See Note 15 of the 2022 ACFR, which describes the correction of a multi-year error that required restatement in the 2022 ACFR of beginning fund balance of the General Fund. See also Tables 1 - 4 in the Statistical Section of the 2022 ACFR. The tables include summarized financial statements for 2022 and the previous nine fiscal years that reflect the impact of the restatement by fiscal year. The ACFRs of those previous years have not been restated. Additionally, see Note 15 of the 2024 ACFR for additional clarification of the 2022 ACFR restatement (which did not change in total) and revised Statistical Tables 1 - 4, which reflect a different methodology of allocating the restatement over the previous nine years.



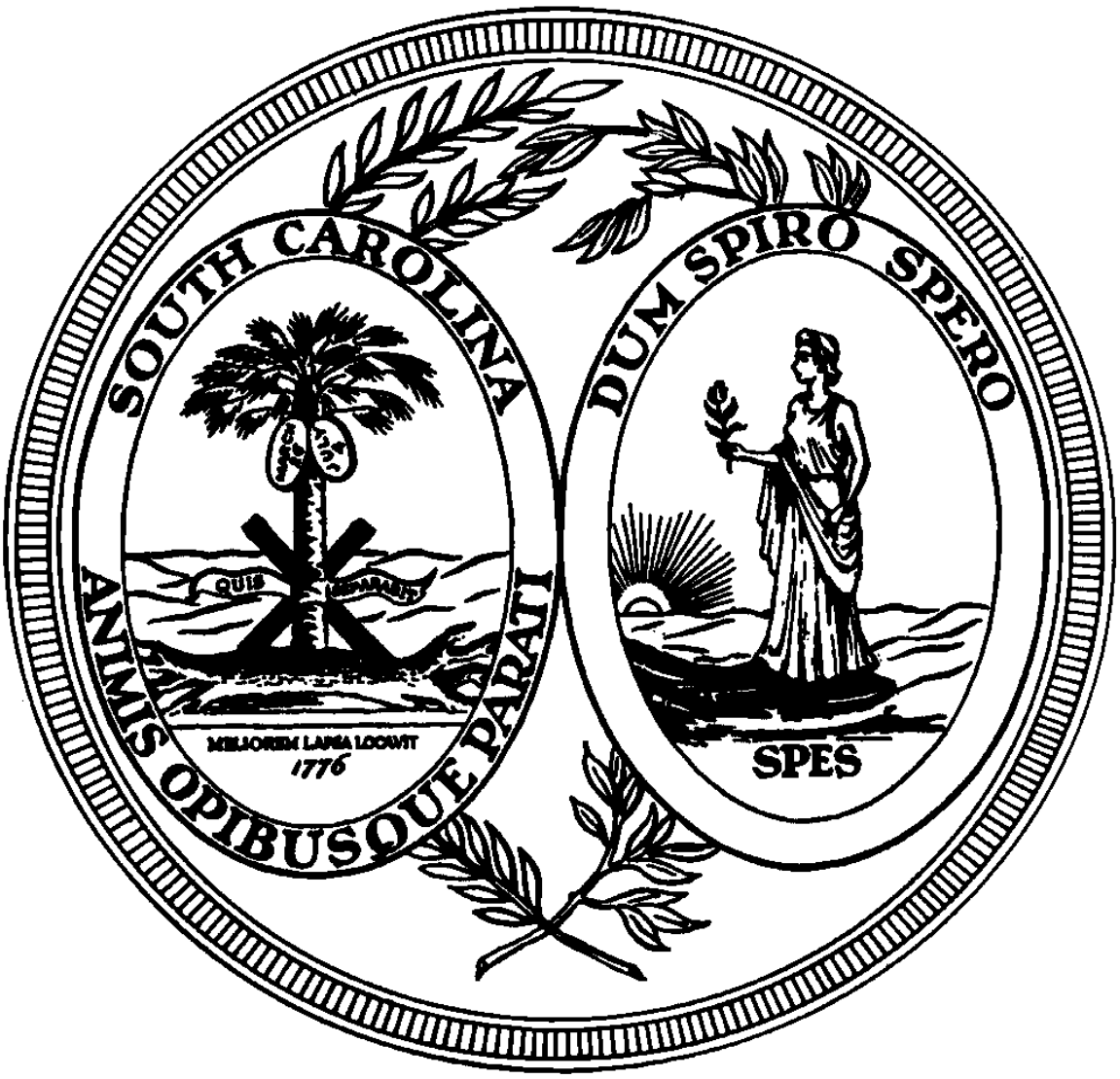
STATE OF SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30,

2013

Prepared by the Comptroller General's Office


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MEMORIAM LAPSA LOCAVIT
1776
SPES

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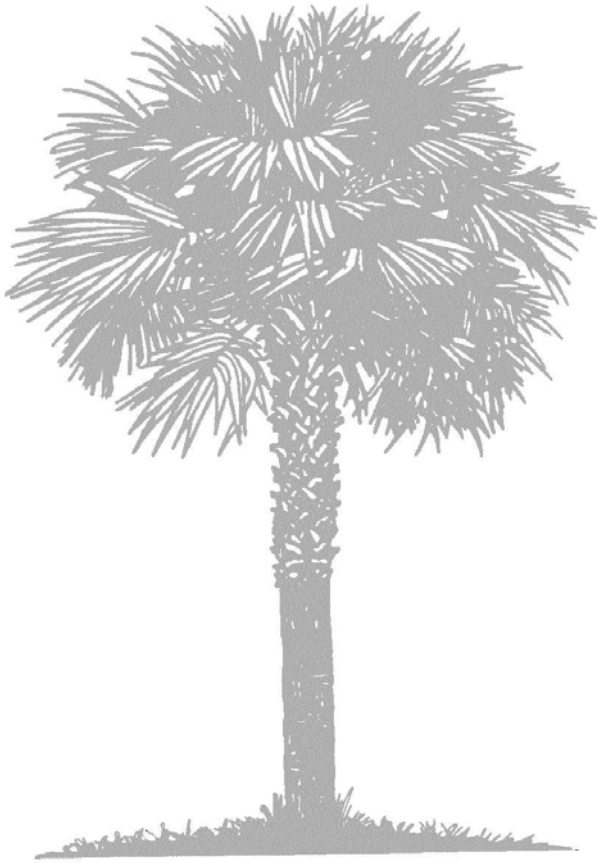
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Introductory Section



Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organizational Chart

State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

William E. Gunn
CHIEF OF STAFF

February 14, 2014

To the Citizens, Governor and Members of the South Carolina General Assembly

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2013. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor and CliftonLarsonAllen LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2013. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process.

This letter of transmittal is designed to complement management's discussion and analysis that immediately follows the report of the independent auditors.

PROFILE OF THE GOVERNMENT

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-fourth in population with approximately 4.7 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the fourteenth fastest in the nation.

As shown in the organizational chart on page 15, State government is divided into three separate branches: legislative, executive, and judicial. The State's citizens elect the legislative and executive branch officials. The General Assembly elects certain members of the judicial branch, including the Supreme Court. The principal State officials currently in office are listed on page 14.

State government provides a full range of services to South Carolina's citizens including educational, health, social/human, transportation, public safety, regulatory, and conservation/natural resources services. In addition, the State provides funds, grants, and loans to assist local governments, including school districts.

The State's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, and institutions. The State's component units are legally separate organizations for which the State is accountable for purposes of financial reporting. The Management's Discussion and Analysis (MD&A) and the Basic Financial Statements focus on the activities of the primary government.

Additional information on the State's component units can be found in the notes to the financial statements and in the separately issued financial statements of those organizations.

South Carolina's annual Appropriations Act includes legally adopted budgets for the Budgetary General Fund and for Total Funds. The initial budget appears in the annual Appropriations Act. After the budget year begins, the State Budget and Control Board, composed of five key executive and legislative officials, may order spending cuts if revenue collections fall short of predicted levels. Departments and agencies may request transfers of appropriations between programs if the transfer request does not exceed 20% of the program budget. The Budget and Control Board has the authority to approve additional requested transfers of appropriations between personal services and other operating expenditure accounts. For additional information, see the notes to the required supplementary information - budgetary.

STATE ECONOMY

South Carolina has a diversified economic base, including manufacturing, trade, healthcare, services, and leisure/hospitality. Businesses have relocated here from all over the world taking advantage of the State's skilled labor force, competitive wages, lower-priced land, excellent port facilities and accessibility to markets, and, in recent years, substantial tax and other economic incentives.

Businesses continue to choose South Carolina as a place to locate or expand, and the State of South Carolina is committed to working with employers to meet their workforce needs through state-supported workforce development initiatives.

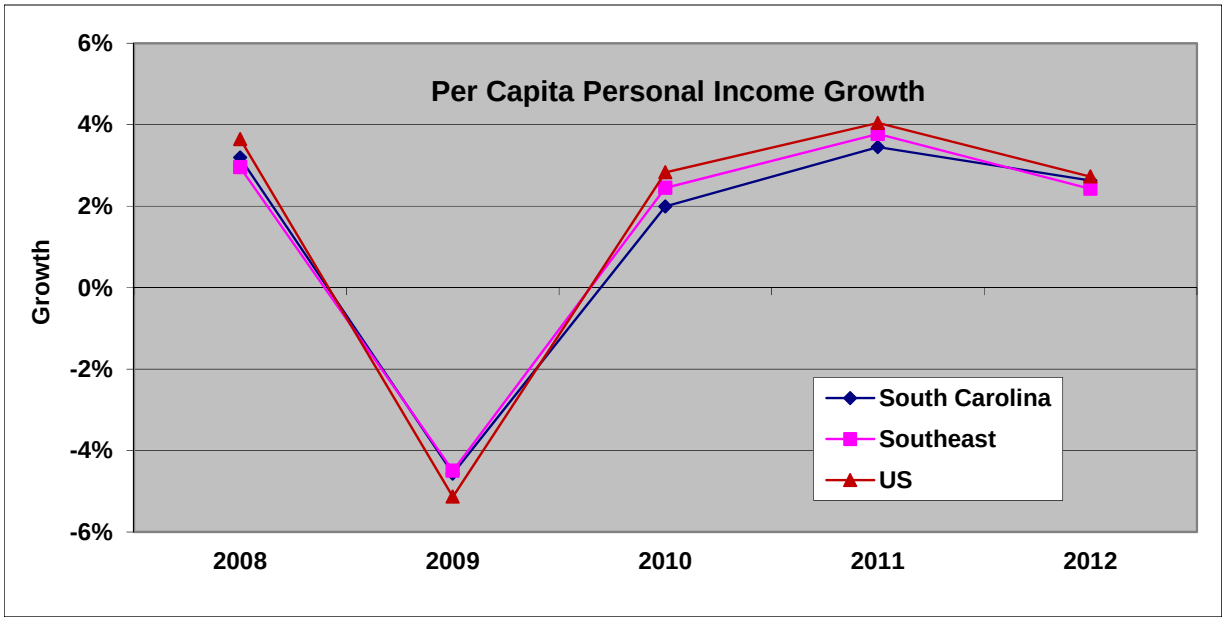
During the year ended June 30, 2013, total non-farm employment in the state increased by 29,900 to 1,887,900. Industry sectors reflecting gains were Leisure and Hospitality (+10,500); Trade, Transportation, and Utilities (+8,300); Government (+4,900); Financial Activities (+4,100); Construction (+3,500); and Manufacturing (+1,700). Declines in non-farm employment were seen in Professional and Business Services (-2,200); and Other Sectors (-900).

South Carolina's unemployment rate decreased to 8.0% in June 2013 (and decreased to 6.6% in December 2013), well below the June 2012 rate of 9.3%. In comparison, the U.S. unemployment rate for June 2013 was 7.5% (and decreased to 6.7% in December 2013).

After four consecutive months of positive movement, the South Carolina Leading Index (SCLI) dipped 0.12 points in June to 101.02. Above the 100 mark, the SCLI forecasts improving economic conditions for South Carolina over the upcoming three to six months. Several factors led to the decline of the SCLI in June, including a 5 percent increase in initial claims for Unemployment Insurance for the month, a nearly 12 percent drop in building permits for new residential construction, a decline in the valuation associated with those permits, and a declining stock market index. A 0.5 percent increase in the average manufacturing workweek helped moderate the SCLI's dip in June. The SCLI closed the month at 101.16 in December, the most current month available.

The number of residential closings in June 2013, up 13 percent compared to a year ago, and the declining number of foreclosures in the state, down 24 percent in June 2013 compared to June 2012, have reduced the supply of available homes on the market. As inventory tightens, real estate values in South Carolina have gained ground. The median home sales price in South Carolina is now at the same level seen in 2007 before the recession. Residential building permits compared to a year ago are up over 20 percent.

The Charleston housing market continued to lead the state in recovery, with 26 percent more home sales in June 2013 than in June 2012 and a 10 percent gain in the median home sales price. Improvements in the Columbia and Greenville areas also helped push the statewide sales volume up 4.4 percent and the median sales price up 13.5 percent compared to last year.



LONG-TERM FINANCIAL PLANNING

State law requires agencies that receive 1.0% or more of the total annual General Fund appropriations to provide an estimate of their General Fund expenditures for the next three fiscal years. The State Budget Office combines these expenditure estimates with long-term revenue estimates made by the State's Board of Economic Advisors (BEA) to create a three-year financial plan. The three-year financial plan assists the State in strategically assessing its future financial commitments. The plan is updated annually and provided to the State's Budget and Control Board, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate during the second quarter of each fiscal year.

Significant financial challenges facing state government include anticipated future spending increases for Medicaid, State retirement and post-retirement health benefits, and elementary and secondary education.

The State's long-term financial management practices include a five–year capital improvement plan that requires funding to be in place before beginning construction on any capital improvement projects.

RELEVANT FINANCIAL POLICIES

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to review how actual revenue collections compare with its earlier projections and to adjust its projections if necessary. If the BEA reduces revenue projections significantly once the budget year begins, the State's Budget and Control Board (Board) is responsible for taking appropriate action to keep the State's budget in balance. If the Board anticipates a year-end operating deficit as a result of the BEA reducing its revenue projections during the year, it must reduce most agency appropriations evenly across-the-board. The State is also required to maintain a 4.0% General Reserve Fund (the required level increases to 4.5% in 2014 and 5.0% in 2015) that can be used only for eliminating a year-end operating deficit. If the State's budgetary General Fund subsequently experiences a year-end operating deficit even after applying all the actions described above, the Board is required to meet within sixty days of August 31 to adopt a plan to eliminate the deficit and restore a balanced budget. Additionally, the State is required to annually fund a 2% Capital Reserve to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly. The foregoing percentages are multiplied against total General Fund revenues for the latest completed fiscal year.

Legislation also exists directing that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary surplus appropriations in a general or supplemental act or Capital Reserve Fund appropriations if the State's Generally Accepted Accounting Principles-basis General Fund reports a negative unrestricted, unassigned fund balance.

The State ended fiscal year 2013 with a positive General Fund fund balance of $1.046 billion, which was made up of legislatively approved agency carryover appropriations of $381.145 million, the General Reserve of $281.641 million, the Capital Reserve of $112.657 million, and unassigned surplus of $270.647 million.

MAJOR INITIATIVES

This past year the General Assembly authorized several sources of funding for the state's infrastructure needs (H.3360). Lawmakers approved the transfer of $50 million each year to the Transportation Infrastructure Bank to obtain $500 million in bonds, along with federal matching funds, to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing interstate highways. Legislators established a dedicated funding source for the State's secondary roadways by redirecting half of the tax revenue collected each year on the sales of motor vehicles, representing $41.4 million, to the State Non-Federal Aid Highway Fund to be used exclusively for highway, road, and bridge maintenance, construction, and repair.

Legislators authorized (S.578) issuance of up to $120 million in economic development bonds to expand an existing economic development bond project, which brought the state an additional private investment of at least $400 million, creating at least 400 new jobs, and an enhanced economic development project with an investment of at least $1.1 billion, creating at least 2,000 additional jobs. Site preparation and infrastructure improvements funded through these economic development bonds facilitated the Boeing Company's initiative to expand its aircraft manufacturing operations in North Charleston and establish operations that support its manufacturing activities in South Carolina, such as research and development functions.

The *High Growth Small Business Job Creation Act of 2013* was approved to offer state income tax credits to encourage those who act as "angel investors" by providing early stage capital for emerging high growth enterprises in such areas as manufacturing, processing, warehousing, wholesaling, software development, and information technology services.

South Carolina’s Growing Economic Environment

Over the last several years, South Carolina has continued to demonstrate its ability to facilitate expanded economic opportunities for citizens. Manufacturing has grown substantially. South Carolina has also experienced a state-wide decrease in its unemployment rate, which has shown that even in the midst of challenging national economic conditions our state’s business-friendly climate and committed workforce continue to attract investment that creates well-paying jobs.

We have seen an emerging trend of companies investing and expanding in South Carolina. Several of South Carolina’s industry leaders have expanded and created high-quality jobs within the state. In 2012, the State established an Aerospace Task Force to position the state for future growth. The task force is focused on growing the aerospace supply chain for companies like Boeing and GE Turbine and supporting initiatives to assure that South Carolina has a workforce ready for the aerospace industry.

South Carolina’s exports reached record levels in 2012. Exports from South Carolina jumped 21% in 2011. In 2012, South Carolina’s export growth ranked the state 17th in the United States. Export figures are expected to continue to increase as Boeing has begun to deliver the aircraft made in South Carolina. The State also recently established a Transportation, Distribution and Logistics (TDL) Council that includes strong private sector participation. Part of the mission of this council is to prepare South Carolina for the Panama Canal expansion, providing South Carolina with a world-class port that will have the capacity to support the expected increase in merchant shipping.

Due in part to the State’s economic outreach initiatives, South Carolina’s total economic output or gross domestic product (GDP) was $176 billion in 2012. Between 2011 and 2012, our real GDP grew 4.4%, outpacing the southeast states average growth of 3.8%.

With our cost of living 12% below the national average, South Carolina offers exceptionally productive employees at one of the lowest labor costs in the nation. South Carolina is a right-to-work state and in 2012 had the third lowest unionization rate in the nation, at 3.3%. CNBC recently ranked the South Carolina workforce sixth in the nation in terms of quality and availability of workers, as well as lower union membership and the success of state worker training programs in placing people in jobs.

South Carolina's job recruitment and capital investment from manufacturers has experienced steady growth from 2006 to 2011. In 2011 alone, the state attracted more than $4.7 billion in capital investment from manufacturing companies. Between 2006 and 2011, new and expanding manufacturing firms have committed to creating 70,000 jobs in the state.

South Carolina consistently ranks high on Site Selection magazine's "Top State Business Climate Rankings". The state ranked 7th overall in the most recently released 2013 survey. South Carolina scored high with business executives surveyed by Site Selection, ranking 2nd, only behind Texas.

The State Budget

The General Assembly approved a budget totaling $22.7 billion for fiscal year 2013-14, which includes $6.3 billion in recurring general funds and $106 million in capital reserve funds. The budget fully funds the General Reserve Fund that totals $281.6 million at June 30, 2013, and is available for management of revenue shortfalls.

Eligibility was not expanded by legislation for the State's Medicaid Program in connection with the federal "Patient Protection and Affordable Care Act" of 2010. Instead, budget legislation includes a redirection of Medicaid spending under a new comprehensive Medicaid Accountability and Quality Improvement Initiative to be undertaken by the South Carolina Department of Health and Human Services upon approval by the Centers for Medicare and Medicaid Services (CMS).

Under this initiative, a total of up to $35 million ($10.5 million in state funding) is devoted to the Healthy Outcomes Initiative which would provide financial incentives for hospitals to reduce reliance on comparatively expensive emergency room treatment. The initiative also involves participating in price and quality transparency efforts and entering into agreements with primary care providers to help meet the needs of chronically ill uninsured patients through home visits and care in other settings outside the emergency room. Budget legislation also provided uncompensated care costs at designated rural hospitals of $20 million ($6 million in state funding).

The State's maintenance of effort for the Medicaid program is fully funded using $105 million in tobacco master settlement agreement funds. An additional $20.7 million is included for the Department of Mental Health for such agency functions as client services, veterans' nursing homes, and school-based mental health services.

The budget devotes approximately $175 million in new funding to K-12 education for fiscal year 2013-14. Additional funding in the amount of $77 million was directed to the Education Finance Act, with $20.5 million to be used to address enrollment growth and an additional $56.4 million to be used to increase the base student cost from $2,012 to $2,100 per student, or 4.4%.

The budget includes a four-year-old kindergarten initiative for school districts with a poverty index of 75% or more, excluding the plaintiff districts in the Abbeville School District vs. the State of South Carolina lawsuit, with 65% of funds directed to the State Department of Education for public programs and 35% directed to private initiatives through the First Steps program.

K-12 instructional materials funding of $32 million was included in the budget, and $4 million of Education Lottery funding was devoted for digital instructional materials. An additional $13 million was devoted for school transportation for the maintenance and upkeep of the state's school bus fleet and $23.5 million, derived from such sources as capital reserve funds and unclaimed Education Lottery prize funds, was included to purchase or lease new school buses.

Increased costs for operating the state employees' health insurance plan were addressed by budgeting $54 million to cover a 6.8% increase in employer premiums, and by increasing employee coinsurance payments and deductibles of up to 20%. The actual health insurance premiums paid by employees were not changed.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2012. This was the twenty-fifth consecutive year that the State of South Carolina achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility to be awarded a Certificate of Achievement.

Production of the CAFR was made possible only by the support of all State agencies and component units that supplied financial data to our office on a timely basis. I extend special appreciation for the members of my staff who devoted many of their nights and weekends over the past few months working as a team to produce this comprehensive document. I also express special appreciation for the generous sacrifices made by their families who endured the many extra hours they devoted to successfully complete this project.

Sincerely,



Richard Eckstrom, CPA
Comptroller General

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

Glenn F. McConnell, President of the Senate and Lieutenant Governor
John Courson, President Pro Tempore of the Senate
Robert W. Harrell, Jr., Speaker, House of Representatives

EXECUTIVE

STATE BUDGET AND CONTROL BOARD
Nikki R. Haley, Chairman, Governor
Curtis M. Loftis, State Treasurer
Richard Eckstrom, Comptroller General
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
W. Brian White, Chairman, House Ways and Means Committee

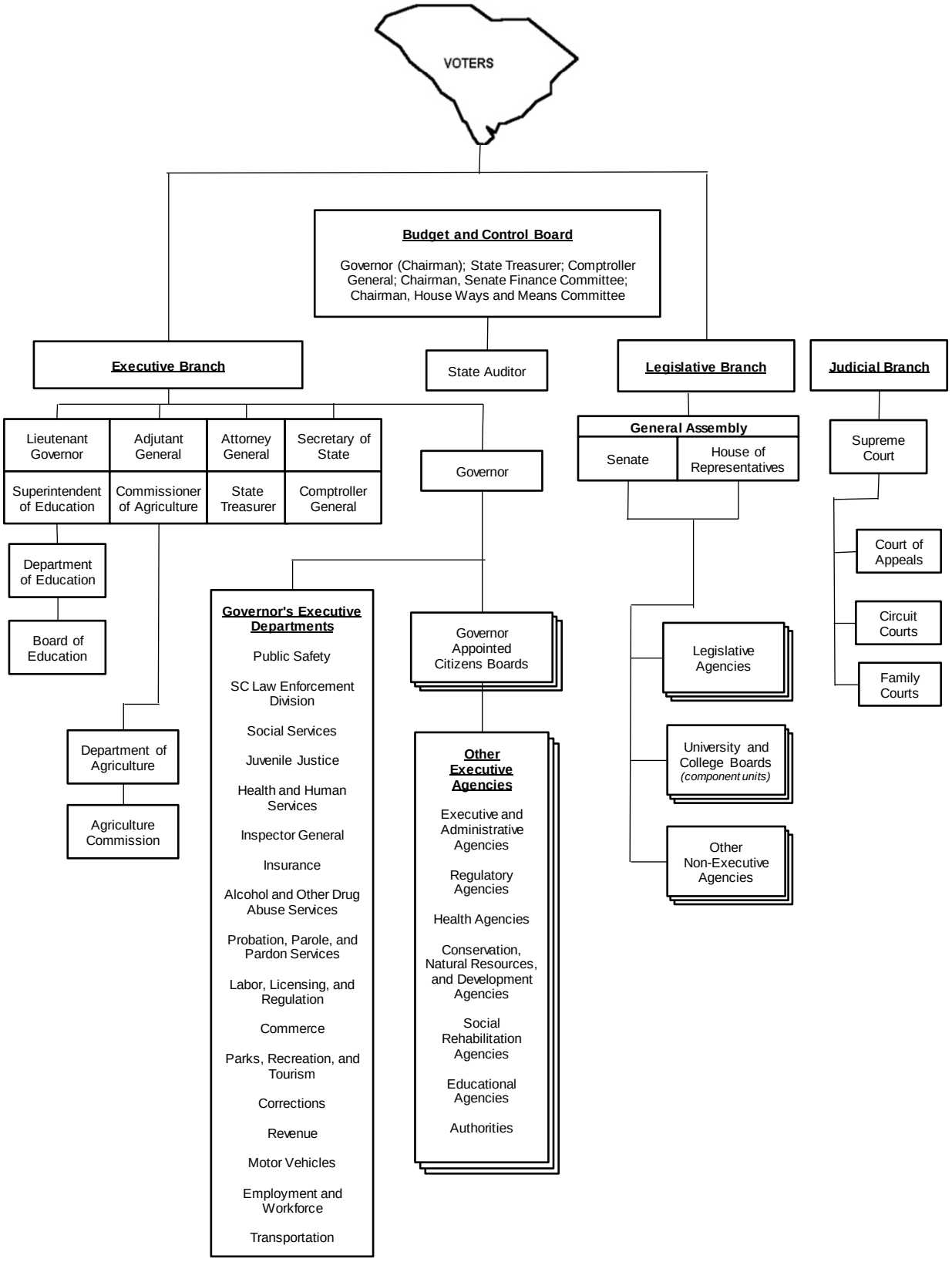
Glenn F. McConnell, President of the Senate and Lieutenant Governor
Mark Hammond, Secretary of State
Alan Wilson, Attorney General
Mitchell M. Zais, State Superintendent of Education
Major General Robert E. Livingston, Jr, Adjutant General
Hugh E. Weathers, Commissioner of Agriculture

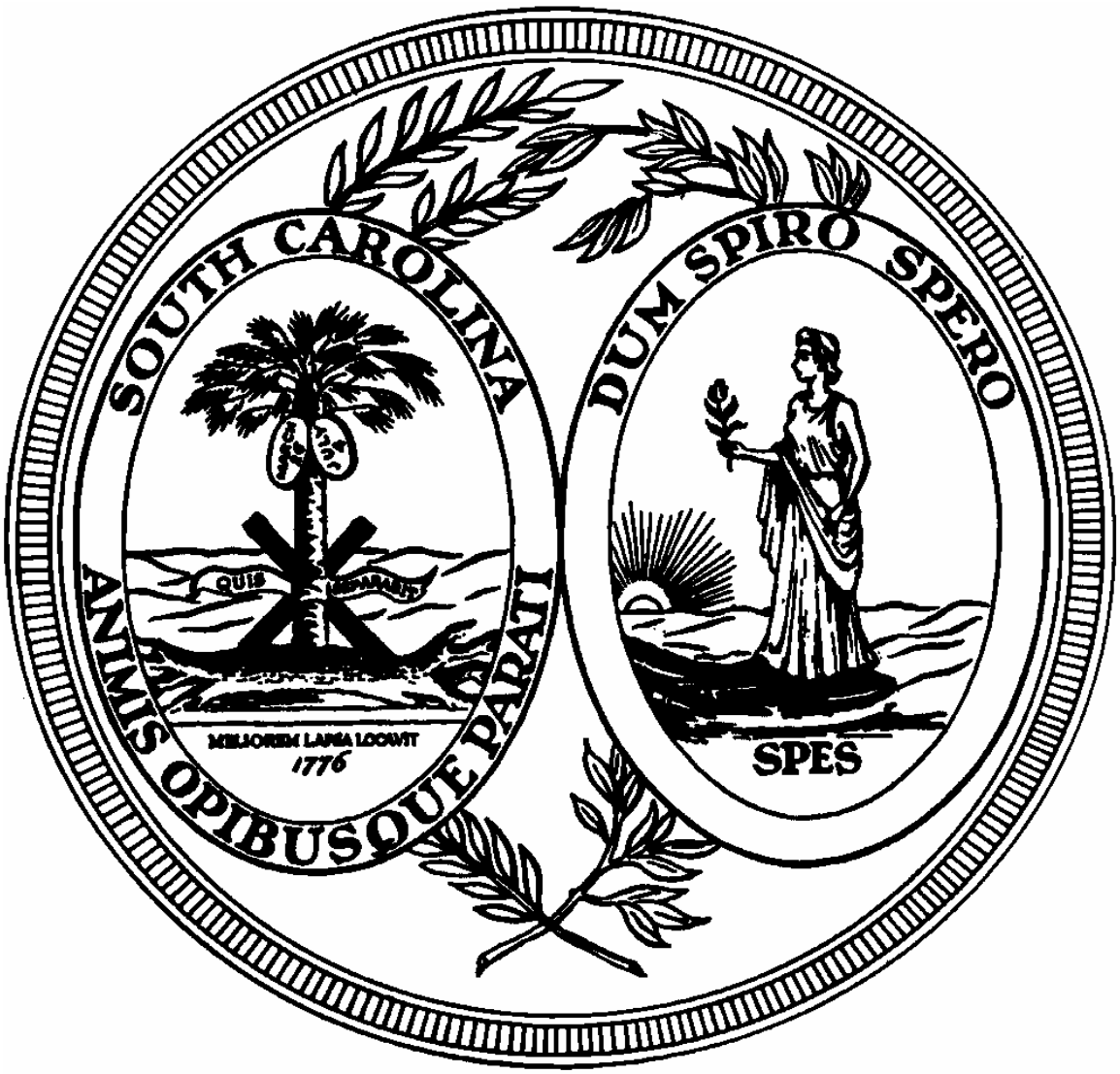
JUDICIAL

Jean H. Toal, Chief Justice, Supreme Court

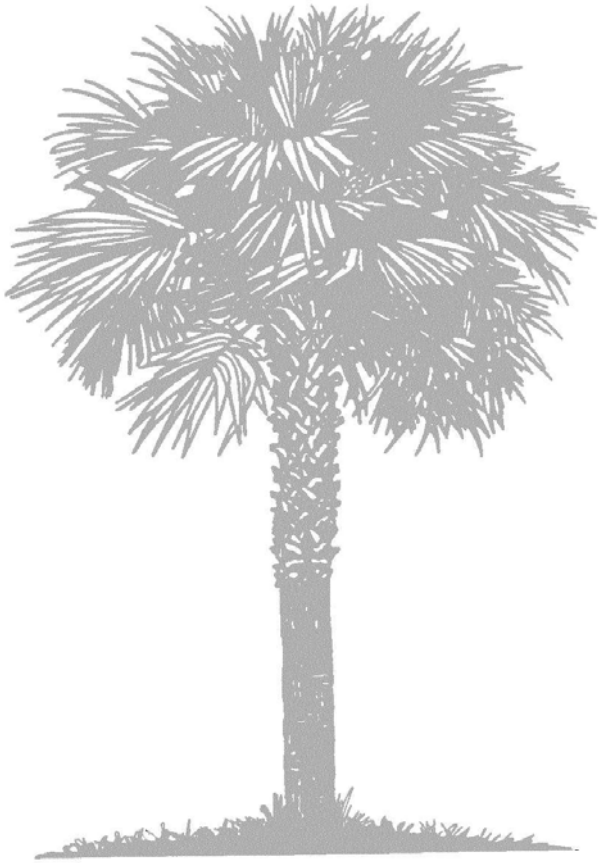
The State's citizens elect the legislative and executive branch officials named above. The General Assembly elects certain members of the judicial branch, including the Supreme Court.

Organizational Chart




SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
SPES

Financial Section



Independent Auditors' Report
Management's Discussion and Analysis (Unaudited)
Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information

State of South Carolina

Office of the State Auditor

CliftonLarsonAllen

Independent Auditors' Report

The Honorable Nikki R. Haley, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to jointly express opinions on these financial statements based on our audit.

We did not jointly audit the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen LLP acting separately, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
Government-wide				
Governmental activities	-	-	64%	18%
Business-type activities	-	-	80%	93%
Component units	-	-	100%	100%
Fund Statements				
Governmental Funds	-	-	17%	10%
Enterprise Funds	-	-	80%	93%
Internal Service Funds	-	-	90%	95%
Fiduciary Funds	82%	38%	18%	62%
Discretely Presented Component Units	-	-	100%	100%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Unemployment Compensation Fund, State Ports Authority, Public Service Authority, Connector 2000 Association, Inc., and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements the State implemented the following pronouncements: GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61 *The Financial Reporting Entity*, and GASB Statement No. 63 *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Carolina's basic financial statements. The introductory section, supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, and the report of the auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

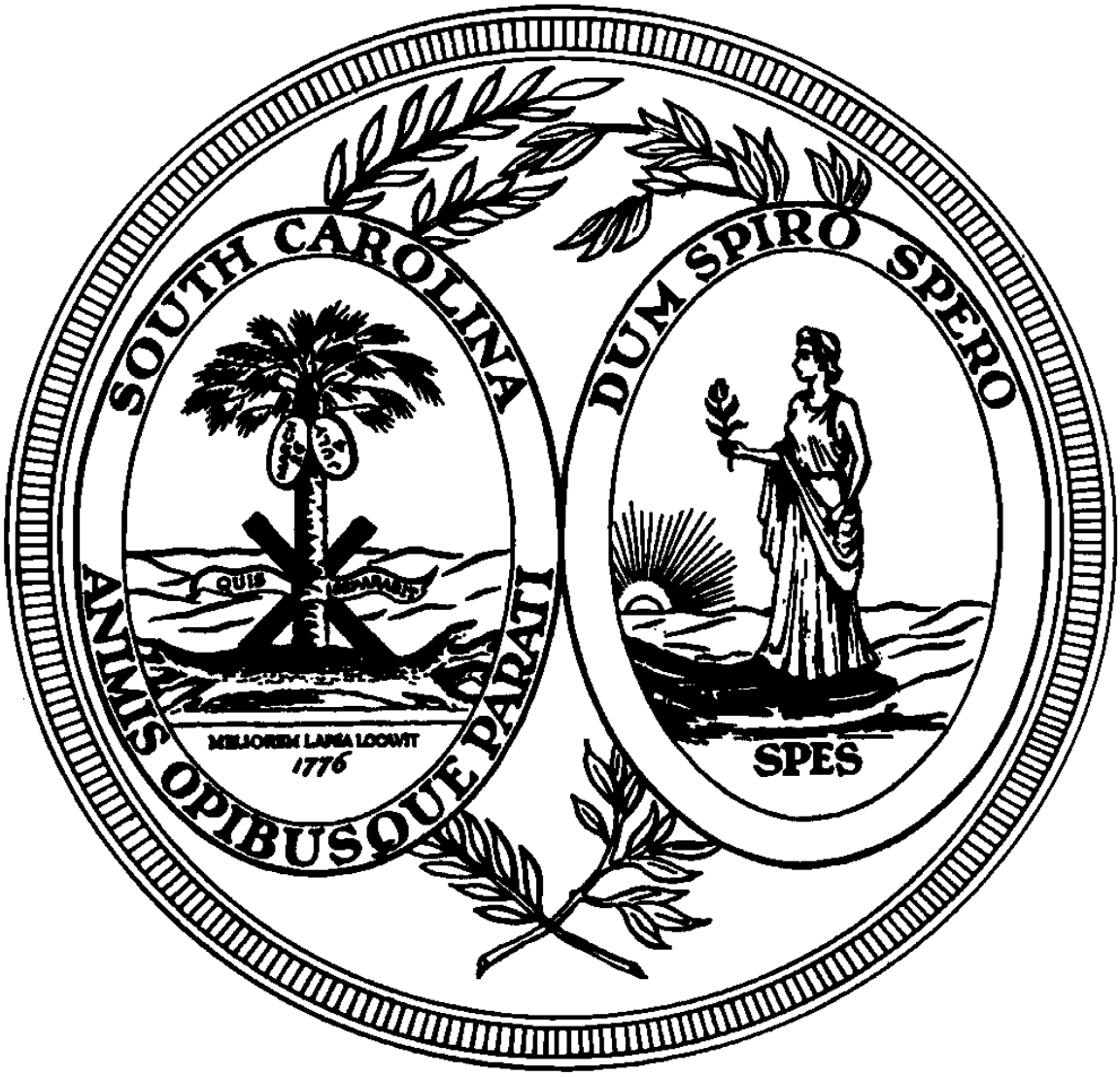
Other Reporting Required by Government Auditing Standards

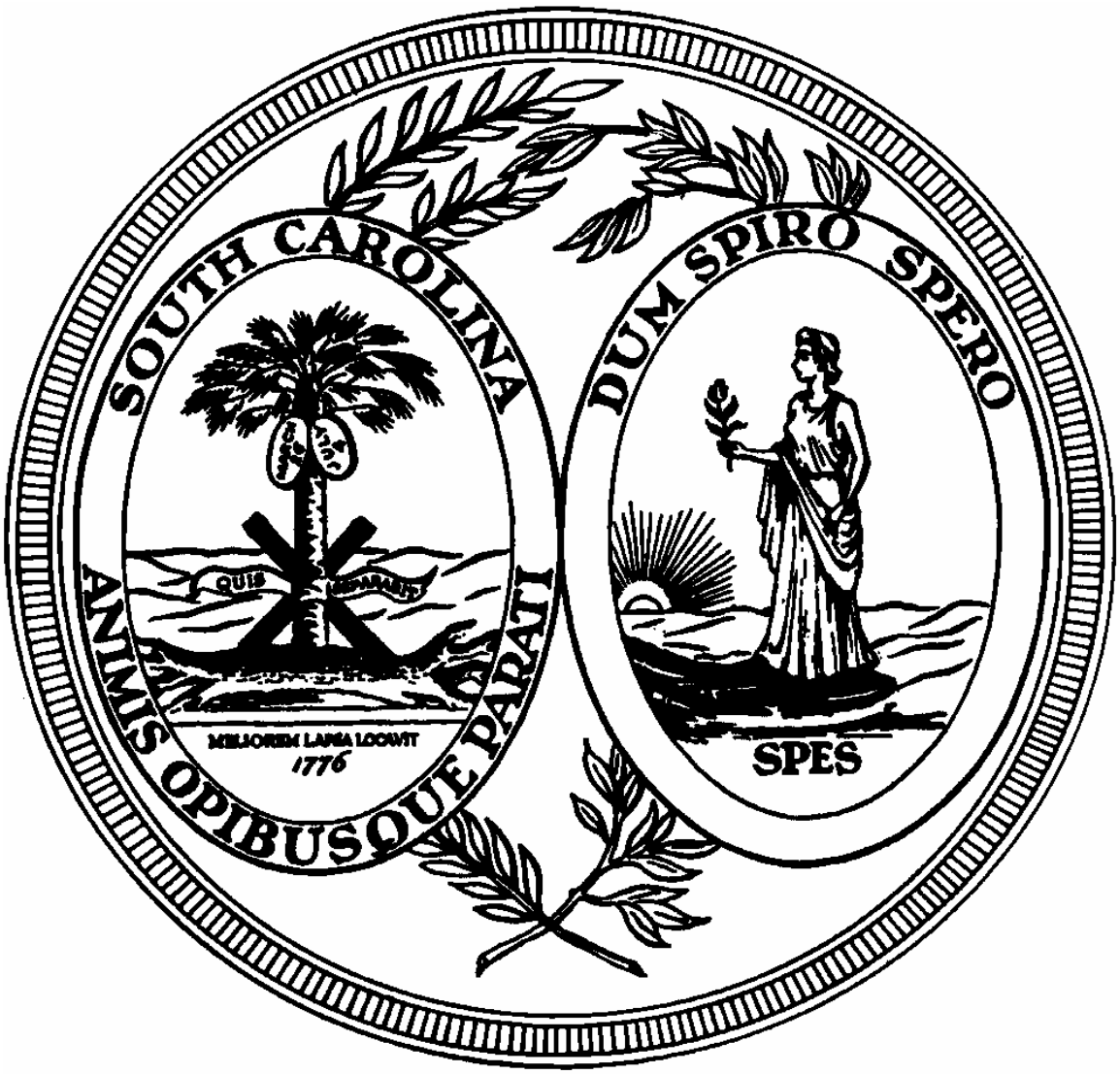
In accordance with *Government Auditing Standards,* we have also issued our report dated February 14, 2014 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 assessing the results of our audit.

Columbia, South Carolina
February 14, 2014

Clifton Larson Allen LLP

Baltimore, Maryland
February 14, 2014


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
SPES


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
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SPES

MANAGEMENT'S DISCUSSION AND ANALYSIS—

Required Supplementary Information
(Unaudited)

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2013. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the State of South Carolina's basic financial statements, which include the following parts: (1) *government-wide financial statements,* (2) *fund financial statements,* (3) *component unit financial statements,* and (4) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and other *supplementary information* to aid in understanding the operations of the State.

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole,* using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 38 through 41 of this report.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered such as the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement on page 40 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

The government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the State's basic services are included here, such as general government, education, health and environment, social services, administration of justice, and transportation. Taxes (primarily income and sales taxes) and federal grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund is the most significant of South Carolina's business-type activities.

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (see Note 1a of the notes to the financial statements on page 70).

Fund Financial Statements

The fund financial statements on pages 42 through 59 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

Governmental funds: The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

The basic governmental fund statements are on pages 42 through 49 of this report.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds)* or other State agencies and other governments (*internal service funds)*. Proprietary funds use the *accrual basis of accounting* like businesses use. The State reports all of its enterprise funds as *business-type activities* in the government-wide statements. However, because the internal service fund operations primarily benefit other State agencies or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial statements.

The basic proprietary fund statements are on pages 50 through 56 of this report.

Fiduciary funds: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust agreement, it is to use only for trust beneficiaries such as an investment pool operated on behalf of local governments. These activities are *excluded* from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net position it reports in fiduciary funds are used for the intended purposes.

The basic fiduciary fund statements are on pages 58 and 59 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 60 through 63 of this report.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 145 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 153 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. This required supplementary information is on pages 148 through 153 of this report.

Government-wide Financial Analysis

Exhibits 1 and *2* summarize the State's overall financial position and results of operations for the past two years based on information included in the government-wide financial statements.

Exhibit 1
Government-wide Net Position
As of June 30, 2013
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percent Change
	2013	*(as restated)* 2012	2013	*(as restated)* 2012	2013	*(as restated)* 2012	2013-2012
Assets							
Current and other assets	$ 9,613,883	$ 8,831,051	$ 646,956	$ 641,350	$ 10,260,839	$ 9,472,401	8.3%
Capital assets	14,945,818	14,847,194	72,497	54,450	15,018,315	14,901,644	0.8%
Total assets	**24,559,701**	**23,678,245**	**719,453**	**695,800**	**25,279,154**	**24,374,045**	**3.7%**
Liabilities							
Long-term liabilities	4,488,981	3,891,594	629,150	914,353	5,118,131	4,805,947	6.5%
Other liabilities	2,591,818	3,575,176	332,158	260,603	2,923,976	3,835,779	(23.8%)
Total liabilities	**7,080,799**	**7,466,770**	**961,308**	**1,174,956**	**8,042,107**	**8,641,726**	**(6.9%)**
Net Position							
Net investment in capital assets	11,468,466	11,251,603	72,497	54,450	11,540,963	11,306,053	2.1%
Restricted	5,323,431	3,183,501	56	56	5,323,487	3,183,557	67.2%
Unrestricted	687,005	1,776,371	(314,408)	(532,988)	372,597	1,243,383	(70.0%)
Total net position, restated	**$ 17,478,902**	**$ 16,211,475**	**$ (241,855)**	**$ (478,482)**	**$ 17,237,047**	**$ 15,732,993**	**9.6%**

Net Position

The comparison of net position to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2013 fiscal year, the State's net position totaled $17.237 billion.

The largest portion of the State's net position reflects its *investment in capital assets* (for example, buildings, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, they are *not* available for future spending. Further, the State cannot sell the capital assets themselves to repay the related debt because it needs the assets for its operations; so it must find other resources to repay the debt.

Restricted net position generally are available for future spending but are subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State's largest restricted balances include capital improvement bond proceeds (restricted for various capital projects) and debt service.

Unrestricted net position—resources available for future spending without restrictions—reported balance of $372.597 million at June 30, 2013. This represents a decrease of $870.786 million over the prior year. Some of this decrease resulted from the $1.089 billion decrease in the unrestricted net position reported for the State's *governmental activities* was mostly the result of federal and other grants-restricted funds increasing as a portion of the year-end net position, as opposed to the prior year's portion of net position.

The State's *business-type activities* reported a ($314.408) million unrestricted net position. This balance was mostly comprised of a ($182.600) million net position in the State-run unemployment compensation fund, a ($82.269) million net position in the State-run medical malpractice insurance program, and a ($63.362) million net position in the State-run college tuition prepayment program.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percentage Change
	2013	*(as restated)* 2012	2013	*(as restated)* 2012	2013	*(as restated)* 2012	2013-2012
Revenues							
Program revenues:							
Charges for services	$ 2,890,953	$ 2,649,463	$ 514,169	$ 449,833	$ 3,405,122	$ 3,099,296	9.9%
Operating grants and contributions	7,328,281	7,366,197	323,321	689,113	7,651,602	8,055,310	(5.0%)
Capital grants and contributions	716,702	646,148	3	—	716,705	646,148	10.9%
General revenues:							
Individual income tax	3,479,332	3,101,861	—	—	3,479,332	3,101,861	12.2%
Retail sales and use tax	4,268,274	4,148,010	—	—	4,268,274	4,148,010	2.9%
Other tax	1,938,479	2,000,124	—	—	1,938,479	2,000,124	(3.1%)
Unrestricted grants and contributions	159	93,970	—	—	159	93,970	(99.8%)
Unrestricted investment income	55,534	77,729	8,206	6,044	63,740	83,773	(23.9%)
Tobacco legal settlement	73,326	74,122	—	—	73,326	74,122	(1.1%)
Other	587,564	509,742	85	—	587,649	509,742	15.3%
Total revenues	**21,338,604**	**20,667,366**	**845,784**	**1,144,990**	**22,184,388**	**21,812,356**	**1.7%**
Expenses							
Governmental activities:							
General government	5,324,230	4,685,050	—	—	5,324,230	4,685,050	13.6%
Education	4,229,595	4,163,313	—	—	4,229,595	4,163,313	1.6%
Health and environment	6,403,284	5,778,883	—	—	6,403,284	5,778,883	10.8%
Social services	2,087,877	2,066,923	—	—	2,087,877	2,066,923	1.0%
Administration of justice	719,891	658,925	—	—	719,891	658,925	9.3%
Resources and economic development	281,763	191,684	—	—	281,763	191,684	47.0%
Transportation	931,980	1,194,222	—	—	931,980	1,194,222	(22.0%)
Other	31,589	87,929	—	—	31,589	87,929	(64.1%)
Business-type activities:							
Unemployment compensation benefits	—	—	616,064	1,066,105	616,064	1,066,105	(42.2%)
Other	—	—	54,061	51,692	54,061	51,692	4.6%
Total expenses	**20,010,209**	**18,826,929**	**670,125**	**1,117,797**	**20,680,334**	**19,944,726**	**3.7%**
Excess (deficiency) before additions to endowments and transfers	**1,328,395**	**1,840,437**	**175,659**	**27,193**	**1,504,054**	**1,867,630**	**(19.5%)**
Gain on early retirement of debt	—	—	—	119	—	119	(100.0%)
Net transfers	(60,968)	(640,774)	60,968	137,323	—	(503,451)	—
Increase (decrease) in net position	**1,267,427**	**1,199,663**	**236,627**	**164,635**	**1,504,054**	**1,364,298**	**10.2%**
Net position at beginning of year, restated	**16,211,475**	**15,011,812**	**(478,482)**	**(643,117)**	**15,732,993**	**14,368,695**	**9.5%**
Net position, end of year	**$ 17,478,902**	**$ 16,211,475**	**$ (241,855)**	**$ (478,482)**	**$ 17,237,047**	**$ 15,732,993**	**9.6%**

2012 restatement due to correction of an error. See Note 14, Fund Equity Reclassicifations and Restatements, on page 134 of the financial statements.

Changes in Net Position

The State's total net position increased by $1.504 billion or 9.6% over the prior year's net position as a result of its governmental activities and its business-type activities. The overall improvement in the financial position of the State was experienced through an increase in current and other assets and a decrease in overall liabilities. The State has taken advantage of lower interest rates to reduce long-term debt through refunding and early retirement. The use of refunding transactions has helped to allow a better position in the current and other assets as of June 30, 2013.

Governmental Activities

The net position of the State's governmental activities increased by $1.267 billion or 7.8%. Revenue increased from last year by $671.238 million or 3.2%, which is an increase of $397.110 million or 4.0% in general revenue and an increase of $274.128 million or 2.6% in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the comparative sources of revenues that support governmental activities.

Expenses associated with governmental activities increased by $1.183 billion or 6.3% for the fiscal year ended June 30, 2013. These expenses were mostly associated with services provided for health and environment, education, general government, transportation, and social services. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2013, the State used $9.074 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Governmental activities reported $60.968 million in net transfers to the State's business-type activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2013 fiscal year:

- Program revenues were $10.936 billion, an increase of $274.128 million, or 2.6%. The increase was primarily due to the increased demand for health and environmental services.
- Individual income tax revenues increased by $377.471 million or 12.2%, retail sales and use tax revenues increased by $120.264 million or 2.9%, and other taxes revenues decreased by $61.645 million or 3.1%. Overall tax collections increased during fiscal year 2013 due to increased enforcement and improvements in the state and national economies.
- General government expenses increased by $639.180 million or 13.6%, which is attributable to improvements in the state's economy, availability of budgetary appropriations, and increased demand for government services.
- Education expenses increased by $66.282 million or 1.6% from last year. The increase is primarily the result of general increases in the costs of providing public education. Secondarily, additional appropriations were available from improved economic conditions.
- Health and environmental expenses increased by $624.401 million or 10.8% which can be attributed to an increase in revenue from charges for services that is driven by demand for services.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2013

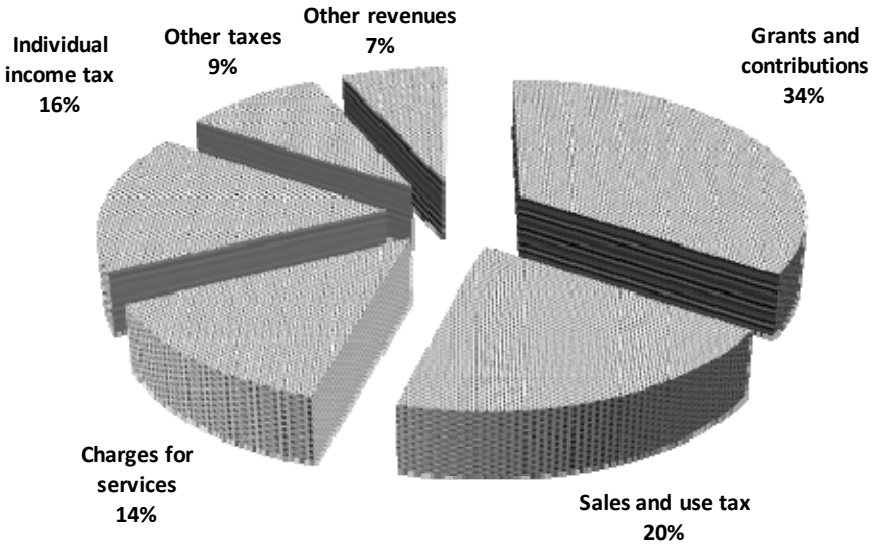
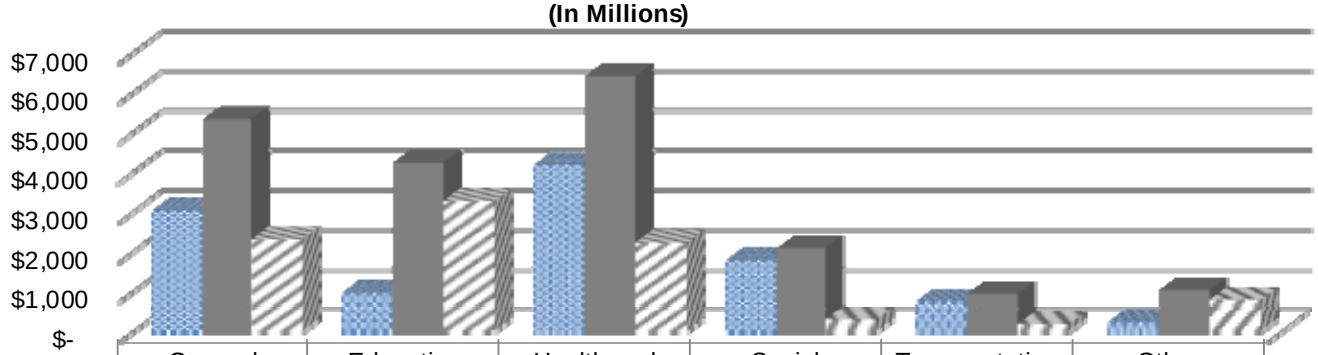


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2013
(In Millions)



	General Government	Education	Health and Environment	Social Services	Transportation	Other
Revenues	$3,025	$962	$4,178	$1,780	$747	$244
Expenses	$5,324	$4,230	$6,403	$2,088	$932	$1,033
Net Cost	$2,299	$3,268	$2,225	$308	$185	$789

Business-type Activities

The net position of the State's business-type activities increased by $236.627 million or 49.5%.

Most business-type activities are self-supporting. The Unemployment Compensation Fund accounts for the State's unemployment compensation benefits in which federal grants and assessments on employers pay for the services that the Unemployment Compensation Fund provides. However, the Unemployment Compensation Fund receives substantial resources (primarily transfers of annual appropriations) from the State's governmental activities. The $60.968 million reported as net transfers in Exhibit 2 consists primarily of the appropriations and other transfers to the Unemployment Compensation Fund, which totaled $72.8 million for the year ended June 30, 2013, and represent the cost of federal unemployment compensation benefits supported with taxes and other general revenues of governmental activities.

Expenses for the payment of unemployment compensation benefits decreased by $450.041 million or 42.2% during the 2013 fiscal year. This decrease resulted from declining unemployment claims in the state.

Financial Analysis of the State's Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Within the fund financial statements, the focus is on reporting major funds.

Governmental Funds

Exhibit 5 shows the components of fund balance for the State's various governmental funds as of June 30, 2013.

Exhibit 5
Governmental Fund Balances
As of June 30, 2013
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	$ 67,717	$ 8,466	$ 740,600	$ 9,701	$ 12,401	$ 838,885
Restricted	337,687	249,882	1,292,226	10,000	493,194	2,382,989
Committed	650,545	3,955	—	159,627	2,623	816,750
Assigned	996,539	—	—	—	156,918	1,153,457
Unassigned	791,549	(30,033)	—	(276,644)	—	484,872
Totals	**$ 2,844,037**	**$ 232,270**	**$ 2,032,826**	**$ (97,316)**	**$ 665,136**	**$ 5,676,953**
Change from prior year	**$ 915,348**	**$ (23,022)**	**$ 70,311**	**$ 33,237**	**$ (51,367)**	**$ 944,507**
Percentage change	**47.5%**	**(9.0%)**	**3.6%**	**25.5%**	**(7.2%)**	**20.0%**

At June 30, 2013, total ending fund balance for the State's governmental funds was $5.677 billion, which represents an increase of $0.945 billion or 20.0% from the prior year. Included in this total is an *unrestricted, unassigned* fund balance of $484.872 million. The General Fund reports $791.549 million as unrestricted, unassigned and available with no constraints for spending in the coming year. Forty-one percent of the total fund balance for governmental funds are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision. The majority of the remaining fund balance is *non-spendable, committed, or assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income taxes of $358.375 million, 11.6%, sales and use taxes of $134.078 million, 3.8%, corporate income tax of $93.274 million, 31.8%, insurance tax of $4.531 million, 3.4%, and hospital tax of $824 thousand, 0.3% from the prior year. The increase in expenditures of $426.076 million, 5.1%, is below the increase in revenue indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens thus expanding services when possible. During the 2013 fiscal year, the total fund balance decreased by $23.022 million or 9.0% from the prior year. The primary source of revenue for the fund is federal revenues which account for $6.761 billion or 93.0% of the total revenue reported.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased $33.237 million or 25.5% during the 2013 fiscal year leaving a balance of ($97.316) million at the end of the fiscal year. The increase in fund balance was caused by an increase in funding from the federal government.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2013.

Exhibit 6
Proprietary Fund Net Position
As of June 30, 2013
(Expressed in Thousands)

Fund Net Position	Unemployment Compensation	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	$ —	$ 72,497	$ 72,497	$ 88,674
Restricted, expendable	—	56	56	202,698
Unrestricted	(182,600)	(131,808)	(314,408)	202,133
Totals	**$ (182,600)**	**$ (59,255)**	**$ (241,855)**	**$ 493,505**
Change from prior year	**$ 244,741**	**$ (8,114)**	**$ 236,627**	**$ 8,768**
Percentage change	**57.3%**	**(15.9%)**	**49.5%**	**1.8%**

The State has two kinds of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are reported as business-type activities in the government-wide financial statements. Enterprise funds sell goods or services primarily to parties outside of State government.

The net position of the Unemployment Compensation Benefits Fund, a major enterprise fund, increased by $244.741 million or 57.3% over the prior year. Increased tax collections, coupled with decreases in the number of individuals eligible for and claiming State unemployment insurance benefits and changes in the relevant state laws have resulted in the improved net position and enabled the Fund to operate without obtaining additional advances from the Federal government since May of 2011. Additional information on the advances and plans for repayment are included in Note 11i.

The net position of the State's *nonmajor enterprise funds* decreased by $8.114 million or 15.87%. This was due mostly to *Tuition Prepayment Program* tuition plan disbursements increasing by $28.738 million or 3958.4%. This decrease was partially offset by positive operating results for the *Patients'* Compensation *Fund.*

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) and some goods (such as office supplies) primarily to other State funds but sometimes to local governments as well. The increase in net position of $8.768 million or 1.8% over the prior year resulted from increases in charges for services in the Prison Industries and General Services Funds and also in the Employee Insurance Programs. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

Budgetary General Fund Highlights

Original estimated revenues for the 2013 fiscal year were $6.088 billion. Because of continual review of tax revenue collections and improvements in economic conditions, the Board of Economic Advisors (BEA) revised the revenue estimate during the course of the year to a total of $6.119 billion. Actual revenues at June 30, 2013, were $270.879 million or 4.4% over the BEA's adjusted revenue estimate which also represented an increase in collections over the prior year of $531.780 million or 9.1%. Individual income and sales tax collections are the fund's primary revenue sources. Individual income tax collections ended the year over the adjusted estimate by $111.742 million and sales tax collections ended the year under the adjusted estimate by $18.083 million.

Actual expenditures were $189.866 million less than actual revenues because economic conditions improved during the year allowing revenue estimations to be increased after the passing of the balanced budget. In addition, $2.437 million of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2013 ended with a budgetary surplus. The State ended the year with a budgetary General Fund balance of $1.046 billion.

See the *Required Supplementary Information* section on pages 148 through 153 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2013 fiscal year, the State had $15.018 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of $116.671 million or 0.8%, over the previous accounting year (see *Exhibit 7*).

Exhibit 7
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
				(as restated)		*(as restated)*	
	2013	2012	2013	2012	2013	2012	2013-2012
Land and improvements	$ 1,926,330	$ 1,910,870	$ 41,249	$ 41,143	$ 1,967,579	$ 1,952,013	0.8%
Infrastructure	9,200,685	9,194,881	—	—	9,200,685	9,194,881	0.1%
Buildings and improvements	1,128,643	1,172,558	9,857	8,694	1,138,500	1,181,252	(3.6%)
Vehicles	91,305	80,842	6	17	91,311	80,859	12.9%
Machinery and equipment	122,036	105,463	3,039	2,179	125,075	107,642	16.2%
Works of art and historical treasures	5,178	5,238	—	—	5,178	5,238	(1.1%)
Construction in progress	2,414,808	2,318,758	10,116	2,072	2,424,924	2,320,830	4.5%
Intangible assets	56,833	58,584	8,230	345	65,063	58,929	10.4%
Total	**$ 14,945,818**	**$ 14,847,194**	**$ 72,497**	**$ 54,450**	**$ 15,018,315**	**$ 14,901,644**	**0.8%**

Growth in capital asset investment occurred mostly in construction in progress, which was primarily in software for the State's Department of Social Services and for various facilities for the State's Department of Public Safety and Department of Corrections. During the current year, buildings and improvements have continued to decrease due to general aging, as reflected in the net book value through depreciation.

See Note 6 in the notes to the financial statements on page 92 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2013, the State had $3.413 billion in bonds and notes outstanding—a decrease of $305.672 million, or a 8.2% decline from last year (see *Exhibit 8*).

Exhibit 8
Outstanding Bonds and Notes
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
				(as restated)		*(as restated)*	
	2013	2012	2013	2012	2013	2012	2013-2012
Backed by the State:							
General obligation bonds	$1,376,697	$ 1,571,957	$ —	$ —	$1,376,697	$ 1,571,957	(12.4%)
Backed by Specific Revenues:							
Revenue bonds and notes	24,318	68,854	6,360	—	30,678	68,854	(55.4%)
Infrastructure Bank bonds	2,003,486	2,074,308	—	—	2,003,486	2,074,308	(3.4%)
Limited obligation bonds	2,408	3,822	—	—	2,408	3,822	(37.0%)
Total	**$3,406,909**	**$ 3,718,941**	**$ 6,360**	**$ —**	**$3,413,269**	**$ 3,718,941**	**(8.2%)**

The reduction of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of $312.032 million. Activity in the debt reported by the governmental activities included the issuance of $424.910 million in Infrastructure Bank revenue bonds. All of the proceeds from the debt issuance by governmental activities were used to refund earlier bond issues.

For business-type activities, the South Carolina Division of Public Railways assumed responsibility for the payment of $6.360 million in tax increment financing bonds from the City of North Charleston.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as "AAA" and Moody's Investors Service rated them as "Aaa" during the fiscal year ended June 30, 2013, the highest rating that these services assign. The State's bond rating from Standard & Poor's was "AA+" during the same period.

The State limits the amount of annual payments for principal and interest on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2013, the State legally could issue additional bonds as long as the new debt would not increase the State's annual principal and interest payments by more than the following amounts: $37.609 million for highway bonds, $176.852 million for general obligation bonds (excluding institution and highway bonds), $4.716 million for economic development bonds, and $8.785 million for research university infrastructure bonds.

State institution bonds of $433.434 million were outstanding at June 30, 2013.

See Note 11 in the notes to the financial statements on page 115 of this report for additional information about the State's long-term debt.

Economic Factors and Next Year's Budget

The "Rainy Day Account"

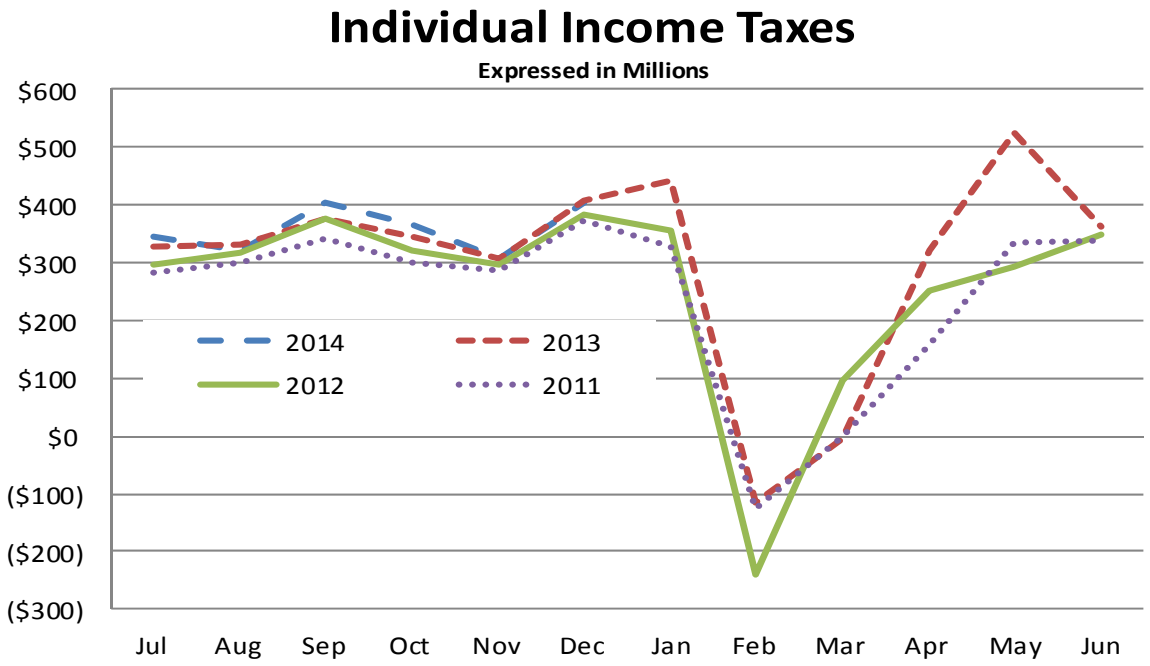
At June 30, 2013, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of $281.641 million which increased from the prior year by $98.175 million appropriated by the 2012-2013 Appropriations Act. The balance is fully funded in accordance with the State's Constitution. The State's Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. For the fiscal year 2013, State law defines full funding for the reserve as 4.0% of the Budgetary General Fund's revenues of the prior fiscal year. This requirement increases in increments of one-half of one percent annually until it reaches 5.0% in fiscal year 2015.

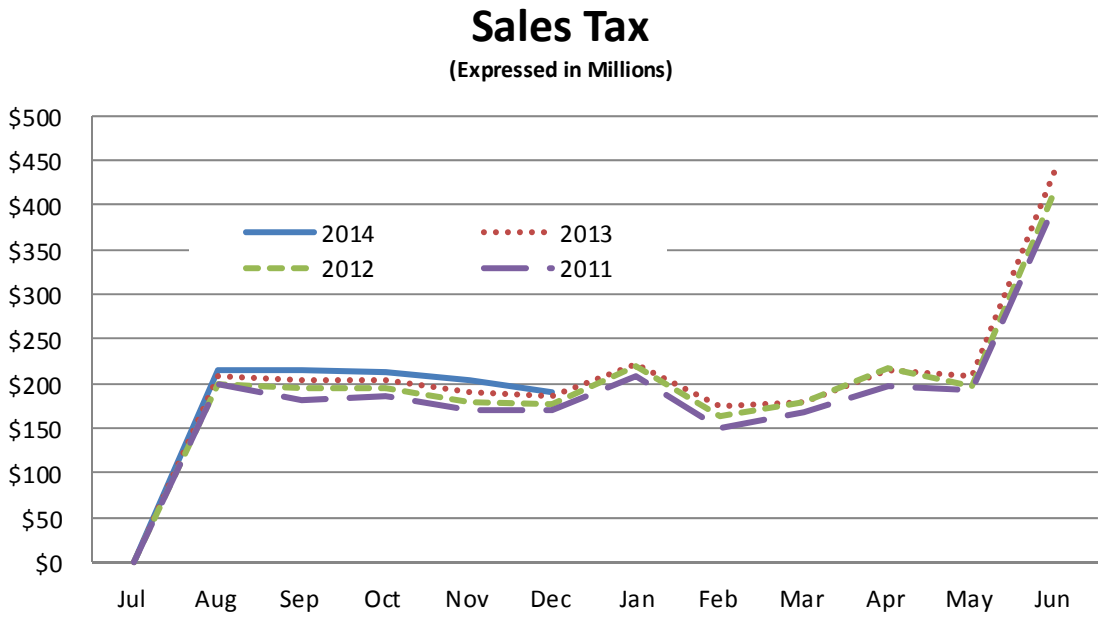
Budgetary General Fund for the 2013-2014 Accounting Year

For fiscal year 2014, the Board of Economic Advisors estimated General Fund cash basis revenue of $6.846 billion, which was $456.533 million or 7.1% greater than fiscal year 2013 actual revenue collections. The State's Board of Economic Advisors November 2013 estimate reflects an additional increase of $92.733 million or 1.4% over the original revenue estimate for fiscal year 2014.

Economic Conditions

Budgetary General Fund revenues for the first six months of fiscal year 2014 were $3.647 billion, an increase of $91.496 million or 2.6% over the same period for fiscal year 2013. Total individual income taxes collected have increased $524.243 million or 16.9% over the same period in the prior year. Sales taxes have also increased $93.404 million or 4.0% from fiscal year 2013.

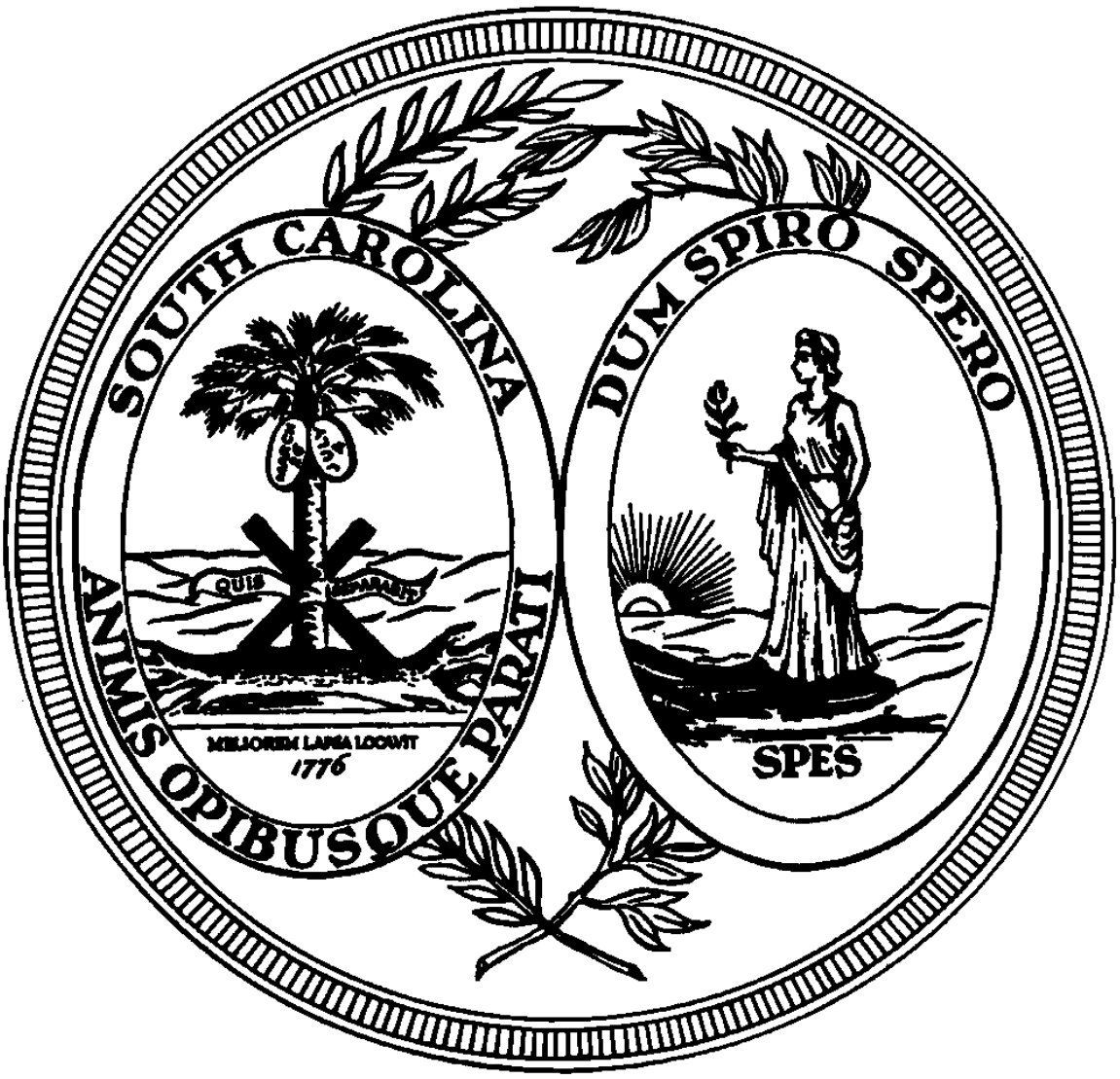


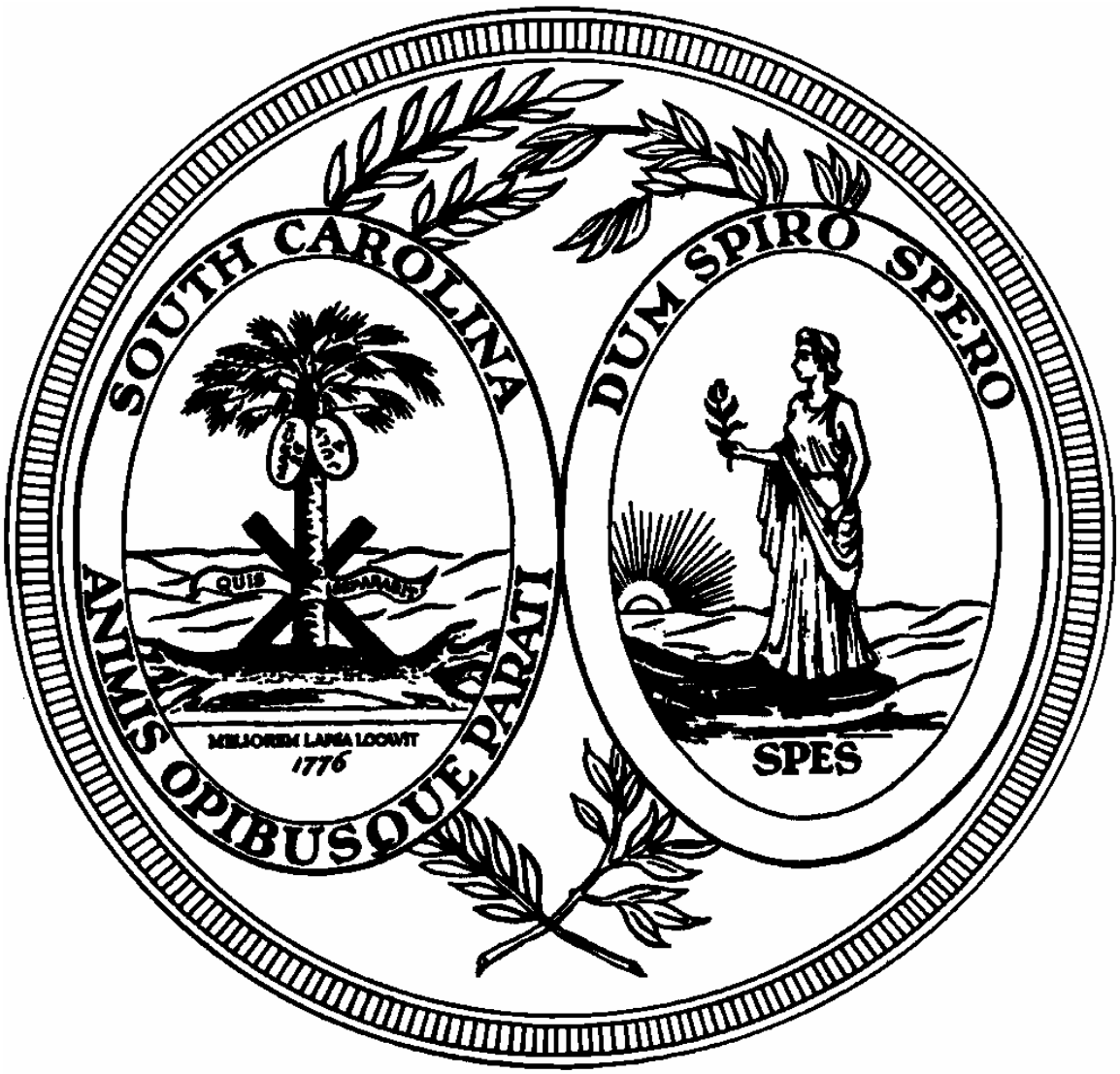


Requests for Information

The primary purpose of this financial report is to provide South Carolina's citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Please address any questions concerning information in this report to:

Office of the Comptroller General
ATTN: Chief of Staff
1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201


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BASIC
FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2013
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 5,258,725	$ 303,126	$ 5,561,851	$ 1,838,805
Investments	491,016	108,306	599,322	1,276,058
Invested securities lending collateral	10,311	4,372	14,683	2,692
Receivables, net:				
Accounts	405,886	27,134	433,020	414,354
Contributions	1,070	—	1,070	101,821
Participants	—	5,226	5,226	—
Accrued interest	15,357	252	15,609	7,230
Income taxes	420,196	—	420,196	—
Sales and other taxes	555,893	—	555,893	—
Student accounts	25	—	25	52,622
Patient accounts	15,357	—	15,357	209,555
Loans and notes	516,120	—	516,120	118,754
Assessments	—	114,428	114,428	—
Due from Federal government and other grantors	642,587	4,176	646,763	112,878
Internal balances	17,139	(17,139)	—	—
Due from component units	49,849	—	49,849	—
Due from primary government	—	—	—	243,053
Inventories	34,858	2,936	37,794	702,776
Restricted assets:				
Cash and cash equivalents	793,700	86,715	880,415	1,283,433
Investments	—	—	—	1,639,267
Accounts receivable	247,989	—	247,989	—
Loans receivable	—	3,208	3,208	671,059
Other	76,722	200	76,922	8,698
Prepaid items	47,027	318	47,345	66,415
Other assets	1,140	3,698	4,838	881,728
Deferred charges	12,916	—	12,916	818,347
Investment in joint venture	—	—	—	8,124
Capital assets-nondepreciable	4,284,434	50,597	4,335,031	2,895,187
Capital assets-depreciable, net	10,661,384	21,900	10,683,284	8,851,683
Total assets	24,559,701	719,453	25,279,154	22,204,539
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	—	—	—	40,384
Total deferred outflows	—	—	—	40,384
LIABILITIES				
Accounts payable	$ 544,742	$ 755	$ 545,497	$ 449,791
Accrued salaries and related expenses	137,463	609	138,072	163,598
Accrued interest payable	13,339	—	13,339	129,992
Retainages payable	1,153	—	1,153	10,593
Tax refunds payable	707,257	17,536	724,793	—
Payables-aid to individuals/families	8,933	—	8,933	—
Prizes payable	—	—	—	26,892
Unemployment benefits payable	—	6,812	6,812	—
Intergovernmental payables	356,651	19,011	375,662	436
Tuition benefits payable	—	182,061	182,061	—
Due to component units	243,053	—	243,053	—
Due to primary government	—	—	—	49,849
Due to fiduciary funds	11,717	—	11,717	—
Unearned revenues and deferred credits	394,355	5,730	400,085	1,284,142
Deposits	—	—	—	19,980
Amounts held in custody for others	—	—	—	27,139
Securities lending collateral	34,891	4,610	39,501	9,030
Liabilities payable from restricted assets:				
Accrued interest payable	30,859	51	30,910	—
Other	—	94,983	94,983	20,905
Other liabilities	107,405	—	107,405	824,234
Long-term liabilities:				
Due within one year	972,708	81,927	1,054,635	559,175
Due in more than one year	3,516,273	547,223	4,063,496	8,517,025
Total liabilities	7,080,799	961,308	8,042,107	12,092,781
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	—	—	—	3,423
Total deferred outflows	—	—	—	3,423

Exhibit A-1

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
NET POSITION				
Net investment in capital assets	11,468,466	72,497	11,540,963	4,589,150
Restricted:				
Expendable:				
Education	280,902	56	280,958	826,750
Health	306,059	—	306,059	—
Transportation	445,033	—	445,033	472
Capital projects	243,965	—	243,965	454,474
Debt service	866,266	—	866,266	327,163
Loan programs	29,653	—	29,653	322,153
Waste management	520	—	520	—
Insurance programs	185,906	—	185,906	—
Other	2,956,070	—	2,956,070	2,675
Nonexpendable:				
Education	—	—	—	945,791
Other	9,057	—	9,057	—
Unrestricted	687,005	(314,408)	372,597	2,680,091
Total net position (deficit)	**$ 17,478,902**	**$ (241,855)**	**$ 17,237,047**	**$ 10,148,719**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses)
Primary government:					
Governmental activities:					
General government	$ 5,324,230	$ 2,339,634	$ 598,204	$ 87,126	$ (2,299,266)
Education	4,229,595	53,843	903,578	4,570	(3,267,604)
Health and environment	6,403,284	271,609	3,885,583	20,829	(2,225,263)
Social services	2,087,877	14,103	1,765,554	58	(308,162)
Administration of justice	719,891	65,657	11,400	43,409	(599,425)
Resources and economic development	281,763	60,571	56,800	6,050	(158,342)
Transportation	931,980	85,536	107,162	554,660	(184,622)
Unallocated interest expense	31,589	—	—	—	(31,589)
Total governmental activities	**20,010,209**	**2,890,953**	**7,328,281**	**716,702**	**(9,074,273)**
Business-type activities:					
Unemployment compensation benefits	616,064	467,256	320,482	—	171,674
Other enterprise activities	54,061	46,913	2,839	3	(4,306)
Total business-type activities	**670,125**	**514,169**	**323,321**	**3**	**167,368**
Total primary government	**$ 20,680,334**	**$ 3,405,122**	**$ 7,651,602**	**$ 716,705**	**$ (8,906,905)**
Component units:					
Public Service Authority	1,804,871	1,887,797	1,926	—	84,852
Medical University of South Carolina	1,850,245	1,724,344	173,721	38,641	86,461
University of South Carolina	1,281,265	1,008,288	314,056	16,520	57,599
Clemson University	733,094	543,456	249,484	33,128	92,974
State Ports Authority	135,902	135,838	3,893	2,984	6,813
Housing Authority	242,279	102,671	147,653	—	8,045
Other	2,958,825	2,310,475	694,676	77,562	123,888
Total component units	**$ 9,006,481**	**$ 7,712,869**	**$ 1,585,409**	**$ 168,835**	**$ 460,632**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (9,074,273)	$ 167,368	$ (8,906,905)	$ 460,632
General revenues:				
Taxes:				
Individual income	3,479,332	—	3,479,332	—
Retail sales and use	4,268,274	—	4,268,274	—
Corporate income	386,847	—	386,847	—
Gas and motor vehicle	557,209	—	557,209	—
Insurance	139,240	—	139,240	—
Hospital	263,435	—	263,435	—
Other	591,748	—	591,748	—
Total taxes	9,686,085	—	9,686,085	—
Unrestricted grants and contributions	159	—	159	—
Unrestricted investment income	55,534	8,206	63,740	—
Tobacco legal settlement	73,326	—	73,326	—
Other revenues	587,564	85	587,649	—
Additions to endowments	—	—	—	41,923
Transfers–internal activities	(60,968)	60,968	—	—
Total general revenues, additions to endowments, and transfers	**10,341,700**	**69,259**	**10,410,959**	**41,923**
Change in net position	**1,267,427**	**236,627**	**1,504,054**	**502,555**
Net position (deficit) at beginning of year, restated	**16,211,475**	**(478,482)**	**15,732,993**	**9,646,164**
Net position (deficit) at end of year	**$ 17,478,902**	**$ (241,855)**	**$ 17,237,047**	**$ 10,148,719**

The Notes to the Financial Statements are an integral part of this statement.

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2013
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
ASSETS			
Cash and cash equivalents	$ 3,046,960	$ 163,161	$ 528,852
Investments	38,177	10,889	—
Invested securities lending collateral	862	134	4,057
Receivables, net:			
Accounts	128,292	107,903	13,444
Contributions	1,070	—	—
Accrued interest	6,108	290	2,710
Income taxes	420,196	—	—
Sales and other taxes	445,093	11,277	—
Student accounts	15	10	—
Patient accounts	11,580	3,777	—
Loans and notes	38,168	451	472,329
Due from Federal government and other grantors	7,026	565,652	—
Due from other funds	79,920	12,191	1,092
Due from component units	1,554	1,070	—
Interfund receivables	882	760	294,861
Inventories	24,422	2,186	—
Restricted assets:			
Cash and cash equivalents	—	—	783,216
Accounts receivable	—	—	247,989
Other	—	—	39,649
Prepaid items	7,549	5,069	—
Other assets	—	—	—
Total assets	**$ 4,257,874**	**$ 884,820**	**$ 2,388,199**
LIABILITIES AND FUND BALANCES (DEFICIT)			
Liabilities:			
Accounts payable	155,591	249,949	3,001
Accrued salaries and related expenditures	89,352	25,173	69
Retainages payable	1	869	—
Tax refunds payable	707,037	—	—
Payable–aid to individuals/families	447	8,486	—
Intergovernmental payables	67,609	198,993	797
Due to other funds	24,877	72,563	656
Due to component units	210,522	22,075	—
Interfund payables	22,132	425	—
Deferred revenues	65,725	73,544	337,020
Securities lending collateral	2,984	463	13,830
Other liabilities	67,560	10	—
Total liabilities	**1,413,837**	**652,550**	**355,373**
Fund balances:			
Nonspendable	67,717	8,466	740,600
Restricted	337,687	249,882	1,292,226
Committed	650,545	3,955	—
Assigned	996,539	—	—
Unassigned	791,549	(30,033)	—
Total fund balances (deficit)	**2,844,037**	**232,270**	**2,032,826**
Total liabilities and fund balances	**$ 4,257,874**	**$ 884,820**	**$ 2,388,199**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 256,859	$ 648,832	$ 4,644,664
—	345	49,411
282	514	5,849
6,904	206	256,749
—	—	1,070
316	1,031	10,455
—	—	420,196
8,603	90,920	555,893
—	—	25
—	—	15,357
3,878	1,294	516,120
69,909	—	642,587
4,478	7,062	104,743
—	43,122	45,746
—	3,067	299,570
2,487	—	29,095
10,484	—	793,700
—	—	247,989
—	37,073	76,722
3,674	24	16,316
771	—	771
$ 368,645	**$ 833,490**	**$ 8,733,028**
75,803	$ 56,189	$ 540,533
19,315	175	134,084
73	210	1,153
—	220	707,257
—	—	8,933
—	89,252	356,651
12,245	59	110,400
589	9,867	243,053
294,885	10,605	328,047
62,050	—	538,339
1,001	1,777	20,055
—	—	67,570
465,961	**168,354**	**3,056,075**
9,701	12,401	838,885
10,000	493,194	2,382,989
159,627	2,623	816,750
—	156,918	1,153,457
(276,644)	—	484,872
(97,316)	**665,136**	**5,676,953**
$ 368,645	**$ 833,490**	**$ 8,733,028**

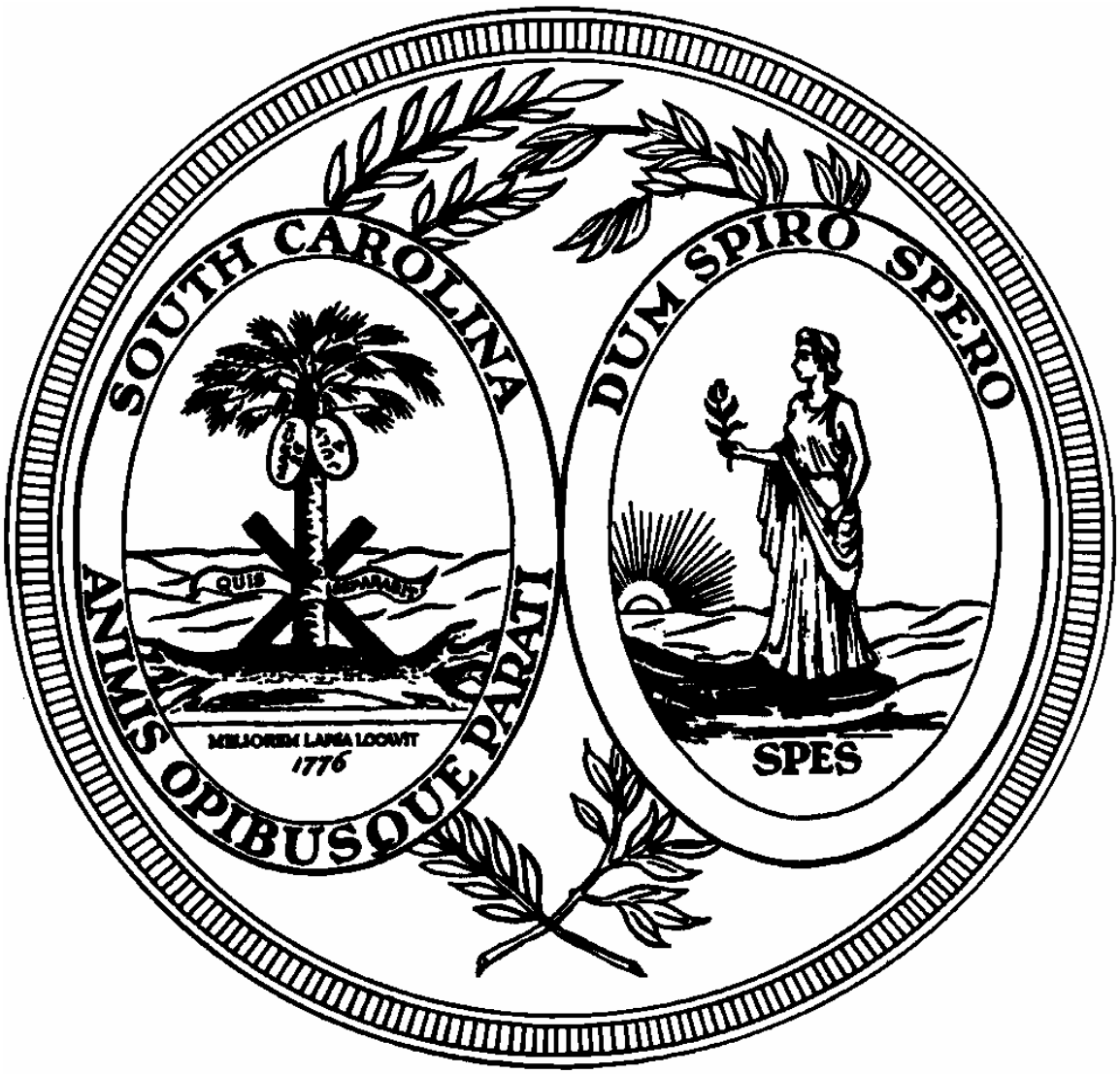
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2013
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 5,676,953**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-depreciable capital assets	$ 4,277,537	
Depreciable capital assets	15,517,219	
Accumulated depreciation	(4,951,808)	
Total capital assets		14,842,948
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in governmental activities in the statement of net position		12,862
Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds		293,432
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		493,505
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(3,393,784)	
Notes payable	(26,055)	
Accrued interest on bonds	(43,912)	
Capital leases	(349)	
Compensated absences	(203,932)	
Policy claims	(95,884)	
Other	(76,882)	
Total long-term liabilities		(3,840,798)
Net position of governmental activities		**$ 17,478,902**

The Notes to the Financial Statements are an integral part of this statement.


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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 3,459,968	$ —	$ 20,245
Retail sales and use	3,624,715	2,437	—
Corporate Income	386,847	—	—
Gas and motor vehicle	—	—	—
Insurance	139,240	—	—
Hospital	263,435	—	—
Other	460,147	127,599	—
Licenses, fees, and permits	293,657	28,640	103,160
Interest and other investment income	14,473	—	26,534
Federal	63,473	6,760,781	25,746
Local and private grants	6,721	45,045	—
Departmental services	656,122	94,474	193
Contributions	5,666	13,920	63,701
Fines and penalties	111,890	11,419	—
Tobacco legal settlement	—	—	—
Other	388,527	186,354	—
Total revenues	**9,874,881**	**7,270,669**	**239,579**
Expenditures:			
Current:			
General government	490,134	148,654	360
Education	471,559	270,562	—
Health and environment	2,360,744	4,266,835	—
Social services	290,081	1,785,394	—
Administration of justice	678,463	19,592	—
Resources and economic development	97,657	40,133	615
Transportation	2,470	1,800	2,792
Capital outlay	46,932	51,857	—
Debt service:			
Principal retirement	149,620	3,077	70,752
Interest and fiscal charges	49,207	507	98,293
Intergovernmental	4,186,950	783,496	34,260
Total expenditures	**8,823,817**	**7,371,907**	**207,072**
Excess of revenues over (under) expenditures	**1,051,064**	**(101,238)**	**32,507**
Other financing sources (uses):			
Refunding bonds issued	—	—	424,910
Premiums on bonds issued	—	—	53,560
Payment to refunded bond escrow agent	—	—	(476,620)
Transfers in	167,783	126,692	45,526
Transfers out	(303,499)	(48,476)	(9,572)
Total other financing sources (uses)	**(135,716)**	**78,216**	**37,804**
Net change in fund balances	**915,348**	**(23,022)**	**70,311**
Fund balances (deficit) at beginning of year, as restated	**1,928,689**	**255,292**	**1,962,515**
Fund balances (deficit) at end of year	**$ 2,844,037**	**$ 232,270**	**$ 2,032,826**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 3,480,213
—	641,122	4,268,274
—	—	386,847
557,209	—	557,209
—	—	139,240
—	—	263,435
—	4,246	591,992
—	75,227	500,684
1,824	1,105	43,936
616,345	(2,105)	7,464,240
—	—	51,766
19,630	6,476	776,895
—	306,837	390,124
—	7,927	131,236
—	73,326	73,326
10,961	1,732	587,574
1,205,969	**1,115,893**	**19,706,991**
—	99,187	738,335
—	251,053	993,174
—	19,211	6,646,790
—	—	2,075,475
—	—	698,055
—	388	138,793
724,731	—	731,793
298,030	57,234	454,053
45,537	1,237	270,223
26,911	26,386	201,304
78,226	681,034	5,763,966
1,173,435	**1,135,730**	**18,711,961**
32,534	**(19,837)**	**995,030**
—	—	424,910
—	—	53,560
—	—	(476,620)
703	91,123	431,827
—	(122,653)	(484,200)
703	**(31,530)**	**(50,523)**
33,237	**(51,367)**	**944,507**
(130,553)	**716,503**	**4,732,446**
$ (97,316)	**$ 665,136**	**$ 5,676,953**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$**	**944,507**
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:			
Capital outlay	$ 454,053		
Depreciation expense	(311,026)		
Excess of capital outlay over depreciation expense			143,027
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources and losses on disposals of capital assets are reported as an expense in the statement of activities			(43,933)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:			
Bonds and notes issued	(424,910)		
Net bond premiums and discounts	(53,560)		
Net bond and note proceeds			(478,470)
Bond issuance costs are expenditures in governmental funds, but are deferred assets in the statement of net position			3,329
Certain capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability			(258)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:			
Bond principal retirement	255,669		
Bonds repurchased	476,620		
Note principal retirement	12,229		
Capital lease payments	227		
Total long-term debt repayment			744,745
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is included in governmental activities in the statement of activities, net of restatements			8,768
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.			
Decrease in deferred revenues			(14,108)

Exhibit B-2a

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of changes in the following assets and liabilities:

Accrued interest payable	$ 15,198	
Unamortized bond issuance costs	(14,470)	
Unamortized bond premiums and discounts	19,899	
Unamortized deferred losses on refunding of debt	(6,402)	
Compensated absences payable	53	
Policy claims payable	(52,659)	
Other long-term liabilities	(1,799)	
Total additional expenses		(40,180)
Change in net position of governmental activities		**$ 1,267,427**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2013
(Expressed in Thousands)

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 263,253	$ 39,873	$ 303,126	$ 614,061
Investments	—	108,306	108,306	—
Invested securities lending collateral	21	4,351	4,372	4,462
Receivables, net:				
Accounts	24,676	2,458	27,134	147,968
Participants	—	1,510	1,510	—
Accrued interest	39	213	252	4,902
Assessments	114,428	—	114,428	—
Due from Federal government and other grantors	4,176	—	4,176	—
Due from other funds	—	—	—	8,488
Due from component units	—	—	—	4,103
Inventories	—	2,936	2,936	5,763
Restricted assets:				
Cash and cash equivalents	—	86,715	86,715	—
Other	—	200	200	—
Prepaid items	—	318	318	29,128
Other current assets	—	3,698	3,698	—
Total current assets	406,593	250,578	657,171	818,875
Long-term assets:				
Investments	—	—	—	441,605
Receivables, net:				
Accounts	—	—	—	1,169
Participants	—	3,716	3,716	—
Interfund receivables	—	—	—	38,383
Restricted assets:				
Loans receivable	—	3,208	3,208	—
Prepaid items	—	—	—	1,583
Other long-term assets	—	—	—	369
Deferred charges	—	—	—	54
Non-depreciable capital assets	—	50,597	50,597	6,897
Depreciable capital assets, net	—	21,900	21,900	95,973
Total long-term assets	—	79,421	79,421	586,033
Total assets	**406,593**	**329,999**	**736,592**	**1,404,908**

Exhibit B-3

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
LIABILITIES				
Current liabilities:				
Accounts payable	$ 360	$ 395	$ 755	$ 4,209
Accrued salaries and related expenses	—	609	609	3,379
Tax refunds payable	17,536	—	17,536	—
Unemployment benefits payable	6,812	—	6,812	—
Intergovernmental payables	19,011	—	19,011	—
Tuition benefits payable	—	26,246	26,246	—
Policy claims	—	6,201	6,201	552,670
Due to other funds	13,843	88	13,931	617
Unearned revenues	—	4,605	4,605	149,448
Securities lending collateral	74	4,536	4,610	14,836
Liabilities payable from restricted assets:				
Accrued interest payable	—	51	51	286
Other	—	88,983	88,983	—
Advances from Federal government	75,000	—	75,000	—
Notes payable	—	—	—	275
Revenue bonds payable	—	150	150	1,870
Limited obligation bonds payable	—	—	—	1,495
Compensated absences payable	—	576	576	2,184
Other current liabilities	—	—	—	3,548
Total current liabilities	132,636	132,440	265,076	734,817
Long-term liabilities:				
Tuition benefits payable	—	155,815	155,815	—
Policy claims	—	84,252	84,252	157,476
Interfund payables	—	3,208	3,208	6,698
Unearned revenues	—	1,125	1,125	—
Advances from Federal government	456,557	—	456,557	—
Other liabilities payable from restricted assets	—	6,000	6,000	—
Notes payable	—	—	—	796
Revenue bonds payable	—	6,210	6,210	8,847
Limited obligation bonds payable	—	—	—	913
Compensated absences payable	—	204	204	1,856
Total long-term liabilities	456,557	256,814	713,371	176,586
Total liabilities	**589,193**	**389,254**	**978,447**	**911,403**

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Net Position

Exhibit B-3

PROPRIETARY FUNDS (Continued)

June 30, 2013
(Expressed in Thousands)

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
NET POSITION				
Net investment in capital assets	—	$ 72,497	$ 72,497	$ 88,674
Restricted:				
Expendable:				
Education	—	56	56	—
Loan programs	—	—	—	16,792
Insurance programs	—	—	—	185,906
Unrestricted	(182,600)	(131,808)	(314,408)	202,133
Total net position (deficit)	**$ (182,600)**	**$ (59,255)**	**$ (241,855)**	**$ 493,505**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Operating revenues:				
Assessments	$ 426,716	$ —	$ 426,716	$ —
Charges for services	—	46,803	46,803	2,279,920
Contributions	—	2,839	2,839	—
Interest and other investment income	243	8,024	8,267	—
Licenses, fees, and permits	—	—	—	4
Federal operating grants and contracts	320,482	—	320,482	—
Other operating revenues	40,540	110	40,650	132,720
Total operating revenues	**787,981**	**57,776**	**845,757**	**2,412,644**
Operating expenses:				
General operations and administration	—	27,307	27,307	383,111
Benefits and claims	616,064	(3,727)	612,337	2,020,560
Tuition plan disbursements	—	29,464	29,464	—
Interest	—	—	—	23
Depreciation and amortization	—	989	989	8,807
Other operating expenses	—	28	28	3,118
Total operating expenses	**616,064**	**54,061**	**670,125**	**2,415,619**
Operating income (loss)	**171,917**	**3,715**	**175,632**	**(2,975)**
Nonoperating revenues (expenses):				
Interest income	—	497	497	11,598
Contributions	—	—	—	159
Federal grants and contracts	—	3	3	4,695
Interest expense	—	(558)	(558)	(654)
Net other nonoperating revenues (expenses)	24	61	85	4,553
Losses on sale of capital assets	—	—	—	(13)
Total nonoperating revenues (expenses)	**24**	**3**	**27**	**20,338**
Income before transfers	**171,941**	**3,718**	**175,659**	**17,363**
Transfers in	73,000	104	73,104	4,689
Transfers out	(200)	(11,936)	(12,136)	(13,284)
Change in net position	**244,741**	**(8,114)**	**236,627**	**8,768**
Net position, beginning, as restated	(427,341)	(51,141)	(478,482)	484,737
Net position at end of year	**$ (182,600)**	**$ (59,255)**	**$ (241,855)**	**$ 493,505**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:				
Receipts from customers, patients, and third-party payers	$ 40,550	$ 48,211	$ 88,761	$ 2,082,867
Assessments received	431,422	98,196	529,618	—
Grants received	328,740	—	328,740	—
Tuition plan contributions received	—	1,753	1,753	—
Claims and benefits paid	(627,491)	(76,704)	(704,195)	(1,967,135)
Payments to suppliers for goods and services	—	(21,310)	(21,310)	(352,591)
Payments to employees	—	(7,424)	(7,424)	(50,350)
Payments of funds held for others	—	—	—	1,527
Internal activity–payments from other funds	—	—	—	185,521
Internal activity–payments to other funds	—	—	—	(181)
Other operating cash receipts	—	463	463	100,348
Other operating cash payments	—	(291)	(291)	(243)
Net cash provided by (used in) operating activities	**173,221**	**42,894**	**216,115**	**(237)**
Cash flows from noncapital financing activities:				
Principal payments received from other funds	—	—	—	2,954
Advances received from other funds	—	—	—	2,205
Principal payments made to other funds	—	—	—	(20,282)
Receipt of interest from other funds	—	—	—	168
Repayment of Advances from Federal government	(250,606)	—	(250,606)	—
Interest payments on noncapital debt	—	(532)	(532)	(2,873)
Other noncapital financing cash receipts	—	812	812	9,134
Other noncapital financing cash payments	—	—	—	7,135
Transfers in	73,000	104	73,104	4,689
Transfers out	(200)	(11,936)	(12,136)	(13,284)
Net cash used in noncapital financing activities	**(177,806)**	**(11,552)**	**(189,358)**	**(10,154)**

Exhibit B-5

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from capital and related financing activities:				
Acquisition of capital assets	$ —	$ (4,551)	$ (4,551)	$ (8,343)
Principal payments on limited obligation bonds	—	—	—	(1,420)
Principal payments on capital debt	—	—	—	(3,855)
Interest payments on capital debt	—	—	—	(832)
Proceeds from sale or disposal of capital assets	—	31	31	—
Net cash used in capital and related financing activities	**—**	**(4,520)**	**(4,520)**	**(14,450)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	—	14,712	14,712	78,332
Purchase of investments	—	(105,300)	(105,300)	(79,314)
Interest and dividends on investments	256	10,846	11,102	22,734
Net cash provided by (used in) investing activities	**256**	**(79,742)**	**(79,486)**	**21,752**
Net decrease in cash and cash equivalents	**(4,329)**	**(52,920)**	**(57,249)**	**(3,089)**
Cash and cash equivalents at beginning of year, restated	**267,582**	**179,508**	**447,090**	**617,150**
Cash and cash equivalents at end of year	**$ 263,253**	**$ 126,588**	**$ 389,841**	**$ 614,061**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 171,917	$ 3,715	$ 175,632	$ (2,975)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	—	989	989	8,807
Provision for bad debts	6,134	—	6,134	—
Interest payments reclassified as capital and related financing activities	—	—	—	52
Interest and dividends on investments and interfund loans	(243)	(8,038)	(8,281)	(689)
Realized losses on sale of assets	—	—	—	(13)
Other nonoperating revenues	—	356	356	44
Other nonoperating expenses	—	(20)	(20)	(17)

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Cash Flows

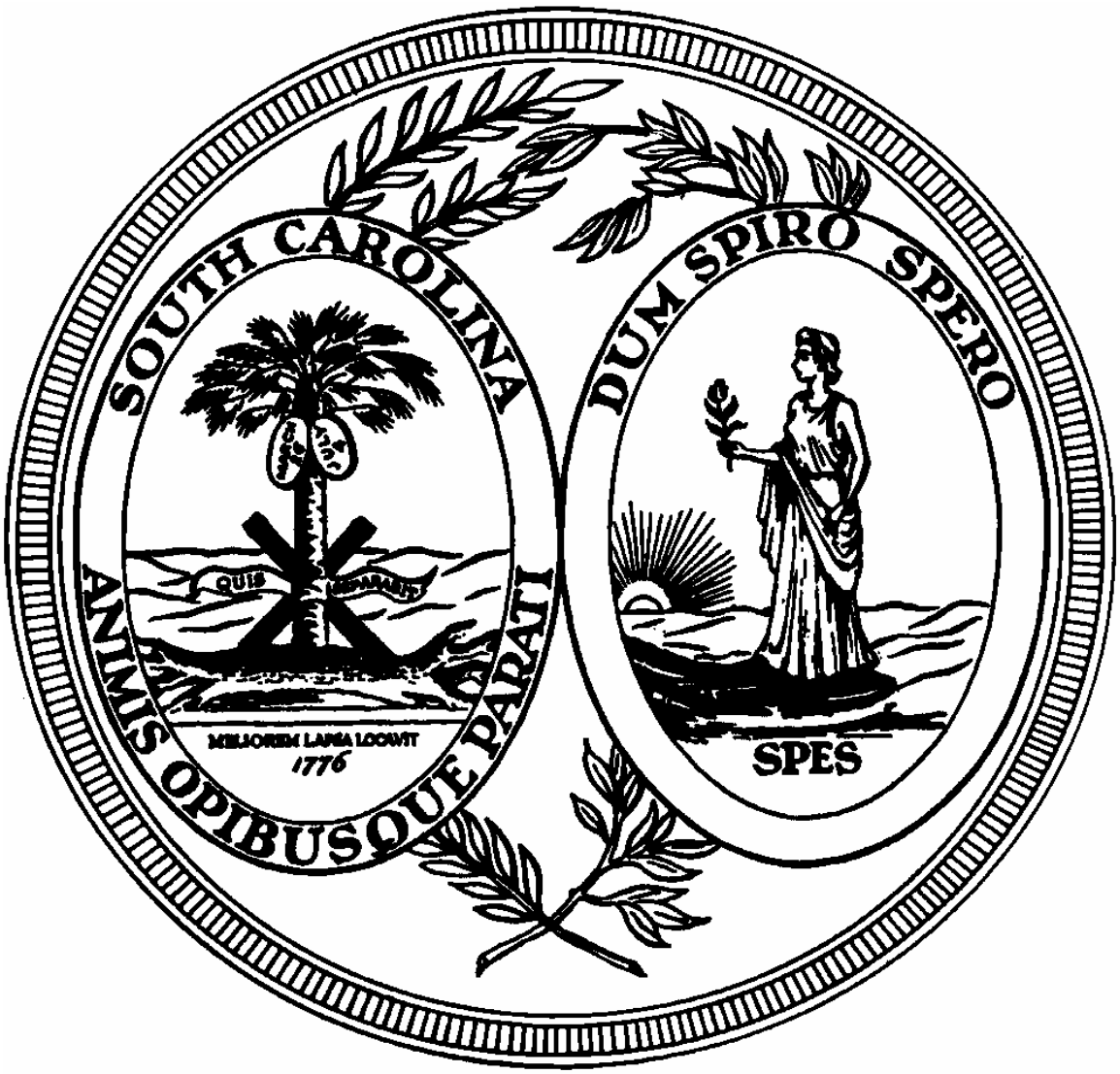
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	ENTERPRISE FUNDS			
	Unemployment Compensation	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Effect of changes in operating assets and liabilities:				
Accounts receivable, net	$ (6,797)	$ (681)	$ (7,478)	$ (39,082)
Accrued interest	13	—	13	—
Assessments receivable, net	5,379	—	5,379	—
Due from Federal government and other grantors	8,257	—	8,257	—
Due from other funds	—	—	—	5,014
Inventories	—	50	50	369
Other assets	—	96	96	(7,174)
Accounts payable	283	(624)	(341)	(1,312)
Accrued salaries and related expenses	—	69	69	238
Tax refunds payable	(2,896)	—	(2,896)	—
Unemployment benefits payable	(11,398)	—	(11,398)	—
Tuition benefits payable	—	23,810	23,810	—
Policy claims	—	22,380	22,380	53,374
Due to other funds	2,572	(19)	2,553	(1,873)
Unearned revenues	—	877	877	(12,010)
Compensated absences payable	—	(24)	(24)	(240)
Other liabilities	—	(42)	(42)	(2,750)
Net cash provided by (used in) operating activities	**$ 173,221**	**$ 42,894**	**$ 216,115**	**$ (237)**
Noncash capital, investing, and financing activities:				
Disposal of capital assets	$ —	$ —	$ —	$ 3,562
Reduction in advances other than payments	24	—	24	—
Increase (decrease) in fair value of investments	—	(267)	(267)	(14,132)
Total noncash capital, investing, and financing activities	**$ 24**	**$ (267)**	**$ (243)**	**$ (10,570)**

The Notes to the Financial Statements are an integral part of this statement.


SOUTH CAROLINA
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Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2013
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 3,074,930	$ 2,207,537	$ 19,863	$ 235,494
Receivables, net:				
Accounts	—	—	—	1,194
Contributions	225,494	—	—	—
Accrued interest	72,329	6,834	1,134	298
Unsettled investment sales	712,485	—	846	—
Other investment receivables	2,798	—	—	—
Taxes	—	—	—	497
Total receivables	1,013,106	6,834	1,980	1,989
Due from other funds	54,712	—	—	12,014
Investments, at fair value:				
Short term investments	476,652	—	—	—
Debt-domestic	7,305,845	1,171,468	—	—
Debt-international	1,952,259	—	—	—
Equity-domestic	1,775,267	—	—	—
Equity-international	1,728,462	—	—	—
Alternatives	11,845,380	—	—	—
Financial and other	90,427	364,649	1,753,787	—
Total investments	25,174,292	1,536,117	1,753,787	—
Invested securities lending collateral	108,152	—	30	25
Capital assets, net	3,083	—	—	—
Prepaid items	1,266	—	—	1
Other assets	—	—	4,786	—
Total assets	**29,429,541**	**3,750,488**	**1,780,446**	**249,523**
LIABILITIES				
Accounts payable	9,243	—	757	9,526
Accounts payable–unsettled investment purchases	1,361,171	—	1,287	—
Policy claims	281	—	—	—
Due to other funds	55,009	—	—	—
Tax refunds payable	—	—	—	4
Intergovernmental payables	—	—	—	18,889
Deposits	—	—	—	3,759
Amounts held in custody for others	—	—	—	217,224
Deferred retirement benefits	468,781	—	—	—
Securities lending collateral	181,965	—	103	88
Due to participants	—	32	—	33
Other liabilities	149,937	—	—	—
Total liabilities	**2,226,387**	**32**	**2,147**	**249,523**
NET POSITION				
Held in trust for:				
Pension and other post-employment benefits	27,203,154	—	—	—
External investment pool participants	—	3,750,456	—	—
Other purposes	—	—	1,778,299	—
Total net position	**$ 27,203,154**	**$ 3,750,456**	**$ 1,778,299**	**$ —**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 34
Contributions:			
Employer	1,524,659	—	—
Employee	775,634	—	—
Deposits from pool participants	—	6,478,273	—
Tuition plan deposits	—	—	100,028
Total contributions	2,300,293	6,478,273	100,028
Investment income:			
Interest income and net appreciation in investments	2,972,458	9,766	180,777
Securities lending income	2,527	1	—
Total investment income	2,974,985	9,767	180,777
Less investment expense:			
Investment expense	419,682	—	—
Securities lending expense	2	—	—
Net investment income	2,555,301	9,767	180,777
Assets moved between pension trust funds	3,396	—	—
Total additions	**4,858,990**	**6,488,040**	**280,839**
Deductions:			
Regular retirement benefits	2,518,327	—	—
Supplemental retirement benefits	666	—	—
Deferred retirement benefits	245,717	—	—
Refunds of retirement contributions to members	102,255	—	—
Death benefit claims	21,268	—	—
Accidental death benefits	1,557	—	—
Other post-employment benefits	352,435	—	—
Withdrawals, pool participants	—	6,206,872	—
Distributions to pool participants	—	8,181	—
Depreciation	211	—	—
Administrative expense	22,263	359	10,671
Other expenses	—	—	567
Assets moved between pension trust funds	3,396	—	—
Total deductions	**3,268,095**	**6,215,412**	**11,238**
Change in net assets	**1,590,895**	**272,628**	**269,601**
Net position, beginning	**25,612,259**	**3,477,828**	**1,508,698**
Net position at end of year	**$ 27,203,154**	**$ 3,750,456**	**$ 1,778,299**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2013

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University
ASSETS				
Cash and cash equivalents	$ 132,429	$ 248,747	$ 386,590	$ 244,754
Investments	235,889	407,642	286,042	158,607
Invested securities lending collateral	—	125	672	335
Receivables, net:				
Accounts	205,034	23,923	40,986	4,566
Contributions	—	15,245	33,349	33,004
Accrued interest	1,731	583	1,460	1,466
Student accounts	—	776	8,985	4,018
Patient accounts	—	206,413	3,142	—
Loans and notes	—	561	518	62
Due from Federal government and other grantors	—	24,436	24,265	16,397
Due from primary government	—	25,483	2,133	10,949
Inventories	674,210	—	2,935	2,136
Restricted assets:				
Cash and cash equivalents	341,093	63,098	302,494	212,207
Investments	559,412	73,833	69,394	349,295
Loans receivable	—	12,598	18,047	8,499
Other	—	—	—	—
Prepaid items	16,169	14,611	8,324	7,339
Other assets	669,861	51,481	10,243	315
Deferred charges	797,699	5,778	—	813
Investment in joint venture	8,124	—	—	—
Capital assets-nondepreciable	1,763,611	165,351	192,598	136,196
Capital assets-depreciable, net	4,184,307	1,029,175	996,241	643,915
Total assets	9,589,569	2,369,859	2,388,418	1,834,873
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in				
fair value of hedging derivatives	$ 34,891	$ 5,493	$ —	$ —
Total deferred outflows	$ 34,891	$ 5,493	$ —	$ —
LIABILITIES				
Accounts payable	$ 221,933	$ 67,954	$ 56,117	$ 24,580
Accrued salaries and related expenses	7,025	76,604	22,915	16,374
Accrued interest payable	108,465	2,001	3,903	1,394
Retainages payable	2,428	270	859	1,110
Prizes payable	—	—	—	—
Intergovernmental payables	—	—	—	—
Due to primary government	—	1,070	4,237	150
Unearned revenues and deferred credits	1,002,313	36,522	46,586	34,668
Deposits	—	—	2,656	984
Amounts held in custody for others	—	17,852	1,213	3,361
Securities lending collateral	—	425	2,228	1,098
Liabilities payable from restricted assets:				
Other	—	—	—	—
Other liabilities	682,592	70,319	29,438	16,801
Long-term liabilities:				
Due within one year	336,620	48,249	42,922	29,260
Due in more than one year	5,285,078	565,439	573,839	161,194
Total liabilities	7,646,454	886,705	786,913	290,974
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in				
fair value of hedging derivatives	$ 3,423	$ —	$ —	$ —
Total deferred outflows	$ 3,423	$ —	$ —	$ —
NET POSITION				
Net investment in capital assets	894,920	582,687	676,831	615,179
Restricted:				
Expendable:				
Education	—	154,944	149,444	359,564
Transportation	—	—	—	—
Capital projects	—	50,030	70,192	115,452
Debt service	140,038	47,618	24,474	9,044
Loan programs	—	—	—	—
Other	—	—	—	—
Nonexpendable:				
Education	—	203,289	257,222	300,354
Unrestricted	939,625	450,079	423,342	144,306
Total net position	**$ 1,974,583**	**$ 1,488,647**	**$ 1,601,505**	**$ 1,543,899**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

State Ports Authority	Housing Authority	Nonmajor Component Units	Total
$ 187,090	$ 38,804	$ 600,391	$ 1,838,805
15,642	—	172,236	1,276,058
1,200	(58)	418	2,692
		—	
26,566	772	112,507	414,354
—	—	20,223	101,821
—	236	1,754	7,230
—	—	38,843	52,622
—	—	—	209,555
—	25,767	91,846	118,754
—	821	46,959	112,878
190,513	1,563	12,412	243,053
6,504	—	16,991	702,776
—	130,927	233,614	1,283,433
—	214,094	373,239	1,639,267
—	618,499	13,416	671,059
—	5,375	3,323	8,698
4,050	—	15,922	66,415
153	504	149,171	881,728
1,372	6,633	6,052	818,347
—	—	—	8,124
407,024	—	230,407	2,895,187
286,547	434	1,711,064	8,851,683
1,126,661	1,044,371	3,850,788	22,204,539
$ —	$ —	$ —	$ 40,384
$ —	$ —	$ —	$ 40,384
$ 15,493	$ —	$ 63,714	$ 449,791
2,620	781	37,279	163,598
6,738	—	7,491	129,992
4,663	—	1,263	10,593
—	—	26,892	26,892
16	—	420	436
—	—	44,392	49,849
—	—	164,053	1,284,142
—	5,869	10,471	19,980
—	—	4,713	27,139
4,045	(191)	1,425	9,030
—	20,145	760	20,905
16,206	1,590	7,288	824,234
7,952	12,807	81,365	559,175
177,384	639,103	1,114,988	8,517,025
235,117	680,104	1,566,514	12,092,781
$ —	$ —	$ —	$ 3,423
$ —	$ —	$ —	$ 3,423
504,276	434	1,314,823	4,589,150
—	—	162,798	826,750
—	—	472	472
—	—	218,800	454,474
9,009	56,813	40,167	327,163
—	266,470	55,683	322,153
—	—	2,675	2,675
—	—	184,926	945,791
378,259	40,550	303,930	2,680,091
$ 891,544	**$ 364,267**	**$ 2,284,274**	**$ 10,148,719**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Public Service Authority	$ 1,804,871	$ 1,887,797	$ 1,926	$ —
Medical University of South Carolina	1,850,245	1,724,344	173,721	38,641
University of South Carolina	1,281,265	1,008,288	314,056	16,520
Clemson University	733,094	543,456	249,484	33,128
State Ports Authority	135,902	135,838	3,893	2,984
Housing Authority	242,279	102,671	147,653	—
Nonmajor component units	2,958,825	2,310,475	694,676	77,562
Totals	**$ 9,006,481**	**$ 7,712,869**	**$ 1,585,409**	**$ 168,835**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	Net Position (Deficit) Beginning (Restated)	Net Position (Deficit) Ending
$ 84,852	$ —	$ 1,889,731	$ 1,974,583
86,461	10,585	1,391,601	1,488,647
57,599	11,798	1,532,108	1,601,505
92,974	11,122	1,439,803	1,543,899
6,813	—	884,731	891,544
8,045	—	356,222	364,267
123,888	8,418	2,151,968	2,284,274
$ 460,632	**$ 41,923**	**$ 9,646,164**	**$ 10,148,719**

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

The South Carolina General Assembly (an elected legislative body) and several elected executives govern the State of South Carolina. The accompanying financial statements present the activities of the State of South Carolina's primary government and its component units.

Component units are legally separate organizations for which the State is accountable for purposes of financial reporting. Blended component units, although legally separate from the State, are part of the State's operations in substance. Accordingly, the State includes blended component units within applicable funds in its fund financial statements and within applicable activities in its government-wide financial statements. In contrast, the State excludes its discretely presented component units from the fund financial statements included within its basic financial statements and it reports the discretely presented component units separately in its government-wide financial statements.

As explained more fully below, the State's primary government and its component units include various State funds, agencies, departments, institutions, authorities, and other organizations.

Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below.

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership, serves as trustee of the systems and the trust funds. The State Budget and Control Board, which consists of five elected officials, also reviews certain decisions made by the PEBA Board of Directors regarding the funding of the retirement systems and serves as a co-trustee of the retirement systems in conducting that review. The State Treasurer is custodian of the funds.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2013.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or her designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

Public Railways Division

The Public Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2012.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
122 Wade Hampton Office Building
Columbia, South Carolina 29201
www.treasurer.sc.gov

Public Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200

Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2013. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2012. A financial benefit/burden relationship exists between the State and the Public Service Authority.

Medical University of South Carolina

The Medical University of South Carolina (MUSC) is a legally separate State-supported institution of higher education. MUSC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The management and control of the university is vested in a board of trustees, composed as follows: the Governor or designee, ex officio, fourteen members elected by the General Assembly in joint assembly, and one member appointed by the Governor. A financial benefit/burden relationship exists between the State and MUSC.

University of South Carolina

The University of South Carolina (USC) is a legally separate State-supported institution of higher education. USC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The board of trustees is composed of the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association, which three are members ex officio of the board, and seventeen other members including one member from each of the sixteen judicial circuits elected by the general vote of the General Assembly, and one at-large member appointed by the Governor. A financial benefit/burden relationship exists between the State and USC.

Clemson University

Clemson University is a legally separate State-supported, institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the General Assembly. The University is governed by a board of thirteen members, including six elected by the General Assembly and seven self-perpetuating life members. A benefit/burden relationship exists between the State and Clemson University.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates eight ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. Removal of the Governor's appointed members requires a breach of duty or entering into a conflict of interest transaction. The State's primary government has provided financial support to the State Ports Authority in the past, and State law grants the State access to the State Ports Authority's surplus net revenues. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

The South Carolina State Housing Finance and Development Authority is a legally separate entity that facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Authority issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Authority. The Governor appoints, with the advice and consent of the Senate, seven persons to be commissioners of the South Carolina State Housing Finance and Development Authority. The Governor appoints the chairman from among the seven commissioners. The State has the ability to impose its will on the Housing Finance and Development Authority.

Other Discretely Presented Component Units (Nonmajor)

The State's government-wide financial statements also include the following nonmajor discretely presented component units in the aggregate:

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to

remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2012.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2012. DOT is responsible for confirming the effectiveness and reasonableness of proposed toll rate changes in order for new toll rates to be established. Toll revenues, to the extent available, in accordance with the amended license agreement, are used to offset the highway maintenance commitments of DOT related to the Southern Connector. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

The South Carolina Education Assistance Authority is a legally separate entity that issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings. Management oversight for the Authority is provided by the State Budget and Control Board.

The South Carolina First Steps to School Readiness is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee. The State has the ability to impose its will on First Steps to School Readiness.

South Carolina Jobs-Economic Development Authority is a legally separate entity that promotes and develops business and economic welfare in the state. The Authority is governed by a Board of Directors (board) which consists of ten members all appointed by the Governor. The State has the ability to impose its will on the Jobs-Economic Development Authority.

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission is legally separate and is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs. A benefit/burden relationship exists between the State and the Lottery.

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2012.

Patriots Point Development Authority is a legally separate entity, established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor. Members of the authority are appointed by the Governor as follows: one upon the joint recommendation of the Chairman of the House Ways and Means Committee and the Speaker of the House, one upon the joint recommendation of the Chairman of the Senate Finance Committee and the President Pro Tempore of the Senate, and three appointed by the Governor. The Governor appoints the chairman. In addition, there are three additional members of the board appointed by the Governor, one appointed upon recommendation of the President Pro Tempore of the Senate, one appointed upon recommendation of the Speaker of the House of Representatives, and one appointed upon recommendation of the State Adjutant General. A financial benefit/burden relationship exists between the State and the Authority.

The following universities are nonmajor component units: The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University, and Winthrop University. The universities are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual university because the State provides significant funding to these institutions.

The following technical colleges are nonmajor component units: Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Technical College of the Lowcountry, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Tri-county Technical College, Trident Technical College, Williamsburg Technical College, and York Technical College. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

One may obtain stand-alone financial statements for discretely presented component units from the following administrative offices:

South Carolina Public Service Authority
(Santee Cooper)
One Riverwood Drive
Post Office Box 2946101
Moncks Corner, South Carolina 29461
www.santeecooper.com

South Carolina State Ports Authority
Post Office Box 22287
Charleston, South Carolina 29413
www.port-of-charleston.com

South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd.
Columbia, South Carolina 29210
http://www.schousing.com/

Universities:
Medical University of South Carolina
University of South Carolina
Clemson University
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
http://www.che.sc.gov/InfoCntr/Coll_Univ.htm

Technical Colleges:
Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Technical College of the Lowcountry
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College
http://www.che.sc.gov/InfoCntr/Coll_Univ.htm

Children's Trust Fund of South Carolina
1205 Pendleton Street, Suite 506
Columbia, South Carolina 29201
www.scchildren.org

Connector 2000 Association, Inc.
Post Office Box 408
Piedmont, South Carolina 29673
www.southernconnector.com

South Carolina Education Assistance Authority
Post Office Box 102425
Columbia, SC 29224
https://www.scstudentloan.org/

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
http://www.scfirststeps.org/

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
http://www.scjeda.com/

South Carolina Lottery Commission
Post Office Box 11949
Columbia, South Carolina 29211
www.sceducationlottery.com

South Carolina Medical Malpractice Liability Joint Underwriting Association
c/o Patient's Compensation Fund
121 Executive Center Drive
Suite 110
Columbia, South Carolina 29210
www.scjua.com

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
http://www.patriotspoint.org/

Related Organizations

A related organization is one for which the primary government is accountable but not *financially accountable.* The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

The State of South Carolina is a member state within the Atlantic Low-Level Radioactive Waste Compact, a voluntary association of states that, by federal law, is legally separate from each of the member states. South Carolina does not have an ongoing financial interest in the Compact.

b. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities.* Taxes, federal revenues, and other nonexchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

Statement of Activities and Eliminations

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The State does not eliminate direct expenses and does not allocate indirect expenses to functions in the statement of activities. In the statement of activities, reimbursements under indirect cost plans for federal reimbursement purposes are reported as program revenues of the function that includes the reimbursed expenses.

Eliminations have been made to minimize the double-counting of internal activities. For example, the State eliminates payments the Department of Health and Human Services makes to the Department of Mental Health for providing Medicaid services because it reports both departments in its health and environment function. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost for functional activities as reported in the total column of that statement. The State treats these internal payments as program revenues and treats interfund reimbursements in the statement of activities in the same manner as described below for fund financial statements. For example, when the Department of Health and Human Services purchases computer services from one of the State's higher education institutions, the health and environment governmental function reports an expense, and the higher education business-type activity reports program revenue (charges for services).

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs; (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and (c) investment earnings that are legally restricted for a specific program. The State classifies as *general revenues* all revenues that are not program revenues, including all taxes.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. The State presents separate statements for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. The State aggregates and reports as nonmajor funds all remaining governmental and enterprise funds.

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with monies from a Special Revenue Fund. That is, the Department of Motor Vehicles recorded Special Revenue Fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

Governmental Funds

Governmental funds focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds. The State reports the following major governmental funds:

The *General Fund* is the State's general operating fund. It accounts for resources that fund the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund.

The *Departmental Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts.

The *Local Governmental Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. This fund includes operations of the South Carolina Transportation Infrastructure Bank.

The *Department of Transportation Special Revenue Fund* accounts for the various gasoline taxes, fees, fines, and federal grant resources that the Department of Transportation uses in its general operations. Those operations include highway maintenance and repair as well as most of the Department's administrative activities.

The State aggregates other nonmajor governmental funds in a single column in its fund financial statements.

Enterprise Funds

Enterprise funds (which are reported as business-type activities in the government-wide financial statements) report activities that charge fees to external users for goods or services. The State reports the following major enterprise fund:

The *Unemployment Compensation Fund* accounts for the State's unemployment compensation benefits. Revenues consist of federal grants and assessments on employers to pay benefits to qualified unemployed persons.

The State aggregates other nonmajor enterprise funds in a single column in its fund financial statements.

Other Fund Types

The State reports the following fund types in addition to governmental and enterprise funds:

Internal service funds account for various goods and services provided to other State departments or agencies (primarily to governmental funds), or to other governments, on a cost-reimbursement basis. Services provided by these funds include several risk management activities for which the State is the primary participant, including underwriting related to the following risks: public buildings and their contents, torts, medical malpractice, automobile use by public employees in the performance of their official duties, employee health and disability, and workers' compensation benefits. Other services include those relating to telecommunications, computer operations, office rental, janitorial, building maintenance, lease and repair of fleet vehicles, procurement, employee training, and management of public employee retirement systems. The internal service funds also sell goods produced with prison inmate labor. In addition, the internal service funds purchase selected supplies and equipment in bulk and sell these items to other State funds (primarily governmental funds) and to local governmental units. The State's internal service funds are considered to be governmental activities because they primarily serve governmental funds.

Pension and post-employment benefit trust funds account for the pension benefits of the South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System, and the post-employment health, dental, and long-term disability insurance benefits provided by the State to its retirees.

The State's *investment trust fund* acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and miscellaneous other trust agreements holding assets that benefit non-State parties.

Agency funds account for assets that the State holds as an agent. These assets include amounts held for prisoners, patients of State institutions, and other external parties.

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported as nonoperating.

For the *Unemployment Compensation Fund,* principal operating revenues include amounts received from covered employers and from federal agencies. The amounts received from federal agencies are classified as operating revenues because they are provided to the State primarily to provide unemployment benefits, although amounts not needed for that purpose may be used for other purposes. This fund's operating expenses consist primarily of unemployment compensation benefits paid.

Component Unit Financial Statements

The State presents a statement of net position and a statement of activities for each of its major discretely presented component units and for the aggregate of its nonmajor discretely presented component units.

c. Measurement Focus and Basis of Accounting

A particular measurement focus determines *what* resources are measured. The State reports its government-wide, proprietary, and fiduciary fund (other than agency fund) financial statements using the *economic resources* measurement focus. Agency funds report only assets and liabilities; and therefore cannot be said to have a measurement focus. Private – sector business enterprises also use the economic resources measurement focus. The State reports its governmental funds using the *current financial resources* measurement focus.

The basis of accounting determines *when* the State recognizes revenues and expenditures/expenses as well as the related assets and liabilities, regardless of measurement focus. Generally accepted accounting principles for governments require the use of the accrual and the modified accrual basis of accounting as described below.

Accrual Basis

The State uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary and fiduciary fund financial statements and its major component unit financial statements. Under the accrual basis, the State generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Revenues collected in advance are deferred until the period in which they are earned.

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection.

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Receivables not expected to be collected within the established availability periods are offset by deferred revenues.

Recognition of Specific Grant and Shared Revenue Transactions

The State reports the receipt of food commodities as revenue and the distribution of commodities as expenditure or expense. The fair value of the donated commodities is recognized as revenues when all eligibility requirements are met.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditure or expense under both the accrual and modified accrual bases of accounting.

The State shares certain of its revenues with municipalities, counties, and districts within its borders, recognizing expenditure or expense when the recipient government has met all eligibility requirements.

d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent cash on hand, cash on deposit in banks and savings associations, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: retirement plans, the Local Government Investment Pool (an external investment pool), and the Tobacco Settlement Revenue Management Authority (a blended component unit and a nonmajor governmental fund). Of the discretely presented component units, the State Ports Authority, the Housing Authority, and the South Carolina First Steps to School Readiness Board of Trustees participate in the pool. For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

e. Cash Management Pool–Allocation of Interest

The State's cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Investments

The State Treasurer is authorized by statute to invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing in only the highest investment grade securities (i.e., those rated at least A by two leading national rating services). In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Certain agencies and component units have specific authority to manage deposits and investments under their control. The investment policies of these entities may differ from those of the State Treasurer.

State law has established a six-member Investment Commission with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The chief investment officer may invest no more than 70.0% of the Systems' investment portfolio in equity securities.

Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained by writing to the following address:

Office of State Treasurer
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

g. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience. The State discloses the gross amounts of these receivables and the amounts of related allowances and adjustments, as well as any significant receivable balances not expected to be collected within one year, in Note 5. Further, the State disaggregates its receivable balances in Note 5 if any significant components thereof have been obscured in the financial statements by aggregation or if different components of receivables have significantly different liquidity characteristics.

The State presents balances outstanding at the end of the fiscal year that relate to lending/borrowing arrangements between funds as interfund receivables and payables and reports all other outstanding balances between funds as due to/from other funds. The government-wide statement of net position displays internal balances that involve fiduciary funds as accounts receivable and accounts payable. The State reports as internal balances any residual balances outstanding between the governmental and business-type activities in the government-wide financial statements.

h. Inventories

The State values its inventories at the lower of cost or market, predominantly using the first-in, first-out methodology for its proprietary funds and its business-type activities and predominantly using the average cost methodology for its other funds and activities and its discretely presented component units. The State records expenditures in governmental funds when it consumes inventory items rather than when it purchases them.

i. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements. The state's policy is to reflect consumption of the future benefit under the consumption method.

j. Capital Assets

The State reports its capital assets in the following categories in the applicable governmental or business-type activities in the government-wide financial statements: land and land improvements, infrastructure (i.e., highways and bridges), buildings and improvements, construction in progress, vehicles, machinery and equipment, works of art and historical treasures, and intangible assets.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated fair value on the donation date. Infrastructure assets acquired prior to fiscal years ended after June 30, 1980, are reported at cost beginning in the year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. Net interest incurred by a proprietary fund during the construction phase of a major capital asset is included as part of the capitalized value of such asset.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than $100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than $500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

Asset Category	Years
Land Improvements	3 - 60
Infrastructure--highways	75
Infrastructure--bridges	50
Buildings and Improvements	5 - 55
Vehicles	3 - 20
Machinery and equipment	2 - 25
Works of art; historical treasures	10 - 25
Intangible assets	3 - 38

The State does not depreciate land, non-depreciable land improvements, and construction in progress. The State does not depreciate capitalized individual works of art and historical treasures determined to have inexhaustible useful lives and does not capitalize collections of works of art and historical treasures that are held for public use, are protected and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These non-capitalized collections include historical relics, antiques, fossils, and other South Carolina artifacts.

In the government-wide statement of activities, the State reports losses on disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

k. Deferred Charges

Deferred costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as deferred charges. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority.

Unamortized bond issuance costs are reported as deferred charges and are amortized as described in Note 1m.

l. Tax Refunds Payable

Most of the tax refunds payable balance in the General Fund relates to individual income tax. During the calendar year, the State collects employee withholdings and taxpayers' payments. Taxpayers file returns by April 15 for the preceding calendar year. At June 30, the State estimates the amount it owes taxpayers for overpayments during the preceding six months. The State records this estimated payable as tax refunds payable and a reduction of tax revenues.

m. Long-Term Obligations

The State records general long-term debt and other long-term obligations of the primary government's governmental funds in the governmental activities reported in its government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

The State defers and amortizes bond premiums and discounts, as well as issuance costs, over the life of the bonds predominantly using the effective interest method. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is also deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The State reports bonds payable net of the applicable bond premium or discount and deferred amount on refunding. Unamortized issuance costs are reported as deferred charges.

n. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

The government-wide and proprietary fund statements record an expense and a liability when employees earn compensated absence credits. Governmental fund financial statements record a liability for compensated absences payable at June 30 only if the liability for accumulated vacation leave has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements). The State does not record a liability for unpaid accumulated sick leave.

o. Net Position and Fund Balance

The State reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2013, $608.539 million was reported as restricted net position because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if a state statute or constitutional provision constrains the use of resources of the state. Assigned fund balance is constrained through appropriation actions of the legislature. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. The removal of constraints for assigned funds occurs through the budgetary process.

Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

q. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with interest rate swap agreements and service concession arrangements reported and explained in these financial statements.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2013, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (Statement No. 60) provides guidance related to accounting for and reporting service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Statement No. 60 applies to arrangements in which specific criteria determining whether a transferor has control over the facility are met.

Statement No. 61, *The Financial Reporting Entity: Omnibus* (Statement No. 61) modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that should be considered. Statement No. 61 amends the criteria for reporting component units using the blending method. Statement No. 61 requires blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. Statement No. 61 clarifies the types of relationships that affect the determination of major component units and eliminates the requirement that the determination include consideration of each component unit's significance relative to other component units. Based on the new requirements of Statement No. 61, and a review of the financial reporting entity, state-supported universities and technical colleges, and certain other business type activities, previously reported as part of the primary government, are reported as discretely presented component units.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (Statement No. 62) incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions, and 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Statement No. 62 supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63) provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (net residual amount). Under Statement No. 63, deferred outflows of resources and deferred inflows of resources are reported separately from assets and liabilities. Statement No. 63 also amends certain provisions of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and related pronouncements to reflect the residual amount in the statement of financial position as net position, rather than net assets.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds, if applicable. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2013:

Nonmajor Enterprise Funds:	
Patients' Compensation	$ 82,269
Second Injury	132
Tuition Prepayment Program	63,362
Internal Service Funds:	
State Accident Fund	29,408

Actions taken to eliminate deficits include increase of existing fees, assessment of additional fees, purchase of excess loss reinsurance, and implementation of cost containment programs.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, those agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

a. Deposits

The following deposits disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems (the Systems) which are described in section e of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section f of this note.

Policy

The State's policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the State Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. Agencies, with specific authority to manage their deposits outside of the State Treasurer, may have custodial credit risk policies that differ from the State Treasurer. Therefore, some deposits presented below have custodial credit risk. Note 1, sections d and e explain other policies concerning deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2013 was $468.298 million and the bank balance was $985.402 million. As of June 30, 2013, the reported amount of the primary government's deposits outside of the State Treasurer was $146.037 million and the bank balance was $146.557 million. Of the $135.104 million bank balance exposed to custodial credit risk, $31 thousand was uninsured and uncollateralized, $12.422 million was uninsured and collateralized with securities held by the pledging financial institution, and $122.651 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

As of June 30, 2013, the reported amount of the major discretely presented component units' deposits was $421.805 million and the bank balance was $432.508 million. Of the $337.967 million bank balance exposed to custodial credit risk, $97.148 million was uninsured and uncollateralized, $168.923 millsion was uninsured and collateralized with securities held by the pledging financial institution, and $71.896 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

b. Investments

The investment disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section e and the primary government's Other Post-Employment Benefit Trust Funds which are described in section f of this note.

Investment Policy

The State's investment policy by law authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Other investment policies for the State and its component units are explained in Note 1, section f.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized. Certain agencies, with specific authority, manage their own investments and may have custodial credit risk policies that differ from the State Treasurer. The primary government's investments were not exposed to custodial credit risk. The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The primary government holds investments in U.S treasuries and U.S Agencies, repurchase agreements, and mutual bond funs that are not exposed to custodial credit risk.

The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2013, as follows:

DCU Investment Type	Reported Amount
U.S. treasuries	$ 3,928
U.S. agencies	36,833
Common stock	828
Money market mutual funds	879
Guaranteed investment contracts	529
Other	364
Totals	**$ 43,361**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Certain agencies, with specific authority to manage their own investments outside of the State Treasurer, have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2013 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	Alternative Rating Agency	Not Rated
Asset backed securities	$ 4,448	$ —	$ —	$ —	$ —	$ 4,148
Corporate bonds	50,033	1,500,874	1,537,691	1,144,707	—	197,678
Municipal bonds	3,705	157,585	557	—	—	—
Repurchase agreements	6,089	—	1,415,058	—	975,965	295,257
Commercial paper	—	—	3,186,161	5,002	—	20,913
Money market mutual funds	—	—	—	—	—	89,326
Mutual bond funds	—	—	—	—	—	1,150
Other	—	—	—	—	33,700	192
Totals	**$ 64,275**	**$1,658,459**	**$6,139,467**	**$1,149,709**	**$1,009,665**	**$ 608,664**

At fiscal year end, the Clemson University (June 30, 2013), the State Housing Authority (June 30, 2013), the Medical University of South Carolina (June 30, 2013), State Ports Authority (June 30, 2013), the Public Service Authority (December 31, 2012), and the University of South Carolina (June 30, 2013), all major discretely presented component units, held investments in U.S. government securities which do not require disclosure of credit quality. In addition to U.S. Government securities, Clemson University, the State Housing Authority, the Medical University of South Carolina, the State Ports Authority, Public Service Authority, and the University of South Carolina held investments as listed below with Standard and Poor's rating scale (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A/A1	Not Rated
U.S. agencies	$ 803,674	$ 36,833	$ —	$ 15,642
Mortgage backed obligations	—	—	—	166,331
Other equity securities	—	—	—	32,072
Corporate bonds	—	12,314	21,415	—
Repurchase agreements	—	—	—	348,139
Commercial paper	—	—	34,991	—
Money market mutual funds	441	—	—	6,122
Mutual bond funds	—	—	—	913
Guaranteed investment contracts	—	—	—	529
Totals	**$804,115**	**$ 49,147**	**$ 56,406**	**$569,748**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2013, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 100,504	$ 100,004	$ 500	$ —	$ —
U.S. agencies	874,600	90,091	144,830	73,954	565,725
Mortgage backed obligations	511,016	—	3,607	133,039	374,370
Asset backed securities	4,149	—	—	2,766	1,383
Corporate bonds	2,797,479	972,496	1,429,198	368,270	27,515
Municipal bonds	48,390	33,248	15,142	—	—
Repurchase agreements	1,271,222	1,271,222	—	—	—
Commercial paper	2,044,036	2,044,036	—	—	—
Other	33,700	33,700	—	—	—
Totals	**$ 7,685,096**	**$4,544,797**	**$1,593,277**	**$ 578,029**	**$ 968,993**

Agencies that manage their own investments have interest rate risk policies that differ from the State Treasurer. Some of these agencies do not have a formal investment policy that limits investment maturities as a means of managing exposure to

fair value losses arising from increasing interest rates. At June 30, 2013, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 3,952	$ —	$ 2,855	$ 1,097	$ —
U.S. agencies	319,024	714	1,911	316,105	294
Mortgage backed obligations	23,648	—	—	—	23,648
Corporate bonds	1,633,504	303	143,319	1,489,856	26
Municipal bonds	113,458	—	311	99,290	13,857
Repurchase agreements	1,421,147	1,421,147	—	—	—
Asset backed securities	4,448	—	4,448	—	—
Commercial paper	1,168,040	1,168,040	—	—	—
Mutual funds	1,150	—	—	—	1,150
Other	192	—	—	—	192
Totals	**$4,688,563**	**$2,590,204**	**$ 152,844**	**$1,906,348**	**$ 39,167**

The State's major discretely presented component units also had interest rate risk policies that varied from the State Treasurer. At June 30, 2013, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 57,036	$ 7,856	$ —	$ 49,180	$ —
U.S. agencies	1,058,616	216,198	594,354	865	247,199
Other equity securities	5,913	5,913	—	—	—
Corporate bonds	33,730	6,731	11,986	—	15,013
Repurchase agreements	348,139	348,139	—	—	—
Commercial paper	34,991	34,991	—	—	—
Mutual bond funds	448	—	—	448	—
Totals	**$ 1,538,873**	**$ 619,828**	**$ 606,340**	**$ 50,493**	**$ 262,212**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2013, the State Treasurer had approximately 16.76% of the State's General investment portfolio and 33.73% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. Approximately 15.41% of the State's general investment portfolio at June 30, 2013 was in an overnight repurchase agreement with Wells Fargo that was fully collateralized by U.S. Treasury and agency obligations.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section e of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section f of this note.

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2013. At June 30, 2013, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2013, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. 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. During the fiscal year ended June 30, 2013, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2013, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2013:

	Amount
Securities lent for cash collateral:	
Corporate bonds	$ 29,883
Total for cash collateral	**$ 29,883**
Cash collateral invested:	
Asset backed securities	6,699
Floating rate notes	6,736
Total collateral invested	**$ 13,435**

d. Investment Market Uncertainty

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result in market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

e. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. As prescribed by South Carolina state statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the state against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian.

As of June 30, 2013, the carrying amount of the Systems' deposits was $45.314 million and the bank balance was $49.357 million.

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the RSIC has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration, which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change

and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

Disclosures for interest rate risk at June 30, 2013, are noted below (dollar amounts expressed in thousands):

Investment Type	Fair Value	Effective Duration
Short Term Investments		
Short Term Investment Funds (U.S. Regulated)	$ 836,913	0.08
Repurchase Agreements	589,582	N/A
Commercial Paper	761,289	0.07
Certificates of Deposit	8,300	0.21
U.S. Treasury Bills	2,947	0.90
Equity Allocation		
Preferred	3,311	5.86
Convertible Preferred	1,813	7.14
Fixed Income Allocation		
U.S. Government:		
U.S. Government Treasuries	1,415,623	6.09
U.S. Government Agencies	1,037,229	1.98
Mortgage Backed:		
Government National Mortgage Association	132,676	3.78
Federal National Mortgage Assocation	139,089	4.47
Federal Home Loan Mortgage Association	48,851	5.06
Federal Home Loan Mortgage Association (multiclass)	5,509	0.50
Collateralized Mortgage Obligations	12,501	4.07
Municipals	71,409	9.13
Corporate:		
Corporate Bonds	2,107,241	3.92
Convertible Bonds	37,529	1.64
Asset Backed Securities	245,311	0.21
Private Placements	790,398	3.22
Global Fixed Income:		
International Asset Backed Securities	3,096	9.71
International Corporate Bonds	56,990	2.43
International Government Bonds	41,878	6.69
Alternatives		
Credit Default Swaps	3,417	—
Interest Rate Swaps	9,971	31.15
Eurodollar Futures	(279)	2.12
Interest Rate Futures	11	1.62
International Bond Futures	(1,663)	177.74
Foreign Currency Futures	(13)	
Treasury Note Futures	(1,970)	64.36
Treasury Bond Futures	(748)	45.27
Total Invested Assets	**$ 8,358,211**	
Total Portfolio Effective Duration (option adjusted duration)		**2.88**

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. As a matter of practice, there are no overarching limitations for credit risk exposures within the overall fixed income portfolio. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Commission's consultant and staff. The Systems' fixed income investments were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	NR[1]
Short Term Investments								
Short Term Investment Funds (U.S. Regulated)	$ 836,913	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Repurchase Agreements	—	—	—	—	—	—	—	589,582
Certificates of Deposit	—	8,300	—	—	—	—	—	—
Commercial Paper	—	—	—	731,298	—	—	—	29,991
U.S. Treasury Bills	2,947	—	—	—	—	—	—	—
Equity Investments								
Preferred	—	—	—	—	—	1,907	—	1,404
Convertible Preferred	—	—	—	1,813	—	227	—	—
Fixed Income Allocation								
Mortgage Backed:								
Federal National Mortgage Association	139,089	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association (multiclass)	5,777	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association	48,851	—	—	—	—	—	—	—
Collateralized Mortgage Association	12,501	—	—	—	—	—	—	—
Municipals	5,456	42,329	17,185	—	—	—	—	6,439
Corporate:								
Corporate Bonds	21,289	73,087	363,499	615,826	246,874	257,952	62,744	817,212
Convertible Bonds	—	—	—	—	13,653	3,626	2,705	17,545
Asset Backed Securities	50,921	49,454	98,693	8,721	5,051	4,498	—	33,407
Private Placements	159,564	46,704	96,008	96,670	62,067	156,587	71,563	137,101
Global Fixed Income:								
International Asset Backed	690	—	—	—	—	—	—	2,406
International Commingled Funds	—	—	—	—	—	—	—	1,013,076
International Corporate Bonds	10,320	2,344	101	4,175	12,753	24,580	—	7,292
International Emerging Debt	—	—	—	—	131,436	—	—	464,178
International Government Bonds	10,718	10,805	—	18,067	—	—	—	2,288
Alternatives								
Credit Default Swaps	—	—	—	—	—	—	—	2,766
Interest Rate Swaps	—	—	—	—	—	—	—	9,971
Total Return Swaps	—	—	—	—	—	—	—	(70,152)
Futures Contracts	—	—	—	—	—	—	—	(49,109)
Totals	**$ 1,305,036**	**$ 233,023**	**$ 575,486**	**$ 1,476,570**	**$ 471,834**	**$ 449,377**	**$ 137,012**	**$ 3,015,397**

[1] *Not Rated represents securities that were either not rated or had a withdrawn rating.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2013, there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Exposure to foreign investments has, to date, been achieved synthetically using financial futures, forwards and swaps. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy, however, forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2013 (expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Alternative Investments	Fixed Income	Equity
Australian Dollar	$ (2,634)	$ 123,712	$ 615	$ —	$ —	$ 6,791	$ —
Brazil Real	—	7,230	—	—	—	—	—
British Pound Sterling	(11,096)	351,552	(7,253)	—	—	9,160	16,246
Canadian Dollar	(3,716)	154,350	801	—	—	6,380	1,608
Euro Currency	(18,686)	711,793	(17,983)	178,458	5,428	45,407	27,385
Hong Kong Dollar	(5,535)	61,156	2,504	—	—	—	8,320
Japanese Yen	(10,112)	482,068	10,442	—	—	(62)	19,570
New Mexico Peso	562	(12,652)	—	—	—	14,646	—
Swedish Krona	(1,116)	50,139	(1,607)	—	—	—	—
Swiss Franc	—	—	—	—	—	—	26,697
Totals	**$ (52,333)**	**$1,929,348**	**$ (12,481)**	**$178,458**	**$ 5,428**	**$ 82,322**	**$ 99,826**

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility.

The Commission uses derivatives contracts primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient Market Theory dictates that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Position. To comply with the requirements of multiple exchanges, cash and securities (GNMAs) in the amount of $157.450 million and $57.580 million respectively were held in trust by the clearing brokers on June 30, 2013, to satisfy the required margin amount to establish the Systems' futures exposure. The table below presents the classification of the Systems' derivatives at June 30, 2013 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2013	
	Classification	Gain/(Loss)	Classification	Amount
Investment derivatives:				
Futures Contracts	Net appreciation/(depreciation)	$ (70,383)	Alternative Investments	$ (50,648)
Forward Contracts	Net appreciation/(depreciation)	(60,132)	Cash & Cash Equivalents	(59,226)
Swaps	Net appreciation/(depreciation)	(92,561)	Alternative Investments	(80,411)
Options	Net appreciation/(depreciation)	(62,398)	Options	-

As of June 30, 2013, the Systems had the following exposure via futures contracts (dollar amounts expressed in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
MTF CAC40 10EU	July	Long	3,254	$ 157,958
EURX DAX INDEX	September	Long	560	144,974
EURX ER STX 50	September	Long	4,912	165,879
NEW FTSE 100	September	Long	3,508	327,828
HKFE - HSI	July	Long	455	60,800
IBEX 35 PLUS	July	Long	458	45,655
FTSE MIB INDEX	September	Long	355	35,213
TSE TOPIX	September	Long	3,109	353,982
SFE SPI 200	September	Long	1,172	127,903
AMSTERDAM INDEX	July	Long	510	45,715
S&P TSE 60 INDEX	September	Long	1,190	156,298
OMXS30 INDEX	July	Long	2,800	47,718
Total International Equity				1,669,923
EMINI S&P 500	September	Long	24,946	1,994,807
Total Large Cap Equity				1,994,807
EMINI RUSSELL 2000	September	Long	2,139	208,488
Total Small Cap Equity				208,488
US2YR NTS	September	Long	92	20,240
UST5 NTS	September	Long	254	30,746
UST10 NTS	September	Long	321	40,627
UST30 BD	September	Long	434	58,956
Total Domestic Fixed Income				150,569
EURO-SCHATZ	September	Long	245	35,144
EURO-BOBL	September	Long	268	43,615
EURO-BUND	September	Long	362	66,591
JPBND 10 YR	September	Long	90	129,290
LGILT UK	September	Long	146	24,779
Total International Fixed Income				299,419
GOLD 100 OZ FUT	August	Long	309	37,812
Total Commodities				37,812
Totals				**$ 4,361,018**

***Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, etc.). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Position. As of June 30, 2013, the Systems had the following forward exposures, listed by counterparty (dollar amounts expressed in thousands):

Broker	Notional Value	Base Gain/(Loss)	Base Exposure
Bank of America	$ 59,185	(671)	2.11%
Commonwealth Bank of Australia	454,865	(13,829)	16.22%
HSBC Securities	59,416	(673)	2.12%
JP Morgan Chase	514,697	(14,919)	18.35%
BNY Mellon	636,084	3	22.68%
Royal Bank of Canada	482,740	(14,231)	17.21%
Royal Bank of Scotland	55,934	(1)	1.99%
Standard Chartered Bank	482,740	(14,232)	17.21%
State Street Corporation	59,415	(673)	2.11%
Totals	**$ 2,805,076**	**$ (59,226)**	**100.00%**

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types. The table below reflects the counterparty credit ratings at June 30, 2013, for currency forwards and swap agreements (expressed in thousands):

Quality Rating	Forwards	Swaps	Total
Aa1	$ (42,980)	$ (50,037)	$ (93,017)
Aa3	(670)	—	(670)
A1	(14,905)	—	(14,905)
A2	(671)	(30,375)	(31,046)
Total Subject to Credit Risk	$ (59,226)	$ (80,412)	$(139,638)

Swap market value (or notional value) is calculated based on the actual index value of the benchmark index multiplied by the number of index units. The index value is the level or price of the benchmark index. The index units were determined at commencement of the swap and are detailed in the term sheet. At June 30, 2013, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
Bank of America Merrill Lynch	DJ-UBS Commodities TR	3 month T-Bill+10 bps	DJ-UBS Commodities TR	8/30/2013	$ 221,516	$ (21,484)
Bank of America Merrill Lynch	DJ-UBS Commodities TR	3 month T-Bill+10 bps	DJ-UBS Commodities TR	2/28/2014	221,516	(21,484)
Credit Suisse	MSCI EM Proxy TR	3 Month US LIBOR+25 bps	MSCI EM Proxy TR	10/29/2013	116,794	(4,206)
Credit Suisse	MSCI EM Proxy TR	3 Month US LIBOR+30 bps	MSCI EM Proxy TR	6/28/2013	—	(5,502)
Deutsche Bank	EAFE Proxy TR	3 Month US LIBOR+23 bps	EAFE Proxy TR	8/30/2013	228,455	28,453
JP Morgan	EM Debt Proxy	3 Month US LIBOR+55 bps	EM Debt Proxy	10/31/2013	92,124	(7,876)
JP Morgan	EM Debt Proxy	3 Month US LIBOR+55 bps	EM Debt Proxy	10/31/2013	91,554	(8,446)
JP Morgan	EM Debt Proxy	3 Month US LIBOR+55 bps	EM Debt Proxy	10/31/2013	91,522	(8,478)
JP Morgan	EM Debt Proxy	3 Month US LIBOR+60 bps	EM Debt Proxy	7/31/2013	90,582	(9,418)
	Total Swap Exposures				**$ 1,154,063**	**$ (58,441)**

Alternative Investments

The Alternatives category includes exposure to private equity, global tactical asset allocation, absolute return, opportunistic credit, real estate, derivatives and strategic partnerships. Private equity investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. All other asset classes within the Alternatives category may be housed in a variety of legal structures. The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts include allocations to private equity, opportunistic credit, real estate, absolute return strategies and cash. The Systems' allocation to opportunistic credit is designed to take advantage of the dislocations that have occurred in the credit markets. The Investment Commission's intent is to access superior risk-adjusted returns through a variety of different credit strategies.

Investment Commitments

The Investment Commission on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, real estate and opportunistic credit limited partnerships. As of June 30, 2013, the Systems had committed to fund various limited partnerships in the total amount of $3.964 billion (U.S. dollars) and €277 million (Euros). The total unfunded commitment as of June 30, 2013, was $1.173 billion (U. S. dollars) and €67 million (Euros). The total remaining commitment adjusted for cash flows as of September 19,

2013, is $1.133 billion (U.S. dollars) and €58 million (Euros). Additional commitments exist to underlying investments within strategic partnerships. These underlying investments include hedge funds, private equity, real estate, opportunistic credit, short duration fixed income, commodities and high yield fixed income.

Securities Lending

The Systems participate in a securities lending program managed by the custodial bank whereby securities are loaned for the purpose of generating additional income. Securities are lent from the investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100 percent.

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2013 included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The State Treasurer, as custodian, controls the custody relationship. The contractual agreement with the custodial bank 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. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; 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.

At June 30, 2013, the fair value of securities on loan was $172.43 million. The fair value of the invested cash collateral was $106.63 million. Securities lending obligations at June 30, 2013, were $176.72 million with an unrealized loss in invested cash collateral of $70.09 million. This unrealized loss is due to specific Lehman bonds held by the securities lending program. During the fiscal year, the custodial bank's Securities Lending group sold the remaining Lehman Brothers holdings resulting in an approximate realized loss of $90 million, including the initial sale during May 2012. This loss is being held in the securities lending collateral pool as an undistributed loss. In May 2013, a settlement was reached between the South Carolina State Treasurer's Office and BNY Mellon relating to losses in the securities lending program. As part of the settlement, approximately $20 million was credited to the portfolio's collateral reinvestment account. As a result of the settlement, the total undistributed loss in the collateral pool was reduced from approximately $90 million to approximately $70 million.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2013, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2013:

	SCRS	PORS	GARS	JSRS	NGPS	TOTALS
Securities lent for cash collateral:						
U.S. Government securities	$ 38,088	$ 5,748	$ 49	$ 212	$ 30	$ 44,127
Corporate bonds	44,189	6,669	57	246	34	51,195
Common stock	66,555	10,044	85	371	52	77,107
Total securities lent for cash collateral	**$ 148,832**	**$ 22,461**	**$ 191**	**$ 829**	**$ 116**	**$ 172,429**
Securities lent for non-cash collateral:						
Corporate bonds	$ 41	$ 6	$ —	$ —	$ —	$ 47
Common stock	2,446	369	3	14	2	2,834
	$ 2,487	**$ 375**	**$ 3**	**$ 14**	**$ 2**	**$ 2,881**
Cash collateral invested as follows:						
Repurchase agreements	$ 92,042	$ 13,890	$ 118	$ 513	$ 72	$ 106,635
Total for cash collateral invested	**$ 92,042**	**$ 13,890**	**$ 118**	**$ 513**	**$ 72**	**$ 106,635**
Securities received as collateral:						
U.S. Government securities	$ 2,711	$ 409	$ 4	$ 15	$ 2	$ 3,141
	$ 2,711	**$ 409**	**$ 4**	**$ 15**	**$ 2**	**$ 3,141**

f. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2013, the Trusts' had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts 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 investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to investments in the State internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2013, the Trusts' debt investments were rated by Standard & Poor's as follows (expressed in thousands):

Investment Type and Fair Value	AA	A / A1	BBB	Not Rated
U.S. agencies	$ 5,003	$ —	$ —	$ —
Mortgage backed obligations	30,381	—	—	3,588
Other equity securities	60,078	163,700	240,515	6,013
Corporate bonds	—	—	—	60,755
Asset backed securities	7,499	11,596	—	—
Corporate private placements	2,067	—	—	—
Municipal bonds	—	—	—	3,627
Totals	**$105,028**	**$175,296**	**$240,515**	**$ 73,983**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2013, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 56,077	$ —	$ 4,620	$ 1,781	$ 49,676
U.S. agencies	5,003	—	5,003	—	—
Mortgage backed obligations	33,968	—	—	5,320	28,648
Repurchase agreements	470,307	136,611	100,073	210,808	22,815
Asset backed securities	60,755	60,755	—	—	—
Corporate private placements	19,096	19,096	—	—	—
Money market mutual funds	2,067	—	2,067	—	—
Mutual bond funds	3,627	3,627	—	—	—
Totals	**$ 650,900**	**$ 220,089**	**$111,763**	**$217,909**	**$ 101,139**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2013, the State Treasurer had approximately 8.67% Trust's investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2013:

	Amount
Securities lent for cash collateral:	
Corporate bonds	$ 5,120
Total for cash collateral	**$ 5,120**
Cash collateral invested:	
Asset backed securities	1,109
Floating rate notes	408
Total collateral invested	**$ 1,517**

NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for uncollectible receivables (expressed in thousands) at June 30, 2013, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes receivable	$ 296,422	$ —	$ —	$ —	$ —	$ 296,422
Sales and other taxes receivable	100,847	—	—	16,425	—	117,272
Patient accounts receivable	76	375	—	—	—	451
Other receivables	14,347	35,273	1,049	—	117	50,786
Total allowances for uncollectibles	**$411,692**	**$ 35,648**	**$ 1,049**	**$ 16,425**	**$ 117**	**$ 464,931**

	Business-type Activities (Enterprise Funds)
	Unemployment Compensation Benefits
Assessments receivable	$ 15,737
Other receivables	14,029
Total allowances for uncollectibles	**$ 29,766**

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2013, were as follows:

	Governmental Activities						
	Governmental Funds						
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts receivable	$ 36,868	$ 16,564	$ 5,571	$ —	$ 3	$ 1,169	$ 60,175
Contributions	467	—	—	—	—	—	467
Income taxes receivable	1,290	—	—	—	—	—	1,290
Sales and other taxes receivable	2,930	—	—	—	1,184	—	4,114
Patient accounts receivable	3,311	3,777	—	—	—	—	7,088
Loans and notes receivable	34,864	451	445,739	2,769	253	—	484,076
Accounts receivable—restricted	—	—	247,989	—	—	—	247,989
Total long-term receivables, net	**$ 79,730**	**$ 20,792**	**$ 699,299**	**$ 2,769**	**$ 1,440**	**$ 1,169**	**$ 805,199**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The components of deferred revenue and unearned revenue in the governmental funds (expressed in thousands) at June 30, 2013, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ —	$ 22,143	$ 22,143
Federal grants	21,701	53,781	75,482
Contributions	233,847	165,222	399,069
Departmental services	37,884	3,761	41,645
Total deferred revenues	$ 293,432	244,907	$ 538,339
Internal service funds		149,448	
Total governmental activities		$ 394,355	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2013, for the primary government was as follows:

	Beginning Balances July 1, 2012	Increases	Decreases	Ending Balances June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 1,841,613	$ 24,574	$ (832)	$ 1,865,355
Construction in progress	2,318,758	328,542	(232,492)	2,414,808
Works of art and historical treasures	3,979	—	—	3,979
Intangibles	220	493	(421)	292
Total capital assets not being depreciated	4,164,570	353,609	(233,745)	4,284,434
Capital assets being depreciated:				
Land improvements	118,360	1,141	(6,509)	112,992
Infrastructure (road and bridge network)	12,161,248	182,100	(5,240)	12,338,108
Buildings and improvements	1,990,315	41,073	(31,100)	2,000,288
Vehicles	629,040	46,911	(25,040)	650,911
Machinery and equipment	485,602	56,614	(21,145)	521,071
Works of art and historical treasures	1,500	—	—	1,500
Intangibles	134,682	16,184	(9,181)	141,685
Total capital assets being depreciated	15,520,747	344,023	(98,215)	15,766,555
Less accumulated depreciation for:				
Land improvements	(49,103)	(2,914)	—	(52,017)
Infrastructure (road and bridge network)	(2,966,367)	(175,947)	4,891	(3,137,423)
Buildings and improvements	(817,757)	(54,856)	968	(871,645)
Vehicles	(548,198)	(31,382)	19,974	(559,606)
Machinery and equipment	(380,139)	(36,812)	17,916	(399,035)
Works of art and historical treasures	(241)	(60)	—	(301)
Intangibles	(76,318)	(17,862)	9,036	(85,144)
Total accumulated depreciation	(4,838,123)	(319,833)	52,785	(5,105,171)
Total capital assets being depreciated, net	10,682,624	24,190	(45,430)	10,661,384
Capital assets for governmental activities, net	**$ 14,847,194**	**$ 377,799**	**$ (279,175)**	**$ 14,945,818**

	Balances July 1, 2012 Restated	Increases	Decreases	Ending Balances June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 40,365	$ 116	$ —	$ 40,481
Construction in progress	2,072	8,044	—	10,116
Works of art and historical treasures	—	—	—	—
Total capital assets not being depreciated	42,437	8,160	—	50,597
Capital assets being depreciated:				
Land improvements	1,256	—	(12)	1,244
Buildings and improvements	12,368	1,487	—	13,855
Vehicles	748	—	—	748
Machinery and equipment	5,461	1,347	—	6,808
Works of art and historical treasures	—	—	—	—
Intangibles	2,300	8,000	—	10,300
Total capital assets being depreciated	22,133	10,834	(12)	32,955
Less accumulated depreciation for:				
Land improvements	(478)	—	2	(476)
Buildings and improvements	(3,674)	(324)	—	(3,998)
Vehicles	(731)	(11)	—	(742)
Machinery and equipment	(3,282)	(487)	—	(3,769)
Works of art and historical treasures	—	—	—	—
Intangibles	(1,955)	(115)	—	(2,070)
Total accumulated depreciation	(10,120)	(937)	2	(11,055)
Total capital assets being depreciated, net	12,013	9,897	(10)	21,900
Capital assets for business-type activities, net	**$ 54,450**	**$ 18,057**	**$ (10)**	**$ 72,497**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $1.704 million with accumulated depreciation of $3.952 million. Depreciation expense for fiscal year 2013 was $211 thousand. There were additions of $2.011 million for equipment and $307 thousand in dispositions of capital assets during the year.

Capital asset activity (expressed in thousands) for the State's major discretely presented component units was as follows:

	Beginning Balances January 1, 2012	Increases	Decreases	Ending Balances December 31, 2012
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 117,531	$ 2,574	$ (1)	$ 120,104
Construction in progress	1,230,771	1,045,592	(632,856)	1,643,507
Total capital assets not being depreciated	1,348,302	1,048,166	(632,857)	1,763,611
Capital assets being depreciated:				
Buildings and improvements (utility plant)	6,510,898	615,070	(132,796)	6,993,172
Vehicles	46,028	5,467	(4,304)	47,191
Machinery and equipment	25,865	6,197	(1,997)	30,065
Intangibles	68,238	4,370	—	72,608
Total capital assets being depreciated	6,651,029	631,104	(139,097)	7,143,036
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(2,815,099)	(182,308)	131,847	(2,865,560)
Vehicles	(25,816)	(2,359)	4,303	(23,872)
Machinery and equipment	(14,049)	(1,502)	1,997	(13,554)
Intangibles	(51,618)	(4,125)	—	(55,743)
Total accumulated depreciation	(2,906,582)	(190,294)	138,147	(2,958,729)
Total capital assets being depreciated, net	3,744,447	440,810	(950)	4,184,307
Public Service Authority, net	**$ 5,092,749**	**$ 1,488,976**	**$ (633,807)**	**$ 5,947,918**

	Beginning Balances July 1, 2012	Increases	Decreases	Ending Balances June 30, 2013
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 196,964	$ 268	$ —	$ 197,232
Construction in progress	157,216	80,947	(30,561)	207,602
Intangibles	2,190	—	—	2,190
Total capital assets not being depreciated	356,370	81,215	(30,561)	407,024
Capital assets being depreciated:				
Land improvements	265,001	19,489	—	284,490
Buildings and improvements	327,177	13,078	(2,438)	337,817
Machinery and equipment	157,205	4,153	(566)	160,792
Intangibles	876	—	—	876
Total capital assets being depreciated	750,259	36,720	(3,004)	783,975
Less accumulated depreciation for:				
Land improvements	(153,986)	(11,331)	566	(164,751)
Buildings and improvements	(206,054)	(9,811)	—	(215,865)
Machinery and equipment	(108,639)	(7,560)	—	(116,199)
Intangibles	(578)	(35)	—	(613)
Total accumulated depreciation	(469,257)	(28,737)	566	(497,428)
Total capital assets being depreciated, net	281,002	7,983	(2,438)	286,547
State Ports Authority, net	**$ 637,372**	**$ 89,198**	**$ (32,999)**	**$ 693,571**

	Beginning Balances July 1, 2012	Increases	Decreases	Ending Balances June 30, 2013
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 69,243	$ 37	$ (529)	$ 68,751
Construction in progress	74,998	75,302	(53,888)	96,412
Works of art and historical treasures	188	—	—	188
Total capital assets not being depreciated	144,429	75,339	(54,417)	165,351
Capital assets being depreciated:				
Land improvements	12,849	—	—	12,849
Buildings and improvements	1,411,793	46,397	(2,219)	1,455,971
Vehicles	6,719	119	—	6,838
Machinery and equipment	447,892	28,445	(29,819)	446,518
Intangibles	27,467	1,414	(10)	28,871
Total capital assets being depreciated	1,906,720	76,375	(32,048)	1,951,047
Less accumulated depreciation for:				
Land improvements	(6,192)	(517)	—	(6,709)
Buildings and improvements	(537,605)	(59,639)	768	(596,476)
Vehicles	(5,797)	(379)	—	(6,176)
Machinery and equipment	(280,662)	(42,644)	25,523	(297,783)
Intangibles	(10,520)	(4,218)	10	(14,728)
Total accumulated depreciation	(840,776)	(107,397)	26,301	(921,872)
Total capital assets being depreciated, net	1,065,944	(31,022)	(5,747)	1,029,175
MUSC, net	**$ 1,210,373**	**$ 44,317**	**$ (60,164)**	**$ 1,194,526**

	Beginning Balances July 1, 2012	Increases	Decreases	Ending Balances June 30, 2013
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 79,343	$ 576	$ —	$ 79,919
Construction in progress	98,350	91,173	(99,064)	90,459
Works of art and historical treasures	19,612	2,608	—	22,220
Total capital assets not being depreciated	197,305	94,357	(99,064)	192,598
Capital assets being depreciated:				
Land improvements	75,524	28,156	—	103,680
Buildings and improvements	1,364,745	54,216	(18,333)	1,400,628
Vehicles	12,790	3,563	(350)	16,003
Machinery and equipment	176,369	12,329	(6,039)	182,659
Intangibles	4,331	30,613	(262)	34,682
Total capital assets being depreciated	1,633,759	128,877	(24,984)	1,737,652
Less accumulated depreciation for:				
Land improvements	(19,135)	(4,161)	—	(23,296)
Buildings and improvements	(531,157)	(37,650)	4,342	(564,465)
Vehicles	(9,934)	(1,048)	351	(10,631)
Machinery and equipment	(133,576)	(11,511)	5,695	(139,392)
Intangibles	(3,639)	(229)	241	(3,627)
Total accumulated depreciation	(697,441)	(54,599)	10,629	(741,411)
Total capital assets being depreciated, net	936,318	74,278	(14,355)	996,241
USC, net	**$ 1,133,623**	**$ 168,635**	**$ (113,419)**	**$ 1,188,839**

	Beginning Balances July 1, 2012	Increases	Decreases	Ending Balances June 30, 2013
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 41,674	$ —	$ —	$ 41,674
Construction in progress	95,697	62,865	(64,040)	94,522
Total capital assets not being depreciated	137,371	62,865	(64,040)	136,196
Capital assets being depreciated:				
Buildings and improvements	789,771	77,717	—	867,488
Vehicles	15,599	579	(603)	15,575
Machinery and equipment	242,592	28,589	(4,645)	266,536
Intangibles	2,680	—	—	2,680
Total capital assets being depreciated	1,050,642	106,885	(5,248)	1,152,279
Less accumulated depreciation for:				
Buildings and improvements	(296,186)	(18,126)	—	(314,312)
Vehicles	(5,230)	(511)	601	(5,140)
Machinery and equipment	(176,755)	(13,965)	4,392	(186,328)
Intangibles	(2,485)	(99)	—	(2,584)
Total accumulated depreciation	(480,656)	(32,701)	4,993	(508,364)
Total capital assets being depreciated, net	569,986	74,184	(255)	643,915
Clemson, net	**$ 707,357**	**$ 137,049**	**$ (64,295)**	**$ 780,111**

During the fiscal year ended June 30, 2013, depreciation expense was charged to functions of the primary government and its major discretely presented component units (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 30,587	$ 8,378	$ 38,965
Education	18,186	—	18,186
Health and environment	14,676	—	14,676
Social services	656	—	656
Administration of justice	29,577	429	30,006
Resources and economic development	25,175	—	25,175
Transportation	192,169	—	192,169
Total depreciation expense, governmental activities	**$ 311,026**	**$ 8,807**	**$ 319,833**

	Major Component Units
Public Service Authority	$ 190,294
State Ports Authority	28,737
MUSC	107,397
USC	54,599
Clemson	32,701

At June 30, 2013, the primary government had outstanding construction commitments totaling $30.516 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $8.344 million for significant permanent improvement projects that will not increase State assets. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling $23.650 million at June 30, 2013, related to information technology projects.

Outstanding construction commitments (expressed in thousands) for the State's major discretely presented component units was as follows:

	Outstanding Construction Commitments
Public Service Authority	$ 3,673,000
State Ports Authority	45,172
MUSC	19,000
USC	125,338
Clemson	13,534

Interest costs included as part of the cost of capital assets under construction (expressed in thousands) for the State's major discretely presented component units was as follows:

	Capitalized Interest Costs
State Ports Authority	$ 7,003
MUSC	544
USC	4,015
Clemson	1,909

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. Effective July 1, 2012, the South Carolina Public Employee Benefit Authority (PEBA) was created as a separate agency and governing body. As a result, the Retirement Systems, which was formerly a division of the SC Budget and Control Board, was transferred from the Budget and Control Board to the new administrative agency. PEBA administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Retirement Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The report may be obtained by writing to:

Retirement Systems Finance
South Carolina Public Employee Benefit Authority
PO Box 11960
Columbia, South Carolina 29211-1960
www.retirement.sc.gov

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 South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

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 South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

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 South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012. Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, the GARS plan is closed to individuals newly elected to the Senate or the House of Representatives after the general election of 2012. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions. The Retirement Reform legislation closed GARS to new members. Persons first elected to the General Assembly in November 2012 or after must elect membership in SCRS or State ORP or may elect non-membership.

Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of this amount. The member contribution rate is 11% of earnable compensation. The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).

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 South Carolina

Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the State. All solicitors, circuit public defenders, 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.

Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age. Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60. The mandatory retirement age is 72.

A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of salary). The normal form of payment for a married member is a 33.3% joint and survivor annuity. Active members contribute 10% of compensation. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

The **South Carolina National Guard Supplemental Retirement Plan** (SCNG), a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard. National Guard members are considered to be federal government employees. The federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members' salaries only if the Governor activates the National Guard for service to the State. A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG retirees.

The pension benefit that the State provides is intended only to supplement the retirement benefit that Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of South Carolina National Guard duty, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to $50 per month for twenty years of creditable service with an additional $5 per month for each additional year of service, provided that the total pension shall not exceed $100 per month.

Information regarding the number of participating employers and active members as of June 30, 2013, is as follows (dollars expressed in thousands):

	SCRS	PORS	GARS	JSRS	SCNG
State and school districts					
Number of employers	232	125	2	3	1
Annual covered payroll	$5,409,381	$ 364,321	$ 2,688	$ 16,763	N/A [a]
Average number of contributing members	131,583	9,624	170	144	N/A [b]
Other participating employers					
Number of employers	576	323	—	—	—
Annual covered payroll	$1,998,395	$ 678,889	$ —	$ —	$ —
Average number of contributing members	53,188	16,577	—	—	—

[a] Annual covered payroll is not applicable for SCNG because benefits are based on years of service.

[b] Members do not contribute; average number of members is 12,000.

The plans provide retirement, death, and disability benefits to State employees; public school employees; and employees of counties, municipalities, and certain other State political subdivisions. The SCNG provides retirement benefits to members that served in the South Carolina National Guard. Each plan is independent. Assets of each plan may be used only to benefit participants of that plan.

b. Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments

The financial statements of the previously-described plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Retirement benefits and refunded expenses are recognized when due and payable in accordance with the terms of each plan.

Note 1f specifies the method used to value pension trust fund investments.

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The following paragraphs summarize those requirements.

By law, employee contribution requirements for the fiscal year ended June 30, 2013, were as follows:

Plan	Rate
SCRS	7.0% of earnable compensation
PORS	7.0% of earnable compensation
GARS	10.0% of earnable compensation (7/1 to 12/31)
	11.0% of earnable compensation (1/1 to 6/30)
JSRS	10.0% of earnable compensation
SCNG	Non-contributory

Actuarially determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2013, were as follows:

Plan	Rate
SCRS	10.60%
PORS	12.30%
GARS	73.46%
JSRS	45.09%

The State appropriated $4.539 million to fund the SCNG actuarially determined employer contribution for the fiscal year ended June 30, 2013.

Under certain conditions, new employers entering the plans are allowed up to ten years to remit matching employer contributions resulting from their employees' purchase of prior service credits. Interest is assessed annually on the unpaid balance. There were no amounts outstanding at June 30, 2013 under this type of agreement.

d. Annual Pension Cost

Annual pension cost (dollars expressed in thousands) and related actuarial data for the State's single-employer defined benefit pension plans were as follows:

	GARS	JSRS	SCNG
Annual pension cost	$ 2,831	$ 8,667	$ 4,405
Employer contributions made	$ 2,831	$ 8,667	$ 4,539
Actuarial valuation date	July 1, 2012	July 1, 2012	July 1, 2012
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent, open	Level dollar, open
Remaining amortization period	15 years	30 years	20 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	None	3.00%	None
Assumed inflation rate	2.75%	2.75%	2.75%
Assumed cost-of-living adjustments	None	3.00%	None

The following represents the components of the net pension obligation (NPO) for the SCNG, at June 30, 2013 (expressed in thousands):

	SCNG
Actuarially required contribution (ARC)	$ 4,539
Interest on the NPO	684
Adjustment to the ARC	(818)
Annual pension cost	4,405
Contributions made	(4,539)
Decrease in NPO	(134)
NPO beginning of year	9,123
NPO end of year	**$ 8,989**

NPO beginning of year is restated to agree to revised actuarial calculations.

e. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due.

For the cost-sharing multiple-employer defined benefit pension plans in which the State participates, the State's required contributions in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows. Also see Note 7f for funding status and progress.

	Fiscal Year Ended					
	June 30, 2013		June 30, 2012		June 30, 2011	
	(1) Required	% Contributed	(2) Required	% Contributed	Required	% Contributed
SCRS–State:						
Primary government	$ 123,651	100.0%	$ 255,277	100.0%	$ 252,814	100.0%
Component units	187,620	100.0%	15,050	100.0%	14,231	100.0%
PORS–State:						
Primary government	44,393	100.0%	43,776	100.0%	42,699	100.0%
Component units	3,101	100.0%	85	100.0%	78	100.0%

(1) For fiscal year 2012-13, as referenced in Note 2, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior years have not been restated.

(2) For fiscal year 2011-12, amounts for SCRS have been revised.

The following table presents (dollars expressed in thousands) the annual pension cost, percentage of annual pension cost contributed, and the net pension obligation for the three latest available years for the State's single-employer defined benefit plans. Also see Note 7f for funding status and progress:

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	2013	$ 2,831	100.00%	$ —
	2012	2,532	100.00%	—
	2011	2,414	100.00%	—
JSRS	2013	8,667	100.00%	—
	2012	8,414	100.00%	—
	2011	8,414	100.00%	—
SCNG	2013	4,405	103.04%	8,989
	2012	3,775	104.29%	9,123
	2011	3,797	102.84%	9,286

For SCNG, fiscal years 2011 and 2012 are restated to agree to revised actuarial calculations.

f. Funding Status and Progress (Unaudited)

The following schedule (dollars expressed in thousands) describes the funding progress for the SCRS and the PORS, cost-sharing multiple-employer defined benefit plans, for the three latest available years:

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets *(a)*	Actuarial Accrued Liability (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)*
SCRS	2012	$ 25,540,749	$ 39,457,708	$ 13,916,959	64.7%	$ 7,356,231	189.2%
	2011	25,604,823	38,011,610	12,406,787	67.4%	7,687,558	161.4%
	2010	25,400,331	38,774,029	13,373,698	65.5%	7,769,820	172.1%
PORS	2012	3,808,934	5,357,492	1,548,558	71.1%	1,019,241	151.9%
	2011	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%
	2010	3,612,700	4,850,457	1,237,757	74.5%	1,076,467	115.0%

The following schedule (dollars expressed in thousands) describes the funding progress for the State's single-employer defined benefit plans for the three latest available years:

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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)
GARS	2012	$ 39,233	$ 74,331	$ 35,098	52.8%	$ 3,854	910.7%
	2011	41,484	74,604	33,120	55.6%	3,854	859.4%
	2010	43,712	68,671	24,959	63.7%	3,854	647.6%
JSRS	2012	145,604	251,729	106,125	57.8%	19,221	552.1%
	2011	144,927	243,514	98,587	59.5%	18,661	528.3%
	2010	142,871	215,823	72,952	66.2%	18,661	390.9%
SCNG	2012	20,814	60,942	40,128	34.2%	N/A	N/A
	2011	20,138	60,388	40,250	33.3%	N/A	N/A
	2010	19,458	54,153	34,695	35.9%	N/A	N/A

Included among the measurements of long-term funding progress for defined benefit pension plans are whether a plan's funding ratio is increasing, whether a plan's unfunded liability (UAAL) as a percentage of covered payroll is decreasing, and whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities (AAL's) for benefits. The tables above present the results of those measurements.

g. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2013, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 203,822	$ 20,710	$ 202	$ 745	$ 15	$ 225,494
Accrued interest	58,323	8,402	88	327	44	67,184
Unsettled investment sales	614,982	92,810	787	3,426	480	712,485
Other investment receivables	2,441	338	4	13	2	2,798
Total receivables	**$ 879,568**	**$ 122,260**	**$ 1,081**	**$ 4,511**	**$ 541**	**$ 1,007,961**
Due from other funds	**$ —**	**$ 444**	**$ —**	**$ 48**	**$ —**	**$ 492**
Investments and invested securities lending collateral:						
Short-term securities	$ 411,422	$ 62,090	$ 527	$ 2,292	$ 321	$ 476,652
Debt-domestic	5,877,851	887,054	7,524	32,743	4,582	6,809,754
Debt-international	1,685,096	254,306	2,157	9,387	1,313	1,952,259
Equity-domestic	1,532,325	231,250	1,961	8,536	1,195	1,775,267
Equity-international	1,491,925	225,153	1,910	8,311	1,163	1,728,462
Alternatives	10,224,360	1,543,005	13,088	56,957	7,970	11,845,380
Invested securities lending collateral	92,042	13,890	118	513	72	106,635
Total investments	**$ 21,315,021**	**$ 3,216,748**	**$ 27,285**	**$ 118,739**	**$ 16,616**	**$ 24,694,409**

h. Teacher and Employee Retention Incentive Program

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the group life insurance and disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution.

A total of 9,792 members were participating in the TERI program at June 30, 2013. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2013, was as follows:

Beginning balance of TERI trust accounts	$ 385,716
Additions	245,596
TERI distributions at termination	(163,238)
Ending balance of TERI trust accounts	**$ 468,074**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2013, benefits held in trust totaled $707 thousand.

i. Defined Contribution Plan

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP). Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (7.00%) and a portion of the employer contribution (5%). A direct remittance is also required to the SCRS for a portion of the employer contribution (5.45%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$ 1,089,183
Employee contributions	76,243
Employer contributions	54,459

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits (OPEB plans) to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for fiscal year 2013. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $342.590 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2013. BLTD benefits are funded through a per person

premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2013.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund (SCRHITF) is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($64.627 million), and income generated from investments ($12.194 million). The Long Term Disability Insurance Trust Fund (LTDITF) is primarily funded through investment income and employer contributions.

c. Trend Information

The State's required contributions for the OPEB plans in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows:

	Fiscal Year Ended					
	June 30, 2013		June 30, 2012		June 30, 2011	
	Actuarially Required	% Contributed	Actuarially Required	% Contributed	Actuarially Required	% Contributed
SCRHI	$ 818,861	50.02%	$ 787,293	53.22%	$ 815,825	36.78%
LTDI	9,410	72.23%	9,231	73.11%	9,456	71.25%

d. Funding Progress

The schedule of funding progress for the OPEB plans based on the most recent actuarial valuation date is as follows (dollar amounts expressed in thousands):

OPEB Plan	Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ([b-a] / c)
SCRHITF	2012	$ 592,337	$10,328,465	$ 9,736,128	6%	$ 7,161,059	136%
SCRHITF	2011	477,124	10,625,914	10,148,790	4%	7,127,657	142%
SCRHITF	2010	487,496	9,632,092	9,144,596	5%	8,045,607	114%
LTDITF	2012	35,576	23,586	(11,990)	151%	7,871,635	<1%
LTDITF	2011	33,283	24,957	(8,326)	133%	7,837,796	<1%
LTDITF	2010	32,690	25,855	(6,835)	126%	8,295,065	<1%

Complete financial statements for the OPEB plans and the trust funds may be obtained by writing to:

Insurance Benefits Division
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2013, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 4,818**	**$ 327**	**$ 5,145**
Due from other funds	**$ 54,220**	**$ —**	**$ 54,220**
Investments and invested securities lending collateral:			
Debt domestic instruments	$ 471,417	$ 24,674	$ 496,091
Financial paper	83,896	6,531	90,427
Invested securities lending collateral	1,517	—	1,517
Total investments	**$ 556,830**	**$ 31,205**	**$ 588,035**

NOTE 9: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

The State generally does not purchase commercial insurance for the risks of losses for property damage, including theft of, damage to, and destruction of assets; automobile liability; tort liability; and medical professional liability. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Insurance Reserve Fund (IRF), within the internal service funds. The IRF services claims for risk of loss to which the State is exposed, including the following: property insurance on government-owned buildings, the contents of such buildings, equipment, and automobiles; automobile liability insurance on government owned vehicles and school buses; tort liability insurance for government premises and operations; and medical professional liability for hospitals. Although the State is the predominant participant in the IRF, county and municipal governments, school districts and special purpose political subdivisions also participate. The IRF allocates the cost of providing claims servicing and claims payment by charging each participant an actuarially determined premium for the coverage provided.

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Actuarial Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 244,520	$ 79,507	$ (64,378)	$ 259,649
2012	237,874	58,639	(51,993)	244,520

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above $10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable.

b. Employee Insurance Programs Fund

State law established the Employee Insurance Programs Fund, part of the State's internal service funds, to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and to provide group life and long-term disability insurance coverage to eligible active State and public school employees. The State, the

predominant participant, retains the risk of loss. Under the health insurance program, participants elect coverage through either self-insured health maintenance organizations (HMO) or State self-insured plans. All dental, group life, and long-term disability coverages are provided through the State's self-insured plans. State funds and payroll deductions pay health and dental premiums for eligible State and public school employees. Agencies and school districts pay the employer share of premiums for retirees. Retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long-term disability for their employees.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise, monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 9 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHITF for which claims liability information is also available in Note 9.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Of the total claims liability reported for the Employee Insurance Programs Fund at June 30, 2013, $29.707 thousand relates to the HMO self-insured managed care plan liability. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 176,801	$ 1,817,587	$ (1,779,892)	$ 214,496
2012	144,879	1,771,543	(1,739,621)	176,801

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 235,450	$ 53,271	$ (52,721)	$ 236,000
2012	237,790	45,688	(48,028)	235,450

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of $1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first $1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of $1.000 million per occurrence up to a limit of $9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable.

d. Patients' Compensation Fund and Medical Malpractice Liability Insurance Joint Underwriting Association

The South Carolina Medical Malpractice Patients' Compensation Fund (PCF) and the South Carolina Medical Malpractice Liability Insurance Joint Underwriting Association (JUA) were created by State law. The PCF is accounted for as a nonmajor enterprise fund, and the JUA is a nonmajor discretely presented component unit of the State. The State accounts for the PCF and the JUA as insurance enterprises because they primarily cover non-governmental entities. Accordingly, the PCF and JUA follow the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to $200 thousand per incident or $600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the PCF and for the JUA include a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the PCF during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 112,209	$ (3,727)	$ (18,029)	$ 90,453
2012	122,093	7,730	(17,614)	112,209

Changes in the balances of claims liabilities for the JUA during the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012	$ 124,891	$ 14,091	$ (28,474)	$ 110,508
2011	140,434	10,859	(26,402)	124,891

e. Second Injury Fund

The State accounts for the South Carolina Second Injury Fund, a nonmajor enterprise fund, as a public benefit program rather than an insurance program primarily because its participants—workers' compensation insurance carriers and self-insured employers—do not transfer their risk to the Fund. The Fund services claims in cases where an individual with a preexisting permanent physical impairment incurs a subsequent disability from injury or accident arising out of and in the course of employment. Participants of the Fund, rather than the State, are ultimately responsible for these liabilities.

The Fund collects and invests assessments received from its participants and pays claims on behalf of its participants to the extent that Fund resources are available to pay such claims. The Fund reports these activities in its statement of cash flows. In accordance with accounting principles used by claims processors, the Fund reports as revenue only that portion of assessments and interest earnings intended to cover the Fund's administrative costs, including capital costs. Likewise, the Fund records no claims expense, and it records claims liabilities only to the extent that Fund assets are available to pay such claims.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Second Injury Fund is responsible for administering the Workers' Compensation Uninsured Employers' Fund. The State reports the Workers' Compensation Uninsured Employers' Fund in its Other Special Revenue Fund. The Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 43,224	$ 105,574	$ (52,914)	$ 95,884
2012	36,086	14,505	(7,367)	43,224

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the Budget and Control Board.

f. Discretely Presented Component Unit—Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2012. Policies are subject to deductibles ranging from $500 to $2.0 million, with the exception of named storm losses which carry deductibles from $2.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2012, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2012. There have been no third-party claims for environmental damages for 2012.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at $12.6 billion by the Price-Anderson Indemnification Act. This $12.6 billion would be covered by nuclear liability insurance of $375.0 million per reactor unit,

with potential retrospective assessments of up to $117.5 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $17.5 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $39.2 million, not to exceed approximately $5.8 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $500.0 million primary and $2.3 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $3.2 million for the primary policy, $4.0 million for the excess policy and $1.5 million for the accidental outage policy.

SCE&G and the Authority maintain builder's risk insurance and marine cargo insurance for the V.C. Summer Units 2 and 3 construction. The builder's risk policy provides coverage of $2.8 billion accidental nuclear property damage with a sub-limit of $500.0 million for accidental property damage that is caused by or results from any covered peril other than radioactive contamination resulting from nuclear reaction, nuclear radiation or the release of radioactive materials, with deductibles ranging from $250,000 to $5.0 million. This policy also carries a potential retrospective premium of approximately $42.0 million. Based on the Authority's current 45 percent ownership interest, the Authority's maximum retrospective premium would be approximately $18.9 million. The marine cargo/transit policy provides coverage of $300.0 million, with deductibles ranging from $25,000 to $75,000.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2012.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. The State reports the Authority's claims expenses and liabilities when it is probable that a loss has occurred and the amount of the loss is reasonably estimable.

Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012	$ 1,612	$ 2,392	$ (2,226)	$ 1,778
2011	2,263	1,985	(2,636)	1,612

NOTE 10: LEASES

a. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2013 for the primary government and the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government Governmental Activities
2014	$ 191
2015	123
2016	63
2017	25
Total minimum payments	**402**
Less: interest and executory costs	(53)
Net minimum payments	**$ 349**

Fiscal Year Ending December 31	Discretely Presented Component Unit Public Service Authority
2013	$ 1,023
2014	252
Total minimum payments	**1,275**
Less: interest and executory costs	(48)
Net minimum payments	**$ 1,227**

	Discretely Presented Component Units		
Fiscal Year Ending June 30	Clemson University	MUSC	USC
2014	$ 1,043	$ 579	$ 1,847
2015	1,043	567	1,703
2016	1,043	364	1,644
2017	1,027	26	5,387
2018	723	13	1,109
2019-2023	2,872	—	5,124
2024-2028	2,872	—	4,992
2029-2033	2,872	—	2,684
2034-2038	2,702	—	—
Total minimum payments	**16,197**	**1,549**	**24,490**
Less: interest and executory costs	(286)	(99)	(7,204)
Net minimum payments	**$ 15,911**	**$ 1,450**	**$ 17,286**

Assets under capital leases recorded in the accompanying government-wide statement of net assets at June 30, 2013, were as follows (expressed in thousands):

	Primary Government	Discretely Presented Component Units			
Assets Acquired Under Capital Leases	Governmental Activities	Public Service Authority	Clemson University	MUSC	USC
Land and non-depreciable improvements	$ —	$ —	$ —	$ —	$ 270
Buildings and improvements	—	20,300	14,300	—	18,815
Machinery and equipment	922	—	2,023	3,513	1,108
Works of art and historical treasures	—	—	—	—	204
Assets acquired under capital leases before accumulated amortization	**922**	**20,300**	**16,323**	**3,513**	**20,397**
Less: accumulated amortization	(646)	(18,000)	(180)	(1,382)	(3,155)
Assets acquired under capital leases, net	**$ 276**	**$ 2,300**	**$ 16,143**	**$ 2,131**	**$ 17,242**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2013, minimum rental payments under operating leases were $48.670 million and contingent rental payments were $4.091 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

For the Public Service Authority, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled $3 million. The Housing Authority, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $388 thousand. For Clemson University, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled $128 thousand. MUSC, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $4.087 million. USC, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $3.051 million. For the State Ports Authority, a major discretely presented component unit, minimum rental payments under operating leases with terms of less than twelve months totaled $1.238 million for the fiscal year.

At June 30, 2013, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2014	$ 19,693	$ 37	$ 19,730
2015	16,130	37	16,167
2016	13,731	36	13,767
2017	10,902	36	10,938
2018	8,435	—	8,435
2019-2023	18,896	—	18,896
2024-2028	4,277	—	4,277
2029-2033	574	—	574
2034-2038	5	—	5
Thereafter	10	—	10
Net minimum payments	**$ 92,653**	**$ 146**	**$ 92,799**

Fiscal Year Ending December 31	Discretely Presented Component Unit: Public Service Authority
2013	$ 1,045
2014	674
2015	600
2016	600
2017	600
Net minimum payments	**$ 3,519**

	Discretely Presented Component Units			
Fiscal Year Ending June 30	Housing Authority	Clemson University	MUSC	USC
2014	$ 346	$ 123	$ 16,698	$ 1,356
2015	353	31	12,869	1,304
2016	360	7	7,660	359
2017	124	—	5,046	90
2018	—	—	3,077	59
2019-2023	—	—	5,598	40
2024-2028	—	—	1,789	—
2029-2033	—	—	491	—
Net minimum payments	**$ 1,183**	**$ 161**	**$ 53,228**	**$ 3,208**

c. Facilities and Equipment Leased to Others

At June 30, 2013, the State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $43.689 million and related accumulated depreciation of $11.348 million. In addition at June 30, 2013, the State Ports Authority, a major discretely presented component unit, had leased to non-State parties certain land and facilities having a cost of approximately $13.702 million and related accumulated depreciation of $8.576 million. Also, at June 30, 2013, MUSC, a major discretely presented component unit, had leased to non-State parties certain land and facilities having a cost of approximately $13.645 million and related accumulated depreciation of $2.813 million. Future minimum rental payments to be received at June 30, 2013, under these operating leases were as follows (expressed in thousands):

	Primary Government	Discretely Presented Component Units	
Fiscal Year Ending June 30	Governmental Activities	State Ports Authority	MUSC
2014	$ 3,359	$ 1,524	$ 1,157
2015	2,283	1,321	1,132
2016	1,019	903	1,122
2017	907	709	1,090
2018	747	525	856
2019-2023	1,131	2,063	3,390
2024-2028	307	—	417
2029-2033	151	—	417
2034-2038	—	—	417
Thereafter	—	—	5,566
Total	**$ 9,904**	**$ 7,045**	**$ 15,564**

NOTE 11: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2013, were (expressed in thousands):

Governmental Activities:	
Capital improvement bonds, 3.50% to 5.00%, maturing serially through 2019	$ 191,926
State highway bonds, 3.125% to 5.00%, maturing serially through 2023	390,046
State school facilities bonds, 3.00% to 5.00%, maturing serially through 2018	204,120
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028	44,052
State economic development bonds, 1.00% to 5.00%, maturing serially through 2031	356,623
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2025	147,989
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025	41,941
Totals—primary government	**$ 1,376,697**
Major Discretely Presented Component Units:	
Clemson University institution bonds, 2.50% to 5.00%, maturing serially through 2031	$ 93,081
University of South Carolina institution bonds, 2.25% to 5.25%, maturing serially through 2031	109,355
Medical University of South Carolina institution bonds, 2.25% to 5.00%, maturing serially through 2031	44,054

At June 30, 2013, $6.344 million of capital improvement bonds, $106 million of State highway bonds, $162.185 million of State economic development bonds, and $28.915 million of State research university infrastructure bonds were authorized but unissued.

At June 30, 2013, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities	
Year Ending June 30	**Principal**	**Interest**
2014	$ 185,255	$ 56,127
2015	194,150	47,641
2016	170,045	38,604
2017	135,435	30,857
2018	117,465	24,272
2019-2023	391,275	54,473
2024-2028	113,435	6,795
2029-2031	10,545	516
Total debt service requirements	**1,317,605**	**$ 259,285**
Unamortized premiums	80,758	
Deferred amount on refunding	(21,666)	
Total principal outstanding	**$ 1,376,697**	

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the

Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2013, was $37.609 million for highway bonds, $176.852 million for general obligation bonds excluding institution and highway bonds, $4.716 million for economic development bonds, and $8.785 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170 million 2010 issue of economic development bonds and a $50 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

As of the last reporting date of the component units, future debt service requirements for general obligation bonds of the State's major discretely presented component units were as follows (expressed in thousands):

	Clemson University		Medical University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2014	$ 4,680	$ 4,176	$ 4,225	$ 1,867
2015	4,870	3,986	4,210	1,698
2016	5,100	3,751	4,360	1,525
2017	5,350	3,507	4,495	1,346
2018	3,905	3,252	4,035	1,156
2019-2023	24,780	13,024	12,070	3,676
2024-2028	24,735	7,106	6,220	1,739
2029-2031	15,000	1,500	3,890	395
Total debt service requirements	**88,420**	**$ 40,302**	**43,505**	**$ 13,402**
Unamortized premiums	5,421		1,571	
Deferred amount on refunding	(760)		(1,022)	
Total principal outstanding	**$ 93,081**		**$ 44,054**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2014	$ 8,510	$ 4,716
2015	8,805	4,382
2016	9,205	3,996
2017	7,205	3,606
2018	7,520	3,277
2019-2023	40,460	10,760
2024-2028	21,995	3,530
2029-2031	5,655	540
Total debt service requirements	**$ 109,355**	**$ 34,807**

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90 percent of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds of $433.434 million were outstanding at June 30, 2013.

b. Limited Obligation Bonds

Limited obligation bonds are not backed by the full faith, credit, and taxing power of the State. Limited obligation bonds outstanding at June 30, 2013, which are reported in the internal service funds, totaled $2.408 million and mature serially through 2016. Interest rates on these bonds ranged from 4.625% to 6.1%. At June 30, 2013, there were no limited obligation bonds authorized but unissued.

The State issued limited obligation lease revenue bonds to finance the cost of capital facilities for use by certain State agencies. Pledges of lease rental payments that the agencies will pay from their governmental funds secure the bonds.

At June 30, 2013, future debt service requirements for limited obligation bonds were (expressed in thousands):

	Governmental Activities (Internal Service Funds)	
Year Ending June 30	**Principal**	**Interest**
2014	$ 1,495	$ 110
2015	735	32
2016	185	9
Total debt service requirements	**2,415**	**$ 151**
Unamortized discounts	(7)	
Total principal outstanding	**$ 2,408**	

The internal service funds pay all debt service for the lease revenue bonds.

c. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2013, were (expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.70% to 5.50%, maturing serially through 2041	$ 2,003,486	$ —
Heritage Trust Revenue bonds, 4.00% to 4.25%, maturing in 2022	13,600	—
Department of Public Safety bonds, 5.00%, maturing through 2018	10,718	—
Judicial Department note, 1.92%, maturing in 2016	—	1,178
Educational Television Commission note, 2.96%, maturing in 2014	—	59
Corrections Department notes, 1.81% to 5.97%, maturing through 2020	—	14,527
Criminal Justice Academy note, 3.41%, maturing through 2016	—	5,015
Department of Revenue note, 1.43%, maturing through 2015	—	409
Budget and Control Board notes, 3.20% to 4.05%, maturing through 2018	—	5,938
Totals—governmental activities	**2,027,804**	**27,126**
Business-Type Activities:		
Nonmajor enterprise fund bonds and notes, 0.19% to 3.84%, maturing through 2038	**6,360**	**—**
Totals—primary government	**$ 2,034,164**	**$ 27,126**
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.10% to 8.37%, maturing serially through 2050	$ 5,610,030	$ —
Clemson University bonds and notes, 2.00% to 6.00%, maturing serially through 2031	56,603	—
University of South Carolina bonds and notes, 2.00% to 5.50%, maturing serially through 2031	450,897	6,496
Medical University of South Carolina bonds and notes, 4.00% to 4.30%, maturing serially through 2031	483,562	52,203
State Ports Authority bonds and notes, 2.56% to 5.50%, maturing serially through 2041	172,279	10,342
State Housing Authority bonds and notes, 0.60% to 6.00%, maturing serially through 2042	651,098	—

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, or 75.0% of the one-month LIBOR plus 0.885%, depending on the participating bank, on such notional amount. For the fiscal year ended June 30, 2013, the Bank made variable bond interest payments of $3.551 million and fixed rate payments on the exchange agreement of $13.910 million. The Bank received variable swap payments on the exchange agreement of $526 thousand. The June 30, 2013, mark to market value of this swap was negative $17.035 million,

representing an increase in fair value of $30.492 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 2.98% plus 8% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2013 is $62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.0% of the one-month LIBOR rate. The variable rate in effect at June 30, 2013 was 0.13%. The fair value of this swap, estimated using the zero-coupon method, was negative $763 thousand as of June 30, 2013. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2012 of $5.108 million is not recognized in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.87%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2013 was $21.169 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2013 was 1.49%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $928 thousand as of June 30, 2013. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2012 of $557 thousand is not recognized in these financial statements.

As of June 30, 2013, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending June 30	Variable Rate Debt		Interest Rate Swaps, Net	Totals
	Principal	Interest		
2014	$ —	$ 637	$ 1,225	$ 1,862
2015	—	637	1,225	1,862
2016	—	637	1,225	1,862
2017	—	637	1,225	1,862
2018	—	637	1,225	1,862
2019-2023	13,250	2,784	5,358	21,392
2024-2028	14,105	2,079	4,001	20,185
2029-2033	16,170	1,293	2,489	19,952
2034-2038	18,560	391	753	19,704
Totals.....	**$ 62,085**	**$ 9,732**	**$ 18,726**	**$ 90,543**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.0% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2013 were $60.113 million and $25.763 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $85.875 million at June 30, 2013.

As of June 30, 2013, the swaps had a negative fair value of approximately $2.306 million. The unrealized loss related to these agreements recorded at June 30, 2013 is $610 thousand and is included in interest expense on the Statement of Activities.

Pledged Revenues for Payment of Debt

Certain revenue bonds require the individual business-type activities to provide sufficient revenue to pay debt service and to fund all necessary expenses of the activities. The funds that receive the proceeds of revenue, Infrastructure Bank, and other bonds and notes have pledged revenues for payment of debt service as follows:

Primary Government:

Governmental Activities:

Infrastructure Bank bonds: fees and interest revenues recorded in the Local Government Infrastructure Fund, a major governmental fund

Heritage Trust bonds: revenues derived from a portion of State Deed Recording Fee dedicated to the Heritage Land Trust Fund

Corrections Department note: farm facility revenues

Budget and Control Board bonds: loan repayments

Major Discretely Presented Component Units:

Public Service Authority bonds: Public Service Authority revenues

Clemson University: various specific higher education revenues

University of South Carolina: various specific higher education revenues

Medical University of South Carolina: various specific higher education revenues

State Ports Authority bonds: State Ports Authority revenues

State Housing Authority bonds and note: revenues of the Housing Authority Fund, a major enterprise fund

Debt Service Requirements

At June 30, 2013, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2014	$ 82,612	$ 94,665	$ 150	$ 10
2015	78,459	90,824	155	9
2016	83,765	86,804	160	9
2017	62,270	83,149	165	9
2018	77,376	79,678	175	9
2019-2023	387,824	338,556	985	38
2024-2028	379,685	248,049	1,225	31
2029-2033	490,520	146,867	1,495	20
2034-2038	255,665	56,762	1,850	9
2039-2041	126,475	10,186	—	—
Total debt service requirements	**2,024,651**	**$ 1,235,540**	**6,360**	**$ 144**
Net unamortized premiums	121,715		—	
Deferred amount on refunding	(91,436)		—	
Total principal outstanding	**$ 2,054,930**		**$ 6,360**	

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, and the State Ports Authority ends June 30. These entities are major discretely presented component units. At December 31, 2012, the carrying value of the Public Service Authority's debt was $5.558 billion while the fair value was approximately $6.6 billion. At June 30, 2013, the carrying value of the State Ports Authority debt was $180.342 million while the fair value was approximately $183.289 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

As of the last reporting date of the component units, future debt service requirements for bonds and notes of the State's major discretely presented component units were as follows (expressed in thousands):

	Public Service Authority	
Year Ending December 31	**Principal**	**Interest**
2013	$ 333,860	$ 266,777
2014	580,062	246,852
2015	223,007	227,656
2016	253,651	218,484
2017	294,835	205,158
2018-2022	1,046,387	866,794
2023-2027	728,720	654,779
2028-2032	771,243	471,017
2033-2037	562,650	295,361
2038-2042	350,325	174,437
2043-2047	241,920	101,842
2048-2050	169,906	17,426
Total debt service requirements	**5,556,566**	**$ 3,746,583**
Unamortized premiums	190,368	
Deferred amount on refunding	(136,904)	
Total principal outstanding	**$ 5,610,030**	

	Clemson University		University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2014	$ 7,235	$ 1,812	$ 16,739	$ 19,498
2015	7,525	1,536	11,372	19,091
2016	7,815	1,249	13,041	18,649
2017	8,255	1,079	13,530	18,143
2018	8,460	864	13,720	17,587
2019-2023	12,045	2,382	76,750	78,778
2024-2028	5,165	351	88,265	60,226
2029-2033	—	—	93,690	38,972
2034-2038	—	—	79,170	16,677
2039-2043	—	—	23,075	2,080
Total debt service requirements	**$ 56,500**	**$ 9,273**	**$ 429,352**	**$ 289,701**
Unamortized discounts and premiums	1,724		33,249	
Deferred amount on refunding	(1,621)		(5,208)	
Total principal outstanding	**$ 56,603**		**$ 457,393**	

Year Ending June 30	Medical University of South Carolina Principal	Interest
2014	$ 27,479	$ 19,854
2015	26,651	18,819
2016	26,263	17,830
2017	26,631	16,868
2018	26,536	15,960
2019-2023	138,722	66,038
2024-2028	144,290	42,408
2029-2033	155,340	16,723
2034-2038	28,755	1,939
Total debt service requirements	**600,667**	**$ 216,439**
Deferred amount on refunding	(64,902)	
Total principal outstanding	**$ 535,765**	

Year Ending June 30	State Ports Authority Principal	Interest	State Housing Authority Principal	Interest
2014	$ 5,237	$ 9,140	$ 12,305	$ 28,288
2015	6,020	9,067	17,070	27,873
2016	6,239	8,837	17,720	27,266
2017	6,507	8,539	18,920	26,594
2018	6,805	8,230	19,980	25,821
2019-2023	36,969	35,240	109,375	114,899
2024-2028	31,725	24,114	125,175	86,529
2029-2033	24,790	17,453	132,935	55,169
2034-2038	32,235	9,814	115,180	23,846
2039-2042	23,815	1,294	72,815	4,862
Total debt service requirements	**180,342**	**$ 131,728**	**641,475**	**$ 421,147**
Unamortized premiums and discounts	2,279		11,431	
Deferred amount on refunding	—		(1,808)	
Total principal outstanding	**$ 182,621**		**$ 651,098**	

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2013, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 120,550
Total allocated interest expense	**$ 120,550**

d. Bond Anticipation Notes

At June 30, 2013, $28 million in short-term general obligation bond anticipation notes were outstanding at MUSC, a major discretely presented component unit. These notes are due on or before June 30, 2014.

e. Defeased Bonds

During October 2012, the State Transportation Infrastructure Bank issued $424.910 million in revenue refunding bonds with a 3.38% to 5.00% coupon rate over the life of the issue. The net proceeds after payment of $2.425 million in issuance costs were used to refund $253.970 million of the Series 2003A bonds and $198.810 million of the Series 2004A bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $15.323 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations on a straight-line basis over the life of the bonds. The bonds were refunded to reduce total debt service payments by approximately $104.438 million and to obtain an economic gain of approximately $67.400 million.

In its fiscal year ended December 31, 2012, the Public Service Authority, a major discretely presented component unit issued $99.405 million in 2012 Refunding Series A Bonds, with an aggregate all-in true interest cost of 2.59% to refund $73.535 million of the 2003 Refunding Series A bonds and $34.160 million of the 2004 Series A bonds with an average interest rate of 4.73%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2030 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next seventeen years by approximately $17.3 million and to obtain an economic gain of approximately $13.7 million.

Also in its fiscal year ended December 31, 2012, the Public Service Authority issued $32.325 million in 2012 Refunding Series B Bonds, with an aggregate all-in true interest cost of 2.59% to refund $37.8 million of the 2002 Refunding Series A bonds with an average interest rate of 5.29%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2020 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next seven years by approximately $8 million and to obtain an economic gain of approximately $6.0 million.

Additionally, in its fiscal year ended December 31, 2012, the Public Service Authority issued $119.145 million in 2012 Refunding Series C Bonds, with an aggregate all-in true interest cost of 2.59% to refund $134.0 million of the 2002 Refunding Series D bonds with an average interest rate of 5.03%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2020 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next seven years by approximately $20 million and to obtain an economic gain of approximately $15.2 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has not recorded the defeased bonds in the accompanying financial statements. At June 30, 2013, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Capital improvement bonds	$ 32,210
Economic Development bonds	28,605
Infrastructure Bank bonds	487,160
Department of Transportation bonds	359,450
Tobacco Authority bonds	64,890
Totals	**$ 972,315**

In addition, at December 31, 2012, $498.905 million of bonds associated with the Public Service Authority were considered defeased.

f. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2013, reported as other liabilities for governmental activities is an arbitrage rebate liability of $214 thousand associated with the State's General Obligation Debt and a $1.222 million arbitrage rebate liability associated with revenue bonds of the Local Government Infrastructure Fund (a major governmental fund).

g. Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2013, the outstanding balance of bonds issued was $302.946 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2013, the outstanding balance of bonds issued after June 30, 1995, was $3.254 billion. The original amount of bonds issued prior to that date is not available.

The Housing Authority Fund, a major discretely presented component unit, issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2013, the outstanding balance of bonds issued was $206.555 million.

h. Commercial Paper Notes and Letters of Credit

Note 12 Changes in Liabilities, displays the activity of commercial paper notes and lines of credit during the fiscal year ended June 30, 2013, including beginning and ending balances (if any) as well as all draws and repayments. The Public Service Authority presents its outstanding amounts as commercial paper notes, but all other amounts outstanding on lines of credit at June 30, 2013 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of $10 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2013, there were no advances under this line of credit. The line of credit expired during April 2013 and was renewed with basically the same terms through June 30, 2014.

The Public Service Authority, a discretely presented component unit, has recorded a $329.283 million liability for commercial paper notes at its fiscal year ended December 31, 2012. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has a $500 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2012.

i. Advances from Federal Government

On December 26, 2008, the Unemployment Compensation Fund, a major enterprise fund, began to obtain advances from the Federal government in order to pay unemployment benefits due to the exhaustion of all other funds to pay benefits. These advances were obtained due to the significant increase in unemployment benefits resulting from a significant increase in the unemployment rate in the State and the extension of the period by the Federal government that benefits were paid to claimants. Section 1201 of Title XII of the Social Security Act provides that an advance from the Federal Unemployment Fund to the account of a state's unemployment trust fund is allowed if the governor of a state applies for payment for any 3-month period. Only amounts actually drawn down for benefit payments must be repaid.

At June 30, 2013, the outstanding balance of these advances was $531.557 million. Principal payments began on September 30, 2011, with interest accruing at rates ranging from 2.58% to 2.94% within the fiscal year. Of the balance reported, $456.557 million is considered non-current with $75 million reported as due within one year.

Under Section 1201 of Title XII of the Social Security Act, if a balance of advances to a state is outstanding on January 1, in two consecutive years and not fully repaid prior to November 10 of the second year, employers subject to contributions under such state's unemployment compensation law will be subject to additional Federal unemployment taxes determined by a formula of reductions in credit against the tax. Such credit reduction will apply beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances. The credit reductions, pursuant to Section 3302(c)(2) of FUTA, increase employers' Federal tax liability each year. The amount equal to the reduced credits, excluding penalty and interest, will be applied to reduce the State's balance of advances. For the fiscal year ended June 30, 2013, a total of $24 thousand was applied to reduce the balance of federal unemployment account advances to the Fund as a result of the reduced FUTA credits. Non-recurring revenues appropriated to the Department of Employment Workforce by the General Assembly will be utilized to make principal payments on the federal advances in amounts sufficient to avoid the FUTA credit reductions for state employers for the 2013 tax year.

The comprehensive changes to the Unemployment Insurance (UI) tax structure implemented to assist in putting the Fund back on the path to solvency are structured to raise revenues that more accurately address the demands on the Fund and the changing economic environment in which the Fund operates. While the Fund remains in Federal loan status, required tax revenues will consist of estimated benefit payouts for the subsequent year, an amount required to repay the principal on all outstanding federal advances over five years, and an additional surcharge designated to pay accrued interest on outstanding

advances. As the expected level of state UI benefits continues to decrease, a greater proportion of state UI tax revenues will be available to repay the advanced funds.

Increased tax collections coupled with decreases in the number of individuals eligible for and claiming state UI benefits have enabled the Fund to operate without obtaining additional advances from the federal government since May 2011. Management could continue to borrow from the Federal government, if needed, to fund its deficits for the foreseeable future; however, it is estimated that no additional advances will be required under the new tax structure. The Federal government has not established a maximum amount that the Fund can borrow.

Federal regulations specify that interest on Federal Unemployment Account Advances may not be paid, either directly or indirectly, from the Fund; therefore, no accrued interest is reported in the Unemployment Compensation Benefits Fund. Interest of $16.778 million was paid in September 2012 from the State's Debt Service Fund, with the portion due at June 30, 2013 of $13.339 million reported as accrued interest in the government-wide Statement of Net Position for governmental activities.

NOTE 12: CHANGES IN LIABILITIES

a. Long-Term Liabilities

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2013, were (expressed in thousands):

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 699,996	$ 2,011,080	$ (1,905,046)	$ 806,030	$ 561,669
Notes payable	41,430	—	(14,304)	27,126	7,907
General obligation bonds payable	1,503,850	—	(186,245)	1,317,605	185,255
Unamortized discounts and premiums	93,678	—	(12,920)	80,758	—
Deferred amount on refunding	(25,571)	—	3,905	(21,666)	—
Total general obligation bonds payable	1,571,957	—	(195,260)	1,376,697	185,255
Infrastructure Bank bonds payable	2,062,214	424,910	(513,509)	1,973,615	71,550
Unamortized discounts and premiums	93,223	53,560	(25,476)	121,307	—
Deferred amount on refunding	(81,129)	(15,323)	5,016	(91,436)	—
Total Infrastructure Bank bonds	2,074,308	463,147	(533,969)	2,003,486	71,550
Revenue bonds payable	26,925	—	(3,015)	23,910	3,155
Unamortized discounts and premiums	499	—	(91)	408	—
Total revenue bonds payable	27,424	—	(3,106)	24,318	3,155
Limited obligation bonds payable	3,835	—	(1,420)	2,415	1,495
Unamortized discounts	(13)	—	6	(7)	—
Total limited obligation bonds payable	3,822	—	(1,414)	2,408	1,495
Capital leases payable	318	258	(227)	349	162
Compensated absences payable	209,690	147,978	(149,696)	207,972	119,954
National Guard Retirement System net pension obligation payable	9,607	3,921	(4,539)	8,989	—
Judgments and contingencies payable	24,364	12,576	(6,770)	30,170	20,530
Arbitrage payable	1,561	1,241	(1,366)	1,436	1,031
Total long-term liabilities	$ 4,664,477	$ 2,640,201	$ (2,815,697)	$ 4,488,981	$ 972,708

The governmental fund that pays an employee's salary is responsible for liquidating the employee's related compensated absence liability. The General Fund is responsible for liquidating the National Guard Retirement System liability. Historically, the State has paid most judgments related to governmental funds from its General Fund unless an identifiable amount was directly attributable to another specific fund.

	Balances at July 1, 2012 Restated	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 112,209	$ —	$ (21,756)	$ 90,453	$ 6,201
Advances from Federal government	782,188	—	(250,631)	531,557	75,000
Notes payable	—	—	—	—	—
Unamortized discounts and premiums	—	—	—	—	—
Deferred amount on refunding	—	—	—	—	—
Total notes payable	—	—	—	—	—
General obligation bonds payable	—	—	—	—	—
Unamortized discounts and premiums	—	—	—	—	—
Deferred amount on refunding	—	—	—	—	—
Total general obligation bonds payable	—	—	—	—	—
Revenue bonds payable	—	6,360	—	6,360	150
Unamortized discounts and premiums	—	—	—	—	—
Deferred amount on refunding	—	—	—	—	—
Total revenue bonds payable	—	6,360	—	6,360	150
Capital leases payable	—	—	—	—	—
Compensated absences payable	803	602	(625)	780	576
Total long-term liabilities	$ 895,200	$ 6,962	$ (273,012)	$ 629,150	$ 81,927

	Balances at January 1, 2012	Increases	Decreases	Balances at December 31, 2012	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Public Service Authority					
Policy claims	$ 1,612	$ 2,392	$ (2,226)	$ 1,778	$ 1,778
Revenue bonds payable	5,158,481	867,277	(469,192)	5,556,566	333,860
Unamortized discounts and premiums	158,108	69,627	(37,367)	190,368	—
Deferred amount on refunding	(169,291)	(23,187)	55,574	(136,904)	—
Total revenue bonds payable	5,147,298	913,717	(450,985)	5,610,030	333,860
Capital leases payable	2,469	—	(1,242)	1,227	982
Compensated absences payable	18,926	2,333	(12,596)	8,663	—
Total long-term liabilities	$ 5,170,305	$ 918,442	$ (467,049)	$ 5,621,698	$ 336,620

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
State Ports Authority					
Notes payable	$ 604	$ 10,342	$ (604)	$ 10,342	$ 577
Revenue bonds payable	174,350	—	(4,350)	170,000	4,660
Unamortized discounts and premiums	2,407	—	(128)	2,279	—
Total revenue bonds payable	176,757	—	(4,478)	172,279	4,660
Capital leases payable	3	—	(3)	—	—
Compensated absences payable	2,389	2,580	(2,254)	2,715	2,715
Total long-term liabilities	$ 179,753	$ 12,922	$ (7,339)	$ 185,336	$ 7,952

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Housing Authority					
Revenue bonds payable	$ 731,780	$ 115,820	$ (206,125)	$ 641,475	$ 12,305
Unamortized discounts and premiums	9,975	2,453	(997)	11,431	—
Deferred amount on refunding	(1,392)	(547)	131	(1,808)	—
Total revenue bonds payable	740,363	117,726	(206,991)	651,098	12,305
Compensated absences payable	705	571	(502)	774	502
Arbitrage payable	54	1	(17)	38	—
Total long-term liabilities	$ 741,122	$ 118,298	$ (207,510)	$ 651,910	$ 12,807

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Clemson University					
Notes payable	$ 177	$ —	$ (177)	$ —	$ —
General obligation bonds payable	93,075	—	(4,655)	88,420	4,680
Unamortized discounts and premiums	6,026	—	(605)	5,421	—
Deferred amount on refunding	(872)	—	112	(760)	—
Total general obligation bonds payable	98,229	—	(5,148)	93,081	4,680
Revenue bonds payable	63,220	—	(6,720)	56,500	7,235
Unamortized discounts and premiums	2,052	—	(328)	1,724	—
Deferred amount on refunding	(1,920)	—	299	(1,621)	—
Total revenue bonds	63,352	—	(6,749)	56,603	7,235
Capital leases payable	—	16,323	(412)	15,911	948
Compensated absences payable	22,953	16,586	(14,680)	24,859	16,397
Total long-term liabilities	$ 184,711	$ 32,909	$ (27,166)	$ 190,454	$ 29,260

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Medical University of South Carolina					
Notes payable	$ 70,989	$ 33,133	$ (46,331)	$ 57,791	$ 9,044
Unamortized discounts and premiums	61	—	(61)	—	—
Deferred amount on refunding	(5,937)	(610)	959	(5,588)	—
Total notes payable	65,113	32,523	(45,433)	52,203	9,044
General obligation bonds payable	47,660	—	(4,155)	43,505	4,225
Unamortized discounts and premiums	1,920	—	(349)	1,571	—
Deferred amount on refunding	(1,209)	—	187	(1,022)	—
Total general obligation bonds payable	48,371	—	(4,317)	44,054	4,225
Revenue bonds payable	572,752	361,427	(391,303)	542,876	18,435
Unamortized discounts and premiums	6,664	—	(6,664)	—	—
Deferred amount on refunding	(27,486)	(46,610)	14,782	(59,314)	—
Total revenue bonds	551,930	314,817	(383,185)	483,562	18,435
Capital leases payable	2,087	143	(780)	1,450	527
Compensated absences payable	31,808	16,212	(15,601)	32,419	16,018
Total long-term liabilities	$ 699,309	$ 363,695	$ (449,316)	$ 613,688	$ 48,249

	Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
University of South Carolina					
Notes payable	$ 505	$ 6,236	$ (245)	$ 6,496	$ 6,374
General obligation bonds payable	117,715	—	(8,360)	109,355	8,510
Revenue bonds payable	395,125	37,186	(9,455)	422,856	10,365
Unamortized discounts and premiums	31,040	3,954	(1,745)	33,249	—
Deferred amount on refunding	(5,604)	—	396	(5,208)	—
Total revenue bonds	420,561	41,140	(10,804)	450,897	10,365
Capital leases payable	18,154	—	(868)	17,286	983
Compensated absences payable	30,018	17,897	(15,188)	32,727	16,690
Total long-term liabilities	$ 586,953	$ 65,273	$ (35,465)	$ 616,761	$ 42,922

b. Short-Term Debt

The Medical University of South Carolina, a major discretely presented component unit, may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority, a major discretely presented component unit, may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2013 included: BANS for MUSC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

	Balances at July 1, 2012	Restatement	Restated Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Primary Government:						
Business-type Activities						
General obligation bond anticipation notes payable	$ 28,000	$ (28,000)	$ —	$ —	$ —	$ —

	Balances at July 1, 2012	Restatement	Restated Balances at July 1, 2012	Increases	Decreases	Balances at June 30, 2013
Major Component Units:						
Medical University of South Carolina						
General obligation bond anticipation notes payable	$ —	$ 28,000	$ 28,000	$ 28,000	$ (28,000)	$ 28,000

	Balances at January 1, 2012	Restatement	Restated Balances at January 1, 2012	Increases	Decreases	Balances at December 31, 2012
Public Service Authority						
Commercial paper notes	$ 306,566	$ —	$ 306,566	$144,331	$(121,614)	$ 329,283

NOTE 13: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2013, the amounts constrained within the unrestricted fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 883	$ 760	$ 294,861	$ —	$ 3,067	$ 299,571
Inventories	24,421	2,186	—	2,487	—	29,094
Prepaid items	7,549	5,069	—	3,674	24	16,316
Long-term loans and notes receivable	34,864	451	445,739	2,769	253	484,076
Other	—	—	—	771	—	771
Endowments	—	—	—	—	9,057	9,057
Total Non-spendable	67,717	8,466	740,600	9,701	12,401	838,885
Restricted:						
Education	188	11,674	—	—	84,380	96,242
Health	7,879	80,238	—	—	30,818	118,935
Transportation	—	4,454	477,539	10,000	—	491,993
Capital Projects	4,784	26,400	—	—	—	31,184
Debt Service	—	—	814,687	—	51,579	866,266
Waste management	—	481	—	—	39	520
Other	324,836	126,635	—	—	326,378	777,849
Total Restricted	337,687	249,882	1,292,226	10,000	493,194	2,382,989
Committed:						
Capital reserve fund	112,657	—	—	—	—	112,657
Education	89,737	—	—	—	—	89,737
Health	95,867	—	—	—	—	95,867
Other	352,284	3,955	—	159,627	2,623	518,489
Total Committed	650,545	3,955	—	159,627	2,623	816,750
Assigned:						
Appropriations to be carried forward	381,145	—	—	—	—	381,145
Capital expenditures	—	—	—	—	100,124	100,124
Education	95,690	—	—	—	—	95,690
Health and Safety	63,142	—	—	—	12,510	75,652
Local Infrastructure	7,323	—	—	—	30,896	38,219
Social Programs	10,690	—	—	—	—	10,690
Transportation	340	—	—	—	—	340
Other	438,209	—	—	—	13,388	451,597
Total Assigned	996,539	—	—	—	156,918	1,153,457
Total Unrestricted, unassigned	791,549	(30,033)	—	(276,644)	—	484,872
Total Fund Balance	**2,844,037**	**232,270**	**2,032,826**	**(97,316)**	**665,136**	**5,676,953**

The following subsections contain further descriptive information regarding the constraints of fund balance.

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact (Endowments).

b. Restricted

Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health

This is restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Other

Other restricted fund balance includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the General Fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund.

Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

Other

The remaining committed fund balance is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

d. Assigned

Appropriations to be Carried Forward

The General Fund does not use encumbrance accounting. Appropriations to be carried forward are used if the General Assembly has authorized the carry-forward of General Fund appropriations to the next fiscal year.

Capital Expenditures

Amounts identified and budgeted for capital projects under construction in the State's Capital Projects Fund, a nonmajor governmental fund, or for acquisition of capital assets are reported as assigned fund balance.

Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health and Safety

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

Local Infrastructure

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to local governments for improvements in infrastructure to ensure the health and welfare of its citizens and visitors.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

Other

The remaining balance in the assigned fund balance classification is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

e. Unrestricted, unassigned

Included in the unrestricted, unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2013 fiscal year if it equals 3 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year (increasing to 4.5 percent in 2014 and 5 percent in 2015).

If the State withdraws funds from the Reserve to cover a year-end deficit, it must replace the funds within five years. The Constitution requires that at least one percent of the Budgetary General Fund revenue (budgetary basis) of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

At June 30, 2013, the Reserve was $281.641 million, which exceeds the required fully funded amount of $225.313 million.

NOTE 14: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The amounts in the "Reporting Entity Changes" column reflect restatements related to the implemntation of GASB Statement No. 61. Based on the new requirements of GASB Statement No. 61, and a review of the financial reporting entity, state-supported universities and technical colleges, and certain other business type activities, previously reported as part of the primary government, are reported as discretely presented component units. The amounts in the "Other Adjustments" column are primarily due to the correction of errors related to prior periods.

	7/1/2012 Fund Equity as Previously Reported	GASB 61 Reporting Entity Changes	Fund Reclass-afications	Other Adjustments	7/1/2012 Fund Equity as Restated
Primary Government					
Governmental Funds:					
General Fund	$ 1,894,049	$ —	$ —	$ 34,640	$ 1,928,689
Departmental Program Services	208,790	—	—	46,502	255,292
Local Government Infrastructure	1,951,081	—	—	11,434	1,962,515
Department of Transportation Special Revenue	(130,553)	—	—	—	(130,553)
State Tobacco Settlement	21,791	—	(21,791)	—	—
Other Nonmajor Governmental Funds	716,667	(17,239)	21,791	(4,716)	716,503
Total Governmental Funds	4,661,825	(17,239)	—	87,860	4,732,446
Internal Service Funds	484,443	—	—	294	484,737
Government-wide adjustments:					
Capital assets	14,743,854	—	—	—	14,743,854
Unavailable deferred revenue	318,974	—	—	(11,434)	307,540
Long-term liabilities	(4,081,105)	—	—	—	(4,081,105)
Deferred bond issuance costs	24,003	—	—	—	24,003
Internal service funds consolidation adjustment	18,273	(18,273)	—	—	—
	11,023,999	(18,273)	—	(11,434)	10,994,292
Total Governmental Activities	16,170,267	(35,512)	—	76,720	16,211,475
Business-type Activities - Enterprise Funds:					
Unemployment Compensation Fund	(427,341)	—	—	—	(427,341)
Higher Education	4,507,573	(4,507,573)	—	—	—
Housing Authority	338,983	(338,983)	—	—	—
Medical University Hospital Authority	327,581	(327,581)	—	—	—
Education Assistance Authority	141,388	(141,388)	—	—	—
Other non-major enterprise funds	285,954	(337,769)	—	674	(51,141)
Internal service funds consolidation adjustment	(18,273)	18,273	—	—	—
Total Business-type activities - Enterprise Funds	5,155,865	(5,635,021)	—	674	(478,482)
Fiduciary Funds:					
Pension and Other Post-Employment Trust	25,612,259	—	—	—	25,612,259
Investment Trust Local Government Investment Pool	3,477,828	—	—	—	3,477,828
Private-Purpose Trust	1,508,698	—	—	—	1,508,698
Total Fiduciary Funds	30,598,785	—	—	—	30,598,785
Total Primary Government	$ 51,924,917	$ (5,670,533)	$ —	$ 77,394	$ 46,331,778
Component Units					
Public Service Authority	$ 1,889,731	$ —	$ —	$ —	$ 1,889,731
MUSC	—	1,391,601	—	—	1,391,601
USC	—	1,532,108	—	—	1,532,108
Clemson	—	1,439,803	—	—	1,439,803
State Ports Authority	884,731	—	—	—	884,731
Connector 2000 Association, Inc.	(10,528)	10,528	—	—	—
Lottery Commission	889	(889)	—	—	—
Housing Authority	—	356,222	—	—	356,222
Other component units	619,359	1,532,609	—	—	2,151,968
Total Component Units	$ 3,384,182	$ 6,261,982	$ —	$ —	$ 9,646,164

During the fiscal year 2012-13, the following errors resulting in a restatement of beginning fund balance were discovered: (1) for the reporting of accounts receivable for several program areas, accounts receivable was understated by $29.924 million in the General Fund and $46.502 million in Departmental Program Services; (2) an error was discovered in the reporting of accounts payable liability for non-major enterprise operations. The accounts payable was overstated by $674 thousand, resulting in restatement of beginning net position in Non-major Enterprise; (3) an error was discovered in the reporting of debt service interest surcharge liability across the funds, with the General Fund being overstated by $4.716 million and the Debt Service Fund (Non-major Governmental fund) understated by $4.716 million, resulting in a restatement in the beginning fund balance in the General Fund and Non-major Governmental Funds; and (4) an error was discovered in the recording of contributions received by the State Infrastructure Bank from the Ports Authority related to the Charleston County project, as the recording of revenues in the amount of $11.434 million were recorded at the government-wide level, but not recorded at the fund level in Local Government Infrastructure. A restatement of the beginning fund balance has been reflected in the Local Government Infrastructure Fund for $11.434 million.

NOTE 15: INTERFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2013 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 72,082	$ 11,960
Department of Transportation Special Revenue	—	3,842
Local Government Infrastructure	20	1,092
Nonmajor governmental funds	59	181
Internal service	617	7,802
Fiduciary	92	—
Unemployment Compensation	6,962	—
Nonmajor Enterprise Funds	88	—
	79,920	24,877
Departmental Program Services		
General Fund	11,960	72,082
Department of Transportation Special Revenue Fund	231	—
Internal service	—	481
	12,191	72,563
Department of Transportation Special Revenue Fund		
General Fund	3,842	—
Departmental Program Services	—	231
Local Government Infrastructure	636	—
Fiduciary	—	12,014
	4,478	12,245
Local Government Infrastructure		
General Fund	1,092	20
Department of Transportation Special Revenue Fund	—	636
	1,092	656
Nonmajor Governmental Funds		
General Fund	181	59
Unemployment Compensation	6,881	—
	7,062	59
Internal Service		
General Fund	7,802	617
Departmental Program Services	481	—
Fiduciary	205	—
	8,488	617
Unemployment Compensation		
General Fund	—	6,962
Nonmajor governmental funds	—	6,881
	—	13,843
Nonmajor Enterprise Funds		
General Fund	—	88
Fiduciary		
General Fund	—	92
Department of Transportation Special Revenue	12,014	—
Internal service	—	205
Fiduciary	54,712	54,712
	66,726	55,009
Totals	**$ 179,957**	**$ 179,957**

Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30 are summarized (expressed in thousands):

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General			
Departmental Program Services	$ 425	$ 760	$ 51
Nonmajor governmental funds	300	1,202	—
Internal service	157	20,170	142
	882	22,132	193
Departmental Program Services			
General	760	425	—
Local Government Infrastructure			
Department of Transportation Special Revenue	294,861	—	271,562
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	294,861	—
Nonmajor governmental funds	—	24	—
	—	294,885	—
Nonmajor Governmental Funds			
General	1,202	300	85
Department of Transportation Special Revenue	24	—	—
Internal service	1,841	10,305	—
	3,067	10,605	85
Nonmajor Enterprise Funds			
Internal service	—	3,208	—
Internal Service			
General	20,170	157	20,170
Nonmajor governmental funds	10,305	1,841	10,305
Nonmajor enterprise funds	3,208	—	3,208
Internal service	4,700	4,700	4,700
	38,383	6,698	38,383
Totals	**$ 337,953**	**$ 337,953**	**$ 310,223**

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- $294.861 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $20.170 million owed by the General Fund to the internal service funds. The Department of Revenue borrowed money from the Insurance Reserve Fund for security breach remediation.
- $10.305 million owed by the nonmajor governmental funds to the internal service funds. The nonmajor governmental funds borrowed the money to purchase and renovate new headquarters facilities for the State Department of Public Safety.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2013 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ 23,217	$ 115,334
Local Government Infrastructure	9,572	45,526
Department of Transportation Special Revenue	—	703
Nonmajor governmental funds	111,295	65,864
Unemployment Compensation Benefits	200	73,000
Nonmajor enterprise funds	10,215	104
Internal service	13,284	2,968
	167,783	303,499
Departmental Program Services		
General	115,334	23,217
Nonmajor governmental funds	11,358	25,259
	126,692	48,476
Local Government Infrastructure		
General	45,526	9,572
	45,526	9,572
Department of Transportation Special Revenue Fund		
General	703	—
Nonmajor Governmental Funds		
General	65,864	111,295
Departmental Program Services	25,259	11,358
	91,123	122,653
Unemployment Compensation Benefits		
General	73,000	200
Nonmajor Enterprise Funds		
General	104	10,215
Internal service	—	1,721
	104	11,936
Internal Service		
General	2,968	13,284
Nonmajor enterprise funds	1,721	—
	4,689	13,284
Totals	**$ 509,620**	**$ 509,620**

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds.

NOTE 16: JOINT VENTURE AND JOINT OPERATION

a. Joint Venture

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an

agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2012, the trade guarantees are an amount not to exceed approximately $75.9 million.

Interested parties may obtain a copy of TEA's financial statements by writing to:

The Energy Authority
301 West Bay Street, Suite 2600
Jacksonville, Florida 32202
www.teainc.org

b. Joint Operation

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33.33% of the net electricity generated. In 2004, the NRC granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042. Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel. This amortization is included in fuel expense and recovered through the Authority's rates.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $315.1 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G plan to construct and operate two additional nuclear generating units (Summer Units 2 and 3) at V.C. Summer Nuclear Station and submitted an application to the NRC in March 2008 for a combined Construction and Operating License (COL) for each of the two new units. On May 22, 2008, the Authority's Board authorized the Authority to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement and Construction (EPC) Agreement. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an EPC Agreement with Westinghouse and Stone & Webster, Inc., (a subsidiary of The Shaw Group, Inc.), for the engineering, procurement and construction of two 1,100 MW nuclear generating units.

On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the new units to a third party. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provide for a 45 percent ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G.

The Authority received the COLs on March 30, 2012 and anticipates that V.C. Summer Units 2 and 3 will go into service in 2017 and 2018, respectively. On April 5, 2012, the Authority's Board authorized the Authority to expend up to $4.9 billion to fund the Authority's share of the EPC Agreement and associated Owner's Costs to complete the project.

As part of its capital improvement program, the Authority has evaluated its level of participation in the new units. Due to developments since initiation of the project, the Authority is taking actions necessary to reduce its 45 percent ownership interest. In 2011, the Authority began deferring a portion of interest expense representing the amount related to the assumed ownership reduction.

NOTE 17: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2013, the Educational Television Endowment of South Carolina, Inc., disbursed $5.02 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of $148 thousand at June 30, 2013.

During the fiscal year ended June 30, 2013, the State Museum Foundation reimbursed $1.207 million to the State Museum for reimbursement for the *Windows to New Worlds* project. The contribution from the Foundation and expenditures of the Museum are reported in the Capital Projects Fund, a nonmajor governmental fund.

The Education Assistance Authority Fund, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2013, the enterprise fund entered into various transactions with SLC. Approximate amounts within the enterprise fund that represent these transactions include: accounts receivable from SLC $131.975 million; program revenue from SLC $4.628 million; reimbursements to SLC for administrative costs $627 thousand; and payable to SLC $15.233 million.

NOTE 18: MAJOR DISCRETELY PRESENTED COMPONENT UNITS

a. Significant Transactions of Major Component Units with the Primary Government

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $7.327 million and $14.773 million for the fiscal year ended June 30, 2013.

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $19.6 million during the Authority's fiscal year ended December 31, 2012.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of $45.0 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of $1.000 million during the fiscal year ended June 30, 2013.

b. Concentrations of Customer Credit Risk

The Public Service Authority and State Ports Authority have chosen to present their statements in accordance with applicable pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989. Accordingly, these component units present disclosures regarding concentrations of customer credit risk.

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority's sales for its fiscal year ended December 31, 2012, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,115,000	59%

No other customer accounted for more than 10% of the Authority's sales.

State Ports Authority

During the fiscal year ended June 30, 2013, of the State Ports Authority's total revenues, three customers accounted for approximately 15%, 11%, and 8% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

c. Intra-Entity Balances

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2013 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Ports Authority	$ —	$ 190,513
Housing Authority	—	1,563
Clemson	52	8,350
MUSC	—	336
USC	329	446
Nonmajor discretely presented component units	1,173	9,314
	1,554	210,522
Departmental Program Services		
Clemson	—	1,889
MUSC	1,070	17,562
USC	—	1,687
Nonmajor discretely presented component units	—	937
	1,070	22,075
Department of Transportation Special Revenue Fund		
Clemson	—	589
Nonmajor Governmental Funds		
Clemson	98	121
MUSC	—	7,585
USC	69	—
Nonmajor discretely presented component units	42,955	2,161
	43,122	9,867
Internal Service		
USC	3,839	—
Nonmajor discretely presented component units	264	—
	4,103	—
Governmental activities total	**49,849**	**243,053**
Ports Authority		
General Fund	190,513	—
Housing Authority		
General Fund	1,563	—
Clemson University		
General Fund	8,350	52
Departmental Program Services	1,889	—
Department of Transportation Special Revenue	589	—
Nonmajor governmental funds	121	98
	10,949	150
MUSC		
General Fund	336	—
Departmental Program Services	17,562	1,070
Nonmajor governmental funds	7,585	—
	25,483	1,070
USC		
General Fund	446	329
Departmental Program Services	1,687	—
Nonmajor governmental funds	—	69
Internal service	—	3,839
	2,133	4,237
Nonmajor Discretely Presented Component Units		
General Fund	9,314	1,173
Departmental Program Services	937	—
Nonmajor governmental funds	2,161	42,955
Internal service	—	264
	12,412	44,392
Discretely presented component units total	**243,053**	**49,849**
Totals	**$ 292,902**	**$ 292,902**

NOTE 19: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

Among the unresolved legal actions in which the State was involved at June 30, 2013, are two cases that challenge the legality of certain taxes **(Roper Medical v DOR and Duke Energy v DOR)**. In the event of unfavorable outcomes for these cases, the State estimates the potential loss of $284.9 million. Although State losses in these cases could reduce future revenues, the preceding estimates do not include any impact on future revenues or future accruals of interest on disputed refunds.

The South Carolina Retirement Systems (the Systems) is involved in a putative class action lawsuit involving legislation (Act No. 153, 2005 S.C. Acts and Joint Resolutions) requiring that employees who return to work after retirement (including employees participating in the Teacher and Employee Retention Incentive [TERI] Program) resume making contributions into the retirement system. The action was filed in federal court in August 2010 alleging the provisions of Act 153 are unconstitutional and illegal. The plaintiffs all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. As of June 30, 2012, the Systems had collected approximately $121.000 million in the form of retirement contributions from members who are retired and returned to work on or after July 1, 2005. The Systems and the State filed a motion to dismiss this matter on a number of grounds. By Order and Decision dated September 27, 2012, the federal district court granted the Systems' motion and dismissed the Plaintiff's suit. Plaintiffs filed a motion to reconsider that decision. The District Court denied the Plaintiff's motion, and the Plaintiffs have appealed to the Fourth Circuit Court of Appeals.

The South Carolina Retirement System is a defendant in a retirement case to ensure that SCRS does not suffer any monetary loss as a result of the service purchase. This case is **Anderson County v Joey Preston and the SCRS** the defendant is a retired member of SCRS who was employed by Anderson County. Plaintiff seeks to rescind a severance agreement entered into between Plaintiff and Preston. Plaintiff agreed to pay, and did pay, approximately $355,000 to the System to purchase retirement service credit on behalf of Preston. By an order date May 3, 2013, the Circuit Court ruled against the Plaintiff Anderson County on all claims, including claims for the return of monies paid to the South Carolina Retirement System. Plaintiff had filed a motion to alter or amend the decision, and that motion is currently pending before the Circuit Court.

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate **(Abbeville County School District vs State of South Carolina).** The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order, but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. The Court heard re-argument in September 2012 and has not yet issued an Opinion. In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. Plaintiff claims that the taking is due to the Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in State critical area to protect Kiawah's spit from further erosion. Plaintiff seeks not less than $100 million in damages. The parties agreed to a stay of this suit while the ALC determines Kiawah's appeal of the permitting decision. The ALS ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. Determination of a potential loss at this point would be speculative in that the appeal must be resolved before underlying takings action proceeds. In a third case, **Dean v. SC Department of Public Safety** the plaintiffs seek back wages including overtime pay for all hours during which troopers were on call and during which they were on special duty assignments. The suit seeks payment under the Fair Labor Standards Act and the State Wage Payment Act. The court has ruled that this is an "opt out" class so that it includes all troopers in the state except for the less than 200 who opted out. Questions to be resolved in the case include whether a two or three year statute of limitations applies. The court has ruled that treble damages would not apply to the State. Under the Plaintiffs' theory of the case, in the event of a loss to the State, the amount could exceed $12 million. Lastly, the plaintiffs in **T.R., P.R., and K.W., etc. v. Department of Corrections & Ozmint** contend that a lack of funding has resulted in the unconstitutional treatment of prison inmates with mental illnesses. The Judge recently issued an order granting judgment in favor of the Plaintiffs. The lawsuit did not seek specific monetary damages, but the Order references certain remedies that the Court is requiring the defendants to undertake i.e. developing an adequate system for providing inmates with serious mental illnesses services including additional and better-trained staff. The defendants plan to appeal.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately $141.083 million. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 9a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

Major Discretely Presented Component Unit—Public Service Authority and Ports Authority

The Public Service Authority, a major discretely presented component unit and electric utility company, is a party to or has an indirect interest in several lawsuits in which the amounts of potential losses, if any, are not presently determinable. The following paragraph discusses the most significant of these cases.

Landowners located along the Santee River contend that the Authority is liable for damage to their real estate because of flooding that has occurred since the U. S. Army Corps of Engineers completed its Cooper River Rediversion Project in 1985. A 1997 trial returned a jury verdict against the Authority on certain causes of action. The Authority has entered into a settlement agreement with the plaintiffs. Pursuant to this agreement, the Authority has made payments of all claims amounting to $221.600 million. In addition the Authority has paid the court ordered attorney fees and costs of $10.400 million. The contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project. The Authority has entered a claim seeking indemnification from the Corps. No estimate of the amount or timing of the recovery from the Corps can be made at this time. Several environmental advocacy groups filed suit against the Authority in the Court of Common Pleas in Horry County seeking injunctive relief with regard to closure of ash ponds at the Grainger Generating Station. The suit does not seek damages but alleges that an unlawful discharge of arsenic and other contaminants has occurred and requests that the court order the removal and offsite storage of all ash contained in the ponds. The Authority has filed an Answer to the suit and is defending against the allegations. The Authority intends to properly close the ash ponds in accordance with regulatory requirements.

The Ports Authority has intervened in a lawsuit brought against a passenger cruise line by an environmental group. The effect of this case on the financial position of the Port Authority related to this lawsuit cannot be determined at this time. In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the U.S. Army Corps of Engineers, to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the building to accommodate passenger vessels. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. Appeal of this administrative ruling is under consideration, which will extend the time before the renovation work can begin. In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. A final hearing on the merits is scheduled for February 2014. The Ports Authority intends to defend issuance of the permit. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2013, or earlier years will not have a material impact on the State's financial statements.

c. Other Loan Guarantees

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. At June 30, 2013, these loans totaled $2.420 billion. The United States Department of Education reinsures 100.0% of losses under these guarantees for loans made prior to October 1, 1993; 98.0% of losses for loans made between October 1, 1993 and October 1, 1998; and 95.0% for loans made on or after October 1, 1998. If the loan default rate exceeds

5.0% of the loans in repayment status, the United States Department of Education decreases the reinsurance rate. The State's default rate during the fiscal year ended June 30, 2013, was 1.5%.

d. Purchase Commitments

A breach of taxpayer information was identified during the fiscal year. Approximately 3.5 million taxpayers, individuals, dependents, and businesses, may be affected by the breach. The Department of Revenue has arranged for CSID to provide free protective monitoring for all potential taxpayers affected who sign up for their service from October 2013 to October 2014. The fee to the state is $6.00 per enrollment, however the fee decreases each month based upon the proration of the period remaining on the contract. The contract is capped at $8.5 million.

Major Discretely Presented Component Unit—Public Service Authority

At December 31, 2012, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $1.226 million for coal. In addition, minimum obligations under two purchased power contracts as of December 31, 2012, were approximately $57.200 million with a remaining term of twenty-two years, $19.6 million with a term of two years and $69.7 million with a term of three years. Also at December 31, 2012, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $529.7 million over the next twenty-two years. The enrichment and fabrication component of these commitments in 2013 totaling $9.100 million is contingent upon the operating requirements of the nuclear unit.

The Authority amended a service agreement to an approximate amount of $71.500 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2024, but can be terminated at the end of 2015.

Major Discretely Presented Component Unit—Ports Authority

At June 30, 2013, the Ports Authority had construction commitments of $45.172 million. Harbor Deepening, the Ports Authority has $8.0 million remaining as its legal obligation to pay for the completion of this project.

e. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2013, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $973.6 million remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $98.560 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, $38.590 million will be funded by federal grants and $59.970 million will be funded with private aid.
- The Budget and Control Board has $90.477 million to provide loans and grants for water and wastewater projects and energy efficiency improvement projects. Federal grants will fund $18.502 million of this commitment.
- The Division of Aeronautics has $2.984 million for grants made to municipal and county airports for capital improvements. Federal grants will fund $2.000 million of this commitment.
- The State Board for Technical and Comprehensive Education has $21.433 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has $35.281 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $35.050 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $20.988 million for grant program activities and pass-through grants to subrecipients, all of which will be funded by federal grants.
- The South Carolina Judicial Department has $5.842 million outstanding commitments related to vendor service contracts.
- The Rural Infrastructure Authority has $9.943 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities.
- The State Housing Finance and Development Authority has $425 thousand for special initiatives under the Program Fund and $5.350 million from the Housing Trust Fund, for affordable housing projects and developments.

f. Unemployment Compensation Benefits Fund—Liquidity

In recent years, the Unemployment Compensation Fund, a major enterprise fund, has generated substantial operating losses and has been required to use all of its cash resources to fund its operations. Due to the high unemployment rate and

the resulting increased amount of unemployment benefits paid, and the increased length of time over which benefits are paid, the Fund has been required to obtain advances from the Federal Unemployment Compensation Fund resulting in a balance owed of $531.557 million as of June 30, 2013.

Increased tax collections, coupled with decreases in the number of individuals eligible for and claiming State unemployment insurance benefits and changes in the relevant state laws have enabled the Fund to operate without obtaining additional advances from the Federal government since May of 2011.

NOTE 20: SUBSEQUENT EVENTS

a. Federal Funds

On August 14, 2013 the Department of Employment and Workforce received $50 million from the United States Department of Labor for the development and implementation of an enhanced Unemployment Insurance Benefits system for the Southeastern Consortium of Unemployment Benefits Integration, which also includes Georgia and North Carolina. The funds have been obligated via vendor contract and memorandums of understanding between the participating states, and must be liquidated by September 30, 2016.

b. Biomass Facility Settlement

In August 2004, the University of South Carolina, a major discretely presented component unit, entered into an agreement with Johnson Controls Incorporated (JCI) to construct and operate a Biomass facility. The purpose of the facility is to gasify woodchips for the production of steam at a cost below what would be required using conventional methods. Construction of the facility was completed in June 2007 at which time it was placed in service at a cost of approximately $19.2 million. Since being placed in service the facility has operated intermittently and is inoperable as of the date of this report. During 2013, the University determined that the existing technology employed to operate the facility was not viable and recorded an impairment loss in the amount of the remaining net book value of $13.990 million as of June 30, 2013. This impairment loss is included within the "Loss on disposal of capital assets" on the Statement of Revenues, Expenses and Changes in Net Position. Subsequent to year end, the University received approximately $14.4 million from JCI as a financial settlement for the Biomass facility agreement.

c. Sale of Portion of V. C. Summer Nuclear Station Units 2 and 3 to South Carolina Electric & Gas (SCE&G)

On January 27, 2014, the Public Service Authority's Board of Directors, a component unit, approved the sale of five percent of its ownership in V.C. Summer Units 2 and 3 to South Carolina Electric & Gas (SCE&G). Under the terms of the new agreement, SCE&G will own 60 percent of the new nuclear units and the Authority, 40 percent. Under the existing ownership agreement, SCE&G owns 55 percent and the Authority owns 45 percent. The five percent ownership interest would be acquired in three stages:

(1) one percent at the commercial operation date of the first new nuclear unit, anticipated to be in late 2017 or the first quarter of 2018;
(2) two percent no later than the first anniversary of such commercial operation date; and
(3) two percent no later than the second anniversary date of such commercial operation date.

The Agreement also provides that the Authority will not transfer any of its remaining ownership interest in the two new units until after the commercial operating date for both units.

d. South Carolina State University

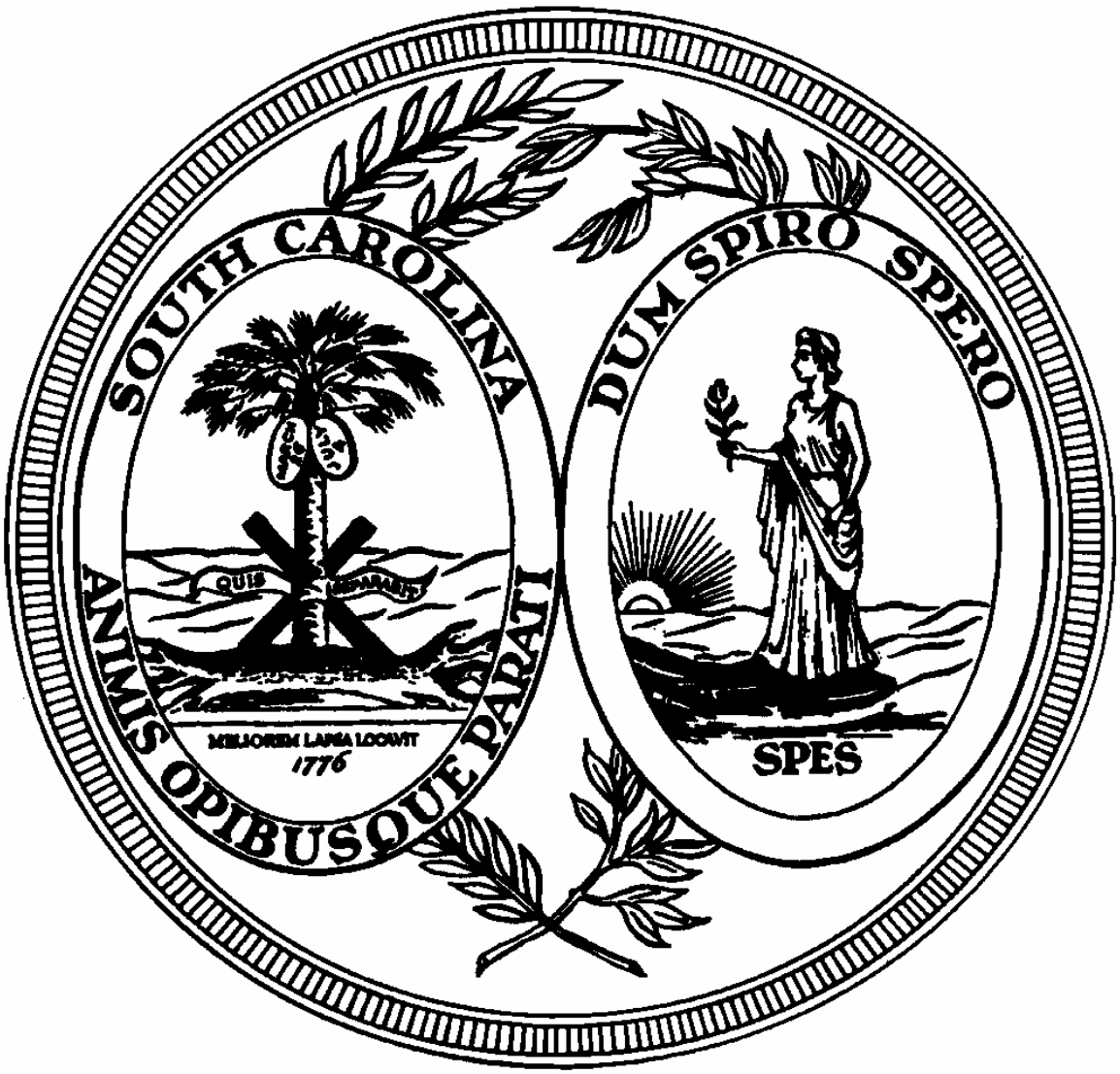
On January 31, 2014, South Carolina State University, a non-major discretely presented component unit, notified the State that revenue collections have not met revenue estimates because student enrollment has lagged behind university projections. As a result, the University has requested $13 million from the State to pay current bills. The State has requested the University provide it with a detailed financial plan so it could determine the appropriate action to take.

e. Debt Issuances

Subsequent to the fiscal year end, the State of South Carolina issued the following debt:

- The State issued General Obligation economic development bonds, Series 2013A, in the amount of $85 million on December 10, 2013.
- The State issued General Obligation state highway refunding bonds, Series 2013A, in the amount of $23.165 million on December 10, 2013.

- The State issued General Obligation state research university infrastructure bonds, Series 2013A, in the amount of $15.235 million on December 10, 2013.
- The State issued General Obligation state institution bonds, Series 2013A, in the amount of $3.045 million on behalf of Winthrop University, reported as a nonmajor discretely presented component unit, on December 10, 2013.
- The State issued General Obligation state institution bonds, Series 2013B, in the amount of $14.125 million on behalf of Lander University, reported as a nonmajor discretely presented component unit, on December 10, 2013.
- The State issued General Obligation state institution bond anticipation notes, Series 2013A, in the amount of $28 million on behalf of Medical University of South Carolina, reported as a major discretely presented component unit, on December 9, 2013.
- The Medical University Hospital Authority, a component unit, issued hospital facilities refunding revenue bonds, Series 2013, in the amount of $47.442 million on December 30, 2013.
- The Public Service Authority, a major discretely presented component unit, issued tax-exempt bonds, Series 2013A, in the amount of $265.655 million on August 21, 2013.
- The Public Service Authority, a major discretely presented component unit, issued tax-exempt refunding bonds, Series 2013B, in the amount of $388.730 million on August 21, 2013.
- The Public Service Authority, a major discretely presented component unit, issued taxable bonds, Series 2013C, in the amount of $250 million on August 21, 2013.
- The Public Service Authority, a major discretely presented component unit, issued taxable LIBOR Index bonds, Series 2013D, in the amount of $450 million on August 21, 2013.
- The Public Service Authority, a major discretely presented component unit, issued tax-exempt bonds, Series 2013E, in the amount of $506.765 million on October 4, 2013.


SOUTH CAROLINA
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REQUIRED SUPPLEMENTARY INFORMATION—
Other than Management's Discussion and Analysis
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Retail sales tax	$ 2,466,431	$ 2,466,431	$ 2,448,348	$ (18,083)
Income tax, individual	2,732,203	2,732,203	2,843,945	111,742
Income tax, corporation	190,366	190,366	351,080	160,714
Total income and sales tax	5,389,000	5,389,000	5,643,373	254,373
Admissions tax	27,765	27,804	28,493	689
Aircraft tax	4,014	4,014	4,405	391
Alcoholic liquor tax	62,139	62,139	64,062	1,923
Bank tax	16,640	16,640	34,105	17,465
Beer and wine tax	105,548	105,548	100,543	(5,005)
Tobacco tax	23,811	23,811	27,677	3,866
Coin-operated device tax	1,746	1,746	1,402	(344)
Corporation license tax	94,480	94,480	74,208	(20,272)
Departmental revenue (primarily fees for services)	36,590	36,590	54,402	17,812
Documentary tax	22,572	22,572	28,993	6,421
Earned on investments	29,000	29,000	26,374	(2,626)
Estate tax	5	5	—	(5)
Insurance tax	196,999	196,999	200,995	3,996
Motor transport fees	5	5	—	(5)
Motor vehicle licenses	15,980	15,980	9,639	(6,341)
Private car lines tax	4,092	4,092	3,638	(454)
Public Service Authority	19,792	19,792	20,473	681
Retailers' license tax	966	966	810	(156)
Savings and loan association tax	1,811	1,811	3,074	1,263
Workers' compensation insurance tax	12,026	12,026	11,543	(483)
Total regular sources	6,064,981	6,065,020	6,338,209	273,189
Miscellaneous sources				
Circuit and family court fines	9,951	9,951	8,538	(1,413)
Debt service reimbursement	113	113	491	378
Indirect cost recoveries	11,061	11,061	10,046	(1,015)
Parole and probation supervision fees	3,393	3,393	3,393	—
Unclaimed property fund transfer	15,000	15,000	15,000	—
Nonrecurring revenue	(16,562)	14,159	13,899	(260)
Total miscellaneous sources	22,956	53,677	51,367	(2,310)
Total revenues	**6,087,937**	**6,118,697**	**6,389,576**	**270,879**

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2013

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Expenditures:				
Legislative	$ 43,741	$ 60,450	$ 36,350	$ 24,100
Judicial	43,486	45,413	44,632	781
Executive and administrative	273,048	180,943	149,402	31,541
Educational	2,763,828	2,933,060	2,908,278	24,782
Health	1,519,729	1,592,249	1,349,879	242,370
Social rehabilitation services	128,255	135,009	128,938	6,071
Correctional and public safety	537,277	585,440	568,442	16,998
Conservation, natural resources, and development	88,576	417,916	397,421	20,495
Regulatory	80,469	88,903	84,963	3,940
Transportation	1,149	2,466	1,723	743
Debt service	187,230	199,352	189,489	9,863
Aid to subdivisions	308,531	340,821	340,193	628
Total expenditures	**5,975,319**	**6,582,022**	**6,199,710**	**382,312**
Excess of revenues over expenditures—budgetary basis	**112,618**	**(463,325)**	**189,866**	**653,191**
Fund balance, beginning — budgetary basis	**956,052**	**956,052**	**956,052**	**—**
Fund balance, ending — budgetary basis	**$ 1,068,670**	**$ 492,727**	**$ 1,145,918**	**$ 653,191**
Less:				
Capital Reserve appropriation			**(99,828)**	
Fund balance, ending — budgetary basis, after reservation			**$ 1,046,090**	

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Federal	$ 8,669,813	$ 8,845,979	$ 7,689,698	$ (1,156,281)
Earmarked	5,066,360	5,296,059	3,978,981	(1,317,078)
Restricted	3,105,541	3,251,158	4,193,035	941,877
Total revenues	**16,841,714**	**17,393,196**	**15,861,714**	**(1,531,482)**
Expenditures:				
Legislative	2,045	6,375	4,737	1,638
Judicial	24,440	29,881	16,720	13,161
Executive and administrative	489,858	530,305	494,903	35,402
Educational	5,817,803	6,109,227	5,371,001	738,226
Health	6,045,747	6,193,656	5,424,285	769,371
Social rehabilitation services	2,381,659	2,382,108	2,103,517	278,591
Correctional and public safety	214,858	230,559	171,917	58,642
Conservation, natural resources, and development	208,821	260,653	235,862	24,791
Regulatory	399,155	488,702	449,488	39,214
Transportation	1,548,862	1,573,667	1,204,236	369,431
Total expenditures	**17,133,248**	**17,805,133**	**15,476,666**	**2,328,467**
Net increase (decrease) in fund balance—budgetary basis	**(291,534)**	**(411,937)**	**385,048**	**796,985**
Fund balance at beginning of year—budgetary basis	**2,293,093**	**2,293,093**	**2,293,093**	—
Fund balance at end of year—budgetary basis	**$ 2,001,559**	**$ 1,881,156**	**$ 2,678,141**	**$ 796,985**

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriations Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriations Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedule as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but, exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriations Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriations Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original estimated revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in Section 88 (*Revenue*) of the Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request may exceed 20.0% of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to approve transfers of appropriations between personal service and other operating accounts.

The authority to reduce enacted appropriations is provided to the Budget and Control Board if it is deemed necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 87 (*Recapitulation*) of the Appropriations Act includes net *source of funds* amounts (i.e., estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. The *original estimated revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the State Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require the Budget and Control Board's approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The Budget and Control Board and the Joint Bond Review Committee must approve and review those changes.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Acts for the 2012-13 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

(i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 13.

(ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.

(iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.

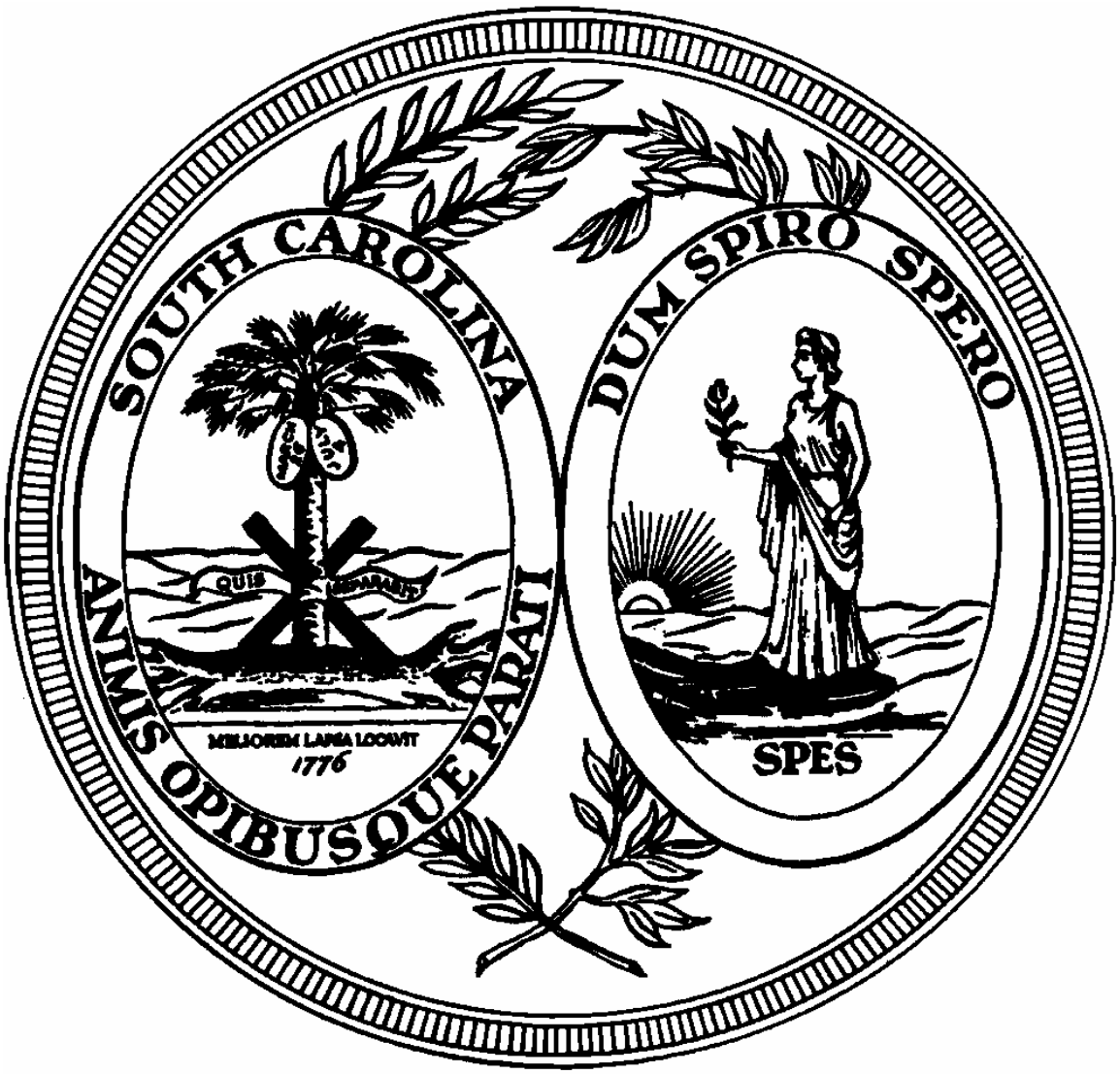
(iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.

(v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriations Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences for the fiscal year ended June 30, 2013, were as follows (expressed in thousands):

Budgetary funds	***Budgetary General Fund***	***Other Budgeted Funds***	**Major Special Revenue Funds**		
GAAP funds	**General Fund**	**Not Applicable**	**Departmental Program Services**	**Local Government Infrastructure**	**Department of Transportation Special Revenue**
Net increase in fund balance—budgetary basis	$ 189,866	$ 385,048	$ —	$ —	$ —
Perspective differences:					
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds	—	(4,128)	—	—	—
Other Budgeted Funds net increase (decrease) allocated among the State's major governmental GAAP funds	1,595,136	(380,920)	(145,300)	20,392	(1,089,311)
Basis of accounting differences	(876,996)	—	127,475	49,919	1,122,548
Entity differences	7,342	—	(5,197)	—	—
Net increase in fund balance—GAAP basis	**$ 915,348**	**$ —**	**$ (23,022)**	**$ 70,311**	**$ 33,237**


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SUPPLEMENTARY INFORMATION

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's governmental funds:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds
- General Reserve Fund Activity—Budgetary General Fund

Generally accepted accounting principles (GAAP) for governments require that a Comprehensive Annual Financial Report (CAFR) include budgetary comparison schedules for "individual nonmajor special revenue funds and other governmental funds of the primary government (including its blended component units)." Such schedules would be included as supplementary information in this subsection of the CAFR if they were applicable. The State of South Carolina, however, does not prepare separate budgets for its individual special revenue funds or for its other governmental funds. Accordingly, this subsection includes no budgetary comparison schedules. (Also see the budgetary comparison schedules within the Required Supplementary Information section of this report.)

Note 1b in the notes to the financial statements describes the State's major governmental funds. The paragraphs below describe all other individual governmental funds that the State uses.

a. Nonmajor Special Revenue Funds

Special revenue funds account for specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The State uses the nonmajor special revenue funds described below:

Waste Management Fund. This fund accounts for fees collected from consumers, generators of solid and hazardous wastes, and owners and operators of solid waste and hazardous waste storage facilities. These fees must be used for the purposes set forth in the State's Solid Waste Policy and Management Act of 1991 and to cover the State's costs in governmental actions involving uncontrolled hazardous waste sites.

Accommodations and Local Option Sales Tax Fund. This fund accounts for: (1) a special additional 2% sales tax on the gross proceeds on the rental of transient accommodations and (2) a special 1% sales tax applicable in some localities within the State. The State allocates these revenues to counties and municipalities in accordance with State law.

Education Lottery Fund. State law requires the Lottery Commission, a nonmajor discretely presented component unit, to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund. The Fund distributes these monies for education purposes and programs as stipulated in State law. These programs include tuition assistance, needs-based grants, scholarships for the State's universities and technical colleges and acquisition or improvement of physical resources for education.

Tobacco Settlement Revenue Management Authority Fund. The Tobacco Settlement Revenue Management Authority was created to issue bonds that securitized future payments received under the multi-state legal settlement with the tobacco industry. The State transferred to the Authority, from its General Fund, all of its rights to the future tobacco settlement revenues.

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority. Various healthcare and local government programs use these funds and the related interest.

Public Telecommunications Fund. The Public Telecommunications Fund of the State's Office of Regulatory Staff accounts for revenues collected from telephone companies within the State and redistributed to certain telephone companies in an effort to align prices and cost recovery with costs. This program also is intended to ensure basic telephone service at affordable rates is available to all citizens. Other revenues of the Fund include telephone customer surcharges for the 911 emergency system mandated by the FCC. These monies are collected from the telephone companies and distributed to local governments for their 911 emergency telephone systems.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues that must be used for specific purposes. These funds include operations of various employment services, water recreation, agricultural boards, forest renewal programs, medical and dental scholarships, energy-related programs, and certain programs administered by the Department of Probation, Parole, and Pardon Services.

b. Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds are accounted for through the Capital Projects Fund.

c. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs—that is, for the benefit of the State or its citizenry.

Bequests Fund. Sometimes private citizens make bequests of specific assets within their wills to the State. Typically, these gifts provide that the State may expend the earnings, but not the principal, to support certain State agencies or certain programs within a specific State agency. The Bequests Fund accounts for these funds.

*Children's Education Endowment Fund***.** This fund accounts for low-level radioactive waste fees collected from the Barnwell waste facility that are not required to be deposited to the General Fund or remitted to Barnwell County. These funds are to be used for public school facilities assistance and higher education scholarship grants.

Wildlife Endowment Fund. The Wildlife Endowment Fund accounts for funds received from private citizens as gifts and contributions, as well as fees for certain lifetime hunting and fishing licenses. The State may expend the earnings, but not the principal, in furthering the conservation of wildlife resources and the efficient operation of the State's Department of Natural Resources.

Combining Balance Sheet

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Telecommunications
ASSETS						
Cash and cash equivalents	$ 171,307	$ 136,569	$ 48,212	$ 5,358	$ 3,180	$ 4,073
Investments	—	—	—	—	—	—
Invested securities lending collateral	214	39	88	—	17	—
Receivables, net:						
Accounts	—	—	3	—	—	197
Accrued interest	371	41	255	—	37	—
Sales and other taxes	39	82,355	—	—	—	—
Loans and notes	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	33,960	—	—	—
Interfund receivables	—	—	—	—	—	—
Restricted assets:						
Other	—	—	—	37,073	—	—
Prepaid items	—	—	24	—	—	—
Total assets	**$ 171,931**	**$ 219,004**	**$ 82,542**	**$ 42,431**	**$ 3,234**	**$ 4,270**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	133	50,225	465	33	—	180
Accrued salaries and related expenditures	9	—	20	—	—	—
Retainages payable	—	—	—	—	—	—
Tax refunds payable	—	220	—	—	—	—
Intergovernmental payables	—	89,251	—	—	—	—
Due to other funds	3	—	6	—	—	—
Due to component units	—	—	2,282	—	—	—
Interfund payables	—	—	—	—	—	300
Securities lending collateral	739	133	303	—	59	—
Total liabilities	**884**	**139,829**	**3,076**	**33**	**59**	**480**
Fund balances:						
Nonspendable	—	—	24	—	—	—
Restricted	171,044	77,418	79,442	37,073	3,175	3,790
Committed	3	1,757	—	—	—	—
Assigned	—	—	—	5,325	—	—
Unassigned	—	—	—	—	—	—
Total fund balances	**171,047**	**79,175**	**79,466**	**42,398**	**3,175**	**3,790**
Total liabilities and fund balances	**$ 171,931**	**$ 219,004**	**$ 82,542**	**$ 42,431**	**$ 3,234**	**$ 4,270**

Exhibit D-1

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ 76,212	$ 444,911	$ 155,237	$ 36,179	$ 1,398	$ 7,163	$ 3,944	$ 12,505	$ 648,832
345	345	—	—	—	—	—	—	345
85	443	39	—	5	9	18	32	514
3	203	—	—	—	—	3	3	206
154	858	121	—	9	10	33	52	1,031
7	82,401	—	8,519	—	—	—	—	90,920
1,294	1,294	—	—	—	—	—	—	1,294
181	181	—	6,881	—	—	—	—	7,062
448	34,408	8,714	—	—	—	—	—	43,122
3,067	3,067	—	—	—	—	—	—	3,067
—	37,073	—	—	—	—	—	—	37,073
—	24	—	—	—	—	—	—	24
$ 81,796	**$ 605,208**	**$ 164,111**	**$ 51,579**	**$ 1,412**	**$ 7,182**	**$ 3,998**	**$ 12,592**	**$ 833,490**
4,266	$ 55,302	887	—	—	—	—	$ —	$ 56,189
125	154	—	—	—	—	21	21	175
—	—	210	—	—	—	—	—	210
—	220	—	—	—	—	—	—	220
1	89,252	—	—	—	—	—	—	89,252
42	51	—	—	—	—	8	8	59
—	2,282	7,585	—	—	—	—	—	9,867
—	300	10,305	—	—	—	—	—	10,605
295	1,529	136	—	17	33	62	112	1,777
4,729	**149,090**	**19,123**	**—**	**17**	**33**	**91**	**141**	**168,354**
3,320	3,344	—	—	689	5,189	3,179	9,057	12,401
65,679	437,621	600	51,579	706	1,960	728	3,394	493,194
5	1,765	858	—	—	—	—	—	2,623
8,063	13,388	143,530	—	—	—	—	—	156,918
—	—	—	—	—	—	—	—	—
77,067	**456,118**	**144,988**	**51,579**	**1,395**	**7,149**	**3,907**	**12,451**	**665,136**
$ 81,796	**$ 605,208**	**$ 164,111**	**$ 51,579**	**$ 1,412**	**$ 7,182**	**$ 3,998**	**$ 12,592**	**$ 833,490**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Tele-commun-ications
Revenues:						
Taxes:						
Retail sales and use	$ 1,643	$ 639,479	$ —	$ —	$ —	$ —
Other	—	2	—	—	—	—
Licenses, fees, and permits	1,143	—	—	—	—	56,566
Interest and other investment income	(903)	(48)	872	5	2	(8)
Federal	—	—	—	—	—	—
Departmental services	—	—	—	—	—	—
Contributions	—	—	305,258	—	—	—
Fines and penalties	—	—	—	—	—	—
Tobacco legal settlement	—	—	—	73,326	—	—
Other	397	—	1	—	—	—
Total revenues	**2,280**	**639,433**	**306,131**	**73,331**	**2**	**56,558**
Expenditures:						
Current:						
General government	—	4,474	—	2,472	—	58,062
Education	—	—	241,722	—	—	—
Health and environment	882	—	31	—	18,618	—
Resources and economic development	—	—	—	—	—	—
Capital outlay	7	—	24,331	—	—	—
Debt service:						
Principal retirement	—	—	2	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Intergovernmental	1,993	630,571	33,479	—	—	—
Total expenditures	**2,882**	**635,045**	**299,565**	**2,472**	**18,618**	**58,062**
Excess of revenues over (under) expenditures	**(602)**	**4,388**	**6,566**	**70,859**	**(18,616)**	**(1,504)**
Other financing sources (uses):						
Transfers in	—	—	—	—	—	—
Transfers out	(7)	(4,631)	(28,405)	(81,925)	—	—
Total other financing sources (uses)	**(7)**	**(4,631)**	**(28,405)**	**(81,925)**	**—**	**—**
Net change in fund balances	**(609)**	**(243)**	**(21,839)**	**(11,066)**	**(18,616)**	**(1,504)**
Fund balances at beginning of year, as restated	**171,656**	**79,418**	**101,305**	**53,464**	**21,791**	**5,294**
Fund balances at end of year	**$ 171,047**	**$ 79,175**	**$ 79,466**	**$ 42,398**	**$ 3,175**	**$ 3,790**

Exhibit D-2

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ —	$ 641,122	$ —	$ —	$ —	$ —	$ —	$ —	$ 641,122
2,012	2,014	1,843	389	—	—	—	—	4,246
17,135	74,844	—	—	—	—	383	383	75,227
332	252	636	—	21	104	92	217	1,105
98	98	(2,203)	—	—	—	—	—	(2,105)
6,471	6,471	5	—	—	—	—	—	6,476
167	305,425	1,412	—	—	—	—	—	306,837
7,927	7,927	—	—	—	—	—	—	7,927
—	73,326	—	—	—	—	—	—	73,326
1,331	1,729	—	—	—	3	—	3	1,732
35,473	**1,113,208**	**1,693**	**389**	**21**	**107**	**475**	**603**	**1,115,893**
34,179	99,187	—	—	—	—	—	—	99,187
—	241,722	5,448	—	—	3,883	—	3,883	251,053
(329)	19,202	—	—	9	—	—	9	19,211
76	76	—	—	—	—	312	312	388
4	24,342	32,892	—	—	—	—	—	57,234
—	2	1,235	—	—	—	—	—	1,237
—	—	1,143	25,243	—	—	—	—	26,386
14,893	680,936	—	—	—	98	—	98	681,034
48,823	**1,065,467**	**40,718**	**25,243**	**9**	**3,981**	**312**	**4,302**	**1,135,730**
(13,350)	**47,741**	**(39,025)**	**(24,854)**	**12**	**(3,874)**	**163**	**(3,699)**	**(19,837)**
8,100	8,100	57,404	21,734	—	3,885	—	3,885	91,123
(4,348)	(119,316)	(3,337)	—	—	—	—	—	(122,653)
3,752	**(111,216)**	**54,067**	**21,734**	**—**	**3,885**	**—**	**3,885**	**(31,530)**
(9,598)	**(63,475)**	**15,042**	**(3,120)**	**12**	**11**	**163**	**186**	**(51,367)**
86,665	**519,593**	**129,946**	**54,699**	**1,383**	**7,138**	**3,744**	**12,265**	**716,503**
$ 77,067	**$ 456,118**	**$ 144,988**	**$ 51,579**	**$ 1,395**	**$ 7,149**	**$ 3,907**	**$ 12,451**	**$ 665,136**

General Reserve Fund Activity

Exhibit D-3

BUDGETARY GENERAL FUND

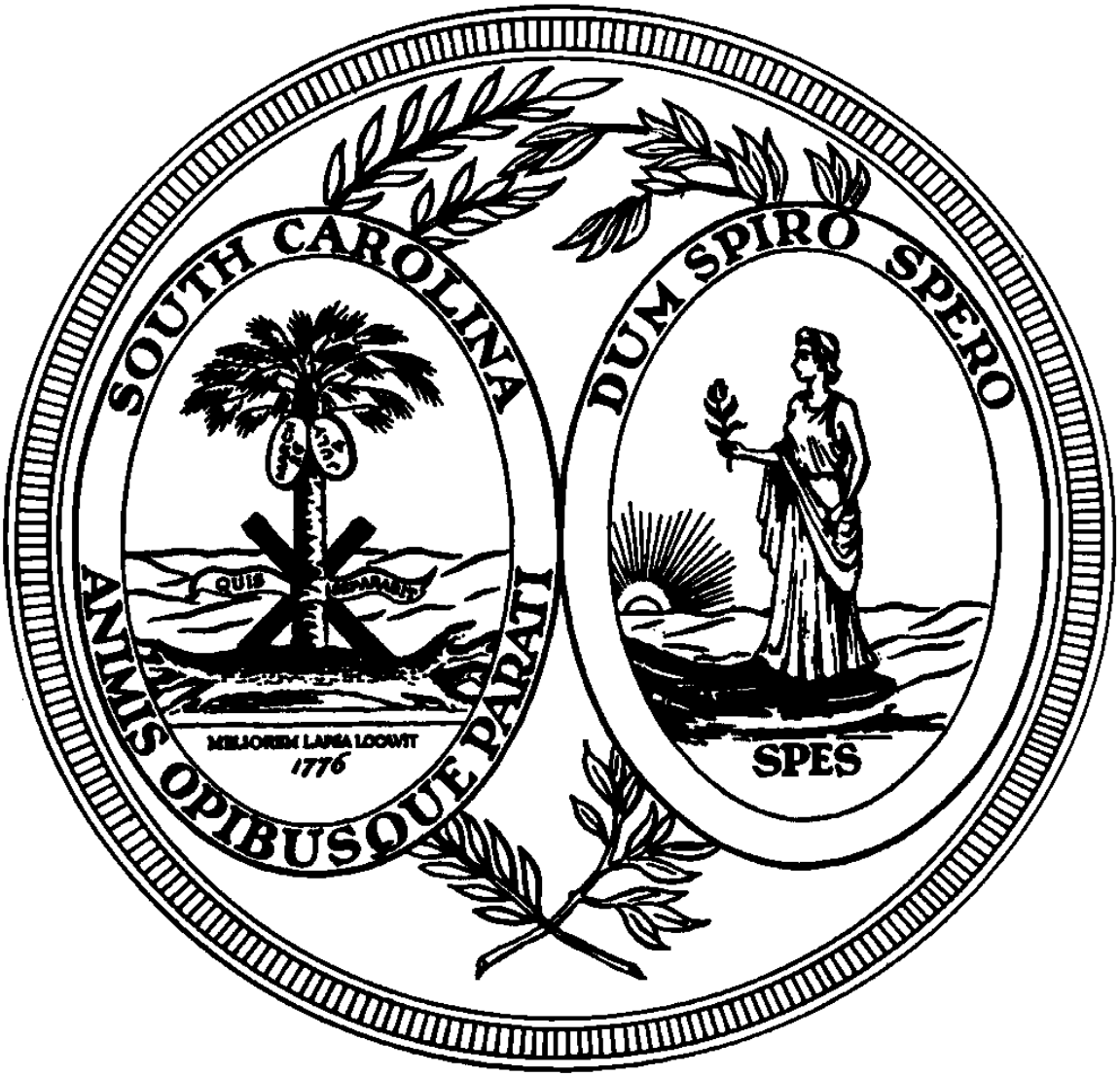
Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund (Reserve). The reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012, that requires the amount in the Reserve to be gradually increased one-half of one percent annually until the Reserve is five percent of the Budgetary General Fund revenue of the previous fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts for the General Reserve Fund for the last ten fiscal years are (dollars in thousands):

Fiscal Year Ended June 30	Start-of-Year Balance	Deposits	Withdrawals	End-of-Year Balance	Full-Funding Amount	Actual End-of-Year % Funded
2004	$ —	$ 74,455	$ (49,300)	$ 25,155	$ 147,708	17%
2005	25,155	50,000	—	75,155	149,034	50%
2006	75,155	78,333	—	153,488	153,488	100%
2007	153,488	14,244	—	167,732	167,732	100%
2008	167,732	19,049	(91,658)	95,123	186,781	51%
2009	95,123	12,974	(108,097)	—	199,755	—
2010	—	110,883	—	110,883	191,772	58%
2011	110,883	55,442	—	166,325	166,325	100%
2012	166,325	17,141	—	183,466	183,466	100%
2013	183,466	98,175	—	281,641	225,313	125%


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Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Position—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Position—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

Patients' Compensation Fund. This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

Canteen Fund. This fund accounts for the operations of canteens at various correctional institutions.

Second Injury Fund. This fund serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment.

Tuition Prepayment Program Fund. This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

Public Railways Fund. The Public Railways Division of the Department of Commerce consists of two divisions: the Ports Utilities Commission and Port Terminal Railroad, which operates the railroad yard at the Charleston Harbor; and the East Cooper and Berkeley Railroad, which operates the railroad line in Berkeley County.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development of the South Carolina Department of Commerce, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

b. Internal Service Funds

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

Insurance Reserve Fund. This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Employee Insurance Programs Fund. This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Central Supplies and Equipment Fund. This fund sells office supplies and equipment, food, and paper products to other governmental units. It also stores food and paper products for State agencies.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

Prison Industries Fund. This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

Other Internal Service Funds. These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS

June 30, 2013
(Expressed in Thousands)

	Patients' Compensation	Canteen	Second Injury	Tuition Prepayment Program
ASSETS				
Current assets:				
Cash and cash equivalents	$ 155	$ 2,356	$ 159	$ 15,351
Investments	11,484	—	—	96,822
Invested securities lending collateral	—	—	52	4,279
Receivables, net:				
Accounts	—	—	—	1,308
Participants	—	—	—	1,505
Accrued interest	112	—	—	—
Inventories	—	1,522	—	—
Restricted assets:				
Cash and cash equivalents	—	—	86,713	—
Other	—	—	200	—
Prepaid items	197	—	—	—
Other current assets	—	—	—	—
Total current assets	11,948	3,878	87,124	119,265
Long-term assets:				
Receivables, net:				
Participants	—	—	—	3,716
Restricted assets:				
Loans receivable	—	—	—	—
Non-depreciable capital assets	—	—	—	—
Depreciable capital assets, net	825	3	1	—
Total long-term assets	825	3	1	3,716
Total assets	**12,773**	**3,881**	**87,125**	**122,981**

Exhibit E-1

Public Railways Division	Other Enterprise	Totals
$ 20,278	$ 1,574	$ 39,873
—	—	108,306
20	—	4,351
1,150	—	2,458
—	5	1,510
51	50	213
1,414	—	2,936
—	2	86,715
—	—	200
121	—	318
3,698	—	3,698
26,732	1,631	250,578
—	—	3,716
—	3,208	3,208
50,089	508	50,597
19,670	1,401	21,900
69,759	5,117	79,421
96,491	**6,748**	**329,999**

Continued on Next Page

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2013
(Expressed in Thousands)

	Patients' Compensation	Canteen	Second Injury	Tuition Prepayment Program
LIABILITIES				
Current liabilities:				
Accounts payable	111	—	12	—
Accrued salaries and related expenses	28	133	77	—
Tuition benefits payable	—	—	—	26,246
Policy claims	6,201	—	—	—
Due to other funds	—	53	—	—
Unearned revenues	4,357	—	—	—
Securities lending collateral	—	—	185	4,282
Liabilities payable from restricted assets:				
Accrued interest payable	—	—	—	—
Other	69	—	86,914	—
Revenue bonds payable	—	—	—	—
Compensated absences payable	24	139	69	—
Other current liabilities	—	—	—	—
Total current liabilities	10,790	325	87,257	30,528
Long-term liabilities:				
Tuition benefits payable	—	—	—	155,815
Policy claims	84,252	—	—	—
Interfund payables	—	—	—	—
Unearned revenues	—	—	—	—
Other liabilities payable from restricted assets	—	—	—	—
Revenue bonds payable	—	—	—	—
Compensated absences payable	—	121	—	—
Other long-term liabilities	—	—	—	—
Total long-term liabilities	84,252	121	—	155,815
Total liabilities	**95,042**	**446**	**87,257**	**186,343**
NET POSITION				
Net investment in capital assets	825	3	1	—
Restricted:				
Expendable:				
Education	—	—	—	56
Unrestricted	(83,094)	3,432	(133)	(63,418)
Total net position	**$ (82,269)**	**$ 3,435**	**$ (132)**	**$ (63,362)**

Exhibit E-1

Public Railways Division	Other Enterprise	Totals
247	25	$ 395
262	109	609
—	—	26,246
—	—	6,201
—	35	88
248	—	4,605
68	1	4,536
—	51	51
2,000	—	88,983
150	—	150
249	95	576
—	—	—
3,224	316	132,440
—	—	155,815
—	—	84,252
—	3,208	3,208
1,125	—	1,125
6,000	—	6,000
6,210	—	6,210
—	83	204
—	—	—
13,335	3,291	256,814
16,559	**3,607**	**389,254**
69,759	1,909	72,497
—	—	56
10,173	1,232	(131,808)
$ 79,932	**$ 3,141**	**$ (59,255)**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Patients' Compensation	Canteen	Second Injury
Operating revenues:			
Charges for services	$ 14,107	$ 15,971	$ 1,520
Contributions	—	—	—
Interest and other investment income	—	—	1
Other operating revenues	—	—	—
Total operating revenues	**14,107**	**15,971**	**1,521**
Operating expenses:			
General operations and administration	1,614	13,291	1,506
Benefits and claims	(3,727)	—	—
Tuition plan disbursements	—	—	—
Depreciation and amortization	93	1	3
Other operating expenses	—	—	14
Total operating expenses	**(2,020)**	**13,292**	**1,523**
Operating income (loss)	**16,127**	**2,679**	**(2)**
Nonoperating revenues (expenses):			
Interest income	42	—	—
Federal grants and contracts	—	—	—
Interest expense	—	—	—
Net other nonoperating revenues (expenses)	—	—	—
Total nonoperating revenues (expenses)	**42**	**—**	**—**
Income (loss) before transfers	**16,169**	**2,679**	**(2)**
Transfers in	—	7	—
Transfers out	—	(1,650)	—
Change in net position	**16,169**	**1,036**	**(2)**
Net position, at beginning of year, as restated	**(98,438)**	**2,399**	**(130)**
Net position at end of year	**$ (82,269)**	**$ 3,435**	**$ (132)**

Exhibit E-2

Tuition Prepayment Program	Public Railways Division	Other Enterprise	Totals
$ —	$ 11,394	$ 3,811	$ 46,803
2,839	—	—	2,839
8,023	—	—	8,024
—	110	—	110
10,862	**11,504**	**3,811**	**57,776**
292	6,986	3,618	27,307
—	—	—	(3,727)
29,464	—	—	29,464
—	776	116	989
—	—	14	28
29,756	**7,762**	**3,748**	**54,061**
(18,894)	**3,742**	**63**	**3,715**
—	308	147	497
—	—	3	3
—	(48)	(510)	(558)
—	609	(548)	61
—	**869**	**(908)**	**3**
(18,894)	**4,611**	**(845)**	**3,718**
—	—	97	104
(10,206)	—	(80)	(11,936)
(29,100)	**4,611**	**(828)**	**(8,114)**
(34,262)	**75,321**	**3,969**	**(51,141)**
$ (63,362)	**$ 79,932**	**$ 3,141**	**$ (59,255)**

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Patients' Compensation	Canteen	Second Injury	Tuition Prepayment Program
Cash flows from operating activities:				
Receipts from customers, patients, and third-party payers	$ 13,645	$ 15,972	$ —	$ —
Assessments received	—	—	98,196	—
Tuition plan contributions received	—	—	—	1,753
Claims and benefits paid	(18,136)	—	(52,914)	(5,654)
Payments to suppliers for goods and services	(1,277)	(12,039)	(384)	—
Payments to employees	(387)	(1,418)	(1,178)	—
Other operating cash receipts	—	—	353	—
Other operating cash payments	—	—	—	(291)
Net cash provided by (used in) operating activities	**(6,155)**	**2,515**	**44,073**	**(4,192)**
Cash flows from noncapital financing activities:				
Interest payments on noncapital debt	—	—	—	—
Other noncapital financing cash receipts	—	—	—	—
Transfers in	—	7	—	—
Transfers out	—	(1,650)	—	(10,206)
Net cash provided by (used in) noncapital financing activities	**—**	**(1,643)**	**—**	**(10,206)**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(545)	—	—	—
Proceeds from sale or disposal of capital assets	—	18	—	—
Net cash provided by (used in) capital and related financing activities	**(545)**	**18**	**—**	**—**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	14,712	—	—	—
Purchase of investments	(8,475)	—	—	(96,825)
Interest and dividends on investments	532	—	1,707	8,264
Net cash provided by (used in) investing activities	**6,769**	**—**	**1,707**	**(88,561)**
Net increase (decrease) in cash and cash equivalents	**69**	**890**	**45,780**	**(102,959)**
Cash and cash equivalents at beginning of year, as restated	**86**	**1,466**	**41,092**	**118,310**
Cash and cash equivalents at end of year	**$ 155**	**$ 2,356**	**$ 86,872**	**$ 15,351**

Exhibit E-3

Public Railways Division	Other Enterprise	Totals
$ 13,200	$ 5,394	$ 48,211
—	—	98,196
—	—	1,753
—	—	(76,704)
(4,452)	(3,158)	(21,310)
(2,705)	(1,736)	(7,424)
110	—	463
—	—	(291)
6,153	**500**	**42,894**
—	(532)	(532)
613	199	812
—	97	104
—	(80)	(11,936)
613	**(316)**	**(11,552)**
(3,988)	(18)	(4,551)
13	—	31
(3,975)	**(18)**	**(4,520)**
—	—	14,712
—	—	(105,300)
327	16	10,846
327	**16**	**(79,742)**
3,118	**182**	**(52,920)**
17,160	**1,394**	**179,508**
$ 20,278	**$ 1,576**	**$ 126,588**

Continued on Next Page

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Patients' Compensation	Canteen	Second Injury	Tuition Prepayment Program
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 16,127	$ 2,679	$ (2)	$ (18,894)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	93	1	3	—
Interest and dividends on investments and interfund loans	—	—	—	(8,022)
Other nonoperating revenues	—	—	—	—
Other nonoperating expenses	—	—	(14)	—
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	—	—	(1,086)
Inventories	—	(40)	—	—
Other assets	31	(1)	(2)	—
Accounts payable	(149)	(38)	12	—
Accrued salaries and related expenses	(1)	(43)	(13)	—
Tuition benefits payable	—	—	—	23,810
Policy claims	(21,755)	—	44,135	—
Due to other funds	(8)	(10)	(1)	—
Unearned revenues	(462)	—	—	—
Compensated absences payable	6	—	(45)	—
Other liabilities	(37)	(33)	—	—
Net cash provided by (used in) operating activities	**$ (6,155)**	**$ 2,515**	**$ 44,073**	**$ (4,192)**
Noncash capital, investing, and financing activities:				
Decrease in fair value of investments	$ (267)	$ —	$ —	$ —
	$ (267)	$ —	$ —	$ —

Exhibit E-3

Public Railways Division	Other Enterprise	Totals
$ 3,742	$ 63	$ 3,715
776	116	989
—	(16)	(8,038)
308	48	356
(6)	—	(20)
9	396	(681)
90	—	50
68	—	96
(328)	(121)	(624)
121	5	69
—	—	23,810
—	—	22,380
—	—	(19)
1,339	—	877
—	15	(24)
34	(6)	(42)
$ 6,153	**$ 500**	**$ 42,894**
$ —	$ —	$ (267)
$ —	$ —	$ (267)

Combining Statement of Net Position

INTERNAL SERVICE FUNDS

June 30, 2013
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,704	$ 360,522	$ 214,199	$ 15,805	$ 2,326
Invested securities lending collateral	3,550	894	16	2	—
Receivables, net:					
Accounts	10,240	63,177	66,808	3,512	—
Accrued interest	4,399	15	485	3	—
Due from other funds	4,920	734	—	2,579	—
Due from component units	4,103	—	—	—	—
Inventories	—	—	—	556	1,717
Prepaid items	26,904	—	13	2,176	—
Total current assets	60,820	425,342	281,521	24,633	4,043
Long-term assets:					
Investments	441,605	—	—	—	—
Accounts receivable, net	—	—	—	—	—
Interfund receivables	23,378	—	—	10,305	—
Prepaid items	—	—	—	1,583	—
Other long-term assets	—	—	369	—	—
Deferred charges	—	—	—	54	—
Non-depreciable capital assets	—	—	—	6,897	—
Depreciable capital assets, net	13	146	121	84,724	—
Total long-term assets	464,996	146	490	103,563	—
Total assets	**525,816**	**425,488**	**282,011**	**128,196**	**4,043**

Exhibit E-4

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 11,412	$ 2,547	$ 546	$ 614,061
—	—	—	4,462
1,434	2,795	2	147,968
—	—	—	4,902
255	—	—	8,488
—	—	—	4,103
—	3,490	—	5,763
—	35	—	29,128
13,101	8,867	548	818,875
—	—	—	441,605
—	1,169	—	1,169
4,700	—	—	38,383
—	—	—	1,583
—	—	—	369
—	—	—	54
—	—	—	6,897
5,168	5,801	—	95,973
9,868	6,970	—	586,033
22,969	**15,837**	**548**	**1,404,908**

Continued on Next Page

Combining Statement of Net Position

INTERNAL SERVICE FUNDS (Continued)

June 30, 2013
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
LIABILITIES					
Current liabilities:					
Accounts payable	$ 14	$ 199	$ 2,065	$ 1,284	$ 23
Accrued salaries and related expenses	230	461	263	1,293	—
Accrued interest payable	—	—	—	284	—
Policy claims	259,649	214,497	78,524	—	—
Due to other funds	—	—	—	418	—
Unearned revenues	57,396	22,837	69,215	—	—
Securities lending collateral	11,786	3,010	31	9	—
Notes payable	—	—	—	—	—
Revenue bonds payable	—	—	—	1,870	—
Limited obligation bonds payable	—	—	—	1,495	—
Compensated absences payable	132	198	252	1,198	—
Other current liabilities	—	—	3,548	—	—
Total current liabilities	329,207	241,202	153,898	7,851	23
Long-term liabilities:					
Policy claims	—	—	157,476	—	—
Interfund payables	—	—	—	6,698	—
Notes payable	—	—	—	—	—
Revenue bonds payable	—	—	—	8,847	—
Limited obligation bonds payable	—	—	—	913	—
Compensated absences payable	173	350	45	963	—
Total long-term liabilities	173	350	157,521	17,421	—
Total liabilities	**329,380**	**241,552**	**311,419**	**25,272**	**23**
NET POSITION					
Net investment in capital assets	13	146	121	78,496	—
Restricted:					
Expendable:					
Loan programs	16,792	—	—	—	—
Insurance programs	—	185,906	—	—	—
Unrestricted	179,631	(2,116)	(29,529)	24,428	4,020
Total net position	**$ 196,436**	**$ 183,936**	**$ (29,408)**	**$ 102,924**	**$ 4,020**

Exhibit E-4

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 618	$ 6	$ —	$ 4,209
99	1,023	10	3,379
—	2	—	286
—	—	—	552,670
37	159	3	617
—	—	—	149,448
—	—	—	14,836
—	275	—	275
—	—	—	1,870
—	—	—	1,495
87	304	13	2,184
—	—	—	3,548
841	1,769	26	734,817
—	—	—	157,476
—	—	—	6,698
—	796	—	796
—	—	—	8,847
—	—	—	913
70	244	11	1,856
70	1,040	11	176,586
911	**2,809**	**37**	**911,403**
5,168	4,730	—	88,674
—	—	—	16,792
—	—	—	185,906
16,890	8,298	511	202,133
$ 22,058	**$ 13,028**	**$ 511**	**$ 493,505**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
Operating revenues:					
Charges for services	$ 114,542	$ 1,980,101	$ 76,240	$ 58,088	$ 594
Licenses, fees, and permits	—	—	—	4	—
Other operating revenues	—	132,720	—	—	—
Total operating revenues	**114,542**	**2,112,821**	**76,240**	**58,092**	**594**
Operating expenses:					
General operations and administration	47,117	229,892	4,554	56,576	628
Benefits and claims	79,506	1,882,214	58,840	—	—
Interest	—	—	—	1	—
Depreciation and amortization	12	20	77	6,324	—
Other operating expenses	—	—	3,616	(521)	6
Total operating expenses	**126,635**	**2,112,126**	**67,087**	**62,380**	**634**
Operating income (loss)	**(12,093)**	**695**	**9,153**	**(4,288)**	**(40)**
Nonoperating revenues (expenses):					
Interest income	3,783	5,437	1,804	574	—
Contributions	—	—	—	159	—
Federal grants and contracts	—	—	—	4,695	—
Interest expense	—	—	—	(654)	—
Net other nonoperating revenues (expenses)	2	—	51	3,280	3
Losses on sale of capital assets	—	—	—	(1)	—
Total nonoperating revenues (expenses)	**3,785**	**5,437**	**1,855**	**8,053**	**3**
Income (loss) before transfers	**(8,308)**	**6,132**	**11,008**	**3,765**	**(37)**
Transfers in	—	—	—	1,073	—
Transfers out	—	—	—	(10,307)	(17)
Change in net position	**(8,308)**	**6,132**	**11,008**	**(5,469)**	**(54)**
Net position, beginning, as restated	**204,744**	**177,804**	**(40,416)**	**108,393**	**4,074**
Net position at end of year	**$ 196,436**	**$ 183,936**	**$ (29,408)**	**$ 102,924**	**$ 4,020**

Exhibit E-5

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 26,547	$ 23,127	$ 681	$ 2,279,920
—	—	—	4
—	—	—	132,720
26,547	**23,127**	**681**	**2,412,644**
21,655	22,292	397	383,111
—	—	—	2,020,560
—	22	—	23
1,974	400	—	8,807
5	12	—	3,118
23,634	**22,726**	**397**	**2,415,619**
2,913	**401**	**284**	**(2,975)**
—	—	—	11,598
—	—	—	159
—	—	—	4,695
—	—	—	(654)
239	978	—	4,553
(12)	—	—	(13)
227	**978**	**—**	**20,338**
3,140	**1,379**	**284**	**17,363**
2,304	1,312	—	4,689
(2,842)	—	(118)	(13,284)
2,602	**2,691**	**166**	**8,768**
19,456	**10,337**	**345**	**484,737**
$ 22,058	**$ 13,028**	**$ 511**	**$ 493,505**

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Cash flows from operating activities:				
Receipts from customers	$ 63,431	$ 1,978,946	$ 18,892	$ —
Internal activity–payments from other funds	48,545	—	58,127	54,905
Claims paid	(64,378)	(1,844,518)	(58,239)	—
Payments to suppliers for goods and services	(47,115)	(230,150)	(6,237)	(39,485)
Payments to employees	(3,636)	(5,495)	(3,650)	(22,135)
Payments of funds held for others	—	5,686	(4,159)	—
Internal activity–payments to other funds	—	—	—	—
Other operating cash receipts	—	100,344	—	4
Other operating cash payments	—	—	(238)	—
Net cash provided by (used in) operating activities	**(3,153)**	**4,813**	**4,496**	**(6,711)**
Cash flows from noncapital financing activities:				
Principal payments received from other funds	1,174	—	—	1,780
Advances received from other funds	—	—	—	2,205
Principal payments made to other funds	(20,170)	—	—	(112)
Receipt of interest from other funds	168	—	—	—
Interest payments on noncapital debt	(1,841)	(1,012)	(14)	(1)
Other noncapital financing cash receipts	—	—	—	8,134
Other noncapital financing cash payments	—	7,553	(417)	—
Transfers in	—	—	—	1,073
Transfers out	—	—	—	(10,307)
Net cash provided by (used in) noncapital financing activities	**(20,669)**	**6,541**	**(431)**	**2,772**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	—	(149)	(84)	(3,018)
Principal payments on limited obligation bonds	—	—	—	(1,420)
Principal payments on capital debt	—	—	—	(1,780)
Interest payments on capital debt	—	—	—	(790)
Net cash used in capital financing activities	**—**	**(149)**	**(84)**	**(7,008)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	78,332	—	—	—
Purchase of investments	(79,314)	—	—	—
Interest on investments	19,976	—	2,168	590
Net cash provided by investing activities	**18,994**	**—**	**2,168**	**590**
Net increase (decrease) in cash and cash equivalents	**(4,828)**	**11,205**	**6,149**	**(10,357)**
Cash and cash equivalents at beginning, as restated	**11,532**	**349,317**	**208,050**	**26,162**
Cash and cash equivalents at end of year	**$ 6,704**	**$ 360,522**	**$ 214,199**	**$ 15,805**

Exhibit E-6

Central Supplies and Equipment	Motor Pool	Prison Industries	Other Internal Service	Totals
$ —	$ —	$ 21,598	$ —	$ 2,082,867
600	22,387	271	686	185,521
—	—	—	—	(1,967,135)
(452)	(20,396)	(8,521)	(235)	(352,591)
—	(1,685)	(13,587)	(162)	(50,350)
—	—	—	—	1,527
—	—	(181)	—	(181)
—	—	—	—	100,348
—	(5)	—	—	(243)
148	**301**	**(420)**	**289**	**(237)**
—	—	—	—	2,954
—	—	—	—	2,205
—	—	—	—	(20,282)
—	—	—	—	168
(5)	—	—	—	(2,873)
2	20	978	—	9,134
(1)	—	—	—	7,135
—	2,304	1,312	—	4,689
(17)	(2,842)	—	(118)	(13,284)
(21)	**(518)**	**2,290**	**(118)**	**(10,154)**
—	(3,694)	(1,398)	—	(8,343)
—	—	—	—	(1,420)
—	(1,829)	(246)	—	(3,855)
—	(7)	(35)	—	(832)
—	**(5,530)**	**(1,679)**	**—**	**(14,450)**
—	—	—	—	78,332
—	—	—	—	(79,314)
—	—	—	—	22,734
—	**—**	**—**	**—**	**21,752**
127	**(5,747)**	**191**	**171**	**(3,089)**
2,199	**17,159**	**2,356**	**375**	**617,150**
$ 2,326	**$ 11,412**	**$ 2,547**	**$ 546**	**$ 614,061**

Continued on Next Page

Combining Statement of Cash Flows

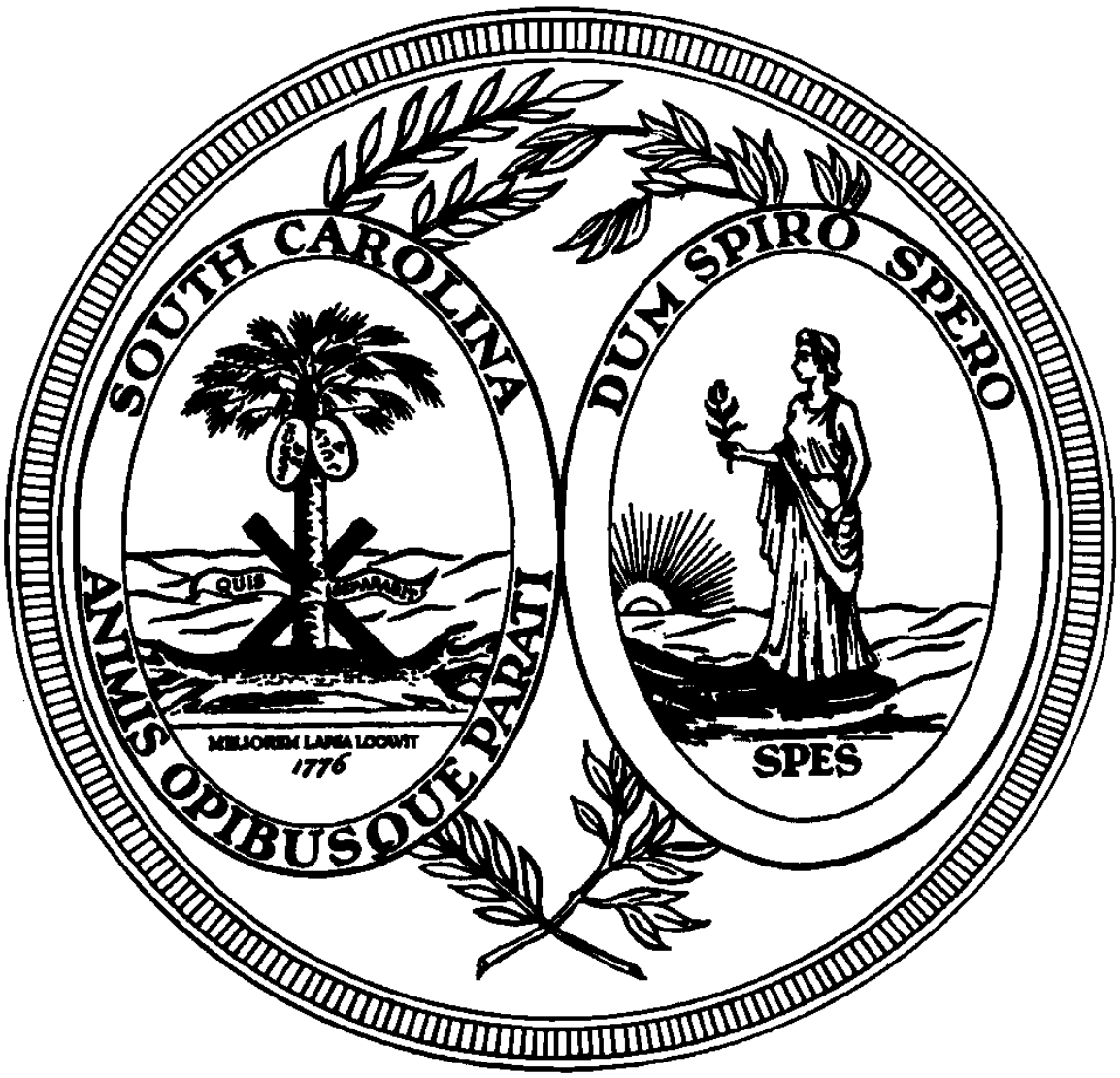
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (12,093)	$ 695	$ 9,153	$ (4,288)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	12	20	77	6,324
Interest payments reclassified as capital and related financing activities	—	—	—	13
Interest and dividends on investments and interfund loans	(459)	—	(230)	—
Realized losses on sale of assets	—	—	—	(1)
Other nonoperating revenues	—	—	—	28
Other nonoperating expenses	—	—	—	(17)
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	(30,336)	(3,234)	(3,185)
Due from other funds	7,476	618	—	—
Inventories	—	—	—	68
Other assets	(5,324)	—	34	(1,850)
Accounts payable	—	(257)	1,407	(1,980)
Accrued salaries and related expenses	(61)	66	4	(25)
Policy claims	15,129	37,696	549	—
Due to other funds	—	(1)	(1)	(1,665)
Unearned revenues	(7,742)	(3,813)	(455)	—
Compensated absences payable	(91)	125	(58)	(133)
Other liabilities	—	—	(2,750)	—
Net cash provided by (used in) operating activities	**$ (3,153)**	**$ 4,813**	**$ 4,496**	**$ (6,711)**
Noncash capital, investing, and financing activities				
Disposal of capital assets	$ 207	$ —	$ —	$ 484
Increase (decrease) in fair value of investments	(14,527)	1,058	(663)	—
Total noncash capital, investing, and financing activities	**$ (14,320)**	**$ 1,058**	**$ (663)**	**$ 484**

Exhibit E-6

Central Supplies and Equipment	Motor Pool	Prison Industries	Other Internal Service	Totals
$ (40)	$ 2,913	$ 401	$ 284	$ (2,975)
—	1,974	400	—	8,807
5	—	34	—	52
—	—	—	—	(689)
—	(12)	—	—	(13)
2	14	—	—	44
—	—	—	—	(17)
—	(796)	(1,529)	(2)	(39,082)
6	(3,364)	271	7	5,014
237	33	31	—	369
—	—	(34)	—	(7,174)
(62)	(375)	(45)	—	(1,312)
—	(9)	263	—	238
—	—	—	—	53,374
—	(24)	(181)	(1)	(1,873)
—	—	—	—	(12,010)
—	(53)	(31)	1	(240)
—	—	—	—	(2,750)
$ 148	**$ 301**	**$ (420)**	**$ 289**	**$ (237)**
$ —	$ 2,670	$ 201	$ —	$ 3,562
—	—	—	—	(14,132)
$ —	**$ 2,670**	**$ 201**	**$ —**	**$ (10,570)**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANGA LOCAVIT
1776
SPES

Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's fiduciary funds:

- Combining Statement of Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

a. Pension and Other Post-Employment Benefit Trust Funds

South Carolina Retirement System. This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

Police Officers' Retirement System. This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

General Assembly Retirement System. This is a single-employer pension system that benefits members of the South Carolina General Assembly.

Judges' and Solicitors' Retirement System. This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

National Guard Retirement System. The State administers this single-employer pension system that provides a supplemental retirement benefit to members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

South Carolina Retiree Health Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

Long-term Disability Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

b. Private-Purpose Trust Funds

College Savings Plan Fund. The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

Other Private-Purpose Trust Funds. This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

c. Agency Funds

Agency Funds are used to account for resources held by the State in a short-term custodial capacity for individuals, private organizations, and other governments. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, miscellaneous clearing accounts, and other deposits.

Combining Statement of Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2013
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
ASSETS					
Cash and cash equivalents	$ 2,579,242	$ 408,862	$ 5,405	$ 16,807	$ 3,415
Receivables:					
Contributions	203,822	20,710	202	745	15
Accrued interest	58,323	8,402	88	327	44
Unsettled investment sales	614,982	92,810	787	3,426	480
Other investment receivables	2,441	338	4	13	2
Total receivables	879,568	122,260	1,081	4,511	541
Due from other funds	—	444	—	48	—
Investments, at fair value:					
Short-term investments	411,422	62,090	527	2,292	321
Debt-domestic	5,877,851	887,054	7,524	32,743	4,582
Debt-international	1,685,096	254,306	2,157	9,387	1,313
Equity-domestic	1,532,325	231,250	1,961	8,536	1,195
Equity-international	1,491,925	225,153	1,910	8,311	1,163
Alternatives	10,224,360	1,543,005	13,088	56,957	7,970
Financial and other	—	—	—	—	—
Total investments	21,222,979	3,202,858	27,167	118,226	16,544
Invested securities lending collateral	92,042	13,890	118	513	72
Capital assets, net	2,770	292	8	13	—
Prepaid items	1,092	165	2	6	1
Total assets	**24,777,693**	**3,748,771**	**33,781**	**140,124**	**20,573**
LIABILITIES					
Accounts payable	7,965	1,216	10	45	6
Accounts payable–unsettled investment purchases	1,174,897	177,309	1,504	6,545	916
Policy claims	—	—	—	—	—
Due to other funds	53,073	1,646	—	—	—
Deferred retirement benefits	468,074	—	—	707	—
Securities lending collateral	152,536	23,019	195	850	119
Other liabilities	129,829	19,133	168	699	108
Total liabilities	**1,986,374**	**222,323**	**1,877**	**8,846**	**1,149**
NET POSITION					
Held in trust for pension and other post-employment benefits	**$ 22,791,319**	**$ 3,526,448**	**$ 31,904**	**$ 131,278**	**$ 19,424**

Exhibit F-1

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 56,908	$ 4,291	$ 3,074,930
—	—	225,494
4,818	327	72,329
—	—	712,485
—	—	2,798
4,818	327	1,013,106
54,220	—	54,712
—	—	476,652
471,417	24,674	7,305,845
—	—	1,952,259
—	—	1,775,267
—	—	1,728,462
—	—	11,845,380
83,896	6,531	90,427
555,313	31,205	25,174,292
1,517	—	108,152
—	—	3,083
—	—	1,266
672,776	**35,823**	**29,429,541**
1	—	9,243
—	—	1,361,171
—	281	281
174	116	55,009
—	—	468,781
5,246	—	181,965
—	—	149,937
5,421	**397**	**2,226,387**
$ 667,355	**$ 35,426**	**$ 27,203,154**

Combining Statement of Changes in Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
Additions:					
Contributions:					
Employer	$ 948,814	$ 143,419	$ 2,831	$ 8,667	$ 4,539
Employee	674,783	97,164	1,091	2,596	—
Total contributions	1,623,597	240,583	3,922	11,263	4,539
Investment income:					
Interest income and net appreciation in investments	2,561,809	384,713	3,583	14,650	1,954
Securities lending income	2,169	327	3	13	1
Total investment income	2,563,978	385,040	3,586	14,663	1,955
Less investment expense:					
Investment expense	362,262	54,652	466	2,023	279
Securities lending expense	—	—	—	—	—
Net investment income	2,201,716	330,388	3,120	12,640	1,676
Assets moved between pension trust funds	—	3,013	199	184	—
Total additions	**3,825,313**	**573,984**	**7,241**	**24,087**	**6,215**
Deductions:					
Regular retirement benefits	2,195,625	296,044	6,720	15,745	4,193
Supplemental retirement benefits	636	30	—	—	—
Deferred retirement benefits	245,596	—	—	121	—
Refunds of retirement contributions to members	87,212	14,983	3	57	—
Death benefit claims	19,133	1,985	16	134	—
Accidental death benefits	—	1,557	—	—	—
Other post-employment benefits	—	—	—	—	—
Depreciation	186	23	1	1	—
Administrative expense	19,118	2,904	28	110	15
Assets moved between pension trust funds	3,396	—	—	—	—
Total deductions	**2,570,902**	**317,526**	**6,768**	**16,168**	**4,208**
Change in net position	**1,254,411**	**256,458**	**473**	**7,919**	**2,007**
Net position at beginning of year	**21,536,908**	**3,269,990**	**31,431**	**123,359**	**17,417**
Net position at end of year	**$ 22,791,319**	**$ 3,526,448**	**$ 31,904**	**$ 131,278**	**$ 19,424**

Exhibit F-2

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 409,592	$ 6,797	$ 1,524,659
—	—	775,634
409,592	6,797	2,300,293
5,336	413	2,972,458
14	—	2,527
5,350	413	2,974,985
—	—	419,682
2	—	2
5,348	413	2,555,301
—	—	3,396
414,940	**7,210**	**4,858,990**
—	—	2,518,327
—	—	666
—	—	245,717
—	—	102,255
—	—	21,268
—	—	1,557
345,080	7,355	352,435
—	—	211
83	5	22,263
—	—	3,396
345,163	**7,360**	**3,268,095**
69,777	**(150)**	**1,590,895**
597,578	**35,576**	**25,612,259**
$ 667,355	**$ 35,426**	**$ 27,203,154**

Combining Statement of Fiduciary Net Position — Exhibit F-3

PRIVATE-PURPOSE TRUST FUNDS

June 30, 2013
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
ASSETS			
Cash and cash equivalents	$ —	$ 19,863	$ 19,863
Receivables, net:			
Accrued interest	1,065	69	1,134
Unsettled investment sales	846	—	846
Investments	1,753,787	—	1,753,787
Invested securities lending collateral	—	30	30
Other assets	—	4,786	4,786
Total assets	**1,755,698**	**24,748**	**1,780,446**
LIABILITIES			
Accounts payable	389	368	757
Accounts payable–unsettled investment purchases	1,287	—	1,287
Securities lending collateral	—	103	103
Total liabilities	**1,676**	**471**	**2,147**
NET POSITION			
Held in trust for other purposes	**$ 1,754,022**	**$ 24,277**	**$ 1,778,299**

Combining Statement of Changes in Fiduciary Net Position

Exhibit F-4

PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
Additions:			
Licenses, fees, and permits	$ —	$ 34	$ 34
Contributions	89,956	10,072	100,028
Interest income	180,338	439	180,777
Total additions	**270,294**	**10,545**	**280,839**
Deductions:			
Administrative expense	8,043	2,628	10,671
Other expenses	—	567	567
Total deductions	**8,043**	**3,195**	**11,238**
Change in net position	**262,251**	**7,350**	**269,601**
Net position at beginning of year	**1,491,771**	**16,927**	**1,508,698**
Net position at end of year	**$ 1,754,022**	**$ 24,277**	**$ 1,778,299**

Combining Statement of Changes in Assets and Liabilities

Exhibit F-5

AGENCY FUNDS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Balance July 1, 2012 as Restated	Additions	Deductions	Balance June 30, 2013
Assets:				
Cash and cash equivalents	$ 228,590	$ 7,857,584	$ 7,850,680	$ 235,494
Accounts receivable	10,184	77,153	86,143	1,194
Accrued interest receivable	561	1,392	1,655	298
Taxes receivable	548	6,451	6,502	497
Due from other funds	11,930	42,421	42,337	12,014
Investments	481	815	1,296	—
Invested securities lending collateral	27	75	77	25
Prepaid expenses	265	266	530	1
Total assets	**$ 252,586**	**$ 7,986,157**	**$ 7,989,220**	**$ 249,523**
Liabilities:				
Accounts payable	$ 14,427	$ 1,044,918	$ 1,049,819	$ 9,526
Due to other funds	600	61,699	62,299	—
Tax refunds payable	—	53	49	4
Intergovernmental payables	27,621	47,508	56,240	18,889
Deposits	4,640	7,564	8,445	3,759
Amounts held in custody for others	205,207	1,369,205	1,357,188	217,224
Securities lending collateral	91	120	123	88
Due to participants	—	33	—	33
Total liabilities	**$ 252,586**	**$ 2,531,100**	**$ 2,534,163**	**$ 249,523**

Discretely Presented Component Units

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Position—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units

The following entities are nonmajor discretely presented component units of the State:

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University,* and *Winthrop University*.

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Technical College of the Lowcountry, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Tri-county Technical College, Trident Technical College, Williamsburg Technical College,* and *York Technical College*.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County.

The *South Carolina Education Assistance Authority* issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings.

The *South Carolina Jobs-Economic Development Authority* is a legally separate entity that promotes and develops business and economic welfare in the state.

The *South Carolina Lottery Commission* was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs.

The *Patriots Point Development Authority* was established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association* was established to provide medical malpractice insurance on a self-supporting basis.

The *South Carolina First Steps to School Readiness* is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

The *Children's Trust Fund of South Carolina, Inc*. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations.

Combining Statement of Net Position

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2013
(Expressed in Thousands)

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University	South Carolina State University	Winthrop University
ASSETS							
Cash and cash equivalents	$ 28,770	$ 78,737	$ 50,093	$ 10,409	$ 17,598	$ 641	$ 14,149
Investments	11,409	4,963	1,432	2,968	12,858	—	1
Invested securities lending collateral	46	190	104	4	10	19	30
Receivables, net:							
Accounts	9,590	3,547	4,482	567	708	475	555
Contributions	7,009	—	7,667	1,364	75	—	1,884
Accrued interest	101	174	56	25	385	—	36
Student accounts	2,613	1,061	1,888	464	801	1,364	2,732
Loans and notes	—	—	—	—	—	—	—
Due from Federal government and other grantors	351	730	2,980	377	164	4,628	3,468
Due from primary government	—	501	—	1,287	646	—	3,543
Inventories	1,523	632	252	—	344	—	366
Restricted assets:							
Cash and cash equivalents	8,627	93,640	81,069	647	3,373	9,301	8,983
Investments	210,395	7,696	73,488	17,757	1,747	108	37,074
Loans receivable	789	1,144	2,052	1,668	1,534	3,487	2,352
Other	897	—	—	—	—	—	—
Prepaid items	1,051	1,680	3,221	723	535	167	1,279
Other assets	1,099	2,494	—	879	—	—	—
Deferred charges	—	1,506	1,017	—	207	316	—
Capital assets-nondepreciable	5,701	51,670	57,764	4,586	10,234	2,573	5,738
Capital assets-depreciable, net	123,884	308,176	300,747	69,002	65,659	126,353	119,263
Total assets	413,855	558,541	588,312	112,727	116,878	149,432	201,453
LIABILITIES							
Accounts payable	5,698	5,486	5,585	506	549	2,241	1,876
Accrued salaries and related expenses	2,131	9,899	7,947	179	729	1,835	5,526
Accrued interest payable	602	2,012	1,759	31	63	1,148	760
Retainages payable	44	23	171	—	72	10	—
Prizes payable	—	—	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—
Due to primary government	37	—	—	78	19	83	62
Unearned revenues and deferred credits	3,813	87,189	4,464	2,607	956	2,802	1,021
Deposits	1,930	—	1,763	—	296	376	5,609
Amounts held in custody for others	—	356	357	547	60	20	166
Securities lending collateral	158	649	354	12	34	63	101
Liabilities payable from restricted assets	—	—	—	—	—	—	—
Other liabilities	351	57	85	—	—	3,668	—
Long-term liabilities:							
Due within one year	6,200	5,833	8,663	1,755	6,652	4,531	8,821
Due in more than one year	39,599	220,590	187,193	10,766	31,102	70,995	70,780
Total liabilities	60,563	332,094	218,341	16,481	40,532	87,772	94,722
NET POSITION							
Net investment in capital assets	89,825	278,437	177,650	64,755	44,066	58,237	56,235
Restricted:							
Expendable:							
Education	64,732	—	45,319	9,596	9,769	7,993	5,576
Transportation	—	—	—	—	—	—	—
Capital projects	4,496	28,022	49,149	1,290	1,226	2,271	—
Debt service	251	8,708	3,475	—	4	1,692	638
Loan programs	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Nonexpendable:							
Education	79,131	100	35,267	13,170	4,242	807	34,027
Unrestricted	114,857	(88,820)	59,111	7,435	17,039	(9,340)	10,255
Total net position	**$ 353,292**	**$ 226,447**	**$ 369,971**	**$ 96,246**	**$ 76,346**	**$ 61,660**	**$ 106,731**

Exhibit G-1

Aiken Technical College	Central Carolina Technical College	Denmark Technical College	Florence-Darlington Technical College	Greenville Technical College	Horry-Georgetown Technical College	Technical College of the Lowcountry	Midlands Technical College	Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College
$ 13,428	$ 8,574	$ 4,826	$ 8,264	$ 43,524	$ 13,160	$ 6,060	$ 18,879	$ 2,372	$ 11,032	$ 19,724
1,537	1,712	—	—	—	23,145	—	62,969	—	—	—
—	—	—	—	—	—	—	7	—	—	—
—	95	—	307	175	—	51	2	80	106	—
593	—	—	—	440	—	—	—	—	—	—
12	12	—	—	20	82	10	2	—	—	—
631	3,242	426	1,059	418	3,297	3,060	2,640	905	129	303
—	—	—	—	3	29	431	—	—	—	—
1,273	1,028	1,611	3,896	2,785	4,598	2,597	482	111	959	1,474
140	148	—	225	697	267	106	498	—	146	252
596	329	232	1,191	3,238	—	180	2,718	124	246	—
19	252	—	8,610	1,067	128	8	5,694	473	—	—
2,938	—	—	—	4,156	—	—	—	—	—	—
—	—	25	365	—	—	—	—	—	—	—
—	—	—	—	—	—	—	2,426	—	—	—
112	134	—	106	3,545	231	231	477	—	42	52
—	—	—	—	297	—	—	—	16	4	—
—	—	—	260	—	—	—	—	—	—	—
946	1,718	174	1,910	15,122	8,535	3,283	5,381	914	106	1,152
21,359	29,919	4,219	45,123	109,239	52,277	14,787	74,790	8,313	15,822	24,400
43,584	47,163	11,513	71,316	184,726	105,749	30,804	176,965	13,308	28,592	47,357
483	272	7	702	1,050	3,287	94	3,979	119	278	575
31	455	181	293	665	1,266	164	1,552	49	233	—
—	38	—	304	268	—	17	363	—	—	—
—	—	—	—	—	80	—	240	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
10	—	—	—	—	—	—	—	9	—	—
1,116	6,751	504	2,087	6,142	2,951	3,712	4,860	383	588	1,764
—	—	—	—	218	—	12	226	—	—	24
—	23	309	209	1,105	829	8	467	29	—	—
—	—	—	—	1	—	—	26	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	25	—	—	—	4	—	—	—	—
940	369	49	1,132	4,588	55	127	1,533	64	86	540
530	2,780	435	20,196	68,244	1,685	1,830	31,255	336	1,014	866
3,110	10,688	1,510	24,923	82,281	10,153	5,968	44,501	989	2,199	3,769
21,413	29,377	4,393	27,552	59,008	60,795	16,901	52,729	9,227	15,928	25,552
4,178	389	—	42	1,742	175	14	—	29	—	—
—	—	—	—	—	—	—	—	—	—	—
2,319	—	—	—	7,928	—	—	64,126	444	—	9,552
272	—	—	8,567	—	—	—	8,694	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
1,107	252	—	—	4,343	—	—	—	—	—	—
11,185	6,457	5,610	10,232	29,424	34,626	7,921	6,915	2,619	10,465	8,484
$ 40,474	**$ 36,475**	**$ 10,003**	**$ 46,393**	**$ 102,445**	**$ 95,596**	**$ 24,836**	**$ 132,464**	**$ 12,319**	**$ 26,393**	**$ 43,588**

Continued on Next Page

Combining Statement of Net Position (Continued)

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2013
(Expressed in Thousands)

	Spartanburg Community College	Tri-county Technical College	Trident Technical College	Williamsburg Technical College	York Technical College	Connector 2000
ASSETS						
Cash and cash equivalents	$ 19,215	$ 32,055	$ 44,599	$ 7,540	$ 29,132	$ 925
Investments	6,228	—	—	—	—	—
Invested securities lending collateral	—	—	—	—	—	—
Receivables, net:						
Accounts	2	—	634	133	365	—
Contributions	763	428	—	—	—	—
Accrued interest	—	60	—	1	—	—
Student accounts	112	1,138	9,237	205	1,118	—
Loans and notes	—	3	—	—	—	—
Due from Federal government and other grantors	2,721	1,415	7,191	132	927	—
Due from primary government	231	252	3,145	—	328	—
Inventories	588	622	1,356	45	—	197
Restricted assets:						
Cash and cash equivalents	354	—	—	5	—	6,179
Investments	—	17,880	—	—	—	—
Loans receivable	—	—	—	—	—	—
Other	—	—	—	—	—	—
Prepaid items	541	831	784	11	—	56
Other assets	—	—	—	—	5	137,787
Deferred charges	—	39	—	—	—	249
Capital assets-nondepreciable	4,485	5,031	36,696	127	1,633	—
Capital assets-depreciable, net	52,695	37,828	65,508	552	22,472	429
Total assets	87,935	97,582	169,150	8,751	55,980	145,822
LIABILITIES						
Accounts payable	1,275	1,589	4,018	106	875	149
Accrued salaries and related expenses	388	51	1,168	99	1,209	—
Accrued interest payable	38	—	88	—	—	—
Retainages payable	—	—	623	—	—	—
Prizes payable	—	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—
Due to primary government	400	—	71	—	159	—
Unearned revenues and deferred credits	1,658	2,006	10,984	1,366	2,346	249
Deposits	—	—	—	—	—	17
Amounts held in custody for others	—	—	153	—	2	—
Securities lending collateral	—	—	—	—	—	—
Liabilities payable from restricted assets	—	—	—	—	—	—
Other liabilities	—	—	80	—	—	—
Long-term liabilities:						
Due within one year	351	515	1,254	18	140	3,626
Due in more than one year	19,523	6,589	14,157	300	1,250	162,498
Total liabilities	23,633	10,750	32,596	1,889	5,981	166,539
NET POSITION						
Net investment in capital assets	55,281	37,109	90,664	679	24,105	429
Restricted:						
Expendable:						
Education	7,490	5,754	—	—	—	—
Transportation	—	—	—	—	—	472
Capital projects	3,178	24,311	20,488	—	—	—
Debt service	(22)	—	105	—	—	—
Loan programs	—	—	—	—	—	—
Other	—	—	—	—	—	—
Nonexpendable:						
Education	—	12,475	—	5	—	—
Unrestricted	(1,625)	7,183	25,297	6,178	25,894	(21,618)
Total net position	**$ 64,302**	**$ 86,832**	**$ 136,554**	**$ 6,862**	**$ 49,999**	**$ (20,717)**

Exhibit G-1

Education Assistance Authority	Jobs-Economic Development Authority	Lottery Commission	Patriots Point Development Authority	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
$ 85,266	$ 448	$ 18,347	$ 5,026	$ 4,460	$ 2,711	$ 427	$ 600,391
—	1,400	—	—	40,612	—	1,002	172,236
2	—	—	6	—	—	—	418
47,455	2,650	38,233	357	1,937	—	1	112,507
—	—	—	—	—	—	—	20,223
404	21	—	—	353	—	—	1,754
—	—	—	—	—	—	—	38,843
91,380	—	—	—	—	—	—	91,846
—	—	—	—	—	421	640	46,959
—	—	—	—	—	—	—	12,412
—	—	1,946	266	—	—	—	16,991
4,553	186	446	—	—	—	—	233,614
—	—	—	—	—	—	—	373,239
—	—	—	—	—	—	—	13,416
—	—	—	—	—	—	—	3,323
5	—	—	9	—	—	99	15,922
—	—	6,424	—	166	—	—	149,171
1,417	—	—	—	1,041	—	—	6,052
—	—	—	4,928	—	—	—	230,407
147	—	806	17,111	—	169	15	1,711,064
230,629	4,705	66,202	27,703	48,569	3,301	2,184	3,850,788
20,536	—	1,557	60	342	203	217	63,714
—	—	882	347	—	—	—	37,279
—	—	—	—	—	—	—	7,491
—	—	—	—	—	—	—	1,263
—	—	26,892	—	—	—	—	26,892
—	—	—	—	—	305	115	420
174	—	33,960	8,820	—	510	—	44,392
—	186	492	562	10,166	112	216	164,053
—	—	—	—	—	—	—	10,471
—	—	—	—	73	—	—	4,713
6	—	—	21	—	—	—	1,425
760	—	—	—	—	—	—	760
2,264	—	493	—	—	214	47	7,288
—	—	506	17	23,000	—	—	81,365
62,315	23	168	310	87,508	126	25	1,114,988
86,055	209	64,950	10,137	121,089	1,470	620	1,566,514
147	—	806	13,339	—	169	15	1,314,823
—	—	—	—	—	—	—	162,798
—	—	—	—	—	—	—	472
—	—	—	—	—	—	—	218,800
7,783	—	—	—	—	—	—	40,167
55,683	—	—	—	—	—	—	55,683
—	—	446	—	2,208	—	21	2,675
—	—	—	—	—	—	—	184,926
80,961	4,496	—	4,227	(74,728)	1,662	1,528	303,930
$ 144,574	**$ 4,496**	**$ 1,252**	**$ 17,566**	**$ (72,520)**	**$ 1,831**	**$ 1,564**	**$ 2,284,274**

Combining Statement of Activities

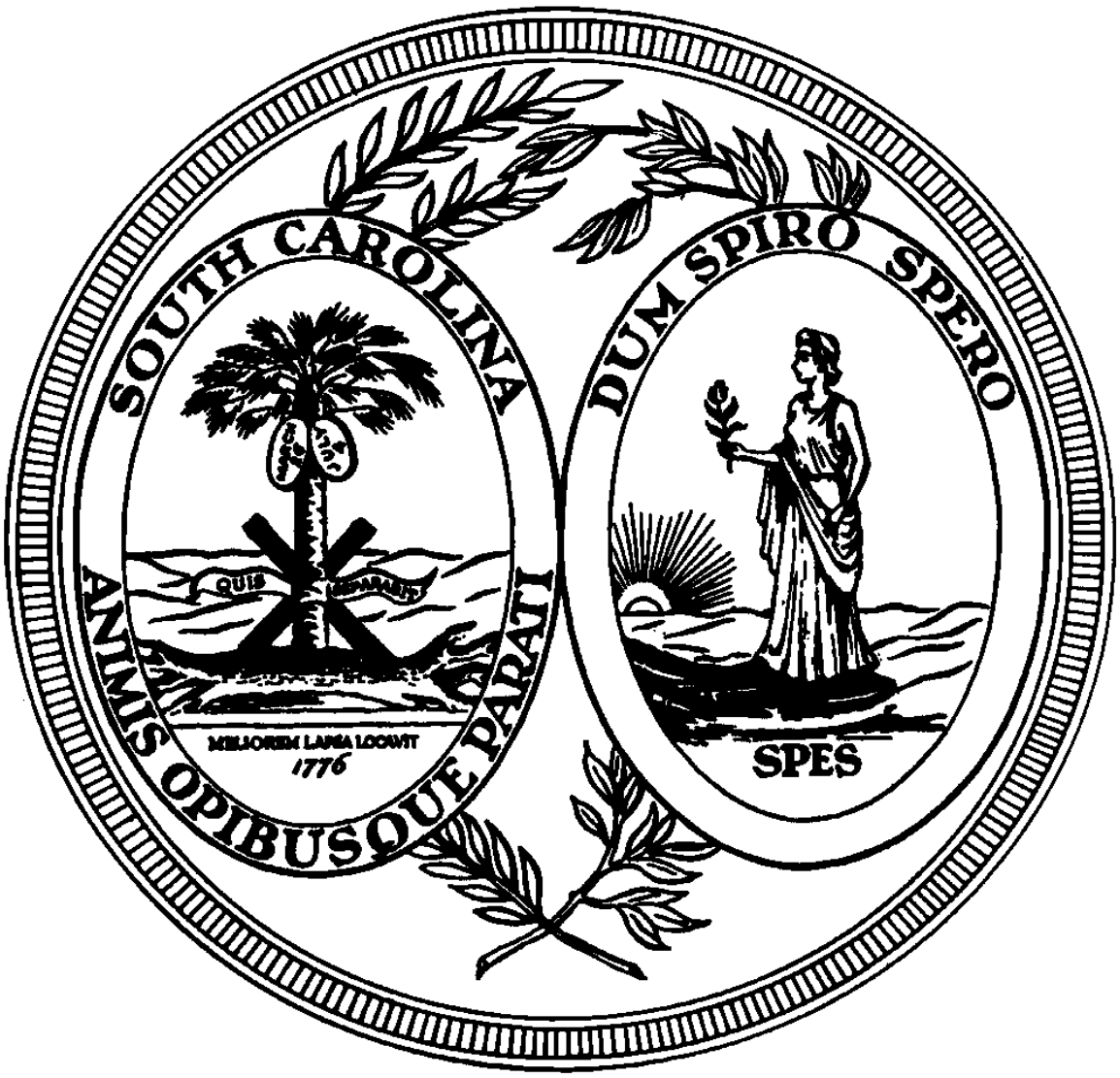
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

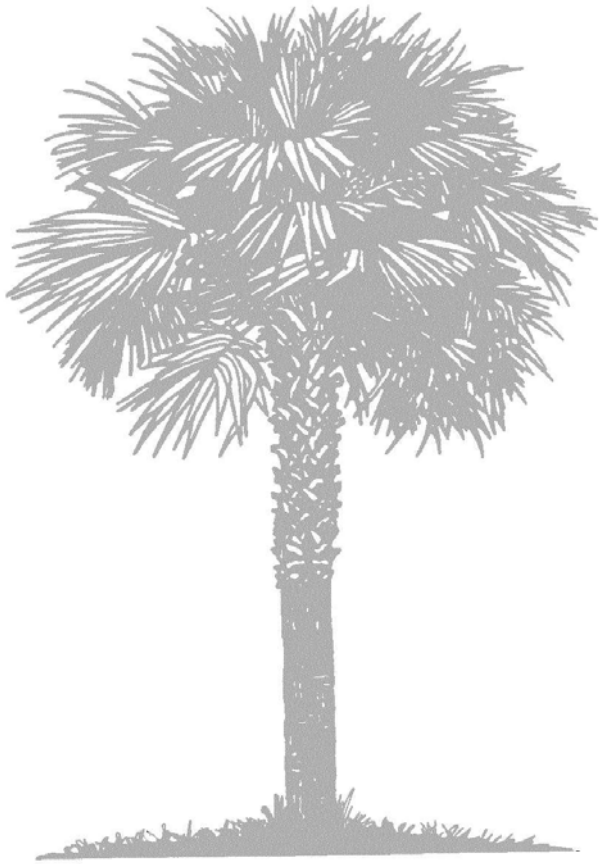
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expenses)
The Citadel	$ 105,301	$ 72,049	$ 47,810	$ 893	$ 15,451
Coastal Carolina University	166,324	139,574	40,818	22,462	36,530
College of Charleston	240,331	204,972	51,464	7,462	23,567
Francis Marion University	62,229	31,112	25,125	1,810	(4,182)
Lander University	52,810	36,026	17,143	646	1,005
South Carolina State University	111,029	73,512	29,911	1,809	(5,797)
Winthrop University	122,531	90,137	30,085	1,980	(329)
Aiken Technical College	23,670	10,908	13,101	3,486	3,825
Central Carolina Technical College	34,444	13,753	18,913	2,907	1,129
Denmark Technical College	19,515	16,434	2,619	818	356
Florence- Darlington Technical College	59,726	25,519	34,406	879	1,078
Greenville Technical College	116,695	58,540	60,404	1,731	3,980
Horry- Georgetown Technical College	56,542	28,111	30,856	4,644	7,069
Technical College of the Lowcountry	20,897	9,358	10,927	12	(600)
Midlands Technical College	104,645	56,007	49,246	2,901	3,509
Northeastern Technical College	10,023	3,259	6,489	388	113
Orangeburg- Calhoun Techncial College	25,024	9,111	15,674	500	261
Piedmont Technical College	45,082	21,004	26,732	251	2,905
Spartanburg Community College	47,472	21,404	31,784	7,120	12,836
Tri-county Technical College	53,343	32,822	24,542	2,292	6,313
Trident Technical College	135,335	68,387	68,959	11,480	13,491
Williamsburg Technical College	6,513	2,016	4,655	138	296
York Technical College	38,256	16,595	22,036	697	1,072
Connector 2000	16,977	6,755	33	—	(10,189)
Education Assistance Authority	13,199	16,283	97	—	3,181
Jobs- Economic Development Authority	9,802	12,757	—	256	3,211
Lottery Commission	1,202,530	1,202,892	1	—	363
Patriots Point Development Authority	9,878	10,118	84	—	324
South Carolina Medical Malpractice Liability Joint Underwriting Association	19,028	21,060	1,807	—	3,839
South Carolina First Steps to School Readiness Board of Trustees	26,298	—	25,232	—	(1,066)
Children's Trust Fund of S.C., Inc.	3,376	—	3,723	—	347
Totals	**$ 2,958,825**	**$ 2,310,475**	**$ 694,676**	**$ 77,562**	**$ 123,888**

Exhibit G-2

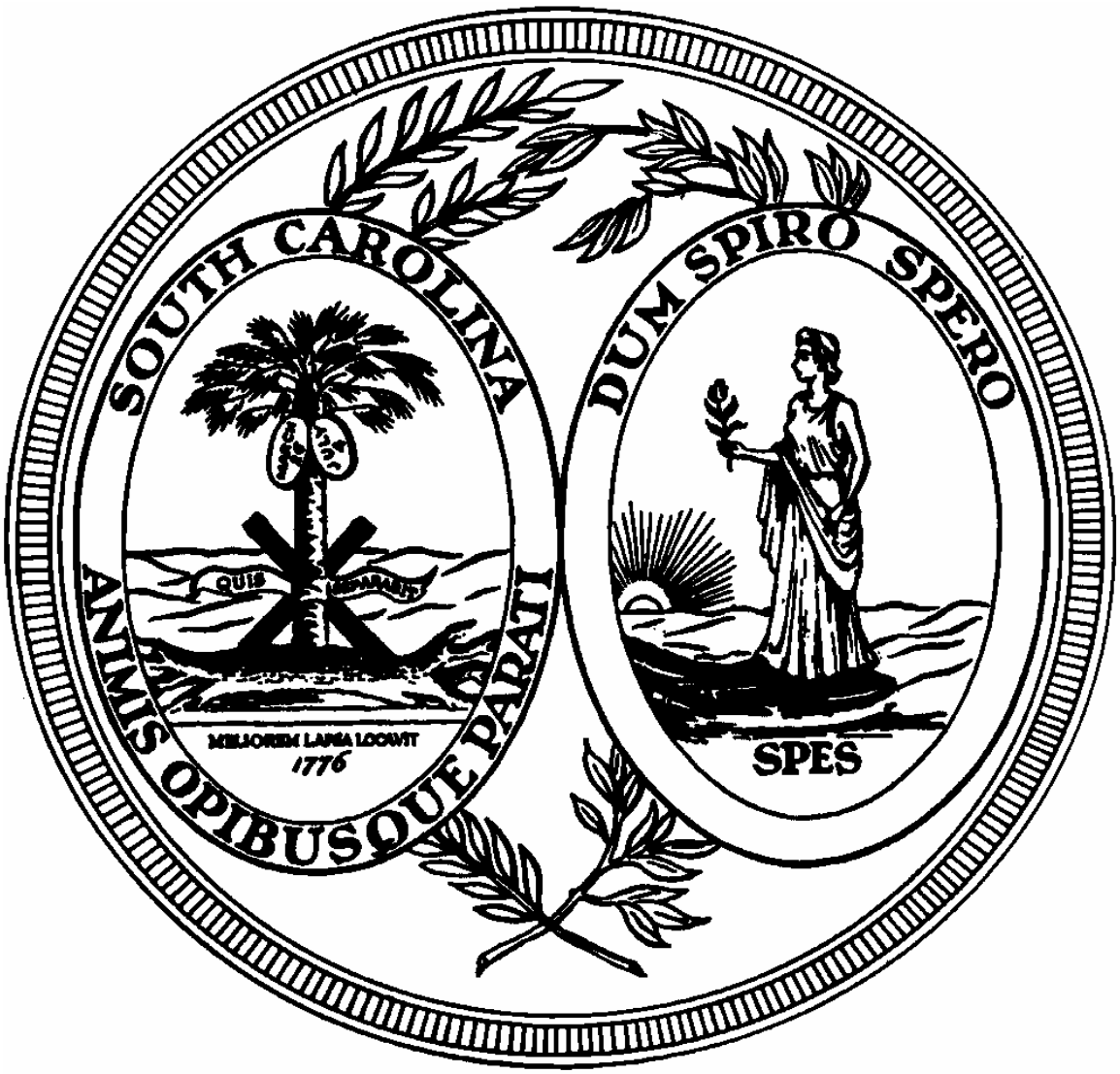
Additions to Endowments	Net Position (Deficit) Beginning (Previously Presented)	GASB 61 Restatement	Net Position (Deficit) Beginning (Restated)	Net Position (Deficit) Ending
$ 1,944	$ —	$ 335,897	$ 335,897	$ 353,292
—	—	189,917	189,917	226,447
1,522	—	344,882	344,882	369,971
2,006	—	98,422	98,422	96,246
197	—	75,144	75,144	76,346
—	—	67,457	67,457	61,660
1,953	—	105,107	105,107	106,731
2	—	36,647	36,647	40,474
—	—	35,346	35,346	36,475
—	—	9,647	9,647	10,003
—	—	45,315	45,315	46,393
312	—	98,153	98,153	102,445
—	—	88,527	88,527	95,596
—	—	25,436	25,436	24,836
—	—	128,955	128,955	132,464
—	—	12,206	12,206	12,319
—	—	26,132	26,132	26,393
—	—	40,683	40,683	43,588
—	—	51,466	51,466	64,302
482	—	80,037	80,037	86,832
—	—	123,063	123,063	136,554
—	—	6,566	6,566	6,862
—	—	48,927	48,927	49,999
—	(10,528)	—	(10,528)	(20,717)
—	—	141,393	141,393	144,574
—	—	1,285	1,285	4,496
—	889	—	889	1,252
—	—	17,242	17,242	17,566
—	(76,359)	—	(76,359)	(72,520)
—	2,897	—	2,897	1,831
—	1,217	—	1,217	1,564
$ 8,418	**$ (81,884)**	**$ 2,233,852**	**$ 2,151,968**	**$ 2,284,274**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANGA LOCAVIT
1776
SPES

Statistical Section (Unaudited)



This section presents certain economic and social data and financial trends over a ten-year period.


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
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Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina's overall financial health.

CONTENTS

Page

Financial Trends 206

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity 216

These schedules contain information to help the reader assess the State's most significant revenue sources, the personal income tax and the retail sales tax.

Debt Capacity 222

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information 231

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information 236

These schedules contain service and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

SOURCES

Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

Net Position by Component

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
Governmental activities				
Net Investment in capital assets.....	$ 11,468,466	$ 11,251,603	$ 10,766,855	$ 10,966,666
Restricted.....	5,323,431	3,158,419	3,273,224	3,202,747
Unrestricted.....	687,005	1,760,245	759,206	(371,761)
Total governmental activities net position.....	**$ 17,478,902**	**$ 16,170,267**	**$ 14,799,285**	**$ 13,797,652**
Business-type activities				
Net Investment in capital assets.....	$ 72,497	$ 2,742,733	$ 2,628,292	$ 2,539,652
Restricted.....	56	1,438,402	1,443,470	1,225,352
Unrestricted.....	(314,408)	974,730	707,961	322,575
Total business-type activities net position.....	**$ (241,855)**	**$ 5,155,865**	**$ 4,779,723**	**$ 4,087,579**
Primary government				
Net Investment in capital assets.....	$ 11,540,963	$ 13,994,336	$ 13,395,147	$ 13,506,318
Restricted.....	5,323,487	4,596,821	4,716,694	4,428,099
Unrestricted.....	372,597	2,734,975	1,467,167	(49,186)
Total primary government net position.....	**$ 17,237,047**	**$ 21,326,132**	**$ 19,579,008**	**$ 17,885,231**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 1

Ended June 30 2009	2008	2007	2006	2005	2004
$ 10,276,019	$ 10,044,439	$ 9,728,397	$ 9,386,248	$ 8,880,082	$ 8,534,931
3,351,317	3,597,084	3,498,173	3,089,099	2,735,158	2,445,033
(161,946)	46,185	603,503	445,362	(172,175)	(960,949)
$ 13,465,390	**$ 13,687,708**	**$ 13,830,073**	**$ 12,920,709**	**$ 11,443,065**	**$ 10,019,015**
$ 2,429,521	$ 2,315,357	$ 2,133,862	$ 1,973,060	$ 1,778,072	$ 1,695,208
1,123,060	1,381,777	1,406,468	1,253,359	1,232,819	1,186,958
399,730	646,266	594,033	442,758	360,037	270,380
$ 3,952,311	**$ 4,343,400**	**$ 4,134,363**	**$ 3,669,177**	**$ 3,370,928**	**$ 3,152,546**
$ 12,705,540	$ 12,359,796	$ 11,862,259	$ 11,359,308	$ 10,658,154	$ 10,230,139
4,474,377	4,978,861	4,904,641	4,342,458	3,967,977	3,631,991
237,784	692,451	1,197,536	888,120	187,862	(690,569)
$ 17,417,701	**$ 18,031,108**	**$ 17,964,436**	**$ 16,589,886**	**$ 14,813,993**	**$ 13,171,561**

Changes in Net Position

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
Expenses				
Governmental activities:				
General government	$ 5,324,230	$ 4,685,050	$ 4,462,454	$ 4,475,571
Education	4,229,595	4,163,313	4,004,703	4,400,125
Health and environment	6,403,284	5,778,883	6,584,487	6,007,179
Social services	2,087,877	2,066,923	1,900,026	1,847,028
Administration of justice	719,891	658,925	746,462	760,379
Resources and economic development	281,763	207,810	221,075	351,882
Transportation	931,980	1,194,222	1,203,952	1,179,611
Intergovernmental [a]	—	—	—	—
Unallocated interest expense	31,589	87,929	90,848	81,838
Total governmental activities expenses	**20,010,209**	**18,843,055**	**19,214,007**	**19,103,613**
Business-type activities:				
Higher education	—	3,844,159	3,684,769	3,520,564
Higher education institution support	—	1,359,870	1,321,213	1,252,222
Unemployment compensation benefits	616,064	1,066,105	2,171,063	2,026,866
Financing of housing facilities	—	197,555	272,880	238,191
Medical malpractice insurance	—	9,705	2,591	2,324
Financing of student loans	—	15,336	21,847	36,694
Tuition prepayment program	—	737	4,750	910
State maritime museum	—	9,883	8,614	9,300
Insurance claims processing	—	1,830	1,648	1,720
Other	54,061	29,317	25,278	25,563
Total business-type activities expenses	**670,125**	**6,534,497**	**7,514,653**	**7,114,354**
Total primary government expenses	**20,680,334**	**25,377,552**	**26,728,660**	**26,217,967**
Program Revenues				
Governmental activities:				
Charges for services:				
General government	2,339,634	2,039,415	1,929,867	1,945,319
Other activities	551,319	584,966	533,342	411,485
Operating grants and contributions	7,328,281	7,366,197	8,118,411	8,274,731
Capital grants and contributions	716,702	646,148	615,292	570,743
Total governmental activities program revenues	**10,935,936**	**10,636,726**	**11,196,912**	**11,202,278**
Business-type activities:				
Charges for services:				
Higher education	—	2,688,543	2,579,679	2,377,719
Higher education institution support	—	1,376,960	1,363,957	1,314,062
Unemployment compensation benefits	467,256	438,115	2,298,971	1,575,257
Other activities	46,913	134,693	133,195	154,051
Operating grants and contributions	323,321	1,553,432	1,115,603	1,042,850
Capital grants and contributions	3	84,654	96,366	100,884
Total business-type activities program revenues	**837,493**	**6,276,397**	**7,587,771**	**6,564,823**
Total primary government activities program revenues	**11,773,429**	**16,913,123**	**18,784,683**	**17,767,101**
Net Expenses				
Governmental activities	(9,074,273)	(8,206,329)	(8,017,095)	(7,901,335)
Business-type activities	167,368	(258,100)	73,118	(549,531)
Total primary government net expense	**(8,906,905)**	**(8,464,429)**	**(7,943,977)**	**(8,450,866)**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Table 2

Ended June 30

2009	2008	2007	2006	2005	2004
$ 4,331,740	$ 4,521,252	$ 3,430,569	$ 2,642,678	$ 1,725,343	$ 1,587,442
4,109,666	4,401,108	4,078,954	2,452,623	1,280,791	1,228,354
5,825,749	5,209,149	4,897,060	6,025,626	4,767,155	4,588,137
1,533,666	1,300,347	1,152,324	1,347,522	992,960	942,591
774,533	789,071	742,064	873,911	629,185	628,227
372,073	407,392	367,727	272,777	197,351	192,000
940,226	941,924	1,018,800	1,166,910	664,125	531,667
—	—	—	—	3,848,454	3,813,383
98,728	102,825	108,401	100,109	67,705	67,614
17,986,381	**17,673,068**	**15,795,899**	**14,882,156**	**14,173,069**	**13,579,415**
3,396,191	3,405,491	3,120,278	2,871,493	2,679,238	2,527,649
1,200,456	1,121,483	965,686	881,583	800,151	757,252
1,332,402	449,775	390,087	365,091	366,820	493,619
180,555	174,152	158,031	150,626	147,021	137,671
(6,724)	13,259	24,809	52,598	47,432	30,733
52,699	77,249	61,537	61,472	43,567	39,641
10,598	(5,844)	8,100	38,849	26,653	30,620
8,622	7,848	7,061	6,911	6,638	6,976
1,699	1,677	1,553	1,536	1,655	1,586
30,634	27,614	27,458	24,172	29,055	22,659
6,207,132	**5,272,704**	**4,764,600**	**4,454,331**	**4,148,230**	**4,048,406**
24,193,513	**22,945,772**	**20,560,499**	**19,336,487**	**18,321,299**	**17,627,821**
1,654,616	1,694,147	1,617,400	1,530,670	1,390,695	1,231,619
463,801	466,621	453,957	472,511	425,896	368,240
7,045,052	6,313,817	5,848,554	5,773,902	6,052,454	5,656,373
382,979	333,255	503,633	621,512	650,384	584,722
9,546,448	**8,807,840**	**8,423,544**	**8,398,595**	**8,519,429**	**7,840,954**
2,454,076	2,337,123	2,116,206	2,000,940	1,858,869	1,724,447
1,201,181	1,075,408	984,723	905,000	833,452	769,118
791,037	343,104	339,715	333,423	309,975	367,632
189,406	206,113	173,689	176,324	171,522	148,827
409,628	438,376	577,625	478,462	419,672	422,971
52,809	47,226	86,807	74,224	55,166	47,136
5,098,137	**4,447,350**	**4,278,765**	**3,968,373**	**3,648,656**	**3,480,131**
14,644,585	**13,255,190**	**12,702,309**	**12,366,968**	**12,168,085**	**11,321,085**
(8,439,933)	(8,865,228)	(7,372,355)	(6,483,561)	(5,653,640)	(5,738,461)
(1,108,995)	(825,354)	(485,835)	(485,958)	(499,574)	(568,275)
(9,548,928)	**(9,690,582)**	**(7,858,190)**	**(6,969,519)**	**(6,153,214)**	**(6,306,736)**

Continued on Next Page

Changes in Net Position (Continued)

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	2012	2011	2010
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Individual income	$ 3,479,332	$ 3,101,861	$ 2,880,504	$ 2,659,728
Retail sales and use	4,268,274	4,148,010	3,969,218	3,855,095
Corporate income	386,847	n/a	n/a	n/a
Gas and motor vehicle	557,209	n/a	n/a	n/a
Insurance	139,240	n/a	n/a	n/a
Hospital	263,435	n/a	n/a	n/a
Other	591,748	2,000,124	1,835,036	1,616,347
Unrestricted grants and contributions	159	93,970	223,959	205,965
Unrestricted investment income	55,534	77,729	15,097	41,555
Tobacco legal settlement	73,326	74,122	69,808	68,709
Other revenues	587,564	509,742	571,998	433,166
Special and extraordinary items	—	—	—	—
Transfers	(60,968)	(640,774)	(546,892)	(653,389)
Total governmental activities	**10,341,700**	**9,364,784**	**9,018,728**	**8,227,176**
Business-type activities:				
Unrestricted investment income	8,206	6,953	—	—
Other revenues	85	62	—	—
Additions to endowments	—	20,171	36,945	30,480
Gain on early extinguishment of debt	—	119	35,189	—
Special and extraordinary items	—	—	—	—
Transfers	60,968	640,774	546,892	653,389
Total business-type activities	**69,259**	**668,079**	**619,026**	**683,869**
Total primary government	**10,410,959**	**10,032,863**	**9,637,754**	**8,911,045**
Change in Net Position				
Governmental activities	1,267,427	1,158,455	1,001,633	325,841
Business-type activities	236,627	409,979	692,144	134,338
Total primary government	**$ 1,504,054**	**$ 1,568,434**	**$ 1,693,777**	**$ 460,179**

[a] Beginning with the fiscal year ended June 30, 2006, intergovernmental expenses are no longer reported as a function in the government-wide statements.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 2

Ended June 30

2009	2008	2007	2006	2005	2004
$ 2,805,998	$ 3,341,265	$ 3,349,358	$ 3,156,028	$ 2,762,538	$ 2,416,437
3,908,318	4,236,156	3,803,732	3,613,754	3,221,466	3,009,485
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,682,300	1,838,101	1,787,974	1,753,214	1,469,701	1,390,893
23,896	19,279	15,642	18,664	26,391	80,333
86,639	156,974	134,196	69,438	32,628	18,723
95,115	83,494	79,912	67,841	73,231	74,180
301,321	57,256	61,926	67,012	71,090	75,967
—	5,611	—	—	—	—
(685,972)	(1,015,273)	(951,021)	(784,746)	(714,238)	(668,515)
8,217,615	**8,722,863**	**8,281,719**	**7,961,205**	**6,942,807**	**6,397,503**
—	—	—	—	—	—
—	—	—	—	—	—
31,934	19,118	—	—	—	—
—	—	—	—	—	—
—	—	—	(539)	(556)	(773)
685,972	1,015,273	951,021	784,746	714,238	668,515
717,906	**1,034,391**	**951,021**	**784,207**	**713,682**	**667,742**
8,935,521	**9,757,254**	**9,232,740**	**8,745,412**	**7,656,489**	**7,065,245**
(222,318)	(142,365)	909,364	1,477,644	1,289,167	659,042
(391,089)	209,037	465,186	298,249	214,108	99,467
$ (613,407)	**$ 66,672**	**$ 1,374,550**	**$ 1,775,893**	**$ 1,503,275**	**$ 758,509**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
General Fund				
Reserved [1]	$ —	$ —	$ —	$ 184,645
Non-spendable	67,717	67,842	86,993	a
Restricted	337,687	1,335	1,077	a
Committed	650,545	384,252	582,085	a
Assigned	996,539	495,878	349,619	a
Unassigned, previously unreserved	791,549	944,742	478,756	(36,290)
Total General Fund	**2,844,037**	**1,894,049**	**1,498,530**	**148,355**
All other governmental funds				
Reserved [1]	—	—	—	2,167,253
Non-spendable	771,168	795,761	790,205	a
Restricted	2,045,302	2,330,297	2,297,364	a
Committed	166,205	145,613	127,220	a
Assigned	156,918	132,045	104,298	a
Special revenue funds	a	a	a	726,389
Capital projects fund	a	a	a	362,097
Permanent funds	a	a	a	1,473
Unassigned, previously unreserved	(306,677)	(635,940)	(1,000,102)	1,089,959
Total all other governmental funds	**2,832,916**	**2,767,776**	**2,318,985**	**3,257,212**
Total fund balances, governmental funds	**$5,676,953**	**$4,661,825**	**$3,817,515**	**$3,405,567**

Note: Certain fiscal year data has been restated for consistency.
Balances were not restated for GASB 54 effects in this presentation.

[1] Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal 2010-2011.
a Information detailed in presentation changed in fiscal 2010-2011 with the implementation of GASB 54.

Source: South Carolina Comptroller General's Office

Table 3

Ended June 30					
2009	**2008**	**2007**	**2006**	**2005**	**2004**
$ 231,201	$ 341,773	$ 413,157	$ 280,169	$ 142,662	$ 90,605
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
(125,972)	(9,977)	679,780	833,676	345,437	(97,632)
105,229	**331,796**	**1,092,937**	**1,113,845**	**488,099**	**(7,027)**
2,124,977	2,077,825	2,153,086	2,027,383	1,942,261	1,902,990
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
806,524	1,258,938	1,454,483	614,501	1,224,530	961,307
248,130	234,123	240,134	307,633	183,763	178,711
1,502	1,209	1,070	496,290	983	970
1,056,156	1,494,270	1,695,687	1,418,424	1,409,276	1,140,988
3,181,133	**3,572,095**	**3,848,773**	**3,445,807**	**3,351,537**	**3,043,978**
$3,286,362	**$3,903,891**	**$4,941,710**	**$4,559,652**	**$3,839,636**	**$3,036,951**

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
Revenues				
Taxes:				
Individual income	$ 3,480,213	$ 3,114,888	$ 2,898,388	$ 2,658,700
Retail sales and use	4,268,274	4,148,009	3,969,218	3,855,095
Corporate Income	386,847	n/a	n/a	n/a
Gas and motor vehicle	557,209	n/a	n/a	n/a
Insurance	139,240	n/a	n/a	n/a
Hospital	263,435	n/a	n/a	n/a
Other	591,992	2,046,220	1,753,388	1,586,023
Licenses, fees, and permits	500,684	474,826	511,818	468,758
Interest and other investment income	43,936	140,384	81,772	172,561
Federal	7,464,240	7,615,387	8,404,416	8,475,813
Local and private grants	51,766	54,098	55,466	40,287
State grants	—	—	—	—
Departmental services	776,895	989,677	625,124	232,079
Contributions	390,124	371,989	437,570	434,832
Fines and penalties	131,236	115,161	122,790	163,389
Tobacco legal settlement	73,326	74,122	69,808	68,709
Other	587,574	672,398	572,361	446,384
Total revenues	**19,706,991**	**19,817,159**	**19,502,119**	**18,602,630**
Expenditures				
Current:				
General government	738,335	700,179	690,566	711,761
Education	993,174	946,054	809,161	820,352
Health and environment	6,646,790	6,397,669	6,867,229	5,963,035
Social services	2,075,475	2,056,782	1,878,099	1,831,650
Administration of justice	698,055	720,769	681,808	686,975
Resources and economic development	138,793	189,366	173,047	163,858
Transportation	731,793	835,064	867,372	902,784
Capital outlay	454,053	400,354	568,225	470,201
Debt service:				
Principal retirement	270,223	324,456	313,261	713,643
Interest and fiscal charges	201,304	217,890	205,811	200,409
Intergovernmental	5,763,966	5,602,752	5,705,721	6,109,264
Total expenditures	**18,711,961**	**18,391,335**	**18,760,300**	**18,573,932**
Excess of revenues over (under) expenditures	**995,030**	**1,425,824**	**741,819**	**28,698**
Other financing sources (uses)				
Bonds and notes issued	—	810	205,507	301,672
Refunding bonds issued	424,910	398,665	676,115	388,450
Accrued interest on refunding bonds issued	—	—	—	—
Premiums on bonds issued	53,560	47,398	37,581	49,600
Discounts on bonds issued	—	—	(5,314)	(87)
Capital leases	—	230	166	—
Receipts from swap counter-parties	—	—	—	—
Payment of termination fee to swap counter-party	—	—	—	—
Payments to refunded bond escrow agent	(476,620)	(422,456)	(528,423)	—
Redemption of refunded bonds	—	(19,834)	(184,087)	—
Transfers in	431,827	167,133	311,010	735,715
Transfers out	(484,200)	(820,960)	(849,777)	(1,383,899)
Total other financing sources (uses)	**(50,523)**	**(649,014)**	**(337,222)**	**91,451**
Net change in fund balances	**$ 944,507**	**$ 776,810**	**$ 404,597**	**$ 120,149**
Debt service as a percentage of noncapital expenditures	**2.6%**	**3.0%**	**2.9%**	**5.0%**

Table 4

Ended June 30

2009	2008	2007	2006	2005	2004
$ 2,828,668	$ 3,360,054	$ 3,337,312	$ 3,127,734	$ 2,765,012	$ 2,408,756
3,908,318	4,254,318	3,805,628	3,631,350	3,225,931	2,996,073
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,653,678	1,810,088	1,762,708	1,740,273	1,437,920	1,373,468
502,811	522,131	519,707	493,527	462,186	415,445
225,837	315,962	273,949	157,015	122,958	75,349
6,801,787	6,015,003	5,770,911	5,949,905	5,975,208	5,659,928
50,523	52,347	9,715	11,448	9,924	9,183
—	—	—	65	3,469	—
746,106	747,419	638,441	727,251	640,350	668,252
379,042	331,689	373,238	406,031	681,174	534,455
120,705	121,359	113,340	111,480	107,197	105,601
95,115	83,493	79,912	67,841	73,231	74,180
376,747	129,096	126,857	98,457	84,203	86,796
17,689,337	**17,742,959**	**16,811,718**	**16,522,377**	**15,588,763**	**14,407,486**
752,983	824,171	857,359	633,822	613,314	533,227
811,215	872,898	811,465	752,980	680,676	652,102
6,219,832	5,564,099	5,243,672	5,143,590	5,129,240	4,931,105
1,529,925	1,271,986	1,143,967	1,048,720	999,624	874,703
716,476	751,182	698,429	637,444	582,748	574,404
205,489	256,526	231,468	198,445	179,635	154,066
655,964	715,538	742,299	779,985	629,430	614,220
384,197	220,744	342,857	623,365	607,683	531,822
353,204	789,639	264,967	250,785	243,050	220,265
220,309	341,027	254,938	257,609	252,889	239,553
5,869,496	6,178,735	5,113,092	4,985,632	4,678,620	4,594,739
17,719,090	**17,786,545**	**15,704,513**	**15,312,377**	**14,596,909**	**13,920,206**
(29,753)	**(43,586)**	**1,107,205**	**1,210,000**	**991,854**	**487,280**
91,521	—	306,991	289,475	303,820	467,795
—	275,730	102,015	221,045	448,160	524,860
—	957	—	—	—	—
4,541	—	9,456	22,222	41,225	11,334
—	(8,249)	(8)	—	—	—
19	513	—	250	700	—
—	7,599	—	—	—	—
—	(7,599)	—	—	—	—
—	(251,180)	(118,350)	(241,235)	(332,801)	(524,606)
—	—	—	—	—	—
759,447	1,099,105	384,755	488,833	205,963	552,574
(1,443,304)	(2,111,109)	(1,410,006)	(1,270,574)	(915,263)	(1,206,111)
(587,776)	**(994,233)**	**(725,147)**	**(489,984)**	**(248,196)**	**(174,154)**
$ (617,529)	**$ (1,037,819)**	**$ 382,058**	**$ 720,016**	**$ 743,658**	**$ 313,126**
3.3%	**6.5%**	**3.4%**	**3.5%**	**3.6%**	**3.5%**

Personal Income by Industry

Last Ten Calendar Years
(expressed in millions)

Sources	Calendar Year 2012	2011	2010
Farm earnings	$ 569	$ 323	$ 421
Agricultural services, forestry, fishing, and other	361	351	347
Mining	103	99	87
Construction	5,829	5,539	5,606
Manufacturing	15,486	14,912	13,692
Transportation and public utilities	4,420	4,279	4,040
Wholesale trade	4,958	4,734	4,452
Retail trade	7,970	7,873	7,592
Finance, insurance, and real estate	7,634	7,427	8,075
Services	38,257	36,929	34,672
Federal government, civilian	2,941	2,870	2,799
Military	3,700	3,601	3,589
State and local government	17,856	17,418	16,611
Other [a]	55,511	53,390	49,553
Total personal income	**$ 165,595**	**$159,745**	**$ 151,536**
Average effective rate [b]	[c]	1.8%	1.8%

[a] Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[b] The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

[c] Information not yet available.

Information has been updated when modifications are provided by the Federal Government Sources.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 5

2009	2008	2007	2006	2005	2004	2003
$ 493	$ 494	$ 292	$ 458	$ 646	$ 643	$ 527
313	321	340	348	319	331	306
80	110	95	100	95	92	87
6,054	7,064	7,754	7,684	6,868	6,486	6,177
13,461	15,061	14,980	14,666	14,433	14,273	14,333
3,937	4,151	4,145	4,055	3,745	3,586	3,413
4,456	4,954	4,804	4,529	4,072	3,685	3,344
7,493	7,865	8,054	7,822	7,437	7,150	6,889
8,302	7,436	6,813	6,658	6,106	5,715	5,498
33,214	33,879	32,358	30,446	28,240	26,649	24,670
2,610	2,502	2,350	2,219	2,134	2,023	1,883
3,540	3,302	3,048	2,877	2,792	2,616	2,415
16,728	16,559	15,628	14,722	13,708	12,904	12,332
47,920	46,469	43,108	39,091	34,753	31,993	29,670
$ 148,601	**$ 150,167**	**$ 143,769**	**$ 135,675**	**$ 125,348**	**$ 118,146**	**$ 111,544**
1.8%	1.9%	2.1%	2.2%	2.2%	2.1%	2.1%

Taxable Sales by Industry

Last Ten Fiscal Years
(expressed in millions)

Sources	For the Fiscal Year 2012 [b]	2011 [b]	2010	2009
Retail trade	$ 32,435	$ 31,293	$ 37,132	$ 38,129
Services	15,923	14,990	4,976	5,189
Transportation, communication, and utilities	2,139	2,125	5,403	5,292
Wholesale trade	1,988	2,041	2,338	2,519
Other	925	933	1,276	1,539
Total taxable sales	**$ 53,410**	**$ 51,382**	**$ 51,125**	**$ 52,668**

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year 2012	2011	2010	2009
Retail trade	60.7%	60.9%	72.6%	72.4%
Services	29.8%	29.2%	9.7%	9.9%
Transportation, communication, and utilities	4.0%	4.1%	10.6%	10.0%
Wholesale trade	3.7%	4.0%	4.6%	4.8%
Other	1.8%	1.8%	2.5%	2.9%
Total taxable sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sales tax rate[a]	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[a] Excludes the 2% accommodations tax and the local option sales tax; includes the 4% retail sales tax (5% beginning June 1, 2007) and 1% Education Improvement Act sales tax.

[b] Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

Table 6

Ended June 30

2008	2007	2006	2005	2004	2003
$ 44,061	$ 47,331	$ 44,258	$ 41,133	$ 38,118	$ 34,692
5,754	5,426	5,172	4,747	4,552	4,222
5,229	5,041	4,682	4,175	4,054	3,587
2,869	2,851	3,466	3,173	2,950	3,041
1,748	1,935	1,781	1,390	1,073	863
$ 59,661	**$ 62,584**	**$ 59,359**	**$ 54,618**	**$ 50,747**	**$ 46,405**

Table 7

Ended June 30

2008	2007	2006	2005	2004	2003
73.9%	75.6%	74.6%	75.3%	75.1%	74.8%
9.6%	8.7%	8.7%	8.7%	9.0%	9.1%
8.8%	8.1%	7.9%	7.6%	8.0%	7.7%
4.8%	4.6%	5.8%	5.8%	5.8%	6.6%
2.9%	3.0%	3.0%	2.6%	2.1%	1.8%
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
6.0%	**6.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**

Personal Income Tax Rates

Table 8

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets		Average Effective Rate[a]
			Low	High	
2012	0.0% - 7.0%	6	2,800	14,000	b
2011	0.0% – 7.0%	6	2,760	13,800	1.8%
2010	0.0% – 7.0%	6	2,740	13,700	1.8%
2009	0.0% – 7.0%	6	2,740	13,700	1.8%
2008	0.0% – 7.0%	6	2,670	13,350	1.9%
2007	0.0% – 7.0%	6	2,630	13,150	2.1%
2006	2.5% – 7.0%	6	2,570	12,850	2.2%
2005	2.5% – 7.0%	6	2,530	12,650	2.2%
2004	2.5% – 7.0%	6	2,500	12,500	2.1%
2003	2.5% – 7.0%	6	2,460	12,300	2.1%

[a] The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

[b] Not yet available.

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

Personal Income Tax Filers and Liability by Income Level

Table 9

Calendar Years 2011 and 2002
(dollars, except income level, expressed in thousands)

2011 [a]

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	86,923	4.2%	$ 1,109,018	39.3%
$75,001 - $100,000	67,102	3.3%	349,961	12.4%
$50,001 - $75,000	138,259	6.7%	493,789	17.5%
$25,001 - $50,000	291,192	14.1%	564,562	20.0%
$10,001 - $25,000	343,252	16.5%	238,746	8.5%
$10,000 and lower	1,135,120	55.2%	62,985	2.3%
Total	**2,061,848**	**100.0%**	**$ 2,819,061**	**100.0%**

2002

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	47,772	2.6%	$ 674,796	30.7%
$75,001 - $100,000	41,169	2.3%	215,193	9.8%
$50,001 - $75,000	113,339	6.2%	405,150	18.4%
$25,001 - $50,000	285,401	15.7%	569,603	25.9%
$10,001 - $25,000	361,990	20.0%	279,949	12.7%
$10,000 and lower	967,957	53.2%	51,312	2.5%
Total	**1,817,628**	**100.0%**	**$ 2,196,003**	**100.0%**

[a] Information for 2012 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
Governmental Activities				
General obligation bonds	$1,376,697	$1,571,957	$1,756,397	$1,950,048
Limited obligation bonds	2,408	3,822	5,161	6,435
Tobacco Authority bonds	—	—	63,161	120,653
Infrastructure Bank bonds	2,003,486	2,074,308	2,135,772	2,051,545
Revenue bonds	24,318	27,424	30,400	33,251
Notes payable	27,126	41,430	50,172	60,944
Capital leases	349	318	261	242
Total governmental activities	3,434,384	3,719,259	4,041,324	4,223,118
Business-Type Activities				
Revenue bonds	6,360	—	—	—
Total business-type activities	6,360	—	—	—
Total primary government	**$3,440,744**	**$3,719,259**	**$4,041,324**	**$4,223,118**
Debt as a percentage of personal income	[a]	2.2%	2.5%	2.8%
Debt per capita expressed in actual dollars	[a]	$ 787	$ 865	$ 911

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's

Table 10

Ended June 30 2009	2008	2007	2006	2005	2004
$1,857,510	$2,016,952	$2,214,865	$2,405,119	$2,298,253	$2,266,261
7,629	9,352	10,985	15,291	19,392	23,304
176,180	242,891	769,755	796,900	820,905	845,630
2,091,864	2,125,640	2,162,973	1,917,706	1,947,393	1,725,514
35,982	38,598	41,044	22,169	23,521	24,802
35,820	20,362	15,622	21,021	10,311	8,884
404	672	939	1,894	2,856	3,256
4,205,389	4,454,467	5,216,183	5,180,100	5,122,631	4,897,651
—	—	—	—	—	—
—	—	—	—	—	—
$4,205,389	**$4,454,467**	**$5,216,183**	**$5,180,100**	**$5,122,631**	**$4,897,651**
2.8%	3.0%	3.6%	3.8%	4.1%	4.1%
$ 922	$ 989	$ 1,179	$ 1,194	$ 1,204	$ 1,166

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2013	**2012**	**2011**	**2010**
Governmental Activities				
Capital improvement bonds	$ 191,926	$ 243,248	$ 294,497	$ 355,264
State highway bonds	390,046	433,266	470,125	510,365
State school facilities bonds	204,120	264,245	321,243	375,742
Infrastructure Bank bonds	44,052	45,953	48,055	50,026
State economic development bonds	356,623	377,809	398,026	417,633
Research university infrastructure bonds	147,989	162,626	176,817	190,594
Air carrier hub terminal facilities bonds	41,941	44,810	47,634	50,424
Total governmental activities	1,376,697	1,571,957	1,756,397	1,950,048
Total primary government	**$ 1,376,697**	**$ 1,571,957**	**$ 1,756,397**	**$ 1,950,048**
Debt as a percentage of personal income	[a]	0.9%	1.1%	1.3%
Debt per capita expressed in actual dollars	[a]	$ 333	$ 376	$ 421

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 11

Ended June 30 2009	2008	2007	2006	2005	2004
$ 424,080	$ 514,410	$ 603,762	$ 693,815	$ 801,626	$ 917,949
548,278	622,145	663,582	699,669	725,434	609,939
427,355	476,498	523,305	567,873	611,126	650,565
51,921	53,742	55,491	57,171	58,785	60,333
206,371	217,449	227,992	238,109	101,282	27,475
199,505	132,708	140,733	148,482	—	—
—	—	—	—	—	—
1,857,510	2,016,952	2,214,865	2,405,119	2,298,253	2,266,261
$ 1,857,510	**$ 2,016,952**	**$ 2,214,865**	**$ 2,405,119**	**$ 2,298,253**	**$ 2,266,261**
1.2%	1.3%	1.5%	1.8%	1.8%	1.9%
$ 407	$ 448	$ 501	$ 554	$ 540	$ 539

Computation of Legal Debt Margin

June 30, 2013
(Expressed in Thousands)

Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

HIGHWAY BONDS		
2011-2012 Budgetary General Fund revenues pledged for highway bonds	$	10,396
2011-2012 other revenues pledged for highway bonds		625,108
2011-2012 revenues pledged for highway bonds		635,504
15% of 2011-2012 revenues pledged for highway bonds		95,326
Less: maximum annual debt service for highway bonds [a]		57,717
Legal debt service margin at June 30, 2013--highway bonds	**$**	**37,609**
GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)[d]		
2011-2012 Budgetary General Fund revenues	$	5,857,795
Less: 2011-2012 Budgetary General Fund revenues pledged for highway bonds [b]		10,396
2011-2012 net Budgetary General Fund revenues		5,847,399
6% of 2011-2012 net Budgetary General Fund revenues		350,844
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes [c]		173,992
Legal debt service margin at June 30, 2013--general obligation bonds excluding institution and highway bonds and bond anticipation notes	**$**	**176,852**

Table 12

ECONOMIC DEVELOPMENT BONDS[e]		
2011-2012 Budgetary General Fund revenues	$	5,857,795
Less: 2011-2012 Budgetary General Fund revenues pledged for highway bonds [b]		10,396
2011-2012 net Budgetary General Fund revenues		5,847,399
0.5% of 2011-2012 net Budgetary General Fund revenues		29,237
Less: maximum annual debt service for research university infrastructure bonds [a]		24,521
Legal debt service margin at June 30, 2013--economic development bonds	**$**	**4,716**
RESEARCH UNIVERSITY INFRASTRUCTURE BONDS		
2011-2012 Budgetary General Fund revenues	$	5,857,795
Less: 2011-2012 Budgetary General Fund revenues pledged for highway bonds [b]		10,396
2011-2012 net Budgetary General Fund revenues		5,847,399
0.5% of 2011-2012 net Budgetary General Fund revenues		29,237
Less: maximum annual debt service for research university infrastructure bonds [a]		20,452
Legal debt service margin at June 30, 2013--research university infrastructure bonds	**$**	**8,785**

[a] As of June 30, 2013, the maximum annual debt service will occur in the fiscal year ending June 30, 2014.

[b] For the fiscal year ended June 30, 2013, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

[c] As of June 30, 2013, the maximum annual debt service will occur in the fiscal year ending June 30, 2015.

[d] During the fiscal year ended June 30, 2010, the State issued $50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than $50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

[e] During the fiscal year ended June 30, 2010, the State issued $170 million of Economic Development bonds which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. This $170 million bond issue has been excluded from the debt service limit calculations.

Source: South Carolina Comptroller General's Office

Legal Debt Margin Information

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2013	2012	2011	2010
State Highway Bonds				
Debt service limitation	$ 95,326	$ 95,525	$ 93,729	$ 93,382
Debt service applicable to limit	57,717	58,390	58,831	60,997
Legal debt margin at June 30	**$ 37,609**	**$ 37,135**	**$ 34,898**	**$ 32,385**
Legal debt margin as a percentage of debt service limitation	**39.5%**	**38.9%**	**37.2%**	**34.7%**
General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes				
Debt service limitation	$ 350,844	$ 337,073	$ 313,772	$ 331,738
Debt service applicable to limit	173,992	180,387	183,438	199,556
Legal debt margin at June 30	**$ 176,852**	**$ 156,686**	**$ 130,334**	**$ 132,182**
Legal debt margin as a percentage of debt service limitation	**50.4%**	**46.5%**	**41.5%**	**39.8%**
Economic Development Bonds				
Debt service limitation	$ 29,237	$ 28,089	$ 26,148	$ 27,645
Debt service applicable to limit	24,521	24,521	24,655	24,655
Legal debt margin at June 30	**$ 4,716**	**$ 3,568**	**$ 1,493**	**$ 2,990**
Legal debt margin as a percentage of debt service limitation	**16.1%**	**12.7%**	**5.7%**	**10.8%**
Research University Infrastructure Bonds				
Debt service limitation	$ 29,237	$ 28,089	$ 26,148	$ 27,645
Debt service applicable to limit	20,452	20,624	20,820	21,019
Legal debt margin at June 30	**$ 8,785**	**$ 7,465**	**$ 5,328**	**$ 6,626**
Legal debt margin as a percentage of debt service limitation	**30.0%**	**26.6%**	**20.4%**	**24.0%**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Source: South Carolina Comptroller General's Office

Table 13

Ended June 30					
2009	**2008**	**2007**	**2006**	**2005**	**2004**
$ 98,037	$ 101,853	$ 96,128	$ 90,101	$ 87,988	$ 83,574
64,078	71,766	71,766	71,766	71,766	60,412
$ 33,959	**$ 30,087**	**$ 24,362**	**$ 18,335**	**$ 16,222**	**$ 23,162**
34.6%	**29.5%**	**25.3%**	**20.3%**	**18.4%**	**27.7%**
$ 382,086	$ 397,558	$ 370,495	$ 332,122	$ 278,531	$ 270,334
198,074	221,525	225,409	230,124	226,157	233,275
$ 184,012	**$ 176,033**	**$ 145,086**	**$ 101,998**	**$ 52,374**	**$ 37,059**
48.2%	**44.3%**	**39.2%**	**30.7%**	**18.8%**	**13.7%**
$ 31,841	$ 33,130	$ 30,875	$ 27,677	$ 25,321	$ 24,576
21,229	21,229	21,284	21,342	9,632	2,198
$ 10,612	**$ 11,901**	**$ 9,591**	**$ 6,335**	**$ 15,689**	**$ 22,378**
33.3%	**35.9%**	**31.1%**	**22.9%**	**62.0%**	**91.1%**
$ 31,841	$ 33,130	$ 30,875	$ 27,677	$ —	$ —
21,019	13,777	13,882	13,980	—	—
$ 10,822	**$ 19,353**	**$ 16,993**	**$ 13,697**	**$ —**	**$ —**
34.0%	**58.4%**	**55.0%**	**49.5%**	**—**	**—**

Pledged Revenue Coverage

Table 14

Last Ten Fiscal Years
(expressed in thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Budget and Control Board—Revenue Bonds					
2013	$ 2,384	$ 1,780	$ 604	$ 2,384	1.00
2012	2,384	1,695	689	2,384	1.00
2011	2,382	1,620	762	2,382	1.00
2010	2,371	1,540	831	2,371	1.00
2009	2,367	1,470	897	2,367	1.00
2008	2,324	1,385	939	2,324	1.00
2007	2,298	1,320	978	2,298	1.00
2006	2,276	1,260	1,016	2,276	1.00
2005	2,242	1,190	1,052	2,242	1.00
2004	2,226	1,140	1,086	2,226	1.00
Infrastructure Bank Bonds					
2013	$ 212,078	$ 60,730	$ 95,789	$ 156,519	1.35
2012	217,883	54,410	103,703	158,113	1.38
2011	246,542	48,418	96,606	145,024	1.70
2010	213,689	46,275	99,624	145,899	1.46
2009	207,747	40,750	99,446	140,196	1.48
2008	194,969	44,355	103,541	147,896	1.32
2007	195,754	41,070	90,284	131,354	1.49
2006	166,443	37,940	93,409	131,349	1.27
2005	147,206	27,855	89,313	117,168	1.26
Tobacco Settlement Revenue Management Authority Bonds					
2013	$ 73,326	$ —	$ —	$ —	N/A
2012	74,122	71,700	3,585	75,285	0.98
2011	69,808	65,265	3,585	68,850	1.01
2010	68,709	63,035	10,000	73,035	0.94
2009	95,115	75,730	13,787	89,517	1.06
2008	83,493	390,735	48,540	439,275	0.19
2007	79,912	—	50,761	50,761	1.57
2006	67,841	—	52,601	52,601	1.29
2005	73,232	—	54,496	54,496	1.34
2004	74,180	—	56,354	56,354	1.32

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Demographic Statistics

Table 15

Last Ten Calendar Years

Year	Population at July 1 [a]	Per Capita Income [b]	Average Annual Unemployment Rate [c]
2012	4,723,723	$ 35,056	9.4%
2011	4,673,348	34,182	10.3%
2010	4,635,835	32,688	11.2%
2009	4,561,242	32,579	11.7%
2008	4,503,280	33,346	6.9%
2007	4,424,232	32,496	5.6%
2006	4,339,399	31,266	6.4%
2005	4,256,199	29,451	6.8%
2004	4,201,306	28,121	6.8%
2003	4,146,474	26,901	6.7%

[a] Source: U.S. Census Bureau

[b] Per capita income is calculated by dividing total personal income by population.
Information has been updated when modifications are provided by the Federal Government Sources.

[c] Source: U.S. Department of Labor

Employment by Industry

Table 16

Latest Completed Calendar Year and Nine Years Prior

Sources	2012 Number of Employees	2012 Percent of Total	2003 Number of Employees	2003 Percent of Total
Contract construction	77,800	4.2%	112,400	6.2%
Manufacturing:				
Durable goods	125,500	6.8%	134,000	7.4%
Nondurable goods	94,200	5.1%	140,900	7.8%
Transportation, communication, and public utilities	62,200	3.3%	61,600	3.4%
Wholesale and retail trade:				
Wholesale	66,100	3.6%	63,500	3.5%
Retail	226,000	12.2%	222,900	12.3%
Information	25,700	1.4%	27,100	1.5%
Finance, insurance and real estate	98,800	5.3%	91,500	5.1%
Services and mining	735,300	39.6%	628,200	34.7%
Government:				
Federal	32,900	1.8%	28,100	1.6%
State and local	313,700	16.7%	299,400	16.5%
Total wage and salary employment	**1,858,200**	**100.0%**	**1,809,600**	**100.0%**

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

Ten Largest Employers

Table 17

Latest Completed Calendar Year and Nine Years Prior
(Listed alphabetically)

2012	2003
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Palmetto Health Alliance, Inc.
Palmetto Health Alliance, Inc.	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

Government Employees by Function

Last Ten Fiscal Years

Function	Permanent Employees 2013	2012	2011	2010
General government	5,748	5,927	5,915	6,108
Education	2,717	2,726	2,772	2,968
Higher education	29,536	29,518	28,547	28,414
Health and environment	9,675	9,875	10,399	10,998
Social services	3,222	3,150	3,235	3,689
Administration of justice	9,261	9,295	9,442	9,631
Resources and economic development	1,477	1,410	1,437	1,675
Transportation	4,417	4,471	4,536	5,006
Other	303	300	307	314
Totals	**66,356**	**66,672**	**66,590**	**68,803**

Source: South Carolina Comptroller General's Office

Table 18

as of June 30					
2009	**2008**	**2007**	**2006**	**2005**	**2004**
6,307	6,532	6,457	6,267	6,195	6,136
2,990	3,084	3,014	2,922	3,053	3,054
28,271	26,972	26,095	27,185	26,569	26,078
11,487	12,286	12,237	12,461	13,010	13,341
3,990	3,998	3,904	3,627	3,618	3,693
9,954	10,280	10,098	9,747	9,417	9,620
1,738	1,856	1,818	1,776	1,746	1,727
5,050	5,065	4,880	4,794	5,002	4,960
317	313	314	306	313	310
70,104	**70,386**	**68,817**	**69,085**	**68,923**	**68,919**

Operating Indicators by Function

Last Nine Fiscal Years [a]

	For the Fiscal Year			
	2013	2012	2011	2010
General government				
Individual income tax returns processed	2,444,843	2,406,252	2,482,647	2,379,693
Corporate income tax returns processed	208,208	194,680	197,608	183,224
Department of Motor Vehicles transactions	11,541,043	10,522,707	9,898,064 [b]	11,989,686
Workers' compensation cases reviewed	53,683	44,327	43,464	53,407
Education				
Public school enrollment	731,679	719,201	714,421	712,240
Average operating miles per school bus	16,041	15,048	15,950	15,795
State Museum visitors	143,199	185,124	136,346	156,810
Health and environment				
Medicaid eligible participants	1,152,888	1,069,195	1,019,508	975,275
Women, Infant and Children (WIC) participants	130,525	130,646	130,097	133,942
Community mental health center clients	89,510	83,880	85,244 [b]	88,726
Social services				
Average food stamp households per month	415,475	444,268	384,936	346,807
Child Protective Services investigations	11,921	15,803	17,763	18,805
Administration of justice				
Adult prison average daily population	22,152	22,776	23,358	24,105
Juvenile facility average daily population	508	532	635	739
Resources and economic development				
Dept of Commerce capital investment projects	151	149	172	161
Welcome Center visitors	2,046,582	2,158,943	2,023,488	2,323,877
Hunting and fishing licenses processed	938,736	965,598	996,890	958,014
Watercraft registrations	462,926	450,935	442,057	429,233
Transportation				
Miles of surface repair	150,859	137,479	150,590	178,084
Miles of roadway inspections	341,907	325,930	361,226	448,492
Higher education and support				
Total headcount enrollment	209,023	208,302	205,080	200,204
Degrees awarded	48,405	38,545	35,958	27,705
Unemployment compensation benefits				
Initial claims	259,865	278,714	310,528	386,818
Total benefit weeks claimed	1,787,530	2,402,387	2,992,594	4,331,564
Financing of housing facilities				
Mortgage loans serviced	12,966	15,977	15,740	15,813
Families receiving rental assistance	19,960	19,886	19,918	19,931
Medical malpractice insurance				
Membership total	3,020	3,374	3,570	4,230
Financing of student loans				
Number of student loans outstanding	416,988	482,691	537,090	371,205
Tuition prepayment program				
Individual accounts	4,620	5,935	6,052	6,135
State maritime museum				
Museum visitors and other area patrons	296,980	273,283	270,802	268,965
Insurance claims processing				
Second Injury Fund claims paid	n/a	3,312	3,224	3,118
Other				
Public railway carloads (calendar year)	88,746	88,746	66,618	64,554

[a] Prior fiscal year data is not readily available.

[b] Processing changes resulted in evaluation differences for service monitoring.

Source: South Carolina Comptroller General's Office

Table 19

Ended June 30

2009	2008	2007	2006	2005
2,393,919	2,421,786	2,273,202	2,172,409	2,112,766
185,200	166,237	164,855	155,228	156,784
12,430,183	13,234,198	13,331,078	13,474,463	12,670,522
63,493	77,961	82,603	127,848	111,869
707,739	701,749	698,290	694,155	680,635
15,600	15,651	16,000	15,685	15,600
154,487	131,731	141,202	145,845	148,752
934,090	903,397	902,308	932,708	983,981
134,618	124,033	112,467	107,413	108,341
88,999	87,762	87,641	89,480	90,733
287,867	248,314	231,053	225,456	216,602
17,621	18,560	18,168	16,898	17,186
24,081	23,958	23,437	22,964	22,970
858	910	985	1,043	1,074
190	179	139	137	105
2,123,161	2,281,295	2,378,630	2,454,311	2,525,294
840,956	839,696	811,025	781,882	704,882
429,532	430,377	433,158	415,993	396,915
162,938	158,512	167,551	163,829	173,620
401,426	342,981	332,559	313,530	270,024
187,253	180,479	176,415	174,686	172,386
26,835	26,237	26,063	25,622	24,826
545,137	292,661	304,464	299,975	313,629
4,206,476	1,964,982	1,998,836	1,930,718	2,129,960
16,789	16,379	14,400	12,068	10,703
19,955	20,100	20,129	20,872	20,478
4,568	5,466	6,320	7,050	7,166
386,748	189,292	351,024	323,536	332,794
6,239	6,315	6,388	6,452	6,262
264,244	264,326	259,425	260,827	240,811
3,404	3,661	3,951	3,860	4,520
92,136	95,521	82,036	88,245	88,242

Capital Assets by Function

Last Nine Fiscal Years [a]

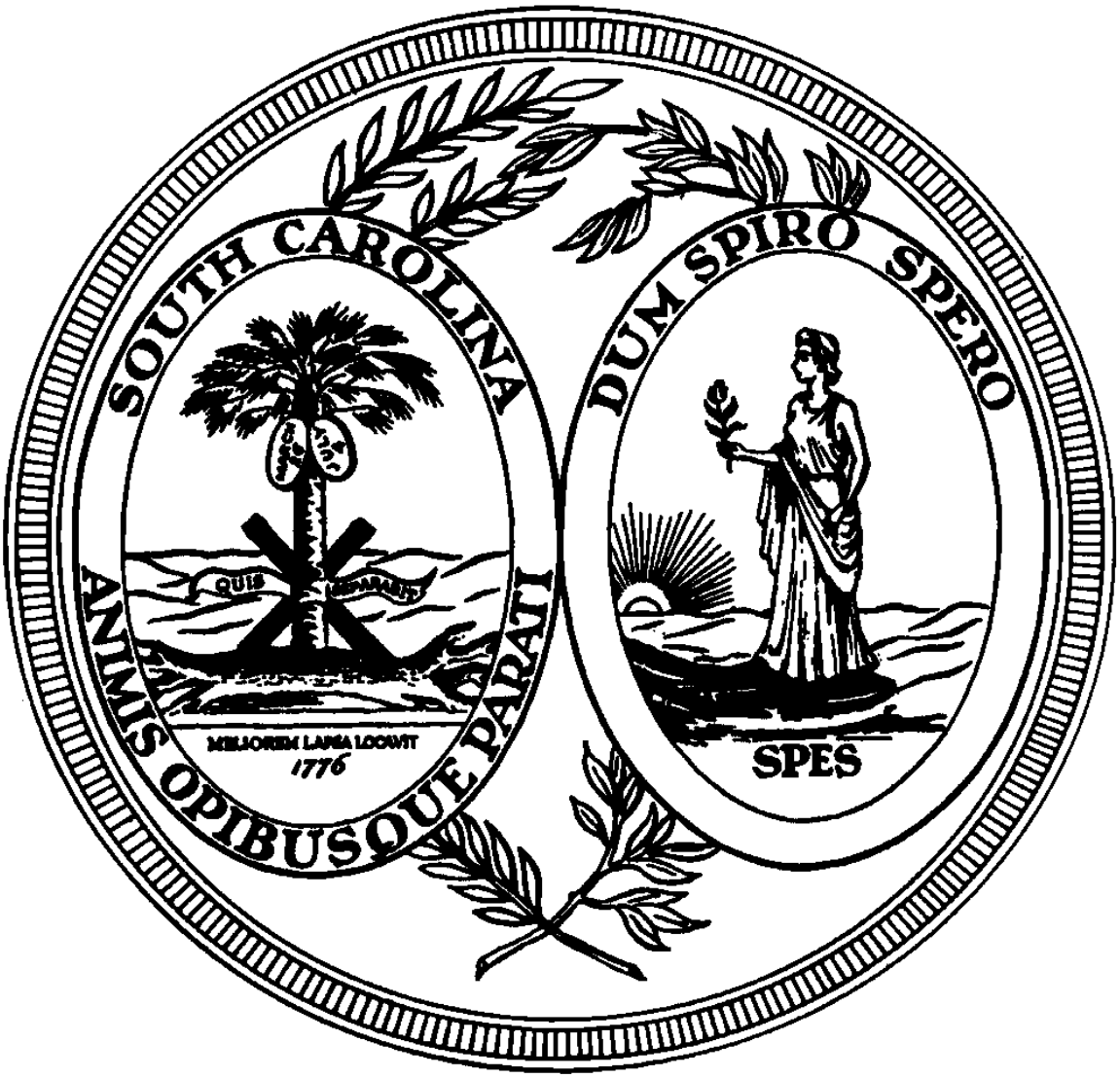
	For the Fiscal Year			
	2013	2012	2011	2010
General government				
Buildings and facilities	46	33	33	32
State armories	66	63	63	63
Fleet vehicles	2,991	3,092	2,957	3,316
Motor vehicle district offices	67	67	68	69
Education				
School buses	5,705	5,630	5,636	5,677
Television transmitters	11	11	11	11
Vocational training/client centers	35	35	35	35
Health and environment				
Mental health hospitals	148	149	150	151
Community mental health centers	51	48	48	47
Regional special needs centers	5	5	5	5
Social services				
Buildings and facilities	65	66	66	66
Administration of justice				
Adult correctional institutions	26	27	28	28
Juvenile correctional facilities	7	7	7	7
Highway patrol district offices	6	6	6	7
Highway patrol vehicles	1,050	1,054	1,060	1,162
Resources and economic development				
Acres of State parks	86,370	84,604	83,118	83,118
Acres of State forests	94,215	94,215	94,215	92,552
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
Vehicles and boats	1,081	1,223	841	1,121
Transportation				
Miles of State highways	66,243	66,126	66,008	66,262
Weigh stations	8	8	8	9
Traffic cameras	360	360	350	350
Miles of cable median barriers	480	480	480	476
Higher education				
Number of campuses	33	33	33	33
Buildings-universities	885	852	857	833
Buildings-technical colleges	314	310	308	303
Buildings-student residences	319	319	297	300
State maritime museum				
Vintage aircraft	4	4	4	4
Historical period exhibits	15	15	15	15
Other				
Rail yards	3	3	3	3
State-owned locomotives	10	10	10	10

[a] Prior fiscal year data is not readily available.

Source: South Carolina Comptroller General's Office

Table 20

Ended June 30				
2009	2008	2007	2006	2005
32	32	33	33	33
65	63	62	65	65
3,599	3,831	3,515	2,687	2,357
69	69	69	69	69
6,117	6,420	6,274	5,788	6,453
11	11	11	11	11
35	35	35	35	35
150	154	137	111	111
49	47	59	60	60
5	5	5	5	5
66	66	66	66	66
28	28	28	29	29
7	7	7	7	7
7	7	7	7	7
1,162	1,237	1,004	1,055	1,222
82,813	81,824	81,807	81,168	81,168
92,552	91,466	91,466	91,600	91,600
53	53	53	53	53
3	3	3	3	3
1,203	1,280	1,026	1,538	1,575
66,256	66,248	66,242	66,240	66,252
9	9	9	9	9
320	300	300	250	179
476	476	470	470	442
33	33	33	33	33
792	773	787	810	815
302	297	286	277	282
327	388	373	340	335
4	4	4	4	4
15	15	15	15	3
3	3	3	3	3
10	10	13	13	13



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information:
Total printing cost was $301.00; 100 copies were printed at a cost of $3.01 each.