b>Division Total</b>	<b>10,287</b>	<b>8,802</b>	<b>1,485</b>	<b>10,609</b>	<b>8,189</b>	<b>2,420</b>	<b>20,896</b>	<b>16,991</b>	<b>3,905</b>
<b>DIVISION OF OPERATIONS</b>									
Personal Services	3,138	3,119	19	649	525	124	3,787	3,644	143
Employer Contributions	708	689	19	148	115	33	856	804	52
Other Operating	1,686	1,510	176	515	158	357	2,201	1,668	533
Public School Technology Initiative	140	133	7	11,122	8,987	2,135	11,262	9,120	2,142
Renovations:									
State House	46	46	-	-	-	-	46	46	-
Other Buildings	183	183	-	-	-	-	183	183	-
LH/BH/Governor's Mansion	92	92	-	-	-	-	92	92	-
<b>Division Total</b>	<b>5,993</b>	<b>5,772</b>	<b>221</b>	<b>12,434</b>	<b>9,785</b>	<b>2,649</b>	<b>18,427</b>	<b>15,557</b>	<b>2,870</b>
<b>DIVISION OF BUDGET AND ANALYSES</b>									
Personal Services	5,724	5,464	260	1,231	1,004	227	6,955	6,468	487
Employer Contributions	1,374	1,264	110	248	218	30	1,622	1,482	140
Other Operating	1,812	1,564	248	1,809	1,249	560	3,621	2,813	808
Mapping Program	154	104	50	-	-	-	154	104	50
S.C. Leadership Program	93	93	-	-	-	-	93	93	-
Chairman Allowance	10	10	-	-	-	-	10	10	-
Appointee Allowances	16	16	-	-	-	-	16	16	-
Board Members Travel	1	1	-	-	-	-	1	1	-
<b>Division Total</b>	<b>9,184</b>	<b>8,516</b>	<b>668</b>	<b>3,288</b>	<b>2,471</b>	<b>817</b>	<b>12,472</b>	<b>10,987</b>	<b>1,485</b>

See accompanying Notes to Financial Statements.



**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - ALL BUDGETED FUNDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
(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)
<b>Expenditures (Continued):</b>									
<b>DIVISION OF REGIONAL DEVELOPMENT</b>									
Personal Services	750	750	-	835	703	132	1,585	1,453	132
Employer Contributions	153	153	-	206	154	52	359	307	52
Other Operating	193	193	-	4,022	641	3,381	4,215	834	3,381
Allocations:									
Municipalities - Restricted	-	-	-	628	89	539	628	89	539
Counties - Restricted	-	-	-	279	39	240	279	39	240
School Districts	-	-	-	717	-	717	717	-	717
Planning Districts	25	25	-	-	-	-	25	25	-
Other State Agencies	-	-	-	1,196	166	1,030	1,196	166	1,030
Other Entities	300	300	-	490	144	346	790	444	346
Private Sector	-	-	-	24	-	24	24	-	24
Distribution to Subdivisions - Loans	-	-	-	26,822	5,280	21,542	26,822	5,280	21,542
Advisory Commission on Inter-governmental Relations	42	3	39	-	-	-	42	3	39
Coordinating Council on Economic Development	957	874	83	-	-	-	957	874	83
Debt Service	420	420	-	-	-	-	420	420	-
Board Grant Program/EPA State Match	36,529	4,476	32,053	500	457	43	37,029	4,933	32,096
Infrastructure Revolving Loan Fund	9,000	9,000	-	5,000	-	5,000	14,000	9,000	5,000
<b>Division Total</b>	<b>48,369</b>	<b>16,194</b>	<b>32,175</b>	<b>40,719</b>	<b>7,673</b>	<b>33,046</b>	<b>89,088</b>	<b>23,867</b>	<b>65,221</b>
<b>Total Budgeted Expenditures</b>	<b>\$ 73,833</b>	<b>\$ 39,284</b>	<b>\$ 34,549</b>	<b>\$ 67,050</b>	<b>\$ 28,118</b>	<b>\$ 38,932</b>	<b>\$ 140,883</b>	<b>\$ 67,402</b>	<b>\$ 73,481</b>

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, 1998**  
**(Expressed in Thousands)**

	<u>Internal Service</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services	\$ 66,164
Insurance Premiums	687,204
Licenses, Fees, and Permits	175
Rental Revenue	33,463
Interest Income	37,675
Prescription Drug Rebates	3,648
Other Revenue	<u>476</u>
<b>Total Operating Revenues</b>	<b>828,805</b>
<b>Operating Expenses:</b>	
Cost of Sales and Services	15,386
Reinsurance Premiums	23,584
Premiums	96,272
Claims	577,538
Personal Services	23,676
Employer Contributions	5,555
Contractual Services	20,502
Fixed Charges and Contributions	4,394
Light, Power, and Heat	5,334
Other Operating Expenses	7,282
Professional and Administrative Fees	27,554
Insurance Benefits Administration	5,747
Insurance Reserve Administration	4,180
Depreciation	11,626
Other	<u>51</u>
<b>Total Operating Expenses</b>	<b>828,681</b>
<b>Operating Income</b>	<b>124</b>
<b>Non-Operating Revenues (Expenses):</b>	
State Appropriations	770
Federal Grant Revenue	2
Interest Income	369
Net Gain on Disposals of Fixed Assets	79
Interest Expense	(3,727)
Principal and Interest Forgiven	1,229
Other Debt Service Charges	<u>(45)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(1,323)</u></b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND EQUITY -**  
**ALL PROPRIETARY FUND TYPES (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
(Expressed in Thousands)

	<u>Internal Service</u>
Net (Loss)	(1,199)
Retained Earnings - Beginning of Year, as Restated	259,784
Residual Equity Transfers In	1,482
Residual Equity Transfers Out	<u>(637)</u>
Retained Earnings - End of Year	259,430
Contributed Capital - Beginning of Year	72,965
Residual Equity Transfers In	643
Net Change in Contributed Capital	321
Contributed Capital - End of Year	<u>73,929</u>
Total Fund Equity	\$ <u><u>333,359</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, 1998**  
**(Expressed in Thousands)**

	<u>Internal Service</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>	
Operating Income	\$ 124
Receipt of Cash and Cash Equivalents from the Retirement Systems for Pension Administration	1,356
Reclassify investment and note interest income included in operating income(loss) to investing activity	(37,675)
Adjustments to Reconcile Operating Income to net cash provided by operating activities:	
Depreciation	11,626
Change in Fair Value of Long-Term Investments	3,874
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(758)
Decrease in Premiums Receivable	1,504
(Increase) in Reinsurance Recovery Receivable	(399)
Net (Increase) in Due from Other Funds and Due from Other State Agencies	(2,626)
Decrease in Inventory	56
Decrease in Prepaid Expenses, Preventive Drug Rebate Receivable and Other Assets	1,097
Increase in Accounts Payable	1,407
Increase in Accrued Payroll & Benefits	520
Increase for Liability for Compensated Absences	323
Net (Decrease) in Claims Payable and Incurred But Not Reported	(6,127)
Increase in Deferred Premium Revenue	6,560
(Decrease) in Liability for Inventory on Consignment	(117)
Increase in Due to Other State Agencies	253
(Decrease) in Due to General Fund of the State	(1,031)
<b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>(20,033)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State Appropriations Received	764
Federal Grants Received	2
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>766</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998  
(Expressed in Thousands)**

	<u>Internal Service</u>
<b>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from Sale of Fixed Assets	562
Proceeds from Lease Revenue Bond	8,577
Proceeds from Notes Payable	2,265
Acquisition and Construction of Capital Assets	(9,826)
Unfunded Construction Project Expenditures	96
Funding of Construction Projects	(1,210)
Repayment of Funding of Construction Projects	33
Principal Paid on Interfund Notes Payable	(620)
Principal Paid on Intergovernmental Notes Payable	(877)
Principal Paid on Lease Revenue Bonds	(2,000)
Principal Paid on Capital Leases	(669)
Interest Paid on Interfund Notes Payable	(201)
Interest Paid on Intergovernmental Notes Payable	(735)
Interest Paid on Lease Revenue Bonds	(1,596)
Interest Paid on Capital Leases	(788)
Other Debt Service	(2)
	<u>(6,991)</u>
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(6,991)</u>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>	
Payments Received on Intergovernmental Notes Receivable	6,273
Payments Received on Interfund Notes Receivable	617
Payments to Fund Intergovernmental Notes Receivable	(1,139)
Purchase of Investments	(52,244)
Proceeds from Sale and Maturity of Investments	75,434
Interest Received on Interfund Notes Receivable	201
Interest Received on Intergovernmental Notes Receivable	2,356
Interest Received on Deposits and Investments	29,002
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>60,500</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	34,242
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (RESTATED)</b>	<u>248,204</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 282,446</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998  
(Expressed in Thousands)**

Internal Service

**SUPPLEMENTAL INFORMATION:**

**NONCASH OPERATING ACTIVITIES**

Assumption of Accounts Payable and Accrued Expenses and Compensated Absences Payable through Residual Equity Transfer	\$ 1,851
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**NONCASH CAPITAL AND FINANCING ACTIVITIES**

Transfers of Fixed Assets From General Fixed Assets Account Group	13
Transfers of Fixed Assets To General Fixed Assets Account Group	5
Transfers of Fixed Assets through Residual Equity Transfer	2,774
Advance from State - Principal Forgiveness	647
Advance from State - Interest Forgiveness	582
Donated Fixed Assets	394
Disposal of Fixed Assets	3,736

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**COMBINING STATEMENT OF PLAN NET ASSETS -**  
**ALL PENSION TRUST FUNDS**  
**June 30, 1998**  
**(Expressed in thousands)**

	<u>South Carolina Retirement System</u>	<u>Police Officers' Retirement System</u>	<u>General Assembly Retirement System</u>	<u>Judges' and Solicitors' Retirement System</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,767,912	\$ 195,403	\$ 5,527	\$ 10,211	\$ 1,979,053
Receivables:					
Due from Other Systems	34	870	-	37	941
Employee and Employer Contributions	88,746	12,967	45	325	102,083
Employer Contributions Long-term	1,231	2,600	-	-	3,831
Accrued Interest	188,987	21,705	472	960	212,124
Unsettled Investment Sales	54,987	-	-	-	54,987
Total Receivables	<u>333,985</u>	<u>38,142</u>	<u>517</u>	<u>1,322</u>	<u>373,966</u>
Investments, at Fair Value;					
United States Government Securities	2,655,274	272,138	8,560	9,894	2,945,866
United States Government Agencies and Government-insured	4,164,739	409,712	8,321	23,103	4,605,875
Corporate Bonds	5,066,486	612,227	11,952	26,210	5,716,875
Financial and Other	2,472,526	316,421	4,384	11,461	2,804,792
Total Investments	<u>14,359,025</u>	<u>1,610,498</u>	<u>33,217</u>	<u>70,668</u>	<u>16,073,408</u>
Invested Securities Lending Collateral	1,324,477	187,096	6,051	8,634	1,526,258
Property, net of accumulated depreciation	4,186	428	12	20	4,646
<b>TOTAL ASSETS</b>	<u>\$ 17,789,585</u>	<u>\$ 2,031,567</u>	<u>\$ 45,324</u>	<u>\$ 90,855</u>	<u>\$ 19,957,331</u>
<b>LIABILITIES</b>					
Due to Other Systems	\$ 883	\$ -	\$ 58	\$ -	\$ 941
Accounts Payable-Unsettled Investment Purchases	56,279	-	-	-	56,279
Obligations under Securities Lending	1,324,477	187,096	6,051	8,634	1,526,258
Due to Other Funds	13,346	469	-	-	13,815
Accounts Payable and Accrued Liabilities	3,004	846	1	6	3,857
<b>TOTAL LIABILITIES</b>	<u>1,397,989</u>	<u>188,411</u>	<u>6,110</u>	<u>8,640</u>	<u>1,601,150</u>
<b>FUND EQUITY</b>					
Fund Balances					
Reserved for:					
Employees' Pension Benefits	16,391,596	1,843,156	39,214	82,215	18,356,181
<b>TOTAL FUND EQUITY</b>	<u>16,391,596</u>	<u>1,843,156</u>	<u>39,214</u>	<u>82,215</u>	<u>18,356,181</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 17,789,585</u>	<u>\$ 2,031,567</u>	<u>\$ 45,324</u>	<u>\$ 90,855</u>	<u>\$ 19,957,331</u>

**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 30,1998**  
**(Expressed in thousands)**

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	Total
<b>Additions</b>					
Contributions					
Employee	\$ 335,770	\$ 42,946	\$ 665	\$ 1,025	\$ 380,406
Employer	398,845	65,538	2,796	4,991	472,170
Contribution Transfers from Other Systems	79	2,725	21	221	3,046
Total Contributions	<u>734,694</u>	<u>111,209</u>	<u>3,482</u>	<u>6,237</u>	<u>855,622</u>
Investment Income					
Net Appreciation (Depreciation) in Fair Value of Investments	1,003,799	98,014	1,967	4,905	1,108,685
Interest Income	<u>899,605</u>	<u>109,828</u>	<u>2,367</u>	<u>4,611</u>	<u>1,016,411</u>
Income from Investing Activities	<u>1,903,404</u>	<u>207,842</u>	<u>4,334</u>	<u>9,516</u>	<u>2,125,096</u>
From Securities Lending Activities:					
Securities Lending Income	72,300	8,975	232	264	81,771
Securities Lending Expense	(70,074)	(8,714)	(227)	(257)	(79,272)
Investment Expense	(890)	(105)	(2)	(3)	(1,000)
Net Income from Securities Lending Activities	<u>1,336</u>	<u>156</u>	<u>3</u>	<u>4</u>	<u>1,499</u>
Total Net Investment Income	<u>1,904,740</u>	<u>207,998</u>	<u>4,337</u>	<u>9,520</u>	<u>2,126,595</u>
Supplemental Retirement Benefits Funded by The State	<u>4,880</u>	<u>132</u>	<u>-</u>	<u>-</u>	<u>5,012</u>
<b>Total Additions</b>	<u>2,644,314</u>	<u>319,339</u>	<u>7,819</u>	<u>15,757</u>	<u>2,987,229</u>
<b>Deductions</b>					
Refunds of Contributions to Members	61,629	8,482	63	-	70,174
Contribution Transfers to Other Systems	2,881	1	164	-	3,046
Regular Retirement Benefits	662,825	71,161	3,771	6,100	743,857
Supplemental Retirement Benefits	4,880	132	-	-	5,012
Group Life Insurance Claims	9,277	1,373	9	1	10,660
Accidental Death Benefits	-	638	-	-	638
Depreciation	107	11	-	1	119
Administrative Charges	<u>9,834</u>	<u>1,099</u>	<u>24</u>	<u>49</u>	<u>11,006</u>
Total Deductions	<u>751,433</u>	<u>82,897</u>	<u>4,031</u>	<u>6,151</u>	<u>844,512</u>
<b>Net Increase in Plan Net Assets</b>	<u>1,892,881</u>	<u>236,442</u>	<u>3,788</u>	<u>9,606</u>	<u>2,142,717</u>
<b>Net Assets Held in Trust for Employees'</b>					
<b>Pension Benefits</b>					
Beginning of Year	-	-	-	-	-
Residual Equity Transfer In	14,498,715	1,606,714	35,426	72,609	16,213,464
End of Year	<u>\$ 16,391,596</u>	<u>\$ 1,843,156</u>	<u>\$ 39,214</u>	<u>\$ 82,215</u>	<u>\$ 18,356,181</u>



# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **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, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **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.

Effective July 1, 1997 pursuant of Section 74 of Part II of the 1997-98 Appropriations Act codified as Title 11, Chapter 42, the Division of Regional Development was formed. The Advisory Commission on Intergovernmental Relations was transferred from the Division of the Executive Director. The Office of Local Government was transferred from the Division of Operations. The Energy Office was transferred from the Office of General Services under the Division of Operations. Two new offices, the Division Director and the Office of Regional Development, were also formed in the new division.

Effective July 1, 1997, the Retirement Division was placed under the direction and control of the Division of Executive Director. This separate division includes the Pension Administration Fund and the Pension Trust Funds. Prior to fiscal year ending June 30, 1998, this division operated independently.

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

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity (Continued)**

##### **2. Division of Operations:**

Division Director  
Office of Information Resources  
Office of General Services  
Office of Insurance Services

##### **3. Division of Budget and Analyses:**

Division Director  
Office of State Budget  
Office of Research and Statistics  
Office of Human Resources  
Board of Economic Advisors

##### **4. Division of Regional Development**

Division Director  
Energy Office  
Office of Local Government  
Advisory Commission on Intergovernmental Relations  
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

Financial statements of the Office of the State Auditor are issued separately. 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Basis of Presentation - Fund Accounting (Continued)**

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.

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 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, Capital Projects Fund and Special Revenue 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Governmental Funds (Continued)**

##### **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.

##### **EIA School Technical Initiative**

Pursuant to fiscal year 1998 Proviso 72.54, 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. This program accepts contributions and donations from the general public and receives funding from State appropriations. Subsection X.K., Part I, Section 19 of the 1997-98 Appropriations Act allocated sales tax revenue earmarked for education to be used for technology. 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 Improvements 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, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. In certain cases, the individual ISFs for combining financial statements reporting purposes differ from those used in prior years. Note disclosure herein are made at the current individual ISF level of detail. See Note 30 for additional information. The ISFs are:

Insurance Reserve Fund (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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Proprietary Funds (Continued)**

Health, Life and Disability Insurance Reserve Fund (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.

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 – provides computer services to several governmental agencies.

Telecommunications – provides telecommunications and microwave services to governmental agencies and institutions.

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

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

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. Prior to fiscal year 1998, these activities were separate ISFs: Materials Management Office, Central Supply and Surplus Property.

Other Internal Services – provides printing services to various governmental institutions and administers the various clean water and drinking water revolving loan funds held by the Board. Prior to fiscal year 1998, these activities were separate ISFs: Water Pollution Revolving Loan Administrative Fund and the Print Shop.

#### **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, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 funds which are in the Office of General Services are accounted for in essentially the same manner as governmental funds.

##### **Robert Mills Building Fund**

The purpose of the Robert Mills Building Fund is to account for the net proceeds from the sale or net annual charges derived from the building to meet the requirements of the Repurchase Agreement and to account for the repurchase for the property. The rental income from the ground leases of the land on which the Robert Mills resides is collected in this fund. In 1997, the Board purchased the Mt. Vernon Mills Building.

##### **War Memorial Fund**

The purpose of the War Memorial Fund 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 fund 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.



# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fiduciary Funds (Continued)**

##### **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.

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. In certain cases, the individual agency funds (AF) for combining financial statements reporting purposes differ from those used in prior years. Note disclosures herein are made at the current individual agency fund level of detail. See Note 30 for additional information. 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 \$190.4 million held for DHEC is included as Due to Other State Agencies as of June 30, 1998. The administrative function of this fund is accounted for in the Other Internal Services Fund – Internal Service Fund. The fund was reported as the water pollution revolving loan fund in prior years.

##### **Drinking Water Revolving Loan Fund**

SC 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 \$1.3 million held for DHEC is included as Due to Other State Agencies as of June 30, 1998. The administrative function of this fund is accounted for in the Other Internal Services Fund – Internal Service 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fiduciary Funds (Continued)**

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 South Carolina State (S.C. State) - University of South Carolina (USC) Loan Fund is used to account for an operating loan of \$2.1 million made in fiscal year 1998 to S.C. State from USC. The Board is acting as an intermediary, and the loan will be repaid during the upcoming fiscal year.

#### **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 \$26,000 is included in Due to the State as of June 30, 1998.

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 \$1.8 million is included in Due to the State as of June 30, 1998.

#### **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.

The purpose of the African-American History Monument Commission is to accept contributions on behalf of the African-American Commission to erect an African-American history monument on the State House grounds as authorized under Section 10-1-178 of the SC Code of Laws. The \$172 balance in this fund was transferred to a non-State party during the fiscal year.

#### **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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Account Groups (Continued)**

##### **General Fixed Assets Account Group (Continued)**

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.

##### **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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Basis of Accounting (Continued)**

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.

#### **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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Budget Policy (Continued)**

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.

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 "cash 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 internal cash management pool. The State Treasurer administers the pool.

Effective July 1, 1997, the Board implemented GASB Statement Number 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (GASB 31). GASB 31 requires that investments be reported at fair value and investment income to include unrealized gains and losses on investments arising from changes in fair value.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Cash and Cash Equivalents (Continued)**

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. Investments in the pool are recorded at cost. The Board records and reports its deposits in the general deposit account at cost.

Amortization of premiums and discounts is allocated and reported as net interest income. Interest earned by the special deposit accounts is posted to the investee's account at the end of each month. Interest earnings are allocated based on the percentage of an investee's accumulated daily interest receivable to the total undistributed interest received by 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/interest income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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.

#### **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 insurer remains primarily liable. Amounts deemed recoverable from reinsurance are deducted from claims expenses.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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 is valued at cost on the first-in, first-out (FIFO) method.

Inventory held on consignment by the State Surplus Property 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 are remitted back 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. 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



# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fixed Assets (Continued)**

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 earnings 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 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

During the year ended June 30, 1998, the Board increased its capitalization rate on fixed assets from \$500 to \$1,000.

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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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 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 Insurance Reserve Fund. 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 \$5,000,000 and \$4,700,000 as of June 30, 1998 and 1997. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of IBNR.

#### **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 1998 and 1997, compounded annually.

#### **Claims Payable**

##### **IRF**

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 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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.

#### **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 Fund, Telecommunications Fund, Data Processing Fund, Engineering Services Fund, Motor Vehicle Management Fund, IRF, Health Insurance Reserve, Pension Administration Fund 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Interfund Transactions (Continued)**

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. The market value of the property has not been determined by 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.

#### **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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **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 or 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, 1998, were composed of the following:

	<u>CASH EQUIVALENTS</u>				
	<u>CASH</u>	<u>REPURCHASE AGREEMENTS</u>	<u>COMMERCIAL PAPER</u>	<u>SHORT-TERM INVESTMENTS</u>	<u>TOTAL</u>
Governmental Funds	\$ 86,751	\$	\$	\$	\$ 86,751
Internal Service Funds	199,116	53,675		29,655	282,446
Pension Trust Funds	129	1,180,870	798,054		1,979,053
Expendable Trust Funds	2				2
Agency Funds	<u>52,844</u>	<u>          </u>	<u>          </u>		<u>52,844</u>
Total	<u>\$ 338,842</u>	<u>\$ 1,234,545</u>	<u>\$ 798,054</u>	<u>\$ 29,655</u>	<u>\$2,401,096</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 \$117,500 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 \$8.174 million in restricted cash from revenue bond proceeds dedicated to construction contracts in the construction of the Consolidated Data Processing project. In addition, Engineering Services and Motor Vehicle Management – Internal Service Funds include \$1.919 million in restricted cash from note payable proceeds.

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 may be invested in equities annually until a maximum of 40% of assets are invested in equities. At June 30, 1998 no investments have been made in equity securities.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **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 value 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, 1998:

	<u><b>Fair Value</b></u>
Investments-Category 1:	
U.S. Government Securities:	
Unloaned Securities	\$ 1,555,041
On Securities Loan for Noncash Collateral	42,850
U.S. Government Agencies and Government Insured Securities	4,698,084
Corporate Bonds:	
Unloaned Securities	5,634,759
On Securities Loan for Noncash Collateral	18,997
Financial and Other	<u>2,862,328</u>
Total Category 1	14,812,059
Items Not Categorized:	
Investments Held by Broker-Dealers Under	
Securities Loans with Cash Collateral:	
U.S. Government Securities	1,379,048
Corporate Bonds	<u>84,515</u>
Total Not Categorized	1,463,563
 Total Investments	 16,275,622
 Invested Securities Lending Collateral	 <u>1,526,258</u>
 Total	 <u><u>\$ 17,801,880</u></u>

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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 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. 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, 1998, included U.S. corporate bonds 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 30 days and the weighted maturity of investments was 33 days. There have been no losses resulting from a default and the Systems did not have negative credit exposure at June 30, 1998.

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, 1998:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>
Securities Lent for Cash Collateral					
U.S. Government Securities	\$ 1,185,228	\$ 179,568	\$ 5,892	\$ 8,360	\$ 1,379,048
Corporate Bonds	<u>82,676</u>	<u>1,839</u>			<u>84,515</u>
Total for Cash Collateral	1,267,904	181,407	5,892	8,360	1,463,563
Securities Lent for Noncash Collateral					
U.S. Government Securities	40,381	2,469			42,850
Corporate Bonds	<u>18,997</u>				<u>18,997</u>
Total Securities Lent	<u>\$ 1,327,282</u>	<u>\$ 183,876</u>	<u>\$ 5,892</u>	<u>\$ 8,360</u>	<u>\$ 1,525,410</u>

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>TOTAL</u>
Cash Collateral Invested as Follows:					
Repurchase Agreements	725,252	45,736	976	4,987	776,951
U.S. Government Securities	43,714				43,714
Corporate Bonds	385,997	109,411	5,075	3,647	504,130
Bank Obligations	159,551	10,023			169,574
Commercial Paper	<u>9,963</u>	<u>21,926</u>			<u>31,889</u>
Total for Cash Collateral Invested	\$ 1,324,477	\$ 187,096	\$ 6,051	\$ 8,634	\$ 1,526,258
Securities Received as Collateral:					
U.S. Government Securities	<u>61,123</u>	<u>3,215</u>			<u>64,338</u>
Total Collateral Invested	<u>\$ 1,385,600</u>	<u>\$ 190,311</u>	<u>\$ 6,051</u>	<u>\$ 8,634</u>	<u>\$ 1,590,596</u>

On June 30, 1998, 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 Board's 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 Board. These securities are all rated AAA by the major rating agencies and the PAC-1 structure is a highly marketable security. The Board's Pension Trust Fund held the following CMOs (in thousands):

	<u>June 30, 1998</u>
	<u>Fair Value</u>
SCRS	\$ 880,633
PORS	72,051
GARS	1,390
JSRS	<u>3,803</u>
Totals	<u>\$ 957,877</u>



**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1998**

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

On June 30, 1998, 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 5 to 6 years. These securities represent an undivided ownership interest in a trust consisting of credit card and auto loan receivables. Most of these securities were purchased in 1995 and 1996 when short-term interest rates were around 5.00% and they could provide incremental yields above other similar maturity securities without increasing the risk to the portfolios. These securities are rated AAA by the major rating agencies.

The Board held the following asset-backed securities (in thousands):

	<b>June 30, 1998</b>
	<b><u>Fair Value</u></b>
<b>SCRS</b>	\$ 44,132
<b>PORS</b>	<u>7,831</u>
<b>Totals</b>	<b><u>\$ 51,963</u></b>

**NOTE 3. PREMIUMS RECEIVABLE**

Premiums receivable at June 30, 1998 consist of the following:

<u>Due From:</u>	<u>Insurance Reserve Fund</u>	<u>Due To: Health Insurance Reserve Fund</u>	<u>Total Internal Service Fund</u>
Local Government	\$ 7,090,208	\$ 1,115	\$ 7,091,323
State Government	7,065,507	200,414	7,265,921
Other	<u>189,462</u>	<u>13,834</u>	<u>203,296</u>
	<b><u>\$ 14,345,177</u></b>	<b><u>\$ 215,363</u></b>	<b><u>\$14,560,540</u></b>

Premiums receivable and deferred premium revenue include approximately \$11,900,000 attributable to premiums billed in advance of coverage as of June 30, 1998.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **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**

Sixteen 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 1998 to 2006

**\$17,270,646**

**Internal Service Fund:**

**Insurance Reserve Fund due from Savannah Valley Development Division of the Department of Commerce (See Note 20.)**

One note in the original principal amount of \$3,306,893 with interest at 8%; maturity date is January 31, 2021

**1,576,893**

One note in the principal amount of \$2,500,000 with interest at 8%; maturity date is January 31, 2022

**2,500,000**

One note in the principal amount of \$121,239 with interest at 8%; maturity date is January 31, 2022

**121,239**

One note in the principal amount of \$1,227,733 with interest at 8%; maturity date is January 31, 2023

**1,227,733**

One note in the principal amount of \$2,690,812 with interest at 8%; maturity date is January 31, 2024

**2,690,812**

One note in the principal amount of \$1,260,186 with interest at 8%; maturity date is January 31, 2024

**1,260,186**

One note in the principal amount of \$1,569,410 with interest at 8%; maturity date is January 31, 2024

**1,569,410**

One note in the principal amount of \$1,730,361 with interest at 8%; maturity date is January 31, 2027

**1,730,361**

One note in the principal amount of \$1,139,070 with interest at 8%; maturity date is January 31, 2028

**1,139,070**

**Internal Service Fund:**

**Insurance Reserve Fund due from the State of South Carolina**

One note in the original principal amount of \$2,500,000 with interest at 4.5%; maturity date is July 15, 1998

**500,000**

**Subtotal Internal Service Fund** **\$31,586,350**

**Less Current Portion** **3,123,895**

**Non-current Portion** **\$28,462,455**

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 4. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)**

#### **Special Revenue Fund:**

State Infrastructure Revolving Loan Fund due from Various Local Governments and Special Districts

Six notes with interest at 4.75%; range of maturity 2004 to 2028 2,811,256

Subtotal Special Revenue Fund \$ 2,811,256

#### **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

Thirty-nine notes due in quarterly installments, including interest from 2% to  
4.75%; range of maturities 2001 to 2019 137,122,472

Drinking Water Revolving Loan Fund – Held for S.C. Department of Health and Environ-  
mental Control due from Beaufort-Jasper Water and Sewer Authority

One note due in quarterly installments, including interest at 4%; matures November 2019 975,309

State Agencies' Fund – Held for the University of South Carolina, due from South Carolina State  
University

One note due September 18, 1998, including interest to be determined by the State Treasurer 2,100,000

State Agencies' Fund - Held for Department of Commerce due from City of Charleston

One note due in annual installments of \$133,333, plus 5% interest; matures 1999 133,333

Subtotal Agency Fund \$140,331,114

Total Intergovernmental Notes Receivable \$174,728,720

Intergovernmental notes payable at June 30, 1998 consist of the following:

#### **Internal Service Fund:**

Telecommunications Fund due to State Treasurer's Office

One note due in annual installment of \$1,361,044, including interest at 8%;  
original amount \$12,828,000; matures 2004 \$ 7,086,100

One note due in annual installments of \$250,730, including interest at 8%;  
original amount of \$1,975,000; matures 2003 1,222,559

Subtotal Internal Service Fund \$ 8,308,659

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 4. INTERGOVERNMENTAL NOTES RECEIVABLE/PAYABLE (CONTINUED)

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

133,333

State Agencies' Fund due to the University of South Carolina

One note, South Carolina State University, due September 18, 1998, plus interest to be  
determined by the State Treasurer

2,100,000

Subtotal Agency Fund 2,233,333

Total Intergovernmental Notes Payable \$ 10,541,992

Principal payments and interest expense for the year were

	<u>Principal</u>	<u>Interest</u>
Internal Service Fund	\$ 876,920	\$664,701
Agency Fund	<u>133,333</u>	<u>13,333</u>
Total	<u>\$1,010,253</u>	<u>\$678,034</u>

Future maturities on Internal Service Fund intergovernmental notes payable as of June 30, 1998 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 947,073	\$ 664,701	\$ 1,611,774
2000	1,022,839	588,935	1,611,774
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
Thereafter	<u>2,752,559</u>	<u>329,101</u>	<u>3,081,660</u>
	<u>\$ 8,308,659</u>	<u>\$2,831,870</u>	<u>\$11,140,529</u>

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### 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 \$ 75,523

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

Four notes due in annual installments, including interest from 5% to 8%; range of maturities 2000 to 2009 2,929,834

Total Interfund Notes Receivable/Payable \$3,080,357

Internal Service Fund Interfund Notes Receivable \$2,929,834

Less Current Portion 555,993

Non-current Portion \$2,373,841

Future maturities on Internal Service Funds interfund notes payable with scheduled annual payments as of June 30, 1998 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 555,993	\$ 167,884	\$ 723,877
2000	586,447	137,428	723,875
2001	299,326	105,264	404,590
2002	317,333	87,257	404,590
2003	336,454	68,137	404,591
Thereafter	<u>834,281</u>	<u>129,430</u>	<u>963,711</u>
	<u><u>\$2,929,834</u></u>	<u><u>\$ 695,400</u></u>	<u><u>\$3,625,234</u></u>

Principal payments and interest expense for the year were

	<u>Principal</u>	<u>Interest</u>
Internal Service Funds	\$619,944	\$201,231

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 6. INVENTORIES**

Inventories consist of the following

Telecommunications	
Telecommunication Supplies Held for Resale	\$ 899,126
Other General Services	
Office and Maintenance Supplies Held for Resale	636,848
Engineering Services	
Fuel Oil	93,324
Motor Vehicle Management	
Auto Supply and Repair Parts	10,503
	<u>10,503</u>
Total	<u>\$1,639,801</u>

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

On Hand at Beginning of Year	\$ 680,539
Received	577,261
Distributed or Sold	<u>(594,879)</u>
On Hand at End of Year	<u>\$ 662,921</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, 1998

### NOTE 7. GENERAL FIXED ASSET ACCOUNT GROUP

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>Total</u>
Balance - June 30, 1997, as Previously Reported	\$ 929,974	\$7,314,455	\$4,483,245	\$12,727,674
Prior Period Adjustment			<u>(628,631)</u>	<u>(628,631)</u>
Balance - June 30, 1997, as Restated	929,974	7,314,455	3,854,614	12,099,043
Residual Equity Transfer In			15,379	15,379
Additions			362,458	362,458
Retirements			(795,518)	(795,518)
Transfers to Internal Service Funds			<u>(12,425)</u>	<u>(12,425)</u>
Balance - June 30, 1998	<u>\$ 929,974</u>	<u>\$7,314,455</u>	<u>\$3,424,508</u>	<u>\$11,668,937</u>

There was no capitalized construction interest for the year ended June 30, 1998

A summary of general fixed assets by Division at June 30, 1998 is as follows:

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>
<b>DIVISION OF EXECUTIVE DIRECTOR</b>			
Board Administration			\$ 35,754
Office of General Counsel			36,074
Office of Internal Operations			<u>461,638</u>
DIVISION TOTAL			533,466
<b>DIVISION OF BUDGET AND ANALYSES</b>			
Office of State Budget			109,717
Office of Research and Statistics			1,825,069
Office of Human Resources			189,152
Board of Economic Advisors			<u>51,580</u>
DIVISION TOTAL			2,175,518
<b>DIVISION OF OPERATIONS</b>			
Office of General Services	<u>929,974</u>	<u>7,314,455</u>	<u>503,858</u>
DIVISION TOTAL	929,974	7,314,455	503,858

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 7. GENERAL FIXED ASSET ACCOUNT GROUP (CONTINUED)**

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment and Furniture</u>
DIVISION OF REGIONAL DEVELOPMENT			
Energy Office			107,782
Office of Local Government			48,837
Advisory Commission on Intergovernmental Relations			28,373
Office of Regional Development			26,674
DIVISION TOTAL	<u>          </u>	<u>          </u>	<u>211,666</u>
BOARD TOTAL	<u>\$ 929,974</u>	<u>\$7,314,455</u>	<u>\$3,424,508</u>

**NOTE 8. AMOUNTS DUE FROM/TO GENERAL FUND OF THE STATE**

The amount due from the General Fund of the State 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 the General Fund of the State represent monies which must be remitted to the General Fund of the State at year end. Monies collected include 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, 1998, 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.



# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 9. CAPITAL PROJECTS (CONTINUED)

The estimated cost to complete Board capital projects as of June 30, 1998 was:

	<u>Capitalized</u>	<u>Non-Capitalized</u>	<u>Total</u>
Internal Service Fund	\$9,110,204	\$5,201,822	\$14,312,026
Governmental Funds	147,302	3,740,333	3,887,635
Agency Fund	<u>73,862</u>	<u>272,438</u>	<u>346,300</u>
Board Total	<u>\$9,331,368</u>	<u>\$9,214,593</u>	<u>\$18,545,961</u>

The estimated cost to complete construction projects for other state agencies was \$2,472,792 as of June 30, 1998. The amount of outstanding commitments for all construction projects was \$12,177,772 as of June 30, 1998.

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, 1998 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 1997/98</u>	<u>Balance Authorized June 30, 1998</u>
646 of 1978	\$ 431,933	\$ 423,059	\$	\$ 8,874
512 of 1984	333,300	311,792	21,508	
638 of 1988	684,718	683,675		1,043
256 of 1991	<u>3,050,000</u>	<u>1,814,285</u>	<u>165</u>	<u>1,235,550</u>
Totals	<u>\$4,499,951</u>	<u>\$3,232,811</u>	<u>\$21,673</u>	<u>\$1,245,467</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 \$373,359 as of June 30, 1998 and are included in the assets – Capital Improvement Bonds - and in the liabilities – Due to Other State Agencies - of the State Agencies' Fund - Agency Fund.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 9. CAPITAL PROJECTS (CONTINUED)**

During the current fiscal year, the Board received \$10,649,400 in Capital Reserve Fund appropriations to be used in the Renovation of the State House. As of June 30, 1998, approximately \$3.308 million had not been spent and is reported as a Due from State – Capital Reserve Fund in the Capital Projects Fund – Other.

### **NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS**

The South Carolina Retirement Systems (the System) which became part of the Board as of July 1, 1997, 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 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS (CONTINUED)**

**GARS** – Member is eligible for a monthly pension at age 60 or 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.

**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 State's institutions of higher learning employed after July 1, 1987 may elect to participate in the Optional Retirement Program (ORP). The SCRS assumes no liability for this group other than payment of contributions to designated vendors. Contributions to the ORP are at the same rates as the SCRS, with 2.55% of the employer contribution rate retained by the SCRS and applied to the unfunded accrued liability of the System and the balance remitted to the respective vendor for credit to the participant's account. Based on covered payroll of \$137.1 million, employee and employer contributions of \$8.2 and \$10.4 million, respectively were received during the year ended June 30, 1998, \$3.5 million of which was retained by the SCRS and reported as employer contributions.

#### **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:

<b>SCRS</b>	6% of salary
<b>PORS</b>	6.5% of salary
<b>GARS</b>	10% of earnable compensation
<b>JSRS</b>	7% of salary

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

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 10. THE SOUTH CAROLINA RETIREMENT SYSTEMS (CONTINUED)**

#### **Participating Employers:**

Information concerning the number of participating employers at June 30, 1998 are as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
State Agencies*	116	42	2	2
Public School Districts	99			
Other Governmental Entities	<u>505</u>	<u>259</u>	—	—
Total	720	301	2	2

\*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 Division, 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, 1998**

### **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, 1997, the employer contribution rate became 9.466 percent, which included 1.916 percent surcharge to fund retiree health and dental insurance coverage. the Board's actual contributions to the SCRS for the years ended June 30, 1998, 1997, and 1996 were approximately \$3,144,000, \$2,563,000, and \$2,442,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. The contributions for the fiscal years ending June 1997 and 1996 have not been adjusted to reflect changes in the Board's reporting entity. Also, the Board paid employer group-life insurance contributions of approximately \$62,000 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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS**

The State of South Carolina provides certain health care, dental and life insurance benefits to active and certain 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 annual 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, 19,200 State retirees met these eligibility requirements as of June 30, 1998.

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 \$2,491,000 for the year ended June 30, 1998. As discussed in Note 11, the Board paid approximately \$799,000 applicable to the 1.916% surcharge 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 SCRS to pay supplemental cost-of-living increases to retirees. Such increases are primarily funded from SCRS earnings; however, a portion of the required amount is annually appropriated from the State General Fund.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **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 accounted for as agency funds of the State and included in the CAFR of the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Under the Section 457 plan, all deferred compensation plan amounts and earnings remain assets of the employer (the State) subject to the claims of the employer's general creditors, one of whom is the employee participant.

On August 20, 1996, the provisions of Internal Revenue Code Section 457 were amended by adding subsection (g). That subsection provides that new plans will not be considered eligible plans unless all assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. Existing plans also must comply with this requirement by January 1, 1999. South Carolina's plan adopted this change effective July 24, 1998.

### **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 two to four 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 – Engineering Services Fund. Capital lease payments during the fiscal year ended June 30, 1998 totaled \$1,456,649, and the portion representing interest was \$787,575. The Board incurred \$783,316 in interest expense related to these capital leases.

The following is a summary of the cost of property under capital leases at June 30, 1998:

Buildings	\$14,394,666
Less Accumulated Depreciation	<u>3,206,135</u>
Carrying Value	<u>\$11,188,531</u>

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 14. LEASE OBLIGATIONS (CONTINUED)**

Details of the capital leases follow:

In December 1985, the Board entered into a capital lease agreement for the period from December 11, 1985 to December 31, 2005 for the Robert Mills Building (occupied by the Department of Health and Environmental Control). The rent fluctuates annually in accordance with the schedule provided in the lease agreement. From the inception to the termination of the lease, the annual base rental will range from \$796,925 to \$1,232,075. Annual rent paid in fiscal year 1998 was \$969,947. The purchase price will be the lesser of the fair market value of the building as determined by HAI Appraisal or the formula price defined as 5.4 times the annual base rental in the year of exercise if exercised in the 18th year. This lease is accounted for in the Internal Service Fund - Engineering Services Fund. The applicable interest rate is 8.000%. The original present value of lease payments is \$9,186,764, and the balance at June 30, 1998 is \$6,545,579.

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, 1998 is \$3,370,285.

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, 1998**

**NOTE 14. LEASE OBLIGATIONS (CONTINUED)**

The following schedule summarizes the Board's future obligations under capital and non-cancelable 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>
1999	\$ 2,615,851	\$1,456,649
2000	2,608,019	1,466,587
2001	2,461,326	1,489,523
2002	2,291,377	1,524,127
2003	1,672,682	1,567,383
Thereafter	<u>3,345,363</u>	<u>6,307,114</u>
Total Payments	<u>\$14,994,618</u>	\$13,811,383
Less Amount Representing Interest		<u>3,895,519</u>
Present Value of Capital Lease Payments		<u>\$ 9,915,864</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 for all operating leases were approximately \$1,738,000 from the General Fund, \$2,604,000 from the Internal Service Funds, and \$198,000 from the Special Revenue Funds for the year ended June 30, 1998.

The Board has also entered into a number of operating leases which expire in various years from 1999 through 2002 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, 1998**

**NOTE 15. SUBLEASED MAJOR CAPITAL ASSETS**

The Board sublets office space to other agencies. No formal lease agreements exist. The leases are 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	\$ 823,497
Robert Mills Building	Department of Health and Environmental Control	<u>1,160,026</u>
Total Subleased Rents		<u><u>\$1,983,523</u></u>

See Note 14 for a description of the capital leases related to these buildings.

**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, 1998:

	<u>Liability for Compensated Absences</u>
Balance - June 30, 1997	\$ 2,280,253
Residual Equity Transfer In	608
Net Increase	<u>101,615</u>
Balance – June 30, 1998	<u><u>\$ 2,382,476</u></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, 1998

### 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, 1998</u>	<u>Current Portion of Advance</u>	<u>Current Annual Payments</u>
	<u>Began</u>	<u>Matures</u>					
Air Conditioning-Sims Building	1979	1999	5.50%	\$ 225,000	\$ 17,846	\$ 17,846	\$ 18,828
Five Points Building	1979	1999	6.00%	1,830,000	150,517	150,517	159,548
Roof and Parapets	1986	2004	9.00%	75,000	36,856	4,899	8,216
HVAC Five Points Building	1988	2008	6.573%	50,000	32,699	2,415	4,564
Calhoun Building	1989	2009	6.573%	6,557,000	4,585,328	297,151	598,545
Fire Systems	1989	2009	7.00%	150,000	106,173	6,727	14,159
Supreme Court	1993	2009	6.65%	<u>4,238,000</u>	<u>3,245,143</u>	<u>209,447</u>	<u>425,249</u>
Total Advances from State				<u>\$13,125,000</u>	<u>\$8,174,562</u>	<u>\$689,002</u>	<u>\$1,229,109</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998****NOTE 17. ADVANCES FROM STATE, LEASE REVENUE BONDS PAYABLE, AND NOTES PAYABLE (CONTINUED)**

The Board of the Budget and Control Board, in accord with Proviso 72.35 of the 1997-98 Appropriations Act, approved the following expenditure priorities for 1997-98 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 for State. As a result, the State forgave principal of \$647,171 and interest of \$581,937 for a total forgiveness of \$1,229,108. During the fiscal year ending June 30, 1998, the Board incurred approximately \$582,000 in interest expense. The following summarizes the Board's obligation under these Advances from State as of June 30, 1998:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 689,002	\$ 540,107	\$1,229,109
2000	555,169	495,564	1,050,733
2001	591,993	458,740	1,050,733
2002	631,262	419,471	1,050,733
2003	673,139	377,593	1,050,732
Thereafter	<u>5,033,997</u>	<u>1,224,753</u>	<u>6,258,750</u>
	<u>\$8,174,562</u>	<u>\$3,516,228</u>	<u>\$11,690,790</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, 1998

### 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 the year, 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. The bonds were dated April 1, 1998 and were issued at a discount of approximately \$43,000. Bond issue costs were approximately \$31,000. During the fiscal year, the Board earned approximately \$128,000 in interest on the bond proceeds deposited with the State Treasurer's Office. In addition, the Board incurred approximately \$98,000 in interest expense on this bond issue. This interest expense has been netted against interest revenue. Approximately \$8.174 million in unspent revenue bond proceeds is reported as a Restricted Asset – Cash and Cash Equivalents in the Internal Service Fund – Engineering Services.

For all bond issues, 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 deposits were made and are reported within the Internal Service Fund – Engineering Services and are 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, 1998</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	\$ 6,295,000	\$ 235,000	\$ 593,989	\$ 117,500
Mt. Vernon Mills Building	1997	2007	4.00-6.00%	22,625,000	20,850,000	1,935,000	2,957,972	-0-
Computer Center	1998	2014	4.25-4.95%	<u>8,620,000</u>	<u>8,620,000</u>	<u>-0-</u>	<u>360,550</u>	<u>8,173,941</u>
				<u>\$38,125,000</u>	<u>\$35,765,000</u>	<u>\$2,170,000</u>	<u>\$3,912,511</u>	<u>\$ 8,291,441</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998****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, 1998, the Board paid \$2,000,000 of principal and incurred approximately \$1,458,000 of net 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>
1999	\$ 2,170,000	\$ 1,742,511	\$ 3,912,511
2000	2,655,000	1,667,320	4,322,320
2001	2,780,000	1,533,420	4,313,420
2002	2,900,000	1,373,945	4,273,945
2003	3,035,000	1,220,164	4,255,164
Thereafter	<u>22,225,000</u>	<u>5,262,425</u>	<u>27,487,425</u>
	<u>\$35,765,000</u>	<u>\$12,799,785</u>	<u>\$48,564,785</u>

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1998**

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

During fiscal year 1997-98, the Board entered into two 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. 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, 1998, the Board incurred approximately \$38,000 of interest expense attributable 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, 1998</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	\$ 764,856	\$ 94,024	\$130,439	\$ 774,202
Motor Vehicle Management	1998	2003	4.515%	<u>1,500,000</u>	<u>1,500,000</u>	<u>253,952</u>	<u>347,450</u>	<u>1,145,111</u>
				<u>\$2,264,856</u>	<u>\$2,264,856</u>	<u>\$347,976</u>	<u>\$477,889</u>	<u>\$1,919,313</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**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>
1999	\$ 347,976	\$129,913	\$ 477,889
2000	389,889	88,000	477,889
2001	407,941	69,948	477,889
2002	426,832	51,057	477,889
2003	446,598	31,290	477,888
Thereafter	<u>245,620</u>	<u>15,257</u>	<u>260,877</u>
	<u>\$2,264,856</u>	<u>\$385,465</u>	<u>\$2,650,321</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 \$15,582,000 as of June 30, 1998. 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 \$66,196,000 at June 30, 1998.



# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### 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, 1998:

	<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>
Balance, June 30, 1997, as Adjusted	\$6,539	\$71,807,078	\$14,745	\$47,024	\$360,631	\$ -0-	\$727,721	\$ -0-	\$72,963,738
Residual Equity Transfer In: Retirement Systems						8,303			8,303
Transfer from Data Processing – Internal Service Fund		634,928							634,928
Transfers from General Fixed Assets Account Group			671					1,989	2,660
Total Residual Equity Transfer In		634,928	671			8,303		1,989	645,891
Donated Assets Equipment		389,890			4,375				394,265
Disposal/Retirements of Equipment Previously Contributed		(1,526)	(3,030)	(771)	(54,550)	(8,303)	(7,628)		(75,808)
Balance, June 30, 1998	<u>\$6,539</u>	<u>\$72,830,370</u>	<u>\$12,386</u>	<u>\$46,253</u>	<u>\$310,456</u>	<u>\$ -0-</u>	<u>\$720,093</u>	<u>\$1,989</u>	<u>\$73,928,086</u>
Assets Transferred from General Fixed Assets Account Group Equipment:									
Cost			\$ 6,710					\$5,715	\$ 12,425
Accumulated Depreciation			(6,039)					(3,726)	(9,765)
Net Book Value			<u>\$ 671</u>					<u>\$ 1,989</u>	<u>\$ 2,660</u>

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 20. RESERVE BALANCES**

#### **General Fund**

The General Fund does not use encumbrance accounting. The Reserve for Appropriations to be Carried Forward, however, identifies funds which the General Assembly has authorized appropriations to be carried forward to the next fiscal year to be expended for legally specified purposes. For further details see Note 21 regarding appropriations carried forward under separate authorizations.

#### **Special Revenue Funds**

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

#### **Pension Trust Funds**

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

#### **Expendable Trust Funds**

The South Carolina Appropriations Act (Proviso 17B.2 of the 1997-98 Appropriations Act) provides that the net proceeds from the sale or net annual charges derived from the Robert Mills Building resulting from the sale/leaseback and repurchase option agreement be deposited in a separate account for the repurchase of the property. The amount of reserve at June 30, 1998 applicable to the Robert Mills Building is \$1,643,759. The lease in connection with the sale/leaseback agreement, dated for December 11, 1985 for the Robert Mills Building is being accounted for as capital lease.

Monies for the War Memorial, Office of General Services, were authorized by the General Assembly in the permanent provisions of the 1984-85 Appropriations Act in the amount of \$300,000. The balance reserved for the war memorial is \$215,000 as of June 30, 1998.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**NOTE 20. RESERVE BALANCES (CONTINUED)**

**Internal Service Funds**

The Insurance Reserve Fund "Installment Purchase Program" consists of notes issued by state agencies and institutions to the Office of General Services to finance the purchase of office, telecommunications, medical, and data processing equipment. The program is authorized under South Carolina State Code 1-1-1020. The program is funded through loans from the Insurance Reserve Fund to the Office of General Services. Effective July 1, 1994, this program is administered by the State Treasurer's Office. At June 30, 1998, \$35,000,000 of the retained earnings of the Insurance Reserve Fund was reserved for support of the program. The total balance outstanding at June 30, 1998 was \$17,270,646.

At June 30, 1998, \$20,000,000 of the Insurance Reserve Fund retained earnings has been reserved for loans to the Savannah Valley Development Division of the Department of Commerce, as authorized under South Carolina 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, 1998, \$13,815,705 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.

Engineering Services and Motor Vehicle Management Funds reserves a portion of their retained earnings for purchase agreements. This represents note payable proceeds restricted under these purchase agreements.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES**

The 1997-98 original appropriation is the base budget of the Board presented in the General Fund's column of Section 17A-17C 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>
<b>Divisions</b>									
Division of the Office of the Executive Director	General	\$ 8,803,081	\$ 1,057,450	\$ (738,741)	\$ (60,873)	\$ 9,060,917	\$ 301,903	\$ 304,976	\$ 9,057,844
Division of Operations	General	11,321,873	12,630,568	(48,120,445)		(24,168,004)	271,512	250,508	(24,147,000)
	Internal Service	<u>764,503</u>	<u>29,470</u>	<u>(29,470)</u>		<u>764,503</u>	<u>45,779</u>	<u>40,115</u>	<u>770,167</u>
		12,086,376	12,660,038	(48,149,915)		(23,403,501)	317,291	290,623	(23,376,833)
Division of Budget and Analyses	General	<u>8,519,392</u>	<u>122,626</u>	<u>168,796</u>		<u>8,810,814</u>	<u>604,157</u>	<u>576,917</u>	<u>8,838,054</u>
Division of Regional Development	General			<u>48,369,299</u>		<u>48,369,299</u>	<u>78,284</u>	<u>50,574</u>	<u>48,397,009</u>
<b>Agency Total</b>		<u>\$ 29,408,849</u>	<u>\$ 13,840,114</u>	<u>\$ (350,561)</u>	<u>\$ (60,873)</u>	<u>\$ 42,837,529</u>	<u>\$ 1,301,635</u>	<u>\$ 1,223,090</u>	<u>\$ 42,916,074</u>
Total General Fund		\$ 28,644,346	\$ 13,810,644	\$ (321,091)	\$ (60,873)	\$ 42,073,026	\$ 1,255,856	\$ 1,182,975	\$ 42,145,907
Total Internal Service Fund		<u>764,503</u>	<u>29,470</u>	<u>(29,470)</u>		<u>764,503</u>	<u>45,779</u>	<u>40,115</u>	<u>770,167</u>
<b>Agency Total</b>		<u>\$ 29,408,849</u>	<u>\$ 13,840,114</u>	<u>\$ (350,561)</u>	<u>\$ (60,873)</u>	<u>\$ 42,837,529</u>	<u>\$ 1,301,635</u>	<u>\$ 1,223,090</u>	<u>\$ 42,916,074</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998****NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)**

- (A) Includes transfers from Civil Contingency Fund as provided by Proviso 17A.1 to other state agencies as follows:

Civil Contingency Fund

Procurement Review Panel	\$ (8,341)
School for the Deaf and Blind	<u>(52,532)</u>
	<u>\$ (60,873)</u>

- (B) Includes transfers to and from other state agencies as follows:

Total Quality Management (TQM) as Provided by Proviso 17A.2

From the Division of Executive Director - Board Administration to:

State Board For Technical and Comprehensive Education	\$ (18,510)
Department of Probation, Parole, and Pardon Services	(11,373)
Blind Commission	(10,530)
Adjutant General's Office	(6,485)
State Department of Education	(5,000)
Educational Television Commission	(12,108)
Department of Revenue	(9,720)
Forestry Commission	(25,237)
Department of Public Safety	(2,916)
Department of Parks, Recreation and Tourism	(7,500)
Department of Juvenile Justice	(15,000)
School for the Deaf and Blind	(5,300)
Department of Commerce	(7,125)
Lander University	217
Department of Social Services	(47,872)
Department of Mental Health	(7,500)
Department of Natural Resources	(26,250)
Francis Marion University	(7,350)
Museum Commission	(8,200)
State Library	<u>(2,500)</u>

Total TQM \$ (236,259)

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998****NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)**

(B) Includes transfers to and from other state agencies (Continued):

From the Department of Health and Human Services to the Division of Executive Director for the funding of an accounting manager position	34,306
From the Division of Executive Director to the Governor's Office - Executive Policy and Programs for funding of the Office of the Governor in Washington, D.C.	(23,500)
From the Division of Executive Director to the School for the Deaf and Blind for Walker Hall repairs	(10,984)
From the State Department of Education to the Division of Executive Director as part of the Brandenburg Coordination Commission for program exchanges with German Sister State (Proviso 17A.3)	5,404
From the Governor's Office - Executive Policy and Programs to the Division of Budget and Analyses to transfer grant services and indirect cost per Proviso 72.66 of the 1997-98 Appropriations Act	155,756
From several state agencies, listed below, to the Division of Operations to transfer funds to centralize printing services per Proviso 72.69 of the 1997-98 Appropriations Act:	
Department of Corrections	7,000
Department of Health and Environmental Control	7,000
Department of Mental Health	7,000
Department of Natural Resources	7,000
Department of Probation, Parole, and Pardon Services	7,000
Department of Public Safety	7,000
Department of Revenue	7,000
Department of Social Services	22,170
Department of Transportation	<u>7,000</u>
Total Transfer for Print Services	\$ <u>78,170</u>
From the Division of Regional Development to Jobs-Economic Development Authority for operating expenses per Proviso 17B.9	\$ (125,000)
From the Department of Social Services to the Division of Regional Development to transfer the adult services program initiative	300,000

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998****NOTE 21. STATE APPROPRIATIONS, BUDGETARY AND GAAP BASES (CONTINUED)**

(B) Includes transfers to and from other state agencies (Continued):

From the Division of Operations to various State Agencies, listed below,  
for funding of the rent increase for buildings leased to those agencies by  
the Budget and Control Board:

Legislative Department - Legislative Printing and Information Technical Resources	(4,341)
Legislative Department - Legislative Information Systems	(2,620)
Reorganization Commission	(3,383)
Judicial Department	(33,951)
Administrative Law Judges	(5,520)
Governor's Office - Executive Policy and Programs	(17,071)
Secretary of State	(3,888)
Comptroller General's Office	(16,730)
State Treasurer's Office	(12,465)
Attorney General's Office	(34,962)
Adjutant General's Office	(4,927)
State Election Commission	(4,513)
University of South Carolina - Columbia Campus	(1,979)
Medical University of South Carolina	(564)
State Department of Education	(51,869)
Department of Archives and History	(32,347)
State Library	(27,790)
Department of Health and Environmental Control	(138,250)
Department of Public Safety	(471)
Department of Social Services	(27,665)
Department of Probation, Parole, and Pardon Services	(21,421)
Department of Agriculture	(24,883)
Department of Natural Resources	(30,242)
Department of Parks, Recreation and Tourism	(25,621)
Department of Labor, Licensing and Regulation	(630)
Procurement Review Panel	<u>(351)</u>
Total Funding of Rent Increases	<u>(528,454)</u>
Total Transfers Between Other State Agencies	<u>\$ (350,561)</u>

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

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

The "Net Transfers Between Agencies" column includes both transfers between divisions of the State Budget and Control Board and transfers between the Board and other state agencies. The current and prior year 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 basis.

(C) Details of the additional allocations for employee compensation, employee benefits and vetoed appropriations are as follows:

	Employee Bonus; Employer Contributions and Health and Dental Allocations Proviso 17C.13	Employee Bonus; Employer Contributions and Retiree Health and Dental Proviso 17C.13
	<u>General Fund</u>	<u>Internal Service Fund</u>
Division of Executive Director	\$ 57,450	
Division of Operations	41,949	29,470
Division of Budget and Analyses	<u>122,626</u>	
	<u>\$ 222,025</u>	<u>\$ 29,470</u>

(D) Supplemental appropriations from fiscal year 1996-97 State General Fund Revenue.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Executive Director	1998 Appropriations Act – Part III	Statewide Performance Audit	\$ 600,000
	Executive Director	1998 Appropriations Act – Part III	Prepaid College Tuition	<u>400,000</u>
				<u>\$ 1,000,000</u>
Operations	General Services	1998 Appropriations Act – Part III	Local Government Fund	\$ 5,588,619
	General Services	1998 Appropriations Act – Part III	Infrastructure Revolving Loan	<u>7,000,000</u>
				<u>\$12,588,619</u>



# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

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

(E) Capital Reserve Fund appropriations shown below are not shown in the reconciliation of the original appropriations.

<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Executive Director	Internal Operations	FY97 Joint Resolution	Hurricane Fran Match	<u>\$ 625,000</u>
				<u>Capital Projects Fund</u>
Operations	General Services	FY97 Joint Resolution	State House Renovations	<u>\$10,649,400</u>

#### Funds Brought Forward

General Proviso 72.44 of the fiscal year 1997-98 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, 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 Board funds covered by separate carry forward authority.

Under Proviso 72.44 of the 1998 Appropriations Act, appropriations were carried forward in unreserved, undesignated fund balance from fiscal year 1997 to 1998 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 362,794
	Office of Internal Operations	Undesignated	<u>471,210</u>
			\$ 834,004
Budget and Analyses	State Budget	Undesignated	\$ 182,544
	Research and Statistics	Undesignated	39,313
	Human Resources	Undesignated	124,686
	Board of Economic Advisors	Undesignated	10,826
	Division Director	Undesignated	<u>15,317</u>
			\$ 372,686
Total Carried Forward Under Proviso 72.44			<u>\$ 1,206,690</u>

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

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

Under separate authorizations, appropriations were brought forward from fiscal year 1997 to 1998 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	FY98 Proviso 17A.2	Total Quality Management	\$ 75,191
	Board Administration	FY98 Proviso 17A.6	Equity Lawsuit	250,000
	Board Administration	FY98 Proviso 17A.4	Accounting System	25,000
	Board Administration*	June 95 Joint Resolution	ACIR	<u>41,764</u>
				<u>\$ 391,955</u>
Operations	Local Government*	FY98 Proviso 17B.6	Board Grant Program/EPA State Grant Match	\$27,495,220
	Local Government*	June 95 Joint Resolution	Coordinating Council for Economic Development	956,739
	Local Government*	1995 Appropriations Act	Infrastructure Revolving Loan Fund	<u>804,363</u>
				<u>\$29,256,322</u>
			Total Designated Carried Forward	<u>\$29,648,277</u>
<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY98 Proviso 72.54	FY97 Capital Reserve Fund	\$ <u>140,462</u>
			Appropriation for Public School Technology Initiative	

\*These carry forward authorizations have been transferred to the Division of Regional Development.

### Funds Carried Forward

Appropriations carried forward from fiscal year 1998 to fiscal year 1999 were authorized as follows:

### All Agencies

General Proviso 72.48 of the fiscal year 1998-99 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 72.48 does not apply to agencies which have separate carry forward authority.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

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

Under proviso 72.48 of the 1999 Appropriations Act, appropriations were carried forward in unreserved, undesignated fund balance from fiscal year 1998 to fiscal year 1999 for the following divisions:

<u>Division</u>	<u>Office</u>	<u>Purpose</u>	<u>General Fund</u>
Executive Director	Board Administration	Undesignated	\$ 561,893
	Office of Internal Operations	Undesignated	260,358
			<u>\$ 822,251</u>
Operations	Division Director	Undesignated	\$ 2,201
	Operations	Undesignated	211,818
			<u>\$ 214,019</u>
Budget and Analyses	Division Director	Undesignated	\$ 3,558
	State Budget	Undesignated	131,562
	Research and Statistics	Undesignated	282,519
	Human Resources	Undesignated	242,160
	Board of Economic Advisors	Undesignated	8,289
			<u>\$ 668,088</u>
Total Carried Forward Under Proviso 72.48			<u><u>\$1,704,358</u></u>

Under separate authorizations, appropriations were carried forward from fiscal year 1998 to 1999 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	FY99 Proviso 63A.2	Total Quality Management	\$ 55,059
	Board Administration	FY99 Proviso 63A.6	Equity Lawsuit	250,000
	Board Administration	FY99 Proviso 63A.4	Accounting System Analysis	25,000
	Board Administration	1998 Appropriations Act – Part III	Prepaid College Tuition	332,371
				<u>\$ 662,430</u>
Regional Development	Local Government	FY99 Proviso 63D.1	Board Grant Program/EPA Grant State Match	\$32,053,264
	Local Government	June 95 Joint Resolution	Coordinating Council for Economic Development	83,340
	ACIR	June 95 Joint Resolution	ACIR	39,136
				<u>\$32,175,740</u>
			Total Special Proviso	<u><u>\$32,838,170</u></u>
<u>Division</u>	<u>Office</u>	<u>Authorization Cite</u>	<u>Purpose</u>	<u>Special Revenue Fund</u>
Operations	Information Resources	FY99 Proviso 72.57	FY97 Capital Reserve Fund Appropriation for Public School Technology Initiative	<u>\$ 6,753</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**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 Administration

From the Attorney General

- Legal services

From the State Auditor's Office

- Audit services

Retirement Division:

- Retirement Plan Administration
- Collection of retiree insurance surcharge from employers
- Collection of health and dental insurance premiums from retirees

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

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 22. TRANSACTIONS WITH STATE ENTITIES (CONTINUED)**

#### **General Services:**

##### **Engineering Services -**

Rental of State-owned office buildings

Management of architectural and engineering services for State office buildings

#### **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

#### **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, 1998. An amount of \$7.3 million was due from these entities at June 30, 1998. Total amounts of premiums charged to other State agencies is \$305.0 million.

The Retirement Division collected employee and employer pension contributions from other state departments and agencies during the year ended June 30, 1998. An amount of \$25.2 million was due from other state departments and agencies at June 30, 1998. 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	\$282,857
PORS	48,205
GARS	3,461
JSRS	<u>6,016</u>
Total	<u>\$340,539</u>

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **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, 1998 by division are as follows:

Division of Executive Director	\$ 56,405
Division of Operations	947,940
Division of Budget and Analyses	<u>304,236</u>
Total Paid	<u>\$1,308,581</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 Executive Director – Office of Internal Operations General Fund transferred \$35,000 to the State Law Enforcement Division (SLED) for the purchase of equipment. The transfer was made from revenue generated funds and was recorded as an other operating expenditure.

During the year ending June 30, 1998, the Health Insurance Reserve Fund – Internal Service Fund paid \$1.7 million to Pension Administration – Internal Service Fund for administrative expenses for the State Life and Long-term Disability Program.

The Division of Operations - Office of Information Resources Special Revenue Fund – EIA School Technical Initiative received revenue of an EIA allocation of \$25,116,516 of Education Improvement Act funds designated for school technology from the State Department of Education.

The Board is in the process of constructing the Consolidated Data Center which 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. This transfer has not been completed as of June 30, 1998.

The amount of revenues and expenditures for the fiscal year ended June 30, 1998 applicable to other related party transactions is not readily available.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **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 automobile collision, self-insured activities of the Office of Insurance Services for the Insurance Reserve Fund and Health Insurance Reserve Fund as described below and for business interruption insurance. 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 Office of Insurance Services, 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.

The Board obtains fidelity bond coverage for certain employees through a commercial insurer for losses arising from theft or misappropriation.

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.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)**

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, 1998	\$1,703	\$62,881	\$59,927	\$4,657
Fiscal Year Ended June 30, 1997	\$3,509	\$36,739	\$38,545	\$1,703

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

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 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, 1998 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.



# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 23. RISK MANAGEMENT/REINSURANCE (CONTINUED)

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

### 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	
	1998	1997	1998	1997
	(In Thousands)		(In Thousands)	
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$157,306	\$153,040	\$ 97,560	\$ 69,896
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	39,855	12,742	451,263	505,931
Increases (decreases) in provision for insured events of prior fiscal years	<u>(15,885)</u>	<u>38,628</u>	<u>102,303</u>	<u>7,276</u>
Total incurred claims and claim adjustment expenses	<u>23,970</u>	<u>51,370</u>	<u>553,566</u>	<u>513,207</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	10,182	9,075	400,259	459,947
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>24,316</u>	<u>38,029</u>	<u>149,223</u>	<u>44,137</u>
Total payments	<u>34,498</u>	<u>47,104</u>	<u>549,482</u>	<u>504,084</u>
Other changes:				
Transfer of State Life and Long-term Disability program from Retirement Division				<u>18,541</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$146,778</u>	<u>\$157,306</u>	<u>\$101,644</u>	<u>\$ 97,560</u>
The above totals are comprised of the following:				
Claims payable	\$ 93,544	\$ 94,810	\$ 25,254	\$ 30,880
Claims incurred but not reported	<u>53,234</u>	<u>62,496</u>	<u>76,390</u>	<u>66,680</u>
Total	<u>\$146,778</u>	<u>\$157,306</u>	<u>\$101,644</u>	<u>\$ 97,560</u>

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 24. RECONCILIATIONS OF CLAIMS LIABILITIES BY FUND (CONTINUED)**

In prior years, the State Life and Long-term Disability program was accounted for at the South Carolina Retirement Division. This program was transferred to the Office of Insurance Services and is now accounted for in the Health Insurance Reserve Fund. The incurred claims and claim adjustment expenses reported above include \$12,188,216 for 1997 relating to this program. Additionally, \$6,273,330 is included in claims payments relating to this program for 1997. Total claims liabilities for this program were \$23,826,667 at June 30, 1997.

**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 South Carolina Retirement Systems is involved in a lawsuit filed by four retired members. The Circuit Court ruled in favor of the State at trial, and the plaintiffs have appealed the decision to the South Carolina Supreme Court. The plaintiffs challenge the Systems' treatment of unused annual leave in the calculation of retirement payments. The State's liability in the event of an unfavorable outcome would be approximately \$340 million for current retirees, and \$800 million for current active members of the South Carolina Retirement System and the Police Officers' Retirement System. The Circuit Court determined that the State has been providing retirement benefits to its members in accordance with the law. The State continues to defend its position and believes it is meritorious.

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, 1998**

### **NOTE 26. TRANSFERS**

Transfers reported in the Board's funds for the year ended June 30, 1998 were as follows:

#### **General Fund – Special Reserve Fund Operating Transfer**

Transfer from the Division of Regional Development – Office of Local Government General Fund to fund loans for the State Infrastructure Revolving Fund – Office of Local Government Special Revenue Fund in the amount of \$9,000,000.

Transfer from the Division of Executive Director – State Public Assistance Program – Special Revenue Fund to Division of Local Government – General Fund to return the approximately \$338,000 in unspent Hurricane Fran match money to the State General Fund.

#### **Internal Service Fund**

The Residual Equity Transfer from Data Processing – Internal Service Fund to Engineering Services – Internal Service Fund contributed capital in the amount of \$634,928 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.

#### **Residual Equity Transfers Out:**

Transfer of fixed assets from the following Internal Service Fund to the General Fixed Assets Account Group.

Other General Services	\$ 1,651
Other Internal Services	<u>3,887</u>
	\$ 5,538
Accumulated Depreciation	<u>4,001</u>
Book Value of Assets Transferred	<u>\$ 1,537</u>

#### **Residual Equity Transfers In:**

Effective July 1, 1997, the Grant Services/Indirect Cost Allocation Office, a portion of the Governor's Office, was transferred to the Office of State Budget of the Division of Budget and Analyses. In addition to state appropriations, see Note 21, equipment and compensated leave were received by the Board in the following amounts:

General Fixed Asset Account Group	
Equipment	\$9,841
General Long-term Debt Account Group	
Liability for Compensated Absences	608

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 26. TRANSFERS (CONTINUED)

Effective July 1, 1997, the Retirement Division was placed under the direction and control of the Division of Executive Director. The following residual equity transfers were reported by the Board for the fiscal year ending June 30, 1998 (expressed in thousands).

#### Pension Administration – Internal Service Fund

Cash and Cash Equivalents	1,356
Equipment	4,866
Accumulated Depreciation	<u>(2,092)</u>
Total Assets	<u><u>\$ 4,130</u></u>
Accounts Payable	664
Accrued Payroll and Benefits	471
Compensated Absences Payable	<u>716</u>
Total Liabilities	<u><u>\$ 1,851</u></u>
Contributed Capital	
Retained Earnings	<u>2,271</u>
Total Fund Equity	<u><u>\$ 2,279</u></u>
Operating Revenues	\$ 11,733
Operating Expenses	11,785

Effective July 1, 1997 the Pension Administration Fund became part of the Board. The Pension Administration Fund had a capitalization policy of \$500 prior to the reorganization. The residual equity transfer in has been adjusted to reflect the new Board capitalization policy.

The following reflects the change in value of the equipment (expressed in thousands) from the South Carolina Retirement Systems audited financial statements for the fiscal year ending June 30, 1997.

	Balance as Previously Reported	Adjustment	Balance as Restated
<b><u>Internal Service Funds</u></b>			
<b><u>Pension Administration</u></b>			
Equipment and Furniture	4,866	(1,822)	3,044
Accumulated Depreciation	(2,092)	1,033	(1,059)
Unreserved Retained Earnings	2,271	(789)	1,482

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 26. TRANSFERS (CONTINUED)

#### Residual Equity Transfers In (Continued):

##### Pension Trust Funds (Expressed in Thousands)

	SCRS	PORS	GARS	JSRS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 531,367	\$ 61,093	\$ 2,213	\$ 3,082
Receivables				
Due from Other System		964	2	70
Employee and Employer Contributions	91,176	10,986	7	204
Employer Contributions-Long-term	1,351	4,224		
Accrued Interest	179,470	21,909	508	999
Total Receivables	<u>271,997</u>	<u>38,083</u>	<u>517</u>	<u>1,273</u>
Investments, at Fair Value				
United States Government Securities	3,124,253	269,013	8,478	9,915
United States Government Agencies and Government-Insured	4,287,428	416,047	8,776	22,382
Corporate Bonds	4,135,763	576,414	10,932	24,974
Financial and Other	2,166,565	246,318	4,526	10,971
Securities Lending Investments	1,257,149	133,958	2,445	2,444
Total Investments	<u>14,971,158</u>	<u>1,641,750</u>	<u>35,157</u>	<u>70,686</u>
Property and Equipment, Net of Accumulated Depreciation	<u>4,293</u>	<u>439</u>	<u>13</u>	<u>20</u>
Total Assets	<u>15,778,815</u>	<u>1,741,365</u>	<u>37,900</u>	<u>75,061</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Due to Other Systems	1,036			
Accounts Payable – Unsettled Investment Purchases	5,000			
Obligations Under Securities Lending	1,257,149	133,958	2,445	2,444
Due to State Health Insurance Plan	12,577	462		
Accounts Payable and Accrued Expenses	4,338	231	29	8
Total Liabilities	<u>1,280,100</u>	<u>134,651</u>	<u>2,474</u>	<u>2,452</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 14,498,715</u>	<u>\$ 1,606,714</u>	<u>\$ 35,426</u>	<u>\$ 72,609</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

**NOTE 27. DUE BETWEEN FUNDS**

Due to Other Funds and Due from Other Funds for each individual fund at June 30, 1998 (expressed in thousands) were as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
<b>General Fund</b>	\$ <u>1,995</u> A/B	\$ _____
<b>Special Revenue</b>		
State Public Assistance Program		<u>625</u> A
<b>Capital Projects</b>		
Other	<u>97</u> C	<u>8,085</u> B
<b>Internal Service</b>		
Health Insurance Reserve	13,815 D	
Engineering Services	5,429 B	97 C
Data Processing	704 B	
Telecommunications	96 B	
Motor Vehicle Management	35 B	
Pension Administration	75 B	
Other General Services	<u>30</u> B	
<b>Total Internal Service Funds</b>	20,184	97
<b>Pension Trust</b>		
SCRS		13,346 D
PORS		<u>469</u> D
<b>Total Pension Trust</b>		<u>13,815</u>
<b>Agency</b>		
Sinking Funds	<u>346</u> B	
<b>Total All Funds</b>	\$ <u>22,622</u>	\$ <u>22,622</u>

- A. The amount due from State Public Assistance – Special Revenue Fund to the General Fund represents Hurricane Fran state match money being owed to the Division of Regional Development - Office of Local Government General Fund and the State General Fund.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 27. DUE BETWEEN FUNDS (CONTINUED)**

- B. 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 resulting in 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 originating fund from which they were received.
- C. This \$97,000 represents Lease Revenue Bond proceeds on deposit with 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 \$13,815,183 (\$13,346,173 from SCRS and \$469,010 from PORS) due from the Pension Trust Fund – Trust Fund at June 30, 1998 represents revenues recognized on behalf of the Health Insurance Reserve Fund of 1.916% of covered compensation from all state agencies and public school systems during fiscal year 1998 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**

Intrafund balance due from Data Processing - Internal Service Fund to Other Internal Services Fund – Internal Service Fund has been eliminated for combined reporting purposes. The balances resulted from a short-term loan for Data Processing to purchase equipment for its use. There are no specific terms of repayment and the short-term loan is interest free. The balance as of June 30, 1998 was \$64,405.

The Intrafund Advance Due from Data Processing – Internal Service Fund to Telecommunications – Internal Service Fund has been eliminated for combined reporting. The balances result from a long-term loan for Data Processing to help finance the construction of the Consolidated Data Center Project. The loan will be repaid in fiscal year 2000 and the loan is interest-free. The balance as of June 30, 1998 was \$1,000,000.

The Intrafund operating transfer from the Telecommunications - Internal Service Fund to the Data Processing - Internal Service Fund in the amount of \$447,000 has been eliminated for combined reporting purposes. The transfer was made to Data Processing to help finance the construction of the Consolidated Data Center Project.

The Intrafund operating transfer from the Other Internal Services Fund – Internal Service Fund to the Data Processing - Internal Service Fund in the amount of \$900,000 has been eliminated for combined reporting purposes. The transfer was made to Data Processing to aid in the construction of the Consolidated Data Center Project.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 1998**

### **NOTE 28. INTRAFUND ELIMINATIONS (CONTINUED)**

Transfers of fixed assets between the Internal Service Funds have been eliminated for combined reporting purposes. The total amount of fixed assets transferred between funds was \$41,540 during the year ended June 30, 1998.

Intrafund balance reported in the 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, 1998 was \$941,000.

### **NOTE 29. BUDGETARY REPORTING**

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 \$764,503 in State General Fund appropriations for the fiscal year 1998.

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.



**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1998**

**NOTE 29. BUDGETARY REPORTING (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 State Infrastructure Revolving Loan Fund is shown as an expenditure for budgetary purposes and as an operating transfer in the financial statements – General Fund. 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 the South Carolina Education Television Commission 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	General	Other
<b>Expenditures/expenses on GAAP Basis</b>	\$ 41,704	\$ 36,642	\$ 828,681	\$ 5,280	\$	\$
<b>Fund Reclassification</b>						
State Appropriation	(29,465)	(133)	(765)		30,363	
Federal Grants	(313)	(5,708)				6,021
Other	(5,653)	(11,141)		(5,280)		22,074
<b>Net Accruals</b>						
Payroll and Employer Contributions					(79)	23
<b>Unbudgeted Public School Technology Initiative Expenditures</b>		(19,494)				
<b>Loan Funding – State Infrastructure Revolving Loan Fund</b>					9,000	
<b>Unbudgeted Capital Projects Expenditures</b>	(6,177)					
<b>Other Unbudgeted</b>	(96)	(166)				
<b>Unbudgeted Operating Expenses</b>			(827,916)			
<b>Expenditures on Legal Basis</b>	\$	\$	\$	\$	\$ 39,284	\$ 28,118

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION

#### Changes In Board Organization

As discussed in Note 1, the Board reorganized several of its divisions. Listed below are the fiscal year ending June 30, 1997 General Fund and Special Revenue Fund expenditures reclassified as if this reorganization had occurred in the prior year (expressed in thousands):

	<u>General</u>	<u>Special Revenue</u>
Division of Executive Director		
Board Administration	2,048	79
Office of General Counsel	765	
Office of Internal Operations	5,920	8,323
	<u>8,733</u>	<u>8,402</u>
Division of Operations		
Division Director	135	
Office of Information Resources	8	13,104
Office of General Services	27,348	
	<u>27,491</u>	<u>13,104</u>
Division of Budget and Analyses		
Division Director	61	
Office of State Budget	1,522	
Office of Research and Statistics	5,184	
Office of Human Resources	4,058	
Board of Economic Advisors	295	
	<u>11,120</u>	
Division of Regional Development		
State Energy Office		1,764
Office of Local Government	10,736	
Advisory Commission on Intergovernmental Relations	194	
	<u>10,930</u>	<u>1,764</u>
Total Expenditures	<u>58,274</u>	<u>23,270</u>

#### Changes In Combining Fund Presentation

For the fiscal year ending June 30, 1998, the Board changed the level of detail reporting in the combining ISF and AF statement presentations of several of its smaller individual funds. For comparative purposes, the balances and results of operations as of and for the year ended June 30, 1997 are presented below in the June 30, 1998 formats.

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION (CONTINUED)

#### Changes In Combining Fund Presentation (Continued)

Internal Service Funds - Materials Management, Central Supply, and Surplus Property are now reported together into one Internal Service Fund - Other General Services.

	<u>Materials Management</u>	<u>Central Supply</u>	<u>Surplus Property</u>	<u>Other General Services</u>
Total Current Assets	\$ 147,794	\$ 1,411,102	\$ 1,259,514	2,818,410
Plant, Property, and Equipment	47,995	310,578	1,234,782	1,593,355
Accumulated Depreciation	(29,598)	(105,904)	(525,936)	(661,438)
Total Assets	166,191	1,615,776	1,968,360	3,750,327
 Total Current Liabilities	 8,892	 415,095	 975,413	 1,399,400
Total Liabilities	8,892	415,095	975,413	1,399,400
 Contributed Capital		303	727,418	727,721
Unreserved Retained Earnings	157,299	1,200,378	265,529	1,623,206
Total Fund Equity	157,299	1,200,681	992,947	2,350,927
Total Liabilities and Fund Equity	166,191	1,615,776	1,968,360	3,750,327
 Charges for Sales and Services	 160,345	 4,829,574	 1,096,518	 6,086,437
Other Revenue		24,335	441	24,776
Total Operating Revenue	160,345	4,853,909	1,096,959	6,111,213
 Cost of Sales and Services		3,506,271		3,506,271
Operating Expenses/Other	127,791	1,242,697	1,170,496	2,540,984
Depreciation Expenses	7,553	35,984	49,378	92,915
Total Operating Expenses	135,344	4,784,952	1,219,874	6,140,170
 Operating Income (Loss)	 25,001	 68,957	 (122,915)	 (28,957)
 Total Non-Operating Revenues (Expenses)	 (54)	 (19,707)	 25,923	 6,162
 Net Income (Loss)	 24,947	 49,250	 (96,992)	 (22,795)
 Net Cash Provided by (Used For)				
Operating Activities	30,185	158,079	(245,707)	(57,443)
Non-Capital Financing Activities		(3,887)	56,185	52,298
Capital and Related Financing Activities		(129,859)	(12,853)	(142,712)
Investing Activities			25,078	25,078
 Net Increase (Decrease) in Cash and Cash Equivalents	 30,185	 24,333	 (177,297)	 (122,779)

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION (CONTINUED)

#### Changes In Combining Fund Presentation (Continued)

Internal Service Funds – Print Shop and Water Pollution Revolving Loan Administration are now reported together into one Internal Service Fund – Other Internal Services.

	<u>Print Shop</u>	<u>Revolving Loan Fees</u>	<u>Other Internal Services</u>
Total Current Assets	\$ 1,706,529	\$ 1,239,023	\$ 2,945,552
Plant, Property, and Equipment	174,938	14,701	189,639
Accumulated Depreciation	(80,703)	(6,765)	(87,468)
Total Assets	1,800,764	1,246,959	3,047,723
 Total Current Liabilities	 114,846	 52,480	 167,326
Total Liabilities	114,846	52,480	167,326
 Unreserved Retained Earnings	 1,685,918	 1,194,479	 2,880,397
Total Fund Equity	1,685,918	1,194,479	2,880,397
Total Liabilities and Fund Equity	1,800,764	1,246,959	3,047,723
 Charges for Sales and Services	 982,183		 982,183
Licenses, Fees, Permits		50,616	50,616
 Total Operating Revenue	 982,183	 50,616	 ,032,799
 Operating Expenses	 995,355	 269,942	 1,265,297
Depreciation Expenses	11,637	1,852	13,489
Total Operating Expenses	1,006,992	271,794	1,278,786
 Operating Income (Loss)	 (24,809)	 (221,178)	 (245,987)
 Total Non-Operating Revenues (Expenses)	 (2,131)		 (2,131)
 Net Income (Loss)	 (26,940)	 (221,178)	 (248,118)
 Net Cash Provided by (Used For):			
Operating Activities	(5,593)	(218,864)	(224,457)
Non-Capital Financing Activities	127,761		127,761
Capital and Related Financing Activities	(27,015)	(1,710)	(28,725)
 Net Increase (Decrease) in Cash and Cash Equivalents	 95,153	 (220,574)	 (125,421)

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION (CONTINUED)

#### Changes In Combining Fund Presentation (Continued)

Agency Funds – Capital Improvement Bond Proceeds and Department of Commerce have been combined into one Agency fund – State Agencies' Funds.

	July 1, 1996 Beginning Balance	Additions	Deductions	June 30, 1997 Balance
<b>Capital Improvement Bond Proceeds</b>				
Assets				
Due from State - Capital Improvement Bond Proceeds	373,359			373,359
Total Assets	373,359			373,359
Liabilities				
Due to Other State Agencies	373,359			373,359
Total Liabilities	373,359			373,359
<b>Department of Commerce</b>				
Assets				
Accrued Interest Receivable	23,077	20,759	41,096	2,740
Intergovernmental Notes Receivable	400,000		133,334	266,666
Total Assets	423,077	20,759	174,430	269,406
Liabilities				
Due to Other State Agencies	23,077	20,759	41,096	2,740
Intergovernmental Notes Payable	400,000		133,334	266,666
Total Liabilities	423,077	20,759	174,430	269,406
<b>State Agencies' Funds</b>				
Assets				
Accrued Interest Receivable	23,077	20,759	41,096	2,740
Due from State - Capital Improvement Bond Proceeds	373,359			373,359
Intergovernmental Notes Receivable	400,000		133,334	266,666
Total Assets	796,436	20,759	174,430	642,765
Liabilities				
Due to Other State Agencies	396,436	20,759	41,096	376,099
Intergovernmental Notes Payable	400,000		133,334	266,666
Total Liabilities	796,436	20,759	174,430	642,765

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION (CONTINUED)

#### Changes In Combining Fund Presentation (Continued)

Agency Funds - Funded Debt Sinking Fund and Ordinary Sinking Fund have been combined into one Agency Fund - Sinking Funds.

	July 1, 1996 Beginning Balance (as Restated)	Additions	Deductions	June 30, 1997 Balance
<b>Funded Debt Sinking Fund</b>				
Assets				
Cash and Cash Equivalents	759	1,341		2,100
Investments	25,000			25,000
Accrued Interest Receivable	11		7	4
Total Assets	25,770	1,341	7	27,104
Liabilities				
Accrued Interest Payable	135			135
Advances from State	1,991			1,991
Due to State	23,644	1,341	7	24,978
Total Liabilities	25,770	1,341	7	27,104
<b>Ordinary Sinking Fund</b>				
Assets				
Cash and Cash Equivalents	1,977	298,160	293,000	7,137
Investments	3,830,000	860,000		4,690,000
Accrued Interest Receivable	1,786		983	803
Accounts Receivable	1,075	73,977	75,052	
Interfund Notes Receivable	154,963		1,800	153,163
Due from Other Funds	124,908	222,189	124,908	222,189
Total Assets	4,114,709	1,454,326	495,743	5,073,292
Liabilities				
Due to State	4,114,709	1,154,301	195,718	5,073,292
Total Liabilities	4,114,709	1,154,301	195,718	5,073,292
<b>Sinking Funds</b>				
Assets				
Cash and Cash Equivalents	2,736	299,501	293,000	9,237
Investments	3,855,000	860,000		4,715,000
Accrued Interest Receivable	1,797		990	807
Accounts Receivable	1,075	73,977	75,052	
Interfund Notes Receivable	154,963		1,800	153,163
Due from Other Funds	124,908	222,189	124,908	222,189
Total Assets	4,140,479	1,455,667	495,750	5,100,396
Liabilities				
Accrued Interest Payable	135			135
Advances from State	1,991			1,991
Due to State	4,138,353	1,155,642	195,725	5,098,270
Total Liabilities	4,140,479	1,155,642	195,725	5,100,396

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 30. CHANGES IN BOARD ORGANIZATION AND COMBINING FUND PRESENTATION (CONTINUED)

#### Changes In Combining Fund Presentation (Continued)

Agency Funds - Friends to Save the Hunley and African American History Monument Commission have been combined into one Agency Fund - Other Parties' Funds.

	July 1, 1996 Beginning Balance	Additions	Deductions	June 30, 1997 Balance
<b>Friends to Save the Hunley</b>				
Assets				
Cash and Cash Equivalents	2,257	5,566		7,823
Total Assets	2,257	5,566		7,823
Liabilities				
Due to Others	2,257	5,566		7,823
Total Liabilities	2,257	5,566		7,823
<b>African American History Monument Commission</b>				
Assets				
Cash and Cash Equivalents		172		172
Total Assets		172		172
Liabilities				
Due to Others		172		172
Total Liabilities		172		172
<b>Other Parties' Fund</b>				
Assets				
Cash and Cash Equivalents	2,257	5,738		7,995
Total Assets	2,257	5,738		7,995
Liabilities				
Due to Others	2,257	5,738		7,995
Total Liabilities	2,257	5,738		7,995

# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 31. PRIOR PERIOD ADJUSTMENTS

#### Accounting Changes

Effective July 1, 1997, the Board changed the cost threshold of its capitalization policy for equipment and furniture from \$500 to \$1,000. The accounting change to remove the value of fixed assets with acquisition costs not meeting the new policy is reported in accordance with GAAP as a prior period adjustment as follows:

	Balance as Previously Reported	Adjustment	Balance as Restated
<b><u>General Fixed Assets Account Group</u></b>			
Equipment and Furniture	\$ 4,483,245	\$ (628,631)	\$ 3,854,614
Investment in General Fixed Assets	12,727,674	(628,631)	12,099,043
<b><u>Internal Service Funds</u></b>			
<b><u>Engineering Services</u></b>			
Equipment and Furniture	1,892,928	(255,001)	1,637,927
Accumulated Depreciation	(43,062,905)	196,201	(42,866,704)
Unreserved Retained (Deficit)	(9,866,791)	(58,800)	(9,925,591)
<b><u>Data Processing</u></b>			
Equipment and Furniture	13,375,099	(299,880)	13,075,219
Accumulated Depreciation	(8,518,719)	153,642	(8,365,077)
Unreserved Retained Earnings	12,187,650	(146,238)	12,041,412
<b><u>Telecommunications</u></b>			
Equipment and Furniture	51,810,663	(2,751,837)	49,058,826
Accumulated Depreciation	(42,102,031)	2,377,904	(39,724,127)
Unreserved Retained Earnings	13,466,677	(373,933)	13,092,744
<b><u>Motor Vehicle Management</u></b>			
Equipment and Furniture	21,655,272	(27,573)	21,627,699
Accumulated Depreciation	(12,984,243)	20,583	(12,963,660)
Unreserved Retained Earnings	14,106,683	(6,990)	14,099,693
<b><u>Other General Services</u></b>			
Equipment and Furniture	759,275	(29,758)	729,517
Accumulated Depreciation	(661,438)	21,288	(640,150)
Unreserved Retained Earnings	1,623,206	(8,470)	1,614,736
<b><u>Other Internal Services</u></b>			
Equipment and Furniture	189,639	(10,752)	178,887
Accumulated Depreciation	(87,468)	6,854	(80,614)
Unreserved Retained Earnings	2,880,397	(3,898)	2,876,499



# SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

### NOTE 31. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

#### Accounting Changes (Continued)

As discussed in Note 1, the Board implemented a change in accounting principle in accounting for deposits and investments. As prescribed in GASB #31, implementation is retroactively applied by restatement of prior year retained earnings to recognize unrealized gains or losses on investments.

	Balance as Previously Reported	Adjustment	Balance as Restated
<u><b>Special Revenue Funds</b></u>			
<u>Energy Programs</u>			
Cash and Cash Equivalents	18,064,799	26,248	18,091,047
Fund Balance Reserved for Subsequent Year Expenditures	18,172,399	26,248	18,198,647
<u>State Infrastructure Revolving Loan</u>			
Cash and Cash Equivalents	8,318,839	11,694	8,330,533
Fund Balance Reserved for Subsequent Year Expenditures	8,424,593	11,694	8,436,287
<u><b>Internal Service Fund</b></u>			
<u>Insurance Reserve</u>			
Investments	189,347,922	8,029,851	197,377,773
Unreserved Retained Earning	45,594,130	8,029,851	53,623,981
<u>Health Insurance Reserve</u>			
Investments	20,979,594	289,577	21,269,171
Unreserved Retained Earnings	117,070,867	289,577	117,360,444
<u>Other General Services</u>			
Cash and Cash Equivalents	1,382,344	582	1,382,926
Unreserved Retained Earnings	1,614,736	582	1,615,318
<u><b>Agency Funds</b></u>			
<u>Clean Water Revolving Loan</u>			
Cash and Cash Equivalents	38,095,146	52,189	38,147,335
Due to Other State Agencies	177,543,859	52,189	177,596,048

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998**

### **NOTE 31. PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

#### **Accounting Changes (Continued)**

A recap of changes by fund type is as follows

	<b>Balance as Previously Reported</b>	<b>Adjustment</b>	<b>Balance as Restated</b>
<b><u>Special Revenue Funds</u></b>			
Cash and Cash Equivalents	34,005,149	37,942	34,043,091
Fund Balance Reserved for Subsequent Year Expenditures	33,884,273	37,942	33,922,215
<b><u>Internal Service Funds</u></b>			
Cash and Cash Equivalents	248,091,440	582	248,092,022
Investments	210,382,516	8,319,428	218,701,944
Equipment and Furniture	92,031,169	(3,374,801)	88,656,368
Accumulated Depreciation	108,447,312	2,776,472	105,670,840
Unreserved Fund Balance	206,929,610	(539,529)	206,390,081
Unreserved Retained (Deficit)	(9,866,791)	(58,800)	(9,925,591)

### **NOTE 32. SUBSEQUENT EVENTS**

Effective July 1, 1999, the Confederate Relic Room officially became part of the consolidated divisions of the Board.

In April 1999, Engineering Service – Internal Service Fund issued \$4.8 million in Revenue Bonds with an average interest rate of 4.05% to payoff the capital lease on the Robert Mills Building.

### **NOTE 33. NET LOSS**

During 1998, the Health Insurance Reserve Fund reported a net loss of approximately \$34,161,000.

The net loss for the year ended June 30, 1998 is attributable to the State Health Plan maintaining constant contribution levels and spending down retained earnings to pay claims. Section 1-11-710 of the SC Code of Laws requires the Plan to have a cash reserve balance equivalent to no less than 1 ½ months of claims payments. In recent years, the cash balance exceeded this benchmark by a substantial amount. By allowing the Health Insurance Reserve Fund retained earnings to fall to near the statutory requirement, the State Health Plan has been able to keep employee and employer contributions constant over the past seven and five years, respectively.

Because of a continuing increase in health claims costs and depletion of reserves, the State Health Plan instituted an 18% employer rate increase effective January 1999. This increase will allow the State Health Plan to maintain its current level of benefits, keep employee contributions constant for another year, and maintain reserves at statutory levels.

# 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 )
<b>SCRS</b>						
7/1/97	\$ 13,621,362	\$ 14,977,179	\$ 1,355,817	90.9%	\$ 4,927,124	27.5%
7/1/96	12,499,235	14,062,092	1,562,857	88.9%	4,540,100	34.4%
7/1/95	11,453,462	12,980,497	1,527,035	88.2%	4,318,827	35.4%
<b>PORS</b>						
7/1/97	1,512,390	1,570,816	58,426	96.3%	562,553	10.4%
7/1/96	1,367,549	1,427,785	60,236	95.8%	505,516	11.9%
7/1/95	1,236,610	1,299,119	62,509	95.2%	475,176	13.2%
<b>GARS</b>						
7/1/97	33,627	60,052	26,425	56.0%	4,721	559.7%
7/1/96	31,702	59,914	28,212	52.9%	4,771	591.3%
7/1/95	30,528	58,577	28,049	52.1%	4,704	596.3%
<b>JSRS</b>						
7/1/97	68,980	112,185	43,205	61.5%	11,221	385.0%
7/1/96	62,850	101,020	38,170	62.2%	10,109	377.6%
7/1/95	57,917	94,420	36,503	61.3%	9,417	387.6%

## 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
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
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	\$ 2,796	100%	\$ 4,991	100%
1997	2,492	100%	4,771	100%
1996	1,679	100%	4,244	100%

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):****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 valuations follow.

		<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>
Valuation Date	7/1/97	7/1/97	7/1/97	7/1/97
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	14 years	6 years	27 years	25 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*	4.25% - 11.35%	5.05% - 11.15%	2.00%	5.25%
*Includes inflation at	4.25%	4.25%	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, 1998**  
**(Expressed in Thousands)**

	<b>Statewide Performance Audit</b>	<b>State Public Assistance Program</b>	<b>EIA School Technical Initiative</b>	<b>Energy Programs</b>	<b>State Infrastructure Revolving Loan</b>	<b>Totals</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 90	\$ 614	\$ 3,532	\$ 18,713	\$ 15,538	\$ 38,487
Accounts Receivable	60	-	8	8	-	76
Due from Federal Government	-	21	-	107	-	128
Interest Receivable	-	-	-	181	170	351
Intergovernmental Notes Receivable	-	-	-	-	2,811	2,811
<b>TOTAL ASSETS</b>	<b>\$ 150</b>	<b>\$ 635</b>	<b>\$ 3,540</b>	<b>\$ 19,009</b>	<b>\$ 18,519</b>	<b>\$ 41,853</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 2	\$ 1	\$ 152	\$ 136	\$ -	\$ 291
Due to Other Funds	-	625	-	-	-	625
Accrued Payroll & Employer Contributions	-	9	-	71	-	80
<b>TOTAL LIABILITIES</b>	<b>2</b>	<b>635</b>	<b>152</b>	<b>207</b>	<b>-</b>	<b>996</b>
<b>FUND EQUITY:</b>						
Fund Balance Reserved:						
Subsequent Years' Expenditures	148	-	3,381	18,802	15,708	38,039
Long-Term Notes	-	-	-	-	2,811	2,811
Appropriations to be Carried Forward	-	-	7	-	-	7
<b>TOTAL FUND EQUITY</b>	<b>148</b>	<b>-</b>	<b>3,388</b>	<b>18,802</b>	<b>18,519</b>	<b>40,857</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 150</b>	<b>\$ 635</b>	<b>\$ 3,540</b>	<b>\$ 19,009</b>	<b>\$ 18,519</b>	<b>\$ 41,853</b>

**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, 1998**  
**(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>
<b>REVENUE</b>						
Intergovernmental:						
Education Improvement Act Allocation	\$ -	\$ -	\$ 25,117	\$ -	\$ -	\$ 25,117
Capital Reserve Fund Appropriation	-	625	-	-	-	625
Board Offices and Other State Agencies	711	-	-	44	-	755
Federal Grants	-	4,810	-	898	-	5,708
Litigation and Court Recovery	-	-	-	304	-	304
Interest Income	-	-	-	1,232	1,083	2,315
Other Income	-	-	-	1	-	1
<b>TOTAL REVENUE</b>	<u>711</u>	<u>5,435</u>	<u>25,117</u>	<u>2,479</u>	<u>1,083</u>	<u>34,825</u>
<b>EXPENDITURES</b>						
Allocations	-	4,774	19,930	436	-	25,140
Operating Expenditures	<u>1,094</u>	<u>273</u>	<u>8,695</u>	<u>1,440</u>	<u>-</u>	<u>11,502</u>
<b>TOTAL EXPENDITURES</b>	<u>1,094</u>	<u>5,047</u>	<u>28,625</u>	<u>1,876</u>	<u>-</u>	<u>36,642</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(383)</u>	<u>388</u>	<u>(3,508)</u>	<u>603</u>	<u>1,083</u>	<u>(1,817)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfer from General Fund	-	-	-	-	9,000	9,000
Transfer to General Fund	<u>-</u>	<u>(388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(388)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>(388)</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>8,612</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(383)</u>	<u>-</u>	<u>(3,508)</u>	<u>603</u>	<u>10,083</u>	<u>6,795</u>
<b>FUND BALANCES - BEGINNING OF YEAR (RESTATED)</b>						
	<u>531</u>	<u>-</u>	<u>6,896</u>	<u>18,199</u>	<u>8,436</u>	<u>34,062</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 148</u>	<u>\$ -</u>	<u>\$ 3,388</u>	<u>\$ 18,802</u>	<u>\$ 18,519</u>	<u>\$ 40,857</u>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 1998**  
**(Expressed in Thousands)**

	<u>Capital Improvement Bonds</u>	<u>Other</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 118	\$ 9,806	\$ 9,924
Accounts Receivable	-	242	242
Due from State:			
Departmental Capital Improvement Bonds	1,245	-	1,245
Capital Reserve Fund	-	3,308	3,308
Due from Other Funds	<u>-</u>	<u>97</u>	<u>97</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,363</u>	<u>\$ 13,453</u>	<u>\$ 14,816</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ 1,326	\$ 1,326
Retainage Payable	-	1,210	1,210
Due to Other State Agencies	-	1,530	1,530
Due to Other Funds	<u>-</u>	<u>8,085</u>	<u>8,085</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>12,151</u>	<u>12,151</u>
<b>FUND EQUITY:</b>			
Fund Balances:			
Reserved for Subsequent Years' Expenditures	<u>1,363</u>	<u>1,302</u>	<u>2,665</u>
<b>TOTAL FUND EQUITY</b>	<u>1,363</u>	<u>1,302</u>	<u>2,665</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 1,363</u>	<u>\$ 13,453</u>	<u>\$ 14,816</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, 1998**  
**(Expressed in Thousands)**

	<u>Capital Improvement Bonds</u>	<u>Other</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental:			
Board Offices and Other State Agencies	\$	\$ 11,486	\$ 11,486
Capital Reserve Fund Appropriations		<u>10,649</u>	<u>10,649</u>
<b>TOTAL REVENUES</b>		<u>22,135</u>	<u>22,135</u>
<b>EXPENDITURES</b>			
Capital Projects Expenditures:			
Capitalizable Projects - Board		1,159	1,159
Capitalizable Projects - Other State Agencies	3	1,201	1,204
Repairs and Maintenance	<u>21</u>	<u>18,473</u>	<u>18,494</u>
<b>TOTAL EXPENDITURES</b>	<u>24</u>	<u>20,833</u>	<u>20,857</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(24)	302	1,278
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,387</u>		<u>1,387</u>
<b>FUND BALANCES - END OF YEAR</b>	\$ <u><u>1,363</u></u>	\$ <u><u>1,302</u></u>	\$ <u><u>2,665</u></u>



**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 1998**  
**(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>
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash and Cash Equivalents	\$ 89,051	\$ 147,810	\$ 5,440	\$ 9,015	\$ 13,549	\$ 3,518	\$ 931	\$ 1,257	\$ 1,664	\$ 272,235
Restricted Assets - Cash and Cash Equivalents	-	-	9,066	-	-	1,145	-	-	-	10,211
Accounts Receivable	-	-	584	2,926	3,248	1,684	39	564	122	9,167
Premiums Receivable	14,345	215	-	-	-	-	-	-	-	14,560
Reinsurance Recovery Receivable	1,671	-	-	-	-	-	-	-	-	1,671
Prepaid Expenses	2,211	-	-	-	-	-	-	-	9	2,220
Due from State General Fund	-	-	46	-	-	-	-	-	-	46
Preventive Drug Rebate Receivable	-	399	-	-	-	-	-	-	-	399
Accrued Interest Receivable	3,729	1,951	74	-	-	-	18	3	-	5,775
Inventories	-	-	93	-	899	11	-	637	-	1,640
Inventory on Consignment	-	-	-	-	-	-	-	191	-	191
Interfund Notes Receivable	556	-	-	-	-	-	-	-	-	556
Intergovernmental Notes Receivable	3,124	-	-	-	-	-	-	-	-	3,124
Due from Other Funds	-	13,815	5,429	704	96	35	75	30	64	20,248
Other Assets	183	2	-	-	-	-	-	1	-	186
<b>Total Current Assets</b>	<b>114,870</b>	<b>164,192</b>	<b>20,732</b>	<b>12,645</b>	<b>17,792</b>	<b>6,393</b>	<b>1,063</b>	<b>2,683</b>	<b>1,859</b>	<b>342,229</b>
<b>Non-Current Assets:</b>										
Investments	176,142	22,862	55	-	-	-	-	-	-	199,059
Interfund Notes Receivable	2,374	-	-	-	-	-	-	-	-	2,374
Intergovernmental Notes Receivable	28,462	-	-	-	-	-	-	-	-	28,462
Advances to Other Funds	-	-	-	-	1,000	-	-	-	-	1,000
Land and Improvements	-	-	5,629	-	-	329	-	-	-	5,958
Buildings and Improvements	-	-	143,698	-	-	1,127	-	834	-	145,659
Equipment and Furniture	865	1,133	1,759	13,839	50,070	25,049	2,935	692	209	96,551
Construction in Progress	-	-	868	-	-	-	-	-	-	868
Less Accumulated Depreciation	(441)	(545)	(45,764)	(9,577)	(41,351)	(15,039)	(1,280)	(645)	(96)	(114,738)
<b>Total Non-Current Assets</b>	<b>207,402</b>	<b>23,450</b>	<b>106,245</b>	<b>4,262</b>	<b>9,719</b>	<b>11,466</b>	<b>1,655</b>	<b>881</b>	<b>113</b>	<b>365,193</b>
<b>Total Assets</b>	<b>\$ 322,272</b>	<b>\$ 187,642</b>	<b>\$ 126,977</b>	<b>\$ 16,907</b>	<b>\$ 27,511</b>	<b>\$ 17,859</b>	<b>\$ 2,718</b>	<b>\$ 3,564</b>	<b>\$ 1,972</b>	<b>\$ 707,422</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**JUNE 30, 1998**  
**(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
<b>LIABILITIES AND FUND EQUITY</b>										
<b>Current Liabilities:</b>										
Accounts Payable	\$ 233	\$ -	\$ 1,101	\$ 2,060	\$ 2,590	\$ 632	\$ 449	\$ 445	\$ 62	\$ 7,572
Accrued Payroll & Employer Contributions	177	316	527	636	433	99	635	124	48	2,995
Accrued Interest	-	-	631	-	665	26	-	-	-	1,322
Claims Payable	93,544	25,254	-	-	-	-	-	-	-	118,798
Deferred Premium Revenue	38,495	2,185	-	-	-	-	-	-	-	40,680
Claims Incurred But Not Reported	53,234	76,390	-	-	-	-	-	-	-	129,624
Due to State General Fund	-	-	-	-	-	-	-	146	-	146
Due to Other Funds	-	-	97	64	-	-	-	-	-	161
Due to Other State Agency	-	-	-	-	-	-	-	254	-	254
Capital Leases	-	-	722	-	-	-	-	-	-	722
Interfund Notes Payable	-	-	558	-	-	-	-	-	-	558
Intergovernmental Notes Payable	-	-	-	-	947	-	-	-	-	947
Notes Payable	-	-	94	-	-	254	-	-	-	348
Advance from State	-	-	689	-	-	-	-	-	-	689
Lease Revenue Bonds Payable - \$118 for Restricted Assets	-	-	2,170	-	-	-	-	-	-	2,170
Liability for Inventory Held on Consignment	-	-	-	-	-	-	-	191	-	191
Liability for Compensated Absences	248	251	724	897	538	113	794	170	75	3,810
<b>Total Current Liabilities</b>	<b>185,931</b>	<b>104,396</b>	<b>7,313</b>	<b>3,657</b>	<b>5,173</b>	<b>1,124</b>	<b>1,878</b>	<b>1,330</b>	<b>185</b>	<b>310,987</b>
<b>Non-Current Liabilities</b>										
Advances from Other Funds	-	-	-	1,000	-	-	-	-	-	1,000
Capital Leases Payable	-	-	9,194	-	-	-	-	-	-	9,194
Interfund Notes Payable	-	-	2,522	-	-	-	-	-	-	2,522
Intergovernmental Notes Payable	-	-	-	-	7,362	-	-	-	-	7,362
Notes Payable	-	-	671	-	-	1,246	-	-	-	1,917
Advance from State	-	-	7,486	-	-	-	-	-	-	7,486
Lease Revenue Bonds Payable	-	-	33,595	-	-	-	-	-	-	33,595
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>53,468</b>	<b>1,000</b>	<b>7,362</b>	<b>1,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,076</b>
<b>Total Liabilities</b>	<b>185,931</b>	<b>104,396</b>	<b>60,781</b>	<b>4,657</b>	<b>12,535</b>	<b>2,370</b>	<b>1,878</b>	<b>1,330</b>	<b>185</b>	<b>374,063</b>

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 1998  
(Expressed in Thousands)

LIABILITIES AND FUND EQUITY (Continued)	Insurance Reserve	Health Insurance Reserve	Engineering Services	Data Processing	Telecom- munications	Motor Vehicle Management	Pension Administration	Other General Services	Other Internal Services	Totals
<b>Fund Equity</b>										
Contributed Capital	-	7	72,830	13	46	311	-	720	2	73,929
Retained Earnings:										
Reserved For:										
Construction Contracts	-	-	8,174	-	-	-	-	-	-	8,174
Purchase Agreements	-	-	774	-	-	1,145	-	-	-	1,919
Installment Purchase Program	35,000	-	-	-	-	-	-	-	-	35,000
Savannah Valley Development										
Division Loans	20,000	-	-	-	-	-	-	-	-	20,000
Unreserved Retained Earnings	81,341	83,239	-	12,237	14,930	14,033	840	1,514	1,785	209,919
Unreserved Retained Deficit	-	-	(15,582)	-	-	-	-	-	-	(15,582)
<b>Total Fund Equity</b>	<u>136,341</u>	<u>83,246</u>	<u>66,196</u>	<u>12,250</u>	<u>14,976</u>	<u>15,489</u>	<u>840</u>	<u>2,234</u>	<u>1,787</u>	<u>333,359</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 322,272</u>	<u>\$ 187,642</u>	<u>\$ 126,977</u>	<u>\$ 16,907</u>	<u>\$ 27,511</u>	<u>\$ 17,859</u>	<u>\$ 2,718</u>	<u>\$ 3,564</u>	<u>\$ 1,972</u>	<u>\$ 707,422</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, 1998**  
(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
<b>Operating Revenues:</b>										
Charges for Sales and Services	\$ -	\$ -	\$ 3,822	\$ 15,878	\$ 24,984	\$ 2,646	\$ 11,206	\$ 6,590	\$ 1,038	\$ 66,164
Insurance Premiums	66,498	620,706	-	-	-	-	-	-	-	687,204
License, Fees, Permits	-	-	-	-	-	11	-	-	164	175
Rental Revenue	-	-	22,717	-	2,133	8,612	-	1	-	33,463
Interest Income	22,889	14,786	-	-	-	-	-	-	-	37,675
Prescription Drug Rebates	-	3,648	-	-	-	-	-	-	-	3,648
Other Revenue	1	274	117	4	14	46	18	2	-	476
<b>Total Revenue</b>	<b>89,388</b>	<b>639,414</b>	<b>26,656</b>	<b>15,882</b>	<b>27,131</b>	<b>11,315</b>	<b>11,224</b>	<b>6,593</b>	<b>1,202</b>	<b>828,805</b>
<b>Operating Expenses:</b>										
Cost of Sale and Services	-	-	-	-	11,599	-	-	3,787	-	15,386
Reinsurance Premiums	23,584	-	-	-	-	-	-	-	-	23,584
Premiums	1,341	94,931	-	-	-	-	-	-	-	96,272
Claims	23,972	553,566	-	-	-	-	-	-	-	577,538
Personal Services	-	-	5,109	5,807	3,922	939	6,245	1,189	465	23,676
Employer Contributions	-	-	1,279	1,315	854	243	1,411	342	111	5,555
Contractual Services	-	-	5,069	5,393	3,259	2,870	2,868	869	174	20,502
Fixed Charges and Contributions	-	-	715	1,938	723	586	72	88	272	4,394
Power, Light, and Heat	-	-	5,223	-	57	19	-	35	-	5,334
Other Operating	-	-	2,057	552	1,400	1,901	738	280	354	7,282
Professional and Administrative Fees	8,408	19,146	-	-	-	-	-	-	-	27,554
Insurance Benefits Administration	-	5,747	-	-	-	-	-	-	-	5,747
Insurance Reserve Administration	4,180	-	-	-	-	-	-	-	-	4,180
Depreciation	147	121	3,022	1,368	2,243	4,132	486	91	16	11,626
Other	-	-	8	6	32	-	-	5	-	51
<b>Total Operating Expenses</b>	<b>61,632</b>	<b>673,511</b>	<b>22,482</b>	<b>16,379</b>	<b>24,089</b>	<b>10,690</b>	<b>11,820</b>	<b>6,686</b>	<b>1,392</b>	<b>828,681</b>
<b>Operating Income (Loss)</b>	<b>27,756</b>	<b>(34,097)</b>	<b>4,174</b>	<b>(497)</b>	<b>3,042</b>	<b>625</b>	<b>(596)</b>	<b>(93)</b>	<b>(190)</b>	<b>124</b>
<b>Non-Operating Revenues (Expenses):</b>										
State Appropriations	-	-	770	-	-	-	-	-	-	770
Federal Grant Revenue	-	-	2	-	-	-	-	-	-	2
Interest Income	-	-	208	-	-	22	120	19	-	369
Net Gain (Loss) on Disposals of Fixed Assets	(39)	(64)	(10)	(19)	(93)	455	(127)	(24)	-	79
Interest Expense	-	-	(3,036)	-	(665)	(26)	-	-	-	(3,727)
Principal and Interest Forgiven	-	-	1,229	-	-	-	-	-	-	1,229
Other Debt Service Charges	-	-	(45)	-	-	-	-	-	-	(45)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(39)</b>	<b>(64)</b>	<b>(882)</b>	<b>(19)</b>	<b>(758)</b>	<b>451</b>	<b>(7)</b>	<b>(5)</b>	<b>-</b>	<b>(1,323)</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
(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
<b>Income (Loss) Before Operating Transfers</b>	27,717	(34,161)	3,292	(516)	2,284	1,076	(603)	(98)	(190)	(1,199)
Operating Transfer In	-	-	-	1,347	-	-	-	-	-	1,347
Operating Transfer Out	-	-	-	-	(447)	-	-	-	(900)	(1,347)
<b>Total Operating Transfer</b>	-	-	-	1,347	(447)	-	-	-	(900)	-
<b>Net Income (Loss)</b>	27,717	(34,161)	3,292	831	1,837	1,076	(603)	(98)	(1,090)	(1,199)
Net Transfer of Fixed Assets Between Internal Service Funds	-	39	-	-	-	2	(39)	(2)	-	-
<b>Retained Earnings</b>										
Beginning of Year (Restated)	108,624	117,361	(9,926)	12,041	13,093	14,100	-	1,615	2,876	259,784
Residual Equity Transfer In	-	-	-	-	-	-	1,482	-	-	1,482
Residual Equity Transfer Out	-	-	-	(635)	-	-	-	(1)	(1)	(637)
<b>Retained Earnings (Deficit) - End of Year</b>	<b>136,341</b>	<b>83,239</b>	<b>(6,634)</b>	<b>12,237</b>	<b>14,930</b>	<b>15,178</b>	<b>840</b>	<b>1,514</b>	<b>1,785</b>	<b>259,430</b>
<b>Contributed Capital</b>										
Beginning of Year as Previously Reported	-	7	71,807	15	47	361	-	728	-	72,965
Residual Equity Transfer In	-	-	635	-	-	-	8	-	-	643
Net Change in Contributed Capital	-	-	388	(2)	(1)	(50)	(8)	(8)	2	321
<b>Contributed Capital - End of Year</b>	<b>-</b>	<b>7</b>	<b>72,830</b>	<b>13</b>	<b>46</b>	<b>311</b>	<b>-</b>	<b>720</b>	<b>2</b>	<b>73,929</b>
<b>Total Fund Equity</b>	<b>\$ 136,341</b>	<b>\$ 83,246</b>	<b>\$ 66,196</b>	<b>\$ 12,250</b>	<b>\$ 14,976</b>	<b>\$ 15,489</b>	<b>\$ 840</b>	<b>\$ 2,234</b>	<b>\$ 1,787</b>	<b>\$ 333,359</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
**(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
<b>CASH FLOWS FROM (USED FOR)</b> <b>OPERATING ACTIVITIES</b>										
Operating Income (Loss)	\$ 27,756	\$ (34,097)	\$ 4,174	\$ (497)	\$ 3,042	\$ 625	\$ (596)	\$ (93)	\$ (190)	\$ 124
Receipt of Cash and Cash Equivalents from the Retirement Systems for Pension Administration	-	-	-	-	-	-	1,356	-	-	1,356
Reclassify investment and note interest income included in operating income(loss) to investing activity	(22,889)	(14,786)	-	-	-	-	-	-	-	(37,675)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:										
Depreciation	147	121	3,022	1,368	2,243	4,132	486	91	16	11,626
Change in Fair Value of Long-Term Investments	2,516	1,297	54	-	-	-	5	2	-	3,874
Changes in Assets and Liabilities:										
(Increase) Decrease in Accounts Receivable	-	-	(253)	(1,827)	919	468	(39)	(26)	-	(758)
(Increase) Decrease in Premiums Receivable	1,517	(13)	-	-	-	-	-	-	-	1,504
(Increase) in Reinsurance Recovery Receivable	(399)	-	-	-	-	-	-	-	-	(399)
(Increase) Decrease in Due from Other Funds and Due from Other State Agencies	-	(776)	(2,403)	694	(34)	(29)	(75)	(3)	-	(2,626)
(Increase) Decrease in Inventory	-	-	(11)	-	32	(1)	-	36	-	56
Decrease in Prepaid Expenses, Preventive Drug Rebate Receivable and Other Assets	475	617	-	-	-	-	-	-	5	1,097
Increase (Decrease) in Accounts Payable	7	(323)	(16)	1,608	776	(390)	(215)	(49)	9	1,407
Increase (Decrease) in Accrued Payroll & Benefits	(4)	92	53	119	66	11	164	15	4	520
Increase (Decrease) in Liability for Compensated Absences	7	(31)	37	194	15	2	78	17	4	323
Increase (Decrease) in Claims Payable and Incurred But Not Reported	(10,211)	4,084	-	-	-	-	-	-	-	(6,127)
Increase in Deferred Premium Revenue	4,993	1,567	-	-	-	-	-	-	-	6,560
(Decrease) in Liability for Inventory on Consignment	-	-	-	-	-	-	-	(117)	-	(117)
Increase in Due to Other State Agencies	-	-	-	-	-	-	-	253	-	253
(Decrease) in Due to General Fund of State	-	-	(843)	-	-	-	-	(188)	-	(1,031)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>3,915</b>	<b>(42,248)</b>	<b>3,814</b>	<b>1,659</b>	<b>7,059</b>	<b>4,818</b>	<b>1,164</b>	<b>(62)</b>	<b>(152)</b>	<b>(20,033)</b>
<b>CASH FLOWS FROM (USED FOR)</b> <b>NON-CAPITAL FINANCING ACTIVITIES:</b>										
State Appropriations Received	-	-	764	-	-	-	-	-	-	764
Federal Grants Received	-	-	2	-	-	-	-	-	-	2
Advances to Other Funds	-	-	-	-	(1,000)	-	-	-	-	(1,000)
Advances from Other Funds	-	-	-	1,000	-	-	-	-	-	1,000
Operating Transfer In	-	-	-	1,347	-	-	-	-	-	1,347
Operating Transfer Out	-	-	-	-	(447)	-	-	-	(900)	(1,347)
<b>Net Cash Provided by (Used For) Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>766</b>	<b>2,347</b>	<b>(1,447)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(900)</b>	<b>766</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
(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
<b>CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>										
Proceeds from Sale of Fixed Assets	-	-	-	12	-	550	-	-	-	562
Proceeds from Lease Revenue Bonds	-	-	8,577	-	-	-	-	-	-	8,577
Proceeds from Notes Payable	-	-	765	-	-	1,500	-	-	-	2,265
Acquisition and Construction of Capital Assets	(28)	(48)	(381)	(1,579)	(1,720)	(5,628)	(330)	(83)	(29)	(9,826)
Unfunded Construction Projects Expenditures	-	-	96	-	-	-	-	-	-	96
Funding of Construction Projects	-	-	(108)	(1,102)	-	-	-	-	-	(1,210)
Repayment of Funding of Construction Projects	-	-	33	-	-	-	-	-	-	33
Principal Paid on Interfund Notes Payable	-	-	(620)	-	-	-	-	-	-	(620)
Principal Paid on Intergovernmental Notes Payable	-	-	-	-	(877)	-	-	-	-	(877)
Principal Paid on Lease Revenue Bonds	-	-	(2,000)	-	-	-	-	-	-	(2,000)
Principal Paid on Capital Leases	-	-	(669)	-	-	-	-	-	-	(669)
Interest Paid on Interfund Notes Payable	-	-	(201)	-	-	-	-	-	-	(201)
Interest Paid on Intergovernmental Notes Payable	-	-	-	-	(735)	-	-	-	-	(735)
Interest Paid on Lease Revenue Bonds	-	-	(1,596)	-	-	-	-	-	-	(1,596)
Interest Paid on Capital Leases	-	-	(788)	-	-	-	-	-	-	(788)
Other Debt Service	-	-	(2)	-	-	-	-	-	-	(2)
<b>Net Cash Provided by (Used For) Capital and Related Financing Activities</b>	<b>(28)</b>	<b>(48)</b>	<b>3,106</b>	<b>(2,669)</b>	<b>(3,332)</b>	<b>(3,578)</b>	<b>(330)</b>	<b>(83)</b>	<b>(29)</b>	<b>(6,991)</b>
<b>CASH FLOWS FROM (USED FOR ) INVESTING ACTIVITIES:</b>										
Payments Received on Intergovernmental Notes Receivable	5,853	-	20	-	400	-	-	-	-	6,273
Payments Received on Interfund Notes Receivable	617	-	-	-	-	-	-	-	-	617
Payments to Fund Intergovernmental Notes Receivable	(1,139)	-	-	-	-	-	-	-	-	(1,139)
Purchase of Investments	(51,642)	(602)	-	-	-	-	-	-	-	(52,244)
Proceeds from Sales and Maturity of Investments	75,119	315	-	-	-	-	-	-	-	75,434
Interest Received on Interfund Notes Receivable	201	-	-	-	-	-	-	-	-	201
Interest Received on Intergovernmental Notes Receivable	2,356	-	-	-	-	-	-	-	-	2,356
Interest Received on Deposits and Investments	15,674	13,001	189	-	-	22	97	19	-	29,002
<b>Net Cash Provided by Investing Activities</b>	<b>47,039</b>	<b>12,714</b>	<b>209</b>	<b>-</b>	<b>400</b>	<b>22</b>	<b>97</b>	<b>19</b>	<b>-</b>	<b>60,500</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
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
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	50,926	(29,582)	7,895	1,337	2,680	1,262	931	(126)	(1,081)	34,242
<b>CASH AND CASH EQUIVALENTS</b>										
Beginning of Year (Restated)	38,125	177,392	6,611	7,678	10,869	3,401	-	1,383	2,745	248,204
<b>CASH AND CASH EQUIVALENTS</b>										
End of Year	<u>\$ 89,051</u>	<u>\$ 147,810</u>	<u>\$ 14,506</u>	<u>\$ 9,015</u>	<u>\$ 13,549</u>	<u>\$ 4,663</u>	<u>\$ 931</u>	<u>\$ 1,257</u>	<u>\$ 1,664</u>	<u>\$ 282,446</u>
<b>SUPPLEMENTAL INFORMATION</b>										
<b>NONCASH OPERATING ACTIVITIES:</b>										
Assumption of Accounts Payable and Accrued Expenses and Compensated Absences Payable through Residual Equity Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,851	\$ -	\$ -	\$ 1,851
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>										
Transfers of Fixed Assets Between Internal Service Funds	-	39	-	-	-	2	(39)	(2)	-	-
Transfers of Fixed Assets from General Fixed Assets Account Group	-	-	-	7	-	-	-	-	6	13
Transfers of Fixed Assets to General Fixed Assets Account Group	-	-	-	-	-	-	-	1	4	5
Transfers of Fixed Assets through Residual Equity Transfer	-	-	-	-	-	-	2,774	-	-	2,774
Transfers of Construction in Progress Between Internal Service Funds	-	-	635	(635)	-	-	-	-	-	-
Advance from State - Principal Forgiveness	-	-	647	-	-	-	-	-	-	647
Advance from State - Interest Forgiveness	-	-	582	-	-	-	-	-	-	582
Donated Fixed Assets	-	-	390	-	-	4	-	-	-	394
Disposal of Fixed Assets	42	9	137	190	710	2,206	400	117	1	3,812



**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**FIDUCIARY TRUST FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 1998**  
**(Expressed in thousands)**

	<b>EXPENDABLE TRUST</b>				
	<b>War Memorial</b>	<b>Robert Mills Building</b>	<b>Total Expendable Trust</b>	<b>Total Pension Trust</b>	<b>Total Fiduciary Trust</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ 2	\$ 2	\$ 1,979,053	\$ 1,979,055
Receivables:					
Due from Other Systems	-	-	-	941	941
Employee and Employer Contributions	-	-	-	102,083	102,083
Employer Contributions Long-term	-	-	-	3,831	3,831
Accrued Interest	-	-	-	212,124	212,124
Unsettled Investment Sales	-	-	-	54,987	54,987
Accounts Receivable	-	57	57	-	57
Total Receivables	-	57	57	373,966	374,023
Investments, at Fair Value;					
United States Government Securities	-	-	-	2,945,866	2,945,866
United States Government Agencies and Government-insured	215	1,585	1,800	4,605,875	4,607,675
Corporate Bonds	-	-	-	5,716,875	5,716,875
Financial and Other	-	-	-	2,804,792	2,804,792
Total Investments	215	1,585	1,800	16,073,408	16,075,208
Invested Securities Lending Collateral	-	-	-	1,526,258	1,526,258
Property, net of accumulated depreciation	-	-	-	4,646	4,646
<b>TOTAL ASSETS</b>	<u>\$ 215</u>	<u>\$ 1,644</u>	<u>\$ 1,859</u>	<u>\$ 19,957,331</u>	<u>\$ 19,959,190</u>
<b>LIABILITIES</b>					
Due to Other Systems	\$ -	\$ -	\$ -	\$ 941	\$ 941
Accounts Payable-Unsettled Investment Purchases	-	-	-	56,279	56,279
Obligations under Securities Lending	-	-	-	1,526,258	1,526,258
Due to Other Funds	-	-	-	13,815	13,815
Accounts Payable and Accrued Liabilities	-	-	-	3,857	3,857
<b>TOTAL LIABILITIES</b>	-	-	-	1,601,150	1,601,150
<b>FUND EQUITY</b>					
Fund Balances					
Reserved for:					
Employees' Pension Benefits	-	-	-	18,356,181	18,356,181
Repurchase Agreements (Sale/Lease Back)	-	1,644	1,644	-	1,644
S. C. War Memorial	215	-	215	-	215
<b>TOTAL FUND EQUITY</b>	<u>215</u>	<u>1,644</u>	<u>1,859</u>	<u>18,356,181</u>	<u>18,358,040</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 215</u>	<u>\$ 1,644</u>	<u>\$ 1,859</u>	<u>\$ 19,957,331</u>	<u>\$ 19,959,190</u>

**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, 1998**  
**(Expressed in Thousands)**

	<u>War Memorial</u>	<u>Robert Mills Building</u>	<u>Totals</u>
<b>REVENUES</b>			
Rental Revenue	\$ -	\$ 56	\$ 56
Interest Revenue	<u>-</u>	<u>86</u>	<u>86</u>
<b>TOTAL REVENUES</b>	-	142	142
<b>EXPENDITURES</b>			
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	142	142
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>215</u>	<u>1,502</u>	<u>1,717</u>
<b>FUND BALANCES - END OF YEAR</b>	\$ <u><u>215</u></u>	\$ <u><u>1,644</u></u>	\$ <u><u>1,859</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, 1998**  
**(Expressed in Thousands)**

	Beginning Balance July 1, 1997 (As Restated)	Additions	Deductions	Balance June 30, 1998
<b>CLEAN WATER REVOLVING LOAN FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 38,147	\$ 27,806	\$ 13,441	\$ 52,512
Accrued Interest Receivable	696	758	696	758
Due from Other State Agencies	-	407	407	-
Intergovernmental Notes Receivable	138,753	4,190	5,820	137,123
<b>Total Assets</b>	<b>\$ 177,596</b>	<b>\$ 33,161</b>	<b>\$ 20,364</b>	<b>\$ 190,393</b>
<b>Liabilities:</b>				
Due to Local Government/ Subdivisions-Intergovern- mental Payables	\$ -	\$ 4,305	\$ 4,305	\$ -
Due to Other State Agencies	177,596	23,195	10,398	190,393
<b>Total Liabilities</b>	<b>\$ 177,596</b>	<b>\$ 27,500</b>	<b>\$ 14,703</b>	<b>\$ 190,393</b>
<b>DRINKING WATER REVOLVING LOAN FUND</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 2,257	\$ 1,958	\$ 299
Accrued Interest Receivable	-	5	-	5
Due from Other State Agencies	-	474	474	-
Intergovernmental Notes Receivable	-	975	-	975
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 3,711</b>	<b>\$ 2,432</b>	<b>\$ 1,279</b>
<b>Liabilities:</b>				
Due to Local Government/ Subdivisions-Intergovern- mental Payables	\$ -	\$ 975	\$ 975	\$ -
Due to Other State Agencies	-	3,235	1,956	1,279
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 4,210</b>	<b>\$ 2,931</b>	<b>\$ 1,279</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
**(Expressed in Thousands)**

	Beginning Balance July 1, 1997 (As Restated)	Additions	Deductions	Balance June 30, 1998
<b>STATE AGENCIES' FUNDS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 2,247	\$ 2,247	\$ -
Due from State:				
Capital Improvement Bond				
Proceeds	373	-	-	373
Accrued Interest Receivable	3	4	3	4
Intergovernmental Notes				
Receivable	267	2,100	134	2,233
<b>Total Assets</b>	<b>\$ 643</b>	<b>\$ 4,351</b>	<b>\$ 2,384</b>	<b>\$ 2,610</b>
<b>Liabilities:</b>				
Due to Other State Agencies	\$ 376	\$ 151	\$ 150	\$ 377
Intergovernmental Notes				
Payable	267	2,100	134	2,233
<b>Total Liabilities</b>	<b>\$ 643</b>	<b>\$ 2,251</b>	<b>\$ 284</b>	<b>\$ 2,610</b>
<b>SINKING FUNDS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 9	\$ 206	\$ 207	\$ 8
Accounts Receivable	-	72	72	-
Accrued Interest Receivable	1	1	1	1
Investments	4,715	-	3,360	1,355
Interfund Notes Receivable	153	-	3	150
Due from Other Funds	222	346	222	346
<b>Total Assets</b>	<b>\$ 5,100</b>	<b>\$ 625</b>	<b>\$ 3,865</b>	<b>\$ 1,860</b>
<b>Liabilities:</b>				
Advances from The State	\$ 2	\$ -	\$ -	\$ 2
Due to The State	5,098	625	3,865	1,858
<b>Total Liabilities</b>	<b>\$ 5,100</b>	<b>\$ 625</b>	<b>\$ 3,865</b>	<b>\$ 1,860</b>
<b>OTHER PARTIES' FUNDS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8	\$ 25	\$ 8	\$ 25
<b>Total Assets</b>	<b>\$ 8</b>	<b>\$ 25</b>	<b>\$ 8</b>	<b>\$ 25</b>
<b>Liabilities:</b>				
Due to Others	\$ 8	\$ 25	\$ 8	\$ 25
<b>Total Liabilities</b>	<b>\$ 8</b>	<b>\$ 25</b>	<b>\$ 8</b>	<b>\$ 25</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**  
**(Expressed in Thousands)**

	Beginning Balance July 1, 1997 (As Restated)	Additions	Deductions	Balance June 30, 1998
<b>TOTALS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 38,164	\$ 32,541	\$ 17,861	\$ 52,844
Accounts Receivable	-	72	72	-
Investments	4,715	-	3,360	1,355
Due from Other State Agencies	-	881	881	-
Due from State:				
Capital Improvement Bond				
Proceeds	373	-	-	373
Accrued Interest Receivable	700	768	700	768
Interfund Notes Receivable	153	-	3	150
Intergovernmental Notes				
Receivable	139,020	7,265	5,954	140,331
Due from Other Funds	222	346	222	346
<b>Total Assets</b>	<b>\$ 183,347</b>	<b>\$ 41,873</b>	<b>\$ 29,053</b>	<b>\$ 196,167</b>
<b>Liabilities:</b>				
Advances from State	\$ 2	\$ -	\$ -	\$ -
Due to Local Government/ Subdivision-Intergovern- mental Payables	-	5,280	5,280	-
Due to Other State Agencies	177,972	26,581	12,504	192,049
Due to The State	5,098	625	3,865	1,858
Due to Others	8	25	8	25
Intergovernmental Notes				
Payable	267	2, -	134	2,233
<b>Total Liabilities</b>	<b>\$ 183,347</b>	<b>\$ 27,011</b>	<b>\$ 21,791</b>	<b>\$ 196,167</b>

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30,1998**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Total Expenditures to Subrecipients</u>
<b>U. S. Department of Agriculture:</b>			
Passed Through Forestry Commission			
Cooperative Forestry Assistance	10.664	\$ <u>2,402</u>	\$ <u>          </u>
<b>Total U. S. Department of Agriculture</b>			<u>          </u>
<b>U. S. Department of Commerce:</b>			
Direct Programs:			
Economic Development - Support for Planning			
Organizations	11.302	21,781	-
Economic Development - Technical Assistance	11.303	2,500	2,500
Geodetic Surveys and Services	11.400	283,717	160,000
<b>Total U. S. Department of Commerce</b>		<u>307,998</u>	<u>          </u>
<b>General Services Administration:</b>			
Direct Programs:			
Donation of Federal Surplus Personal Property	39.003	577,261 *	
<b>Total General Services Administration</b>		<u>577,261</u>	<u>          </u>
<b>U. S. Department of Energy:</b>			
Direct Programs:			
State Energy Program	81.041	861,522	253,182
Energy Program\Petroleum Violation Escrow Funds	N/A	1,007,487	182,888
<b>Total U. S. Department of Energy</b>		<u>1,869,009</u>	<u>436,070</u>
<b>Federal Emergency Management Agency:</b>			
Passed Through S. C. Adjutant General's Office			
Disaster Assistance	83.516	4,759,441	4,720,252
<b>Total Federal Emergency Management Agency</b>		<u>4,759,441</u>	<u>4,720,252</u>
<b>Total Federal Assistance</b>		\$ <u>7,516,111</u>	\$ <u>5,318,822</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, 1998, and have issued our report thereon dated July 31, 2000. We conducted our audit in accordance with generally accepted auditing standards 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. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the



accompanying schedule of findings and questioned costs

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described on the accompanying schedule of findings and questioned costs are material weaknesses.

We also noted one other matter involving the internal control over financial reporting which we have reported to management in the management letter comment on page 127.

This report is intended solely 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*

Columbia, South Carolina  
July 31, 2000





# 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, 1998. 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 generally accepted auditing standards; 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-1-33 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, 1998. 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 98X-1 to 98X-4.

### **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 solely 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 & Latham PA*

Columbia, South Carolina  
July 31, 2000

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

### **SUMMARY OF AUDITOR'S RESULTS**

#### **Financial Statements:**

1. An unqualified opinion dated July 31, 2000 on the financial statements of the Board for the year ended June 30, 1998 was issued.
2. Reportable conditions that were determined to be material weaknesses in internal control over financial reporting were noted as described below.
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 July 31, 2000 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>
83.516	Disaster Assistance
81.041	State Energy Program
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, 1998**

### **FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

The following reportable conditions are material weaknesses, are related to the Board's financial statements and are required to be reported in accordance with generally accepted government auditing standards.

#### **98-1. Accounts Payable Overstated**

**Statement of Condition:** The Board recorded as an account payable a billing for local telephone service which is payable in advance. The Board had been accruing this invoice at each year-end and stated that they were aware that this was not an account payable but had to record it to have twelve months of expense in the current fiscal year. An adjustment of approximately \$658,000 was made to correct the overstatement in the internal service fund. The same finding was cited in the prior year's schedule of findings and questioned costs.

**Criteria:** Accounts payable should only be recorded for services or goods that had been received by June 30 of each year.

**Effect of Condition:** Accounts payable are overstated at June 30.

**Cause:** The Board was accruing the payable to have twelve months of expense in the fiscal year.

**Recommendation:** The Board should only record accounts payable for invoices for which the goods or services were received at year-end.

#### **98-2. Interest Receivable Overstated**

**Statement of Condition:** The Board did not use the modified accrual basis method of accounting in recording interest receivable on notes receivable of the agency funds. The same finding was cited in the prior year's schedule of findings and questioned costs.

**Criteria:** Generally accepted accounting principles for governmental entities require that the Board use the modified accrual method of accounting for these receivables and only recognize revenue available to finance current operations.

**Effect of Condition:** The Board had overstated interest receivable approximately \$538,000 by using the incorrect method of accounting. The financial statements were adjusted for this error.

**Cause:** The Board used the full accrual basis of accounting.

**Recommendation:** All interest receivable on notes receivable of agency funds should be recorded based on the modified accrual method of accounting.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

### **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

#### **98X-1. ALL PROGRAMS**

Statement of Condition: OMB Circular A-133 Subpart C - Section .320 required audit reports to be submitted no later than 13 months after the end of the audit period. The Board did not meet this requirement for the year ended June 30, 1998. The same condition was cited in the 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.

#### **98X-2. GENERAL SERVICES ADMINISTRATION (GSA) – DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY CFDA # 39.003**

Statement of Condition: Our sample of 15 property transactions included 12 items that were donated to donees whose eligibility files are required to be updated every three years. One of these 12 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.

Criteria: General Services Program requirements that eligibility files be updated every three years.

Effect of Condition: Failure to update eligibility could result in ineligible entities receiving the federal surplus property.

Cause of Condition: Unknown.

Recommendation: We discussed this problem with Board management. They are aware that the Board is not updating donee eligibility as required by the GSA and have considered several possible ways to bring Surplus Property into compliance. We recommend that the Board implement a system of bringing Surplus Property into compliance with GSA regulations.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

### **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

#### **98X-3. DEPARTMENT OF COMMERCE – GEODETIC SURVEY AND SERVICES CFDA # 11.400**

Statement of Condition: In testing of federal disbursements for 1998, we tested a voucher to subrecipient York County for an amount of \$20,000 under the Geodetic Surveys and Services grant (CFDA 11.400). The Budget and Control Board could produce no evidence that personnel who administer the grant had examined or reviewed an audit report for York County or that any monitoring of the program had been performed. The same condition was cited in the prior year's schedule of findings and questioned costs.

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 adhered to. 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.

#### **98X-4. DEPARTMENT OF ENERGY – ENERGY PROGRAM/PETROLEUM VIOLATION ESCROW FUNDS CFDA # N/A**

Statement of Condition: The Department of Energy requires that the Board file a yearly report on Petroleum Escrow Violations by September 30 of each year. For the fiscal year ending June 30, 1998, the Board did not file its annual report until January 4, 1999—over three months late. A similar condition was cited in the prior year's schedule of findings and questioned costs.

Criteria: Department of Energy regulations and the terms of federal court orders.

Effect of Condition: Violation of Department of Energy policy and the Board is not in compliance with the terms of federal court orders regarding Petroleum Escrow Violation funds.

Cause of Condition: Unknown.

Recommendation: The Board should establish procedures to ensure it files the yearly reports on time.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**MANAGEMENT LETTER COMMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

**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, 1998. The same finding was cited in the prior year's 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 past due funds to the General Fund of the State.

# **SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

## **SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

### **FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

Two of the findings reported for the year ending June 30, 1997 are repeated for 1998. Because the audits for both years were performed after June 30, 1998, the Board could not rectify the findings in a timely manner. The finding regarding estimated costs to complete and outstanding construction commitments misstated was corrected.

### **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

#### **X-1. ALL PROGRAMS**

##### **CFDA NO.: ALL**

Condition: OMB Circular A-133 Subpart C - Section .320 required audit reports to be submitted no later than 13 months after the end of the audit period. The Board did not meet this requirement for the year ended June 30, 1997.

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, 1998.

#### **X-2. DEPARTMENT OF ENERGY – STATE ENERGY PROGRAM**

##### **CFDA NO.: 81.041**

Condition: The schedule of expenditures of federal awards initially provided to us did not have the State Energy Program listed separately. The program was combined with the Energy Program/Petroleum Violation Escrow Funds.

Recommendation: Take additional care to ensure that the schedule of federal expenditures is prepared accurately and that is independently reviewed by an employee other than the preparer who is familiar with the Board's programs and with A-133 requirements for this schedule.

Current Status: Finding was corrected this fiscal year.



**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**X-3. GENERAL SERVICES ADMINISTRATION – DONATION OF FEDERAL  
SURPLUS PERSONAL PROPERTY**

**CFDA NO.: 39.003**

Condition: The eligibility files for 2 of the 25 donees tested had not been updated within the last 3 years as required. We were able to determine that these 2 donees were eligible.

Recommendation: Implement a tickler system to ensure that all eligibility files are updated as required.

Current Status: Because the fieldwork for the fiscal years ending June 30, 1997 and June 30, 1998 were done at the same time, the Board did not have time to correct the deficiency.

**X-4. DEPARTMENT OF COMMERCE – GEODETIC SURVEY AND SERVICES**

**CFDA NO.: 11.400**

Condition: The Board did not have a system in place under this grant to monitor subrecipients and ensure that they had a single audit if the subrecipient expended more than \$300,000 in federal awards in a year. No monitoring was performed of the subrecipient tested under this award and the Board did not determine whether the subrecipient had a single audit.

Recommendation: Ensure that all Board employees responsible for the various duties for its federal programs are knowledgeable of the specific grant and program requirements and of A-133 requirements assuring that subrecipients are monitored and that the Board obtains and reviews a single audit report for any subrecipient that expends more than \$300,000 in a year.

Current Status: No monitoring was performed during 1998.

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**X-5. DEPARTMENT OF ENERGY – ENERGY PROGRAM/PETROLEUM  
VIOLATION ESCROW FUNDS**

**CFDA NO.: N/A**

**Condition:** The Board is required to file an annual report by September 30 of each year. The Board did not file its report for 1997 until September 8, 1998. The report also did not report a \$232,367 refund as a reduction of expenditures.

**Recommendation:** A system should be implemented to ensure that all reports are filed as required and that refunds are reported as a reduction of expenditures. Board employees responsible for reporting for this program should be knowledgeable of the specific grant and program requirements and of A-133 requirements including those for reporting to grantors.

**Current Status:** There was no refund of expenditures in fiscal year 1998. The report filed for the grant year ended September 30, 1998 was filed late.

**MANAGEMENT LETTER COMMENT**

The finding related to the Board not remitting all amounts due to the General Fund of the State continued to exist for the year ending June 30, 1998 and is repeated. The other comment regarding cash accounts not recorded was corrected.

## **APPENDIX A**

## **South Carolina State Budget and Control Board**

### **Corrective Action Plan**

**April 26, 2001**

#### **Department of Energy**

South Carolina State Budget and Control Board respectfully submits the following corrective action plan for the year ended June 30, 1998.

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

Audit period: July 1, 1997 – June 30, 1998

The findings from the June 30, 1998 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **FINDINGS – FINANCIAL STATEMENT AUDIT**

##### **REPORTABLE CONDITIONS**

###### **Accounts Payable Overstated**

*Recommendation:* The Board should only record accounts payable for invoices for which the goods or services were received at year-end.

*Action Taken:* This condition was corrected during fiscal year 2000.

###### **Interest Receivable Overstated**

*Recommendation:* All interest receivable on notes receivable of agency funds should be recorded based on the modified accrual method of accounting.

*Action Taken:* This condition was corrected during fiscal year 2000.

#### **FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

##### **98X- All Programs**

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

*Action Taken:* The Board is striving to issue its financial statements on a timely basis. By working closely with the State Auditor's Office and our external audit firm, we anticipate that this weakness will be corrected by fiscal year 2002.

## GENERAL SERVICES ADMINISTRATION (GSA)

### 98X-2. Donation of Federal Surplus Personal Property CFDA # 39.003

*Recommendation:* We discussed this problem with Board management. They are aware that the Board is not updating donee eligibility as required by the GSA and have considered several possible ways to bring Surplus Property into compliance. We recommend that the Board implement a system of bringing Surplus Property into compliance with GSA regulations.

*Action Taken:* New management over this program is currently working on donee eligibility files to ensure all files are current. Failure on our part to update eligibility would not result in ineligible entities receiving federal surplus property. In all cases when sales are made to donees whose files have not been updated, calls are placed to the donees' telephone number and to the responsible person on file. We confirm that there have been no changes that would make the donee ineligible. We make every effort not to deny donees from participating in the program.

We anticipate this condition will be corrected during fiscal year 2002.

## DEPARTMENT OF COMMERCE

### 98X-3. Geodetic Survey and Services CFDA # 11.400

*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 Board employees who are responsible for monitoring the federal monies distributed to subrecipients were instructed on the A-133 monitoring requirements. Audited financial statements, if applicable, are being requested and reviewed for non-compliance conditions.

## DEPARTMENT OF ENERGY

### 98X-4. Energy Program/Petroleum Violation Escrow Funds CFDA # N/A

*Recommendation:* The Board should establish procedures to ensure it files the yearly reports on time.

*Action Taken* This condition was corrected during fiscal year 2000.

## MANAGEMENT LETTER COMMENT

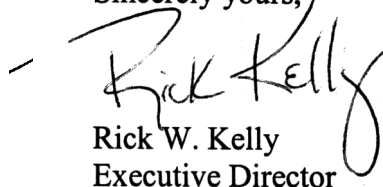
### Amounts Due General Fund of the State

*Recommendation:* We recommend that the Board remit these past due funds to the General Fund of the State.

*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 black ink, appearing to read "Rick Kelly", with a long horizontal stroke extending to the left.

Rick W. Kelly  
Executive Director