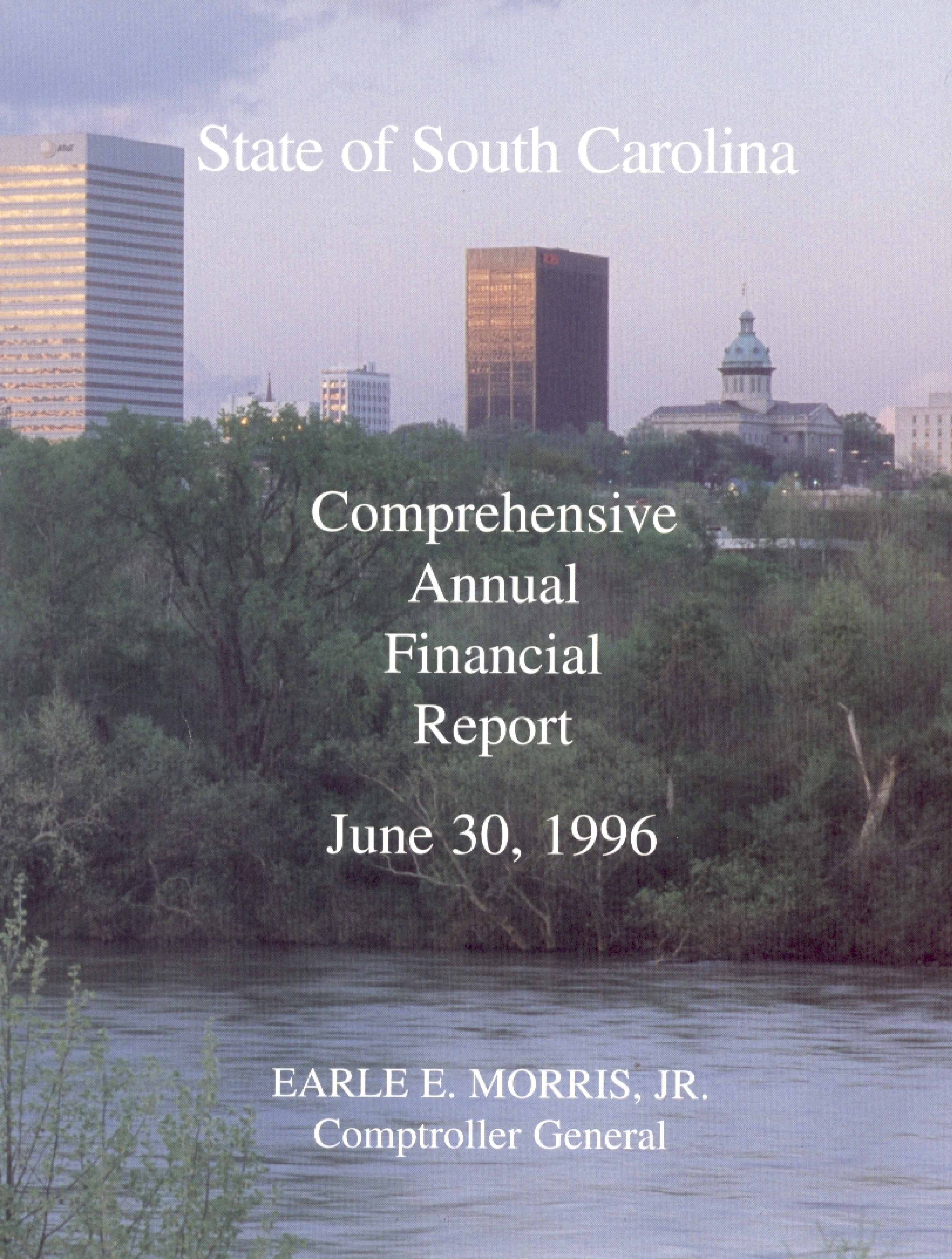

State of South Carolina

Comprehensive Annual Financial Report

June 30, 1996

EARLE E. MORRIS, JR.
Comptroller General

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Earle E. Morris, Jr. was first elected Comptroller General in 1976. He has been reelected to each subsequent term by the South Carolina electorate. Before becoming Comptroller General, he served in the State House of Representatives from 1951 to 1955, the State Senate from 1955 to 1970 and as the Lieutenant Governor from 1971 to 1975.

On the cover:

The skyline of Columbia, South Carolina's capitol city, is framed by forestland. The quality of life throughout the State, from metropolitan to rural areas, is dependent on the multiple benefits of our forest resource.

STATE OF SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30,

1996

Prepared by the Comptroller General's Office

FREEDOM'S TREE

On June 28, 1776, the British fleet attacked Charlestowne in the colony of South Carolina.

The island fort defending the city was on Sullivan's Island. The American colonists defending the fort were vastly outmanned and outmunitioned but not outmaneuvered.

The cannon balls from the British ships struck the fort—later named Fort Moultrie after its commanding officer, Colonel William Moultrie—but could not penetrate its walls. The fort was constructed from the spongy wood of the palmetto tree, our State tree. The palmetto wood had absorbed the shots without splintering.

After several days the British fleet withdrew in defeat. Perhaps this victory gave additional courage to those who signed the Declaration of Independence a week later on July 4, 1776.

One of the mortally wounded in this battle said this as his last words: "Don't let liberty expire with me."

It did not.

Earle E. Morris, Jr.

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

SEEING THE FOREST *AND* THE TREES

South Carolina's state symbol is a tree—the Palmetto—and for good reason. Trees, in one way or the other, have shaped South Carolina history unlike any other resource.

For the earliest occupants of what is now South Carolina soil—tribes such as the Catawba, Cherokee and Kiawah—trees formed the canopy of greenery which sustained a treasure of wildlife and vegetation. Christopher Columbus discovered along the coast of his New World trees "of a thousand kind and tall."

To early European settlers, trees of sufficient height and girth were treasured as ship masts and their by-products—items such as tar, pitch and turpentine—supported the maritime industry. Trees, in seemingly unending abundance, were the materials of the small log homes and the grand country manors. Trees were cleared for the farms, the towns and the great tracts of South Carolina plantations.

The clearings renewed themselves as great pine forests, and later generations of South Carolinians logged the forests for railroad ties, housing developments and a new source of industrial activity—the production of pulp and paper.

Along the way, South Carolinians also learned that trees were not, in fact, an unending abundance. Forest protection, management and renewal became an important part of the public policy of the state, and trees today remain an essential ingredient of the state's sustainable economic resources.

South Carolinians can enjoy the best of both worlds. They can experience the inspiring beauty of the palmetto and live oak along the coast, the majesty of the blackwater cypress, and the vitality of the colorful upland oaks, gums and hickories.

They can also take special pride in the knowledge that the forests are at work for the State. South Carolina has some 12.4 million acres of forest land, mostly privately owned, with an annual harvest of around $527 million. More than 38,000 South Carolinians rely on the forests for their jobs.

Readers of this report will learn of the financial conditions and policies of one of the nation's most fiscally conservative states. They will also find photographic and textual references to a state which treasures its natural beauty and exercises careful stewardship over its economic resources. Fiscal tradition and natural heritage, it should be noted, are inextricably bound together in South Carolina.

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Over two-thirds of South Carolina is covered in forests, which are as varied as the topography of the State. Hardwoods predominate in the rolling hills of the upstate, and the flat lands of the Coastal Plain have extensive pine forests.

CONTENTS

INTRODUCTORY SECTION

Page

Letter of Transmittal ... 10
Certificate of Achievement for Excellence in Financial Reporting ... 26
Principal State Officials ... 28
Organization Chart ... 29

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT ... 32

GENERAL PURPOSE FINANCIAL STATEMENTS ... 35
Combined Balance Sheet–All Fund Types, Account Groups, and Discretely Presented Component Units ... 36
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–All Governmental Fund Types and Expendable Trust Funds ... 40
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual (Budgetary Basis)–All Budgeted Funds ... 42
Combined Statement of Revenues, Expenses, and Changes in Fund Equity–All Proprietary Fund Types, Nonexpendable Trust Fund, and Discretely Presented Component Units ... 46
Combined Statement of Cash Flows–All Proprietary Fund Types, Nonexpendable Trust Fund, and Discretely Presented Component Units ... 48
Combined Statement of Changes in Plan Net Assets–Pension Trust Funds ... 52
Combined Statement of Changes in Fund Balances–Higher Education Funds ... 54
Combined Statement of Current Funds Revenues, Expenditures, and Other Changes–Higher Education Funds ... 56
Combining Balance Sheet–Discretely Presented Component Units ... 57
Combining Statement of Revenues, Expenses, and Changes in Fund Equity–Discretely Presented Component Units ... 59
Combining Statement of Cash Flows–Discretely Presented Component Units ... 60
Notes to the Financial Statements ... 62

REQUIRED SUPPLEMENTARY INFORMATION ... 99
National Guard Pension System ... 100
Schedule of Funding Progress ... 100
Schedule of Employer Contributions ... 101

COMBINING FINANCIAL STATEMENTS AND SCHEDULES ... 103
Special Revenue Funds ... 105
Combining Balance Sheet–Special Revenue Funds ... 106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances–Special Revenue Funds ... 108

Page

Enterprise Funds **111**
Combining Balance Sheet–Enterprise Funds 112
Combining Statement of Revenues, Expenses, and Changes in Fund Equity–Enterprise Funds 116
Combining Statement of Cash Flows–Enterprise Funds 118
Internal Service Funds **123**
Combining Balance Sheet–Internal Service Funds 124
Combining Statement of Revenues, Expenses, and Changes in Fund Equity–Internal Service Funds 126
Combining Statement of Cash Flows–Internal Service Funds 128
Fiduciary Funds **133**
Combining Balance Sheet–Fiduciary Funds 134
Combining Statement of Plan Net Assets–Pension Trust Funds 138
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances–Expendable Trust Funds 139
Combining Statement of Changes in Assets and Liabilities–Agency Funds 140
General Fixed Assets Account Group **143**
Schedule of General Fixed Assets by Function 144
Schedule of Changes in General Fixed Assets by Function 145
Higher Education Funds **147**
Combining Balance Sheet–Higher Education Funds 148
Schedules–Budgetary General Fund **151**
Appropriation Activity–Budgetary General Fund 152
General Fund Reserve Activity–Budgetary General Fund 154
Funds Earmarked for Public Education–Budgetary General Fund 155

STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

Expenditures by Function–All Governmental Fund Types 158
Revenues by Source—All Governmental Fund Types 160
Income and Sales Tax Rates 162
Net General Obligation Bonds and Notes per Capita 163
Computation of Legal Debt Margin 164
Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Governmental Expenditures 165
Revenue Bond Coverage—Enterprise Funds 166
Demographic Statistics 168
Property Value, Construction, and Bank Deposits 169
Largest Manufacturing Companies 170
Miscellaneous Statistics 171

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Introductory Section

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Modern mills convert timber into products cleanly, efficiently, and economically. Pulp and paper manufacturing has created tremendous capital investment in South Carolina.

STATE OF SOUTH CAROLINA

Office of Comptroller General

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

WADE HAMPTON OFFICE BUILDING
POST OFFICE BOX 11228
COLUMBIA, S.C. 29211
TELEPHONE: 734-2121

December 2, 1996

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

It is my pleasure 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, 1996. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

Contained in the report is information for the use of all those interested in the State's finances, including South Carolina taxpayers, members of the General Assembly and directors of the State's executive agencies as well as those investors and creditors with whom the State has an ongoing business relationship.

As the Comptroller General and chief financial officer of South Carolina, I present these financial statements as my representations, and I express confidence that the information is accurate in all material respects. The citizens of South Carolina may be further assured that this report contains all material facts about the State's financial condition and thereby reflects my total commitment to accountability to the taxpayers through full public disclosure.

For the convenience of users, we have divided the report into three sections as follows:

- The Introductory Section, containing this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 1995 report, a list of State officials and an organizational chart of State government.
- The Financial Section, consisting of the general purpose financial statements (combined statements, component unit combining statements, and notes), other combining financial statements, schedules, and required supplementary information.

- The Statistical Section, presenting comparative financial data and other non-financial data.

MAJOR INITIATIVES

Still riding the crest of a strong wave of economic growth, South Carolina took steps in 1996 to solidify that growth and to sustain it over an even longer period of time.

Major initiatives by the General Assembly included a package of expansion incentives for new, as well as existing businesses, and some special inducements for job creation in rural areas. The two pieces of legislation, titled the Economic Development Industrial Cluster Act and the South Carolina Rural Development Act, along with the Enterprise Zone Act of 1995, provide incentives for businesses to locate in virtually every area of the State.

The legislature also moved to bring the State's banking practices into step with federally-engineered changes by facilitating interstate banking, and it enacted legislation to make local telephone services available and affordable in the expanding telecommunications market.

In addition to actions directly related to business enhancement, the General Assembly took significant steps to shape an educational future which could support the State's twenty-first century economic goals. Addressing issues all along the educational continuum, the legislature funded the State's first full-day kindergartens for 16,000 at-risk children, authorized the creation of charter schools to advance local education reform, and passed sweeping legislation designed to overhaul the State's higher education system.

The legislation, known as the Higher Education Quality and Accountability Act, institutes performance-based funding for the State's colleges and universities, requires the clarification of each institution's mission, and empowers the newly-restructured Higher Education Commission to enforce the newly-imposed measures.

In another key action, the General Assembly retained the property tax relief initiative of a year ago, providing funding which will exempt all owner-occupied homes from the school operating millage in an amount not to exceed $100,000 of each home's fair market value. During 1995-96, the program's first year, more than 993,000 homeowners were served at a cost to the State of $207.791 million. Approximately $213.700 million will be available for the program during 1996-97, $84.360 million from 1995-96 supplemental appropriations and $129.340 million from regular 1996-97 appropriations.

The General Assembly also adopted legislation which would allow the Medical University of South Carolina to lease its hospital facilities to Columbia/HCA, one of the nation's largest private health care providers.

ECONOMIC CONDITION AND OUTLOOK

Over the last two decades the economy of South Carolina has grown faster than that of the rest of the country. Businesses have migrated here from all over the world to take advantage of the State's skilled labor force, competitive wages, lower-priced land, excellent port facilities, accessibility to markets, and in recent years, substantial tax incentives. Since 1970, industry has made $48 billion of investments in plants within the State.

The State's tourism and retirement industries have also been rapidly growing economic sectors over the last two decades. Each year more retirees move here to take advantage of the area's mild climate, lower cost of living and special tax breaks for people over age 65. The number of individuals receiving Social Security retirement pay has grown at a rapid average annual rate of 4.4% since 1970. The annual income from retirees now exceeds an estimated $4 billion.

The State's coastal areas have emerged as one of the leading tourism centers on the east coast, providing even more stimulus to South Carolina's growing economy. Personal income in Horry County, which includes the Myrtle Beach area, has grown at an extraordinary 10.6% per year over the last two decades and nearly exceeds $3 billion.

Since 1970, nearly 400,000 people have migrated to the State to take advantage of a growing economy and to retire here. Total personal income of South Carolina has grown over eight-fold, one-fifth faster than growth in personal income in the United States. During the high inflationary 1970's personal income grew at an average annual compound rate of 11.8% compared to a much lower 10.6% nationwide. Even in the lower inflationary 1980's personal income in South Carolina grew a healthy 8.4% per year, compared to a lesser 7.5% nationwide. Employment in South Carolina over the last two decades has grown one-third faster than in the United States as a whole.

Although South Carolina has been one of the poorer states in the nation since the War Between the States, the State is closing the gap in wealth between it and the rest of the country. In 1970, per capita income of South Carolina was only 74% of the national average, but has since increased to 82% of the national average.

The State's economy has begun fiscal year 1996-97 on a positive footing. Funds are available to help prevent budgetary reductions in the event of an economic slowdown during the fiscal year. Employment in the State was up by nearly 150,000 in August 1996 versus its level during the recession of 1991. Although statistics for the fiscal year were not yet available from the Department of Commerce, the State's Board of Economic Advisors estimated that personal income growth was in the healthy range of 5% to 6%.

Despite the Federal government closings of the Myrtle Beach Air Force Base and the Charleston Naval Base, and the downsizing of the Savannah River Site in Aiken, the outlook for the near term is for continued growth in the State's total income in the 5% range or more. Last year the State passed the Enterprise Zone Act of 1995 providing significant tax incentives for new and expanded businesses. This year the State passed the Rural Development Act of 1996 to further enhance the attractiveness of businesses to locate in rural sections of the State. Numerous companies have already applied for these incentives, and there have been other announcements of new plants or additions to existing plants in the State which will contribute to the State's continued growth.

The State's Board of Economic Advisors estimated that the State's Budgetary General Fund revenues for 1996-97 would be $258.8 million more than the actual budgetary-basis revenues for 1995-96. At the end of the first four months of 1996-97, Budgetary General Fund revenue collections were greater than anticipated. Accordingly, on November 8, 1996, the Board of Economic Advisors increased its estimate of 1996-97 Budgetary General Fund revenues by $50 million. The income tax and sales tax, the State's two leading sources of revenues, were both healthy, indicating that the State's economy was growing as expected.

FINANCIAL CONTROLS

Internal Control Structure

The Statewide Accounting and Reporting System (STARS) is the State's budgetary-basis operating accounting system. This double-entry system, installed in 1981-82, processes cash and budgetary transactions and maintains records for all budgeted funds and some unbudgeted funds. The State's higher education institutions and most of the enterprise entities maintain separate accrual-basis accounting systems.

An automated system in the Comptroller General's Office designed to allow reporting in accordance with generally accepted accounting principles (GAAP) converts budgetary-basis STARS data into the format presented in this report. State agencies that use STARS complete forms at year-end to adjust the budgetary-basis balances to conform with GAAP. The Comptroller General's Office enters data into the GAAP reporting system from these forms as well as from audited financial statements for the higher education institutions, component units, and most State enterprise entities.

The State's internal control structure provides reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition,
- Transactions are executed in accordance with management's authorization, and
- Transactions are recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

Budgetary Controls

South Carolina's annual Appropriation Act includes legally adopted budgets for the Budgetary General Fund and for aggregated Other Budgeted Funds. Except for the Retail Sales Tax and selected other taxes, which are estimated on a modified accrual basis, the State estimates revenues on a cash receipts basis. Appropriations for 1995-96 covered all expenditures deemed applicable to that year and paid on or before July 19, 1996. Agencies may carry forward up to 10% of unexpended Budgetary General Fund appropriations to the next year. Any remaining unexpended Budgetary General Fund appropriations lapse unless the Appropriation Act specifically authorizes agencies to carry them forward to the next fiscal year.

State law does not require encumbrance accounting. Accordingly, the State does not record encumbrances (except for some higher education institutions). The State currently maintains budgetary control for expenditures at the level of summary object category within each program of each organizational unit. Except for accounts of higher education institutions, STARS checks to be sure that an account has sufficient remaining appropriations before it will charge an expenditure to that account. Organizational units may request transfers of appropriations among object categories and/or among programs within the same budgetary fund. The Budget and Control Board has authority to approve these appropriation transfers within certain limits.

The initial budget appears in the annual Appropriation Act. The Budget and Control Board reduces the Budgetary General Fund's appropriations during the year if it anticipates a year-end operating deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues of the Budgetary General Fund during the year. One such upward revision was approved in December 1995.

During 1995-96, the General Assembly passed a Joint Resolution and a Supplemental Appropriations Act that added $326.786 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1996. Of this amount, $11.740 million was disbursed during the fiscal year ended June 30, 1996, $6.271 million was used to fund the General Reserve, and the remaining $308.775 million was appropriated and reserved as Appropriations to be Carried Forward to 1996-97.

State law specifies procedures for processing requested budget changes in Other Budgeted Funds and for permanent improvement projects.

THE REPORTING ENTITY

The State's reporting entity includes all of the funds and account groups that make up the primary government of the State of South Carolina as well as its component units. The funds and account groups of the primary government are under the oversight of the State's General Assembly and the Budget and Control Board. The primary government consists of agencies, departments, funds, and institutions that are not legally separate from the State.

Component units are legally separate entities for which the State and its elected officials are considered to be financially accountable. Criteria to determine financial accountability include the ability of State officials to appoint a voting majority of the entity's governing body, the ability of the State to impose its will on the entity, and the potential for the entity to provide a financial benefit to the State or impose a financial burden upon the State. The State's discretely presented component units are: the South Carolina Public Service Authority (Santee-Cooper); South Carolina State Ports Authority; the Savannah Lakes Regional Loan Fund; and Enterprise Development, Incorporated, of South Carolina. Note 1a in the Notes to the Financial Statements provides a more complete description of the State's reporting entity.

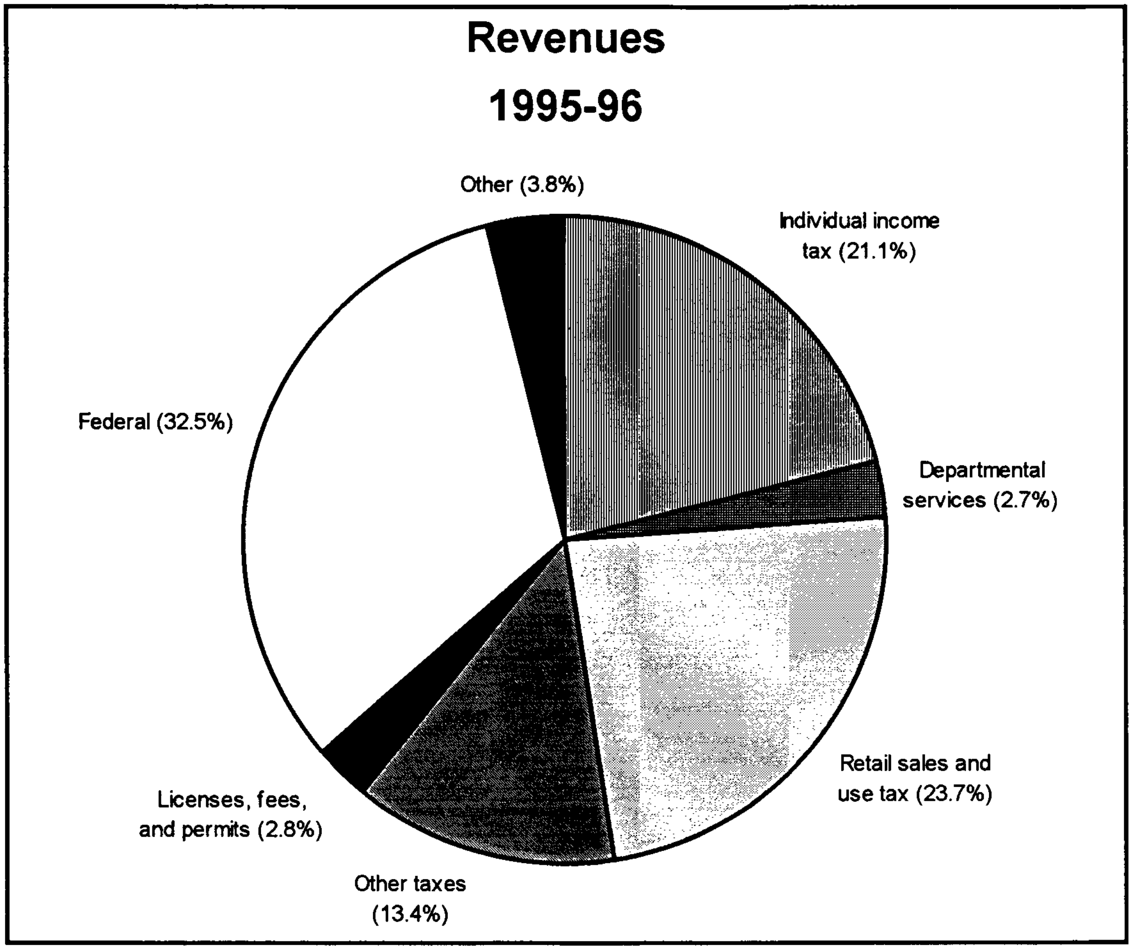
FINANCIAL OVERVIEW

The following sections detail revenues and expenditures of the State's General and Special Revenue Funds. In addition, for the fiscal year ended June 30, 1996, other financing uses exceeded other financing sources for these funds by $534.461 million.

Revenues

The State's most significant sources of revenue are its 5% retail sales tax, its individual income tax (2.5% to 7.0% tax rates) and Federal grants. The following schedule summarizes revenues of the General and Special Revenue Funds for the fiscal year ended June 30, 1996 (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year revenues:

Revenues	1995-96 Amount	Percent of Total	Increase (Decrease) from 1994-95	Percentage Increase (Decrease)
Individual income tax	$ 1,809,287	21.1%	$ 162,912	9.9%
Retail sales and use tax	2,034,484	23.7%	141,683	7.5%
Other taxes	1,149,342	13.4%	89,496	8.4%
Licenses, fees, and permits	243,502	2.8%	(12,068)	(4.7%)
Interest and other investment income	95,851	1.1%	13,439	16.3%
Federal	2,793,156	32.5%	6,024	0.2%
Departmental services	234,855	2.7%	19,370	9.0%
Contributions	106,606	1.2%	16,809	18.7%
Fines and penalties	55,340	0.6%	459	0.8%
Other	73,409	0.9%	13,693	22.9%
Totals	**$8,595,832**	**100.0%**	**$ 451,817**	**5.5%**



Interest and Other Investment Earnings are higher than the previous year because more cash was available, and these monies were invested in long-term higher-yielding investments.

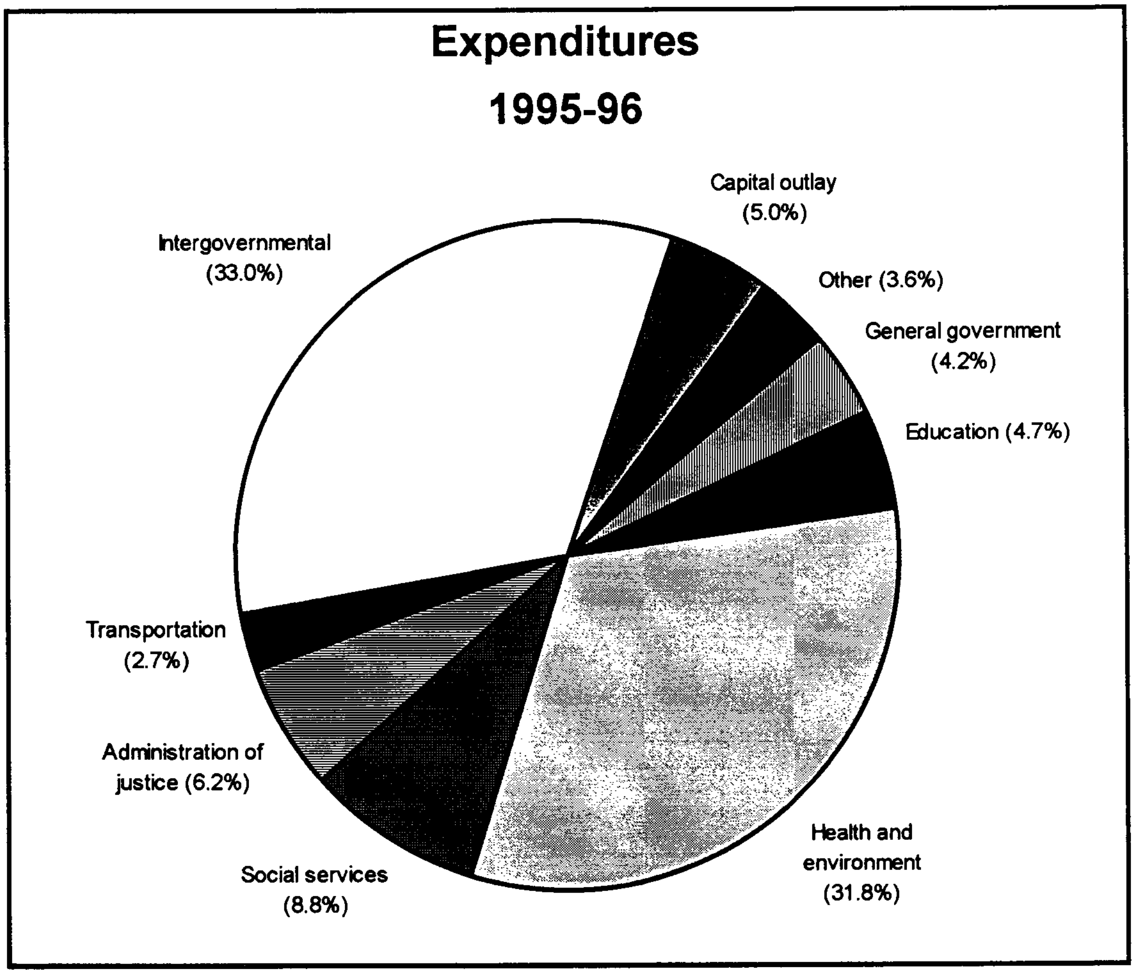
The increase in Contributions is due to an increase in the amount of Medicaid disproportionate share matching funds received from hospitals.

The increase in Other Revenues is attributable to an increase in the amount of matching funds for Federal grants provided by organizations outside State government and refunds of prior-year Medicaid program expenditures.

Expenditures

The following schedule presents a summary of General Fund and Special Revenue Funds expenditures for the fiscal year ended June 30, 1996, (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year expenditures:

Expenditures	1995-96 Amount	Percent of Total	Increase (Decrease) from 1994-95	Percentage Increase (Decrease)
Current:				
General government	$ 331,398	4.2%	$ (20,617)	(5.9%)
Education	376,035	4.7%	53,816	16.7%
Health and environment	2,541,100	31.8%	220,458	9.5%
Social services	702,075	8.8%	4,117	0.6%
Administration of justice	492,723	6.2%	35,715	7.8%
Resources and economic development	155,302	2.0%	15,667	11.2%
Transportation	218,366	2.7%	14,529	7.1%
Capital outlay	394,904	5.0%	9,206	2.4%
Debt service:				
Principal retirement	82,997	1.0%	(5,768)	(6.5%)
Interest and fiscal charges	50,574	0.6%	1,778	3.6%
Intergovernmental	2,636,440	33.0%	277,617	11.8%
Totals	**$ 7,981,914**	**100.0%**	**$ 606,518**	**8.2%**



Education expenditures increased again this year due to additional purchases of school buses and other vehicles to transport children. The vehicles were purchased with Capital Improvement Bond proceeds.

The increase in Resources and Economic Development expenditures is due mainly to the availability of supplemental and capital reserve appropriations and to increased emphasis on tourism and recreational safety. For example during 1995-96, State agencies purchased new fire-fighting equipment and built and/or upgraded recreational facilities.

The increase in the Intergovernmental category is due primarily to implementation of the property tax relief initiative. The State expended $207.791 million on property tax relief during 1995-96, the program's first year. The State also provided additional aid to local governments and school districts for other programs during 1995-96.

Status of Fund Balances

GAAP-basis fund balances for the General Fund and Special Revenue Funds at June 30 (expressed in thousands) for the last five years were:

	1996	1995	1994	1993	1992
General Fund					
Reserved	$ 545,796	$ 461,303	$ 335,709	$ 153,194	$ 40,649
Unreserved	(261,065)	(202,981)	(303,628)	(247,475)	(252,704)
Total General Fund	**$ 284,731**	**$ 258,322**	**$ 32,081**	**$ (94,281)**	**$ (212,055)**
Special Revenue Funds					
Reserved	$ 190,859	$ 172,487	$ 126,482	$ 94,928	$ 103,799
Unreserved, designated	100,839	73,946	174,827	237,559	252,631
Unreserved, undesignated	386,726	383,955	292,657	257,552	261,766
Total Special Revenue Funds	**$ 678,424**	**$ 630,388**	**$ 593,966**	**$ 590,039**	**$ 618,196**

The reserved component of fund balance represents amounts legally required to be segregated and amounts that cannot be appropriated for future expenditure. The unreserved component of fund balance is computed as total fund balance less reserved amounts. Even for years in which the total fund balance in the General Fund was positive, the unreserved component of fund balance was negative because the reserve requirements exceeded total fund balance.

The designated portion of unreserved fund balance reflects tentative plans for future use of available financial resources.

PROPRIETARY OPERATIONS

Primary Government

There are several proprietary segments of South Carolina's primary government. Significant segments among these include the State Housing Finance and Development Authority, which provides low-cost housing to the State's citizens by issuing bonds/notes and by administering Federal contracts and grants, and the Education Assistance Authority, which issues bonds for the purpose of making loans to eligible students.

Financial highlights of these segments (expressed in thousands) for the fiscal year ended June 30, 1996, are as follows:

	Housing Authority	Education Assistance Authority
Operating revenues....	$ 51,391	$ 42,101
Net income..................	10,004	13,774
Total assets................	640,416	506,549
Total fund equity..........	132,347	75,488

Discretely Presented Component Units

The State's two largest proprietary operations are discretely presented component units.

The Public Service Authority (Santee-Cooper) is South Carolina's State-owned public power resource. The Public Service Authority (Santee-Cooper) produces and sells electric power to individuals, businesses, electric cooperatives and municipal power departments. The Public Service Authority (Santee-Cooper) made payments to the State's General Fund of $6.436 million during its fiscal year ended December 31, 1995. The distribution to the General Fund is based primarily on operating cash flows and mandatory reserve requirements.

The State Ports Authority develops and maintains State harbors and seaports and handles the commerce through these ports.

Highlights of segment financial information (expressed in thousands) for discretely presented component units for the fiscal year ended June 30, 1996, are presented below:

	Public Service Authority (Santee-Cooper)	State Ports Authority
Operating revenues....	$ 643,838	$ 62,254
Net income..................	44,229	3,527
Total assets................	3,484,306	374,307
Total fund equity..........	735,385	277,138

FIDUCIARY OPERATIONS

The most significant of the State's Fiduciary Funds are the four retirement plans administered by the South Carolina Retirement Systems. Those plans include: the South Carolina Retirement System, the Police Officers' Retirement System, the Retirement System for Members of the General Assembly, and the Retirement System for Judges and Solicitors.

Effective July 1, 1995, the State adopted the Governmental Accounting Standards Board's Statement 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and Statement 27, "Accounting for Pensions by State and Local Governmental Employers." In accordance with those statements, the State has presented investments of its Pension Trust Funds at fair (market) value rather than at cost. As a result, the fund balances of the State's Pension Trust Funds increased.

The State has met all actuarially determined funding requirements for the four plans administered by the South Carolina Retirement Systems in the current period and in past periods. Under Statement 27, the State has no pension liability at June 30, 1996, for those plans.

The National Guard Pension System is administered by the Adjutant General's Office. Adoption of Statement 27 required that the State record a $4.064 million pension liability in the General Long-Term Obligations Account Group at June 30, 1996, for that plan. This liability resulted primarily from funding the National Guard Pension System on a pay-as-you-go basis before July 1, 1993. On July 1, 1993, the State began funding this plan on an actuarial basis.

See Note 7, "Retirement Plans," in the Notes to the Financial Statements for more information.

DEBT ADMINISTRATION

The State finances many of its major capital needs by issuing bonds. Some of this debt is general obligation debt backed by the full faith, credit and taxing power of the State. Much of the debt, however, is revenue bonds and notes associated with specific State agencies and discretely presented component units. Specific revenue flows of particular agencies and discretely presented component units service revenue debt.

Moody's Investors Service has rated South Carolina's general obligation bonds as "Aaa," representing the highest rating awarded; Fitch Investors Service, Inc., rates these bonds as "AAA." After many years of “AAA” ratings, Standard & Poor's lowered the State's rating on general obligation bonds to "AA+" on January 29, 1993. On July 9, 1996, Standard & Poor’s returned its rating on the State’s general obligation bonds to “AAA” citing “continued improvement in the State’s financial position and commitment to sound budgetary discipline.”

During the fiscal year ended June 30, 1996, South Carolina issued $190.910 million and retired $79.690 million in general obligation bonds payable by governmental funds. Of the amount issued, $50.000 million were State highway bonds. The State budgets and pays principal and interest on capital improvement bonds from current resources of the Budgetary General Fund. The Department of Transportation Special Revenue Fund pays the debt service on highway bonds. At June 30, 1996, the Higher Education Funds reported State institution general obligation bonds outstanding of approximately $41.900 million.

The State's available legal debt margin at June 30, 1996, was $48.100 million for institution bonds. State law limits annual debt service expenditures rather than directly limiting the amount of outstanding debt for general obligation bonds/notes. The annual debt service margin at June 30, 1996, was $53.524 million for highway bonds and $66.836 million for general obligation bonds excluding institution and highway bonds.

Net general obligation bonds/notes outstanding per capita (which excludes general obligation bonds payable from Higher Education Funds) is a useful indicator to citizens, investors and management of the State's debt position. The following table shows this amount at June 30 for the last three years:

	1996	1995	1994
Net general obligation bonds/notes outstanding	$965 million	$854 million	$889 million
Net general obligation bonds/notes outstanding per capita	$259	$232	$244

The General Services Fund, an Internal Service Fund, issued lease revenue bonds during the fiscal year ended June 30, 1995. There were $6.672 million of these limited obligation bonds outstanding at June 30, 1996.

The primary government's higher education institutions and enterprise entities had revenue bonds, notes, and certificates of participation of $1.278 billion outstanding on June 30, 1996. Revenue bonds, notes, and certificates of participation outstanding (expressed in thousands) by agency were:

South Carolina Housing Authority	$ 487,394
South Carolina Education Assistance Authority	420,858
Various higher education institutions	369,308
Other State agencies	529
Total—primary government	**$ 1,278,089**

During the fiscal year ended June 30, 1996, the Education Assistance Authority refunded $5.575 million in Student Loan Revenue Bonds to gain flexibilities provided by the 1993 bond resolution. The University of South Carolina advance refunded $2.000 million in Parking Revenue Bonds to gain flexibilities provided by the new bond resolution and to reduce the University's total debt service payments over the next six years by approximately $15 thousand. The University will obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $32 thousand. For additional details, see Note 11 in the Notes to the Financial Statements.

In addition, discretely presented component units had the following amounts of bonds outstanding (expressed in thousands) at June 30, 1996:

South Carolina Public Service Authority (Santee-Cooper)	$ 2,263,764
South Carolina State Ports Authority	87,058
Total—discretely presented component units	**$ 2,350,822**

During its fiscal year ended December 31, 1995, the Public Service Authority (Santee-Cooper) advance refunded $313.835 million in Revenue Bonds to reduce its total debt service payments over the next twenty-seven years by approximately $57.034 million and to obtain an economic gain of approximately $22.361 million. For additional details, see Note 11 in the Notes to the Financial Statements.

CASH MANAGEMENT

State law requires full collateralization of all State Treasurer bank balances. Agencies and component units may have collateralization policies that differ from those of the State Treasurer.

Legally authorized investments vary by fund, but generally include obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements and certain obligations of United States corporations. For additional details, see Note 1g in the Notes to the Financial Statements.

As provided by law, the State Treasurer deposits money in a general deposit account. The State records earnings of the general deposit account as revenue of the General Fund. The Treasurer deposits other monies into various special deposit accounts, each of which retains its own earnings.

State agencies that issue their own checks participate in pooled bank accounts. These agencies issue checks against the pooled bank accounts. Meanwhile, the State Treasurer invests account balances until the checks clear.

Investment earnings for the General Fund totaled $67.461 million for the fiscal year ended June 30, 1996.

RISK MANAGEMENT

The State generally does not purchase commercial insurance for the risks of loss to which it is exposed. Instead, State management believes it is more economical to manage its risk internally. Accordingly, the State sets aside assets for claim settlement in its Internal Service Funds—specifically, in the Insurance Reserve Fund (IRF), the Health and Disability Insurance Fund, and the State Accident Fund.

The IRF services claims for many of the risks 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. The IRF purchases insurance to cover risks where it has limited expertise (aircraft insurance and ocean marine insurance). The IRF purchases reinsurance to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability. Reinsurance permits partial recovery of losses from reinsurers; but the IRF, as direct insurer of the risks, remains primarily liable.

The Health and Disability Insurance Fund was established to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and 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 a health maintenance organization or the State's self-insured plan. All dental, group life, and long-term disability coverage is through the State's self-insured plan.

Section 42-7-10 of the South Carolina Code of Laws, as amended, established the State Accident Fund to provide a program of workers' compensation insurance coverage to State entities. The State assumes the full risk for workers' compensation claims. During the current fiscal year, the Fund entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events; however, as direct insurer of the risk, the Fund remains primarily liable.

The State conducts various risk control programs to help minimize losses. For example, the health insurance program conducts extensive wellness education programs for covered employees that promote development and maintenance of healthful lifestyles.

The State also administers the Patients' Compensation Fund, an insurance enterprise, which provides medical malpractice insurance.

AUDIT

An independent audit of the general purpose financial statements was performed jointly by the State Auditor and the independent certified public accounting firm of KPMG Peat Marwick LLP. Again this year, this report includes an unqualified opinion from the independent certified public accountants, the best possible result of the audit process.

The audit described above is not intended to meet the requirements of the Federal Single Audit Act of 1984. The Single Audit reports for the State are issued separately.

CERTIFICATE OF ACHIEVEMENT

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 ended June 30, 1995. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR whose contents conform to rigorous program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The State of South Carolina has received a Certificate of Achievement for the last eight consecutive years (1987-88 through 1994-95). Again this year, the State will submit its CAFR to the Certificate of Achievement for Excellence in Financial Reporting program of the GFOA. I firmly believe that South Carolina's report for the fiscal year ended June 30, 1996, meets the requirements to receive the Certificate of Achievement.

ACKNOWLEDGMENTS

Production of this report would not have been possible without the support of all State agencies and component units which supplied GAAP closing data on a timely basis. As we strive to produce this report in future years and to improve its quality and content, continued support of these parties is essential.

I would like to extend special thanks to the South Carolina Forestry Commission for providing photographs and captions for this report and to Phillip Jones for his photography services. In addition, thanks are due to Dr. William C. Gillespie, Chief Economist of the State of South Carolina, and to Philip G. Grose, Jr., Director of the State Budget and Control Board's Executive Institute, who provided invaluable assistance in producing the report.

Sincerely,

Earle E. Morris, Jr.

EARLE E. MORRIS, JR.
Comptroller General

CERTIFICATE OF ACHIEVEMENT

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, 1995

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Arthur R. Lynch
President

Jeffrey L. Esser
Executive Director

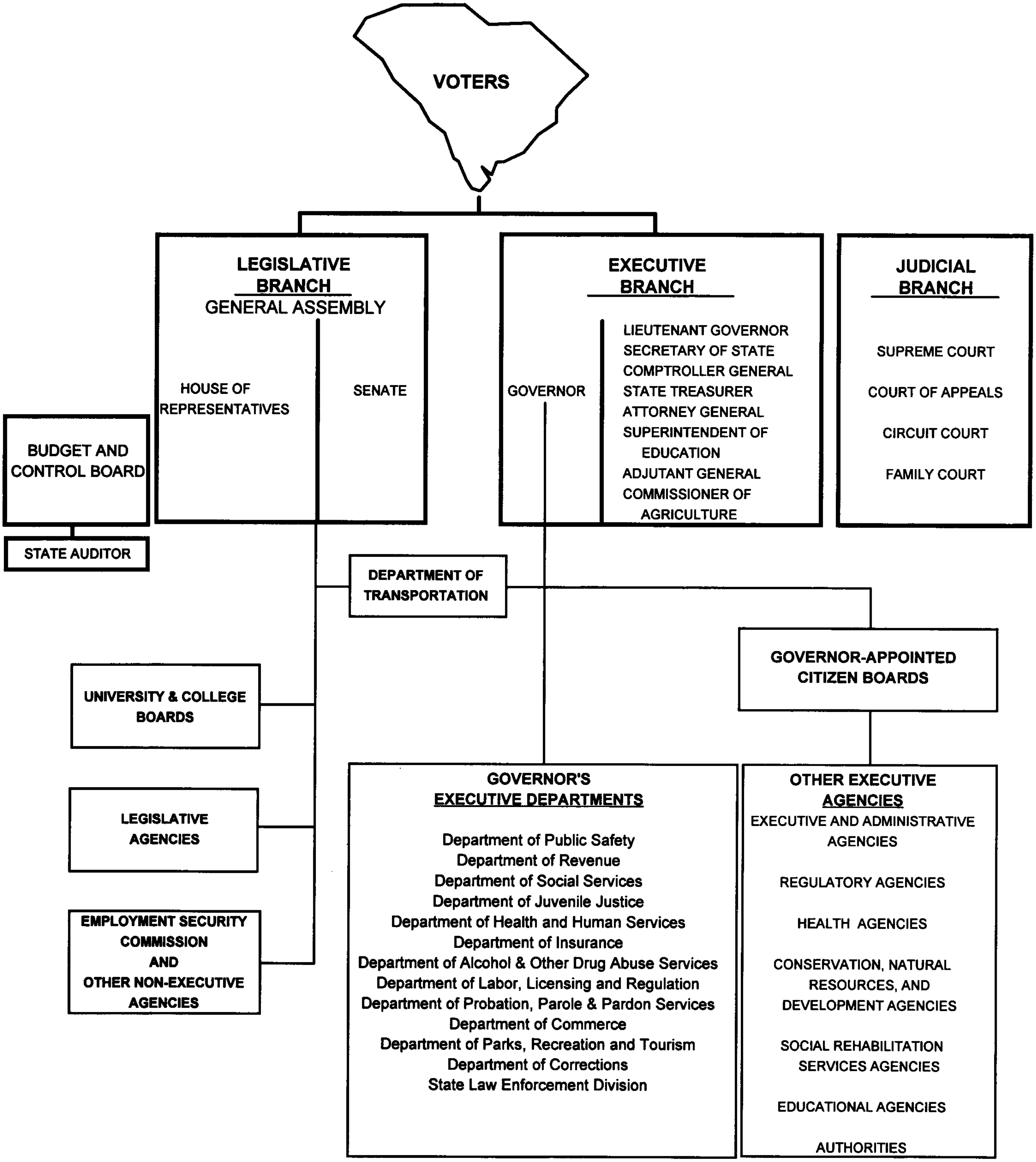
Principal State Officials

	Term of Office
LEGISLATIVE—THE GENERAL ASSEMBLY	
Robert L. Peeler, President of the Senate and Lieutenant Governor	1995-1999
John Drummond, President Pro Tempore of the Senate	1997-2001*
David H. Wilkins, Speaker, House of Representatives	1997-1999*
EXECUTIVE	
STATE BUDGET AND CONTROL BOARD	
David M. Beasley, Chairman, Governor	1995-1999
Earle E. Morris, Jr., Comptroller General	1995-1999
Richard A. Eckstrom, State Treasurer	1995-1999
John Drummond, Chairman, Senate Finance Committee	1997-2001*
Henry E. Brown, Jr., Chairman, House Ways and Means Committee	1997-1999*
James M. Miles, Secretary of State	1995-1999
Charles M. Condon, Attorney General	1995-1999
Dr. Barbara S. Nielsen, State Superintendent of Education	1995-1999
Major General Stanhope S. Spears, Adjutant General	1995-1999
D. Leslie Tindal, Commissioner of Agriculture	1995-1999
JUDICIAL	
Ernest A. Finney, Jr., Chief Justice, South Carolina Supreme Court	1994-2004

All of the legislative and executive officials are elected by the State's citizens in general elections. Members of the Supreme Court are elected by the General Assembly.

*These officials were members of the South Carolina General Assembly as of June 30, 1996, and were re-elected on November 5, 1996, to serve another term beginning in January 1997.

Organization Chart



Photograph is not available in web version of CAFR

Financial Section

Photograph is not available in web version of CAFR

Progressive towns across the State celebrate trees by proudly displaying "Tree City USA" flags. Twenty-eight towns have been recognized with this National Arbor Day Foundation award. The old Lexington Town Hall building pictured here was used until 1993.

KPMG Peat Marwick LLP
Certified Public Accountants

State of South Carolina

Office of the State Auditor

INDEPENDENT AUDITORS' REPORT

The Honorable David M. Beasley, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

We have jointly audited the general purpose financial statements of the State of South Carolina as of and for the year ended June 30, 1996, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not jointly audit the financial statements of certain blended component units and agencies of the primary government, which statements reflect the indicated percent of total assets and other debits and total revenues, respectively, of the Special Revenue (24% and 15%), Enterprise (99% and 90%), Internal Service (77% and 87%), Pension Trust (100% and 100%), Higher Education (100% and 100%), and Agency (49% of assets and other debits) Funds, General Fixed Assets Account Group (12% of assets and other debits), and the General Long-Term Obligations Account Group (6% of assets and other debits). We also did not jointly audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, including the Office of the State Auditor acting separately, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and agencies, is based solely upon the reports of other auditors. The Office of the State Auditor acting separately has examined 33% and 41% of the total assets and other debits and total revenues, respectively, of the Higher Education Funds.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Pension Trust Funds, the Deferred Compensation Plans, and the discretely presented component units identified in Note 1(a) (with the exception of the Enterprise Development Incorporated, of South Carolina, which has a single audit in accordance with *Government Auditing Standards*) were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, are not covered by our reports in accordance with *Government Auditing Standards.*

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of South Carolina as of June 30, 1996, and the results of its operations and cash flows of its proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general purpose financial statements, in fiscal year 1996, the State of South Carolina adopted GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The State also adopted GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 1996 on our consideration of the State of South Carolina's internal control structure and a report dated December 2, 1996 on its compliance with laws and regulations.

Our joint audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the State of South Carolina. Such information has been subjected to the auditing procedures applied in the joint audit of the general purpose financial statements and, in our opinion, based upon our joint audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report, and accordingly, express no opinion thereon.

KPMG Peat Marwick LLP

Greenville, South Carolina
December 2, 1996

Edgar A. Vaughn Jr.

Columbia, South Carolina
December 2, 1996

Photograph is not available in web version of CAFR

Significant areas of South Carolina's forests, like the Congaree National Monument, have been set aside to be simply enjoyed. Naturally evolving forests are also an important source of research information.

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1996
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	$ 653,196	$ 636,298	$ 44,733	$ 104,937	$ 558,012	$ 724,501
Cash on deposit with fiscal agents	—	—	—	—	—	604,965
Investments	—	217	—	1,530	15,906	16,048,537
Receivables, net:						
Accounts	20,178	64,961	395	11,587	34,599	284,751
Taxes	276,665	97,651	—	—	—	44,693
Patient and student	—	—	—	—	—	—
Student loans	—	—	—	29	—	—
Loans and notes	1,151	123,494	—	391,189	—	20,890
Due from Federal government and other grantors	31,011	143,436	590	1,498	14	—
Due from other funds	242	63,158	2,779	—	33,508	16,430
Due from component units	—	—	—	—	—	—
Due from primary government	—	—	—	—	—	—
Interfund receivables	5,593	2,711	—	—	2,997	20
Advances to other funds	10,557	9,804	—	—	23,091	20
Inventories	14,992	22,966	—	1,697	5,901	—
Servicing rights, net	—	—	—	2,185	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	209,776	—	—
Investments	—	—	—	78,484	—	—
Loans receivable	—	—	—	457,381	—	—
Other	—	—	—	7,556	—	—
Other assets	—	138	—	801	1,815	4,974
Deferred charges	—	—	—	1,548	—	—
Property, plant, and equipment, net	—	—	—	24,456	135,805	4,885
Amount to be provided for retirement of long-term obligations	—	—	—	—	—	—
Total assets and other debits	**$ 1,013,585**	**$ 1,164,834**	**$ 48,497**	**$ 1,294,654**	**$ 811,648**	**$ 17,754,666**

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

ACCOUNT GROUPS General Fixed Assets	ACCOUNT GROUPS General Long-Term Obligations	HIGHER EDUCATION FUNDS	Totals Primary Government (Memorandum Only) June 30 1996	Totals Primary Government (Memorandum Only) June 30 1995	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only) June 30 1996	Totals Reporting Entity (Memorandum Only) June 30 1995
$ —	$ —	$ 572,991	$ 3,294,668	$ 3,701,278	$ 84,943	$ 3,379,611	$ 3,730,478
—	—	—	604,965	551,093	—	604,965	551,093
—	—	87,843	16,154,033	14,594,211	36,580	16,190,613	14,631,117
—	—	14,409	430,880	420,167	77,737	508,617	487,370
—	—	—	419,009	380,944	—	419,009	380,944
—	—	77,618	77,618	82,843	—	77,618	82,843
—	—	43,485	43,514	42,131	—	43,514	42,131
—	—	115	536,839	488,144	188	537,027	488,377
—	—	55,970	232,519	353,368	925	233,444	355,177
—	—	6,939	123,056	101,861	—	123,056	101,861
—	—	—	—	805	—	—	805
—	—	—	—	—	—	—	87
—	—	—	11,321	8,842	—	11,321	8,842
—	—	—	43,472	49,284	—	43,472	49,284
—	—	21,942	67,498	64,033	76,919	144,417	141,981
—	—	—	2,185	—	—	2,185	—
—	—	—	209,776	174,085	166,467	376,243	325,505
—	—	—	78,484	79,788	230,712	309,196	347,913
—	—	—	457,381	470,011	—	457,381	470,011
—	—	—	7,556	7,546	—	7,556	7,546
—	—	45,908	53,636	80,129	3,706	57,342	83,030
—	—	—	1,548	1,491	531,798	533,346	441,540
2,192,418	—	2,756,565	5,114,129	4,823,234	2,651,251	7,765,380	7,458,802
—	1,191,023	—	1,191,023	1,069,618	—	1,191,023	1,069,618
$ 2,192,418	**$ 1,191,023**	**$ 3,683,785**	**$ 29,155,110**	**$ 27,544,906**	**$ 3,861,226**	**$ 33,016,336**	**$ 31,256,355**

Continued on Next Page

Combined Balance Sheet

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 1996
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency
LIABILITIES, FUND EQUITY, AND OTHER CREDITS						
Liabilities:						
Accounts payable and accrued liabilities	$ 188,195	$ 294,397	$ 6,573	$ 52,352	$ 197,589	$ 88,467
Tax refunds payable	346,785	592	—	—	—	1,396
Intergovernmental payables	58,476	87,236	—	—	—	1
Insurance claims incurred but not reported	—	—	—	3,157	157,953	—
Due to other funds	33,340	11,510	96	1,558	—	50,397
Due to component units	—	—	—	—	—	—
Due to primary government	—	—	—	—	—	—
Interfund payables	3,326	3,702	—	20	1,918	1,206
Advances from other funds	16,749	702	—	12,966	8,822	1,100
Deferred revenues and deferred credits	78,482	64,406	6	1,712	40,495	839
Deposits	—	—	—	109	—	700
Amounts held in custody for others	—	—	—	—	—	1,133,548
Deferred compensation	—	—	—	—	—	902,398
Liabilities payable from restricted assets	—	—	—	43,037	—	—
Notes payable	—	—	—	529	—	—
General obligation bonds payable	—	—	—	—	—	—
Revenue bonds payable	—	—	—	908,252	—	—
Limited obligation bonds payable	—	—	—	—	6,672	—
Certificates of participation payable	—	—	—	—	—	—
Capital lease and installment debt obligations payable	—	—	—	—	32,491	—
Commercial paper notes	—	—	—	—	—	—
Compensated absences payable	—	—	—	905	3,694	—
Other liabilities, including retainages payable	3,501	23,865	3,011	3,555	130	165
Total liabilities	728,854	486,410	9,686	1,028,152	449,764	2,180,217
Fund equity and other credits:						
Contributed capital	—	—	—	22,621	78,254	—
Investment in fixed assets	—	—	—	—	—	—
Retained earnings:						
Reserved	—	—	—	188,301	—	—
Unreserved	—	—	—	55,580	283,630	—
Fund balances (deficit):						
Reserved	545,796	190,859	—	—	—	15,477,923
Unreserved, Designated	—	100,839	38,811	—	—	—
Unreserved, Undesignated	(261,065)	386,726	—	—	—	96,526
Total fund equity and other credits	284,731	678,424	38,811	266,502	361,884	15,574,449
Total liabilities, fund equity and other credits	**$ 1,013,585**	**$ 1,164,834**	**$ 48,497**	**$ 1,294,654**	**$ 811,648**	**$ 17,754,666**

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

ACCOUNT GROUPS			Totals Primary Government (Memorandum Only) June 30			Totals Reporting Entity (Memorandum Only) June 30	
General Fixed Assets	General Long-Term Obligations	HIGHER EDUCATION FUNDS	1996	1995	COMPONENT UNITS	1996	1995
$ —	$ 1,986	$ 114,704	$ 944,263	$ 1,040,276	$ 108,418	$ 1,052,681	$ 1,156,551
—	—	—	348,773	344,940	—	348,773	344,940
—	—	—	145,713	134,798	—	145,713	134,798
—	6,840	—	167,950	164,655	—	167,950	164,655
—	—	26,155	123,056	101,861	—	123,056	101,861
—	—	—	—	87	—	—	87
—	—	—	—	—	—	—	805
—	—	949	11,121	8,842	—	11,121	8,842
—	—	3,333	43,672	49,284	—	43,672	49,284
—	—	40,640	226,580	243,984	40,079	266,659	272,149
—	—	2,801	3,610	6,455	—	3,610	6,455
—	—	5,490	1,139,038	1,001,755	—	1,139,038	1,001,755
—	—	—	902,398	794,220	—	902,398	794,220
—	—	—	43,037	44,828	—	43,037	44,828
—	—	109,377	109,906	102,690	—	109,906	102,690
—	965,494	41,900	1,007,394	898,047	—	1,007,394	898,047
—	—	237,061	1,145,313	1,098,315	2,350,822	3,496,135	3,490,473
—	—	—	6,672	6,814	—	6,672	6,814
—	—	22,870	22,870	23,509	—	22,870	23,509
—	16,422	27,788	76,701	63,085	46,453	123,154	112,877
—	—	—	—	—	237,320	237,320	118,700
—	159,107	76,318	240,024	229,917	—	240,024	229,917
—	41,174	8,508	83,909	89,787	63,545	147,454	139,322
—	**1,191,023**	**717,894**	**6,792,000**	**6,448,149**	**2,846,637**	**9,638,637**	**9,203,579**
—	—	—	100,875	95,037	209,354	310,229	301,595
2,192,418	—	2,329,921	4,522,339	4,256,541	—	4,522,339	4,256,541
—	—	—	188,301	168,076	—	188,301	168,076
—	—	—	339,210	311,003	805,235	1,144,445	1,060,464
—	—	269,581	16,484,159	15,576,395	—	16,484,159	15,576,395
—	—	83,031	222,681	168,887	—	222,681	168,887
—	—	283,358	505,545	520,818	—	505,545	520,818
2,192,418	**—**	**2,965,891**	**22,363,110**	**21,096,757**	**1,014,589**	**23,377,699**	**22,052,776**
$ 2,192,418	**$ 1,191,023**	**$ 3,683,785**	**$ 29,155,110**	**$ 27,544,906**	**$ 3,861,226**	**$ 33,016,336**	**$ 31,256,355**

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

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES		
Revenues:	General	Special Revenue	Capital Projects
Taxes:			
Individual income	$ 1,809,287	$ —	$ —
Retail sales and use	1,547,569	486,915	—
Other	673,959	475,383	2,202
Licenses, fees, and permits	171,816	71,686	—
Interest and other investment income	67,461	28,390	549
Federal	332,923	2,460,233	10,147
Departmental services	23,049	211,806	148
Contributions	133	106,473	333
Fines and penalties	14,322	41,018	39
Other	10,824	62,585	267
Total revenues	**4,651,343**	**3,944,489**	**13,685**
Expenditures:			
Current:			
General government	242,268	89,130	—
Education	177,877	198,158	—
Health and environment	946,610	1,594,490	—
Social services	123,297	578,778	—
Administration of justice	434,415	58,308	—
Resources and economic development	70,948	84,354	—
Transportation	—	218,366	—
Capital outlay	—	394,904	75,146
Debt service:			
Principal retirement	82,096	901	—
Interest and fiscal charges	49,898	676	—
Intergovernmental	1,787,894	848,546	—
Total expenditures	**3,915,303**	**4,066,611**	**75,146**
Revenues over (under) expenditures	**736,040**	**(122,122)**	**(61,461)**
Other financing sources (uses):			
Proceeds from bonds and notes	—	50,000	140,910
Lease and installment debt proceeds	1,455	2,045	—
Operating transfers in	870	123,770	23,413
Transfers from component units	6,681	—	—
Operating transfers out	(719,112)	(170)	(103,272)
Total other financing sources (uses)	**(710,106)**	**175,645**	**61,051**
Revenues and other sources over (under) expenditures and other uses	**25,934**	**53,523**	**(410)**
Fund balances, July 1 (restated)	**258,322**	**630,388**	**39,221**
Increases in reserve for inventories	**1,495**	**1,298**	**—**
Residual equity transfers in	**—**	**—**	**—**
Residual equity transfers out	**(1,020)**	**(6,785)**	**—**
Fund balances, June 30	**$ 284,731**	**$ 678,424**	**$ 38,811**

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

FIDUCIARY FUND TYPE	Totals (Memorandum Only) June 30	
Expendable Trust	1996	1995
$ —	$ 1,809,287	$ 1,646,375
—	2,034,484	1,892,801
205,911	1,357,455	1,259,794
3,787	247,289	263,982
45,085	141,485	121,427
14,680	2,817,983	2,802,054
—	235,003	215,547
6	106,945	89,859
—	55,379	54,881
1,553	75,229	62,347
271,022	**8,880,539**	**8,409,067**
214,084	545,482	536,205
—	376,035	322,219
6	2,541,106	2,320,647
62	702,137	698,002
—	492,723	457,022
6	155,308	139,641
—	218,366	203,837
—	470,050	435,336
—	82,997	88,765
—	50,574	48,796
7	2,636,447	2,358,823
214,165	**8,271,225**	**7,609,293**
56,857	**609,314**	**799,774**
—	190,910	50,000
—	3,500	6,787
170	148,223	116,929
—	6,681	6,437
(905)	(823,459)	(706,014)
(735)	**(474,145)**	**(525,861)**
56,122	**135,169**	**273,913**
685,563	**1,613,494**	**1,337,015**
—	**2,793**	**2,600**
—	**—**	**26,890**
—	**(7,805)**	**(26,924)**
$ 741,685	**$ 1,743,651**	**$ 1,613,494**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual (Budgetary Basis)

ALL BUDGETED FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Admissions tax	$ 3,000	$ 2,931	$ (69)
Aircraft tax	3,775	3,541	(234)
Alcoholic liquors tax	48,615	48,244	(371)
Bank tax	10,000	13,240	3,240
Beer and wine tax	77,317	78,039	722
Business license tax	30,749	26,098	(4,651)
Coin-operated device tax	20,000	25,932	5,932
Commercial nuclear waste tax	—	860	860
Contractors' license tax	—	—	—
Corporation income tax	243,886	233,833	(10,053)
Corporation license tax	47,821	43,269	(4,552)
Department of Agriculture	6,931	7,026	95
Departmental revenue (primarily grant revenues and fees for services)	44,981	45,944	963
Documentary tax	17,284	19,585	2,301
Earned on investments	55,000	68,568	13,568
Education Improvement Act–1% sales tax	—	—	—
Education Improvement Act–investment earnings	—	—	—
Education Improvement Act–other	—	—	—
Electric power tax	18,822	19,894	1,072
Estate tax	25,000	20,510	(4,490)
Excise tax–casual sales	13,785	13,733	(52)
Fertilizer inspection tax	200	221	21
Gasoline tax–counties	19,970	20,233	263
Gift tax	—	495	495
Individual income tax	1,742,047	1,813,461	71,414
Insurance tax	80,921	85,744	4,823
Miscellaneous sources	59,517	61,271	1,754
Motor transport fees	2,500	3,480	980
Motor vehicle licenses	102,434	102,645	211
Nonrecurring (low-level radioactive waste fees)	5,629	3,232	(2,397)
Private car lines tax	1,200	1,787	587
Public service assessment	—	163	163
Public Service Authority	6,690	6,681	(9)
Radioactive waste surcharge	3,660	2,931	(729)
Retail sales tax (4%)	1,515,098	1,530,991	15,893
Retail sales tax–mail order sales	—	—	—
Retailers' license tax	935	1,026	91
Savings and loan association tax	3,538	3,794	256
Soft drinks tax	25,819	27,231	1,412
Workers' compensation insurance tax	7,928	9,358	1,430
Total revenues	**4,245,052**	**4,345,991**	**100,939**

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

OTHER BUDGETED FUNDS			TOTAL BUDGETED FUNDS		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
$ 30,121	$ 24,656	$ (5,465)	$ 33,121	$ 27,587	$ (5,534)
—	—	—	3,775	3,541	(234)
—	—	—	48,615	48,244	(371)
—	—	—	10,000	13,240	3,240
—	—	—	77,317	78,039	722
—	—	—	30,749	26,098	(4,651)
—	—	—	20,000	25,932	5,932
143,280	86,124	(57,156)	143,280	86,984	(56,296)
1,500	1,578	78	1,500	1,578	78
—	—	—	243,886	233,833	(10,053)
—	—	—	47,821	43,269	(4,552)
3,112	2,385	(727)	10,043	9,411	(632)
7,084,876	5,939,922	(1,144,954)	7,129,857	5,985,866	(1,143,991)
4,678	3,091	(1,587)	21,962	22,676	714
18,287	33,016	14,729	73,287	101,584	28,297
382,221	384,436	2,215	382,221	384,436	2,215
1,800	2,811	1,011	1,800	2,811	1,011
4,193	3,480	(713)	4,193	3,480	(713)
—	—	—	18,822	19,894	1,072
—	—	—	25,000	20,510	(4,490)
—	—	—	13,785	13,733	(52)
—	—	—	200	221	21
—	—	—	19,970	20,233	263
—	—	—	—	495	495
—	—	—	1,742,047	1,813,461	71,414
265	398	133	81,186	86,142	4,956
128,374	70,472	(57,902)	187,891	131,743	(56,148)
751	751	—	3,251	4,231	980
2,296	3,437	1,141	104,730	106,082	1,352
—	—	—	5,629	3,232	(2,397)
—	—	—	1,200	1,787	587
5,593	5,736	143	5,593	5,899	306
—	—	—	6,690	6,681	(9)
—	—	—	3,660	2,931	(729)
—	—	—	1,515,098	1,530,991	15,893
32,000	—	(32,000)	32,000	—	(32,000)
—	—	—	935	1,026	91
—	—	—	3,538	3,794	256
—	—	—	25,819	27,231	1,412
—	—	—	7,928	9,358	1,430
7,843,347	**6,562,293**	**(1,281,054)**	**12,088,399**	**10,908,284**	**(1,180,115)**

Continued on Next Page

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual (Budgetary Basis)

ALL BUDGETED FUNDS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Legislative	$ 30,604	$ 27,180	$ 3,424
Judicial	32,453	30,711	1,742
Executive and administrative	214,338	123,764	90,574
Educational	2,061,952	2,006,600	55,352
Health	750,679	731,051	19,628
Social rehabilitation services	143,693	126,189	17,504
Correctional and public safety	458,270	400,100	58,170
Conservation, natural resources, and development	165,860	130,190	35,670
Regulatory	72,867	71,438	1,429
Department of Transportation	593	589	4
Debt service	138,204	136,505	1,699
Miscellaneous	594,702	485,022	109,680
Enterprise agencies	—	—	—
Total expenditures	**4,664,215**	**4,269,339**	**394,876**
Excess of revenues over (under) expenditures	**(419,163)**	**76,652**	**495,815**
Other financing sources (uses):			
Operating transfers in	—	—	—
Operating transfers out	(67,026)	(67,026)	—
Total financing sources (uses)	**(67,026)**	**(67,026)**	—
Excess of revenues and other sources over (under) expenditures and other uses	**(486,189)**	**9,626**	**495,815**
Budgetary fund balance, July 1, 1995	**589,252**	**589,252**	—
Budgetary fund balance, June 30, 1996	**$ 103,063**	**$ 598,878**	**$ 495,815**

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

OTHER BUDGETED FUNDS			TOTAL BUDGETED FUNDS		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
$ 853	$ 505	$ 348	$ 31,457	$ 27,685	$ 3,772
464	177	287	32,917	30,888	2,029
589,700	255,111	334,589	804,038	378,875	425,163
2,637,064	1,992,557	644,507	4,699,016	3,999,157	699,859
2,748,486	2,511,104	237,382	3,499,165	3,242,155	257,010
763,176	627,073	136,103	906,869	753,262	153,607
191,826	131,629	60,197	650,096	531,729	118,367
225,876	157,485	68,391	391,736	287,675	104,061
187,372	138,084	49,288	260,239	209,522	50,717
682,736	606,788	75,948	683,329	607,377	75,952
—	—	—	138,204	136,505	1,699
200	200	—	594,902	485,222	109,680
884	884	—	884	884	—
8,028,637	**6,421,597**	**1,607,040**	**12,692,852**	**10,690,936**	**2,001,916**
(185,290)	**140,696**	**325,986**	**(604,453)**	**217,348**	**821,801**
67,026	67,026	—	67,026	67,026	—
—	—	—	(67,026)	(67,026)	—
67,026	**67,026**	—	—	—	—
(118,264)	**207,722**	**325,986**	**(604,453)**	**217,348**	**821,801**
653,861	**653,861**	—	**1,243,113**	**1,243,113**	—
$ 535,597	**$ 861,583**	**$ 325,986**	**$ 638,660**	**$ 1,460,461**	**$ 821,801**

Combined Statement of Revenues, Expenses, and Changes in Fund Equity

ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Operating revenues:			
Charges for services	$ 65,941	$ 788,175	$ —
Contributions	8	—	166
Interest and other investment income	57,321	35,232	68
Licenses, fees, and permits	—	—	72
Other operating revenues	—	2	—
Total operating revenues	123,270	823,409	306
Operating expenses:			
General operations and administration	37,150	235,714	49
Benefits and claims	15,831	522,830	—
Interest	58,055	—	—
Depreciation and amortization	1,166	10,975	—
Other operating expenses	2,648	4,059	6
Total operating expenses	114,850	773,578	55
Operating income	8,420	49,831	251
Nonoperating revenues (expenses):			
Interest income	1,476	1,989	—
Federal revenue	22,868	459	—
Costs to be recovered from future revenues	—	—	—
Interest expense	(968)	(6,406)	—
Other nonoperating revenues (expenses)	(28,526)	757	—
Total nonoperating revenues (expenses)	(5,150)	(3,201)	—
Income before operating transfers and extraordinary items	3,270	46,630	251
Operating transfers in	125	178	—
Operating transfers out	—	(1,473)	—
Transfers to primary government	—	—	—
Income before extraordinary items	3,395	45,335	251
Extraordinary loss on early extinguishment of debt	(298)	—	—
Net income	3,097	45,335	251
Retained earnings/fund balances, July 1 (restated)	240,784	238,295	1,761
Residual equity transfers in	—	—	—
Residual equity transfers out	—	—	—
Net unrealized gain (loss) on investment securities available for sale	—	—	—
Retained earnings/fund balances, June 30	243,881	283,630	2,012
Contributed capital, July 1	16,978	78,059	—
Additions to contributed capital	5,648	3,415	—
Deductions from contributed capital	(5)	(3,220)	—
Fund equity, June 30	$ 266,502	$ 361,884	$ 2,012

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

Totals Primary Government (Memorandum Only) June 30 1996	1995	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only) June 30 1996	1995
$ 854,116	$ 828,004	$ 707,910	$ 1,562,026	$ 1,490,336
174	50	—	174	50
92,621	88,229	71	92,692	88,296
72	68	—	72	68
2	—	—	2	—
946,985	**916,351**	**707,981**	**1,654,966**	**1,578,750**
272,913	252,679	417,466	690,379	667,254
538,661	553,785	—	538,661	553,785
58,055	57,419	—	58,055	57,419
12,141	11,188	116,016	128,157	110,144
6,713	6,987	1,930	8,643	9,223
888,483	**882,058**	**535,412**	**1,423,895**	**1,397,825**
58,502	**34,293**	**172,569**	**231,071**	**180,925**
3,465	3,344	22,536	26,001	23,184
23,327	20,783	3,773	27,100	25,259
—	—	24,854	24,854	20,962
(7,374)	(7,429)	(169,849)	(177,223)	(157,877)
(27,769)	(18,127)	102	(27,667)	(17,817)
(8,351)	**(1,429)**	**(118,584)**	**(126,935)**	**(106,289)**
50,151	**32,864**	**53,985**	**104,136**	**74,636**
303	1,800	—	303	1,800
(1,473)	—	—	(1,473)	—
—	—	(6,436)	(6,436)	(6,157)
48,981	**34,664**	**47,549**	**96,530**	**70,279**
(298)	(454)	—	(298)	(454)
48,683	**34,210**	**47,549**	**96,232**	**69,825**
480,840	**446,627**	**749,461**	**1,230,301**	**1,162,882**
—	**525**	**—**	**—**	**525**
—	**(522)**	**—**	**—**	**(522)**
—	**—**	**8,225**	**8,225**	**(2,409)**
529,523	**480,840**	**805,235**	**1,334,758**	**1,230,301**
95,037	**94,457**	**206,558**	**301,595**	**301,330**
9,063	**4,028**	**2,805**	**11,868**	**4,028**
(3,225)	**(3,448)**	**(9)**	**(3,234)**	**(3,763)**
$ 630,398	**$ 575,877**	**$ 1,014,589**	**$ 1,644,987**	**$ 1,531,896**

Combined Statement of Cash Flows

ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
Cash flows from operating activities:	**Enterprise**	**Internal Service**	**Nonexpendable Trust**
Operating income	$ 8,420	$ 49,831	$ 251
Adjustments to reconcile operating income to net cash provided by operations:			
Depreciation and amortization	1,166	10,975	—
Provisions for loan losses and bad debts	1,443	—	—
Loss on disposition of property and equipment	—	165	—
Issuance of loans and notes	(145,389)	—	—
Collection of loans and notes	113,438	—	—
Interest payments	57,554	—	—
Interest on investments and interfund loans	(16,932)	(35,146)	(68)
Amounts received for payment of claims	50,178	—	—
Payment of claims	(54,991)	—	—
Deferred coal contract buy-out costs	—	—	—
Other nonoperating revenues	—	906	—
Other nonoperating expenses	(122)	(10)	—
Other	6	(6)	—
Change in assets--decreases (increases):			
Accounts receivable, net	(605)	10,152	—
Student loans receivable, net	5	—	—
Due from Federal government and other grantors	(6)	23	—
Due from other funds	—	2,499	—
Due from primary government	—	—	—
Inventories	(308)	324	—
Other restricted assets	(54)	—	—
Other current assets	(3)	59	—
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities	5,085	(10,817)	—
Insurance claims incurred but not reported	(43)	1,829	—
Due to other funds	235	—	—
Due to primary government	—	—	—
Deferred revenues	257	(7,896)	—
Deposits	1	—	—
Liabilities payable from restricted assets	153	—	—
Limited obligation bonds payable	—	(142)	—
Compensated absences payable	192	164	—
Other liabilities, including retainages payable	1,016	(203)	—
Net cash provided by operating activities	**20,696**	**22,707**	**183**
Cash flows from noncapital financing activities:			
Principal payments received from other funds	—	6,912	—
Proceeds from loans made by other funds	—	2,353	—
Principal payments made to other funds	(420)	(5,425)	—
Receipt of interest from other funds	—	4,541	—
Interest payments made to other funds	—	(3,289)	—
Loans made to other funds	—	(5,624)	—
Proceeds from sale of revenue bonds	86,785	—	—
Principal payments on revenue bonds	(46,700)	—	—
Proceeds from notes payable	1,569	—	—
Principal payments on notes payable	(425)	—	—
Interest payments	(57,924)	—	—
Payment of bond issuance costs	(835)	—	—
Federal revenue	22,868	459	—
Payments from Federal grants	(21,083)	—	—
Operating transfers in	125	178	—
Operating transfers out	—	(1,473)	—
Residual equity transfers in	—	—	—
Residual equity transfers out	—	—	—
Transfers to primary government	—	—	—
Indirect cost remitted to State General Fund	(37)	—	—
Loss on early extinguishment of debt	(212)	—	—
Operating deficiency reimbursement	—	—	—
Net cash provided by (used in) noncapital financing activities	**(16,289)**	**(1,368)**	**—**

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

Totals Primary Government (Memorandum Only) June 30		COMPONENT UNITS	Totals Reporting Entity (Memorandum Only) June 30	
1996	1995		1996	1995
$ 58,502	$ 34,293	$ 172,569	$ 231,071	$ 180,925
12,141	11,188	116,016	128,157	110,144
1,443	1,633	—	1,443	2,412
165	404	—	165	404
(145,389)	(173,734)	—	(145,389)	(173,734)
113,438	95,489	45	113,483	95,556
57,554	57,419	—	57,554	57,419
(52,146)	(47,194)	—	(52,146)	(47,194)
50,178	56,179	—	50,178	56,179
(54,991)	(50,818)	—	(54,991)	(50,818)
—	—	(50,200)	(50,200)	2,378
906	2,328	325	1,231	—
(132)	(1,208)	(73)	(205)	(1,211)
—	(31)	(305)	(305)	(390)
9,547	(18,512)	(10,534)	(987)	(17,734)
5	8	—	5	8
17	(265)	884	901	(964)
2,499	(8,360)	—	2,499	(8,360)
—	—	87	87	1,513
16	101	1,029	1,045	(17,294)
(54)	459	—	(54)	459
56	139	(805)	(749)	546
(5,732)	2,502	(6,947)	(12,679)	8,425
1,786	30,724	—	1,786	30,724
235	602	—	235	602
—	—	(805)	(805)	513
(7,639)	23,630	11,914	4,275	24,039
1	73	—	1	73
153	(7)	—	153	(7)
(142)	6,814	—	(142)	6,814
356	412	—	356	412
813	46	10,919	11,732	(12,366)
43,586	24,314	244,119	287,705	249,473
6,912	7,505	—	6,912	7,505
2,353	1,503	—	2,353	1,503
(5,845)	(5,100)	—	(5,845)	(5,100)
4,541	4,289	—	4,541	4,289
(3,289)	(3,074)	—	(3,289)	(3,074)
(5,624)	(4,064)	—	(5,624)	(4,064)
86,785	141,224	—	86,785	141,224
(46,700)	(77,110)	—	(46,700)	(77,110)
1,569	1,260	—	1,569	1,260
(425)	(350)	—	(425)	(350)
(57,924)	(56,656)	—	(57,924)	(56,656)
(835)	(1,104)	—	(835)	(1,104)
23,327	17,995	3,773	27,100	22,471
(21,083)	(17,187)	—	(21,083)	(17,187)
303	1,800	—	303	1,800
(1,473)	—	—	(1,473)	—
—	137	—	—	137
—	(133)	—	—	(133)
—	—	(6,436)	(6,436)	(6,157)
(37)	—	—	(37)	—
(212)	—	—	(212)	—
—	18	—	—	18
(17,657)	10,953	(2,663)	(20,320)	9,272

Continued on Next Page

Combined Statement of Cash Flows

ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	$ (2,642)	$ (12,106)	$ —
Proceeds from sale of property, plant, and equipment	—	—	—
Proceeds from sale and refundings of revenue bonds	—	—	—
Principal payments and refundings on revenue bonds	—	—	—
Interest payments	(70)	(3,117)	—
Payment of bond issuance costs	—	—	—
Increase in commercial paper notes	—	—	—
Principal payments on notes payable	(2,845)	—	—
Proceeds from the sale of capital assets	231	—	—
Proceeds from the sale of notes payable	1,000	—	—
Principal payments on capital leases and installment debt obligations payable	—	(1,822)	—
Contributions of capital	—	—	—
Reductions of contributed capital	—	—	—
Net cash used in capital and related financing activities	**(4,326)**	**(17,045)**	**—**
Cash flows from investing activities:			
Proceeds from sale of investments	32,874	14,360	—
Purchase of investments	(20,635)	(12,402)	—
Interest on investments	21,810	30,668	61
Principal payments received on notes receivable	—	—	—
Issuance of loans	(1,548)	—	—
Collection of loans	425	—	—
Net cash provided by investing activities	**32,926**	**32,626**	**61**
Net increase in cash and cash equivalents	**33,007**	**36,920**	**244**
Cash and cash equivalents at beginning of year	**281,706**	**521,092**	**1,734**
Cash and cash equivalents at end of year	**$ 314,713**	**$ 558,012**	**$ 1,978**
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents for Fiduciary Funds			$ 724,501
Less: Cash and cash equivalents for Expendable Trust Funds, Pension Trust Funds, and Agency Funds			(722,523)
Cash and cash equivalents Nonexpendable Trust Fund			**$ 1,978**
Noncash capital, investing, and financing activities:			
Acquisition of property and equipment through:			
Contributions and transfers from other funds	$ —	$ 2,038	$ —
Long-term notes payable	—	—	—
Contributions from other funds	5,335	—	—
Transfers of noncapital assets	—	—	—
Total noncash capital, investing, and financing activities	**$ 5,335**	**$ 2,038**	**$ —**

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

Totals Primary Government (Memorandum Only) June 30		COMPONENT UNITS	Totals Reporting Entity (Memorandum Only) June 30	
1996	1995		1996	1995
$ (14,748)	$ (22,435)	$ (127,108)	$ (141,856)	$ (225,696)
—	—	324	324	116
—	—	317,791	317,791	—
—	—	(363,705)	(363,705)	(32,621)
(3,187)	(3,273)	(171,435)	(174,622)	(164,951)
—	—	(16,870)	(16,870)	(739)
—	—	118,620	118,620	10,450
(2,845)	(685)	—	(2,845)	(685)
231	—	—	231	—
1,000	—	—	1,000	—
(1,822)	(1,566)	(3,339)	(5,161)	(5,238)
—	29	2,796	2,796	29
—	—	—	—	(315)
(21,371)	**(27,930)**	**(242,926)**	**(264,297)**	**(419,650)**
47,234	74,782	55,877	103,111	264,574
(33,037)	(69,968)	(5,448)	(38,485)	(75,992)
52,539	48,535	21,831	74,370	70,751
—	7	—	—	7
(1,548)	(1,355)	—	(1,548)	(1,355)
425	350	—	425	350
65,613	**52,351**	**72,260**	**137,873**	**258,335**
70,171	**59,688**	**70,790**	**140,961**	**97,430**
804,532	**744,844**	**180,620**	**985,152**	**887,722**
$ 874,703	**$ 804,532**	**$ 251,410**	**$ 1,126,113**	**$ 985,152**
$ 2,038	$ 2,852	$ —	$ 2,038	$ 2,852
—	1,500	—	—	1,500
5,335	—	—	5,335	—
—	787	—	—	787
$ 7,373	**$ 5,139**	**$ —**	**$ 7,373**	**$ 5,139**

Combined Statement of Changes in Plan Net Assets

PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System
Additions:			
Contributions:			
Employer	$ 359,268	$ 55,956	$ 1,679
Employee	298,198	37,237	586
Total contributions	657,466	93,193	2,265
Net investment income:			
Net appreciation (depreciation) in fair value of investments	(155,514)	(23,494)	(577)
Interest income	784,076	92,873	2,203
Net investment income	628,562	69,379	1,626
Operating transfers in (for supplemental benefits)	5,813	142	—
Total additions	**1,291,841**	**162,714**	**3,891**
Deductions:			
Regular retirement benefits	559,991	58,257	3,579
Supplemental retirement benefits	5,813	142	—
Refunds of contributions to members	51,833	6,991	42
Group life insurance claims	9,429	1,101	39
Accidental death benefits	—	580	—
Depreciation	107	11	—
Administrative expense	10,419	1,134	27
Total deductions	**637,592**	**68,216**	**3,687**
Net increase in plan net assets	**654,249**	**94,498**	**204**
Net assets held in trust for pension benefits:			
Beginning of year (restated)	**12,625,410**	**1,353,384**	**33,120**
End of year	**$ 13,279,659**	**$ 1,447,882**	**$ 33,324**

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

Judges' and Solicitors' Retirement System	National Guard Pension System	Totals (Memorandum Only) June 30 1996	1995
$ 4,244	$ 2,499	$ 423,646	$ 398,498
970	—	336,991	327,694
5,214	2,499	760,637	726,192
(731)	(54)	(180,370)	1,007,039
3,916	293	883,361	817,081
3,185	239	702,991	1,824,120
—	—	5,955	6,443
8,399	**2,738**	**1,469,583**	**2,556,755**
5,278	—	627,105	585,453
—	—	5,955	6,443
—	—	58,866	52,038
3	—	10,572	8,861
—	—	580	564
1	1	120	119
52	1,523	13,155	11,471
5,334	**1,524**	**716,353**	**664,949**
3,065	**1,214**	**753,230**	**1,891,806**
63,001	**2,607**	**14,077,522**	**12,185,716**
$ 66,066	**$ 3,821**	**$ 14,830,752**	**$ 14,077,522**

Combined Statement of Changes in Fund Balances

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	CURRENT FUNDS			
	Unrestricted	Restricted	LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
Revenues and other additions:				
Unrestricted Current Fund revenues	$ 1,111,419	$ —	$ —	$ —
Restricted student tuition and fees	—	—	—	—
Federal grants and contracts–restricted	—	257,048	1,086	209
State grants–restricted	—	9,299	—	—
Private gifts, grants, and contracts–restricted	—	53,649	3	2,566
Investment income–restricted	—	4,213	233	1,415
Realized investment gains–unrestricted	—	—	—	434
Realized investment gains–restricted	—	90	48	1,738
Interest earned	—	—	1,031	—
Expended for plant facilities (including $66,984 charged to current funds expenditures)	—	—	—	—
Retirement of indebtedness (including $2,919 charged to current funds expenditures)	—	—	—	—
Retirement of indebtedness–defeased bonds	—	—	—	—
Proceeds of refunding bonds	—	—	—	—
Capitalization of interest cost	—	—	—	—
Sale of property	—	2	—	2,516
Foundations and institutes	—	—	—	—
Other revenues and additions	—	797	236	380
Total revenues and other additions	**1,111,419**	**325,098**	**2,637**	**9,258**
Expenditures and other deductions:				
Educational and general	1,146,723	298,181	—	—
Auxiliary enterprises	170,973	2,603	—	—
Hospital	329,854	—	—	—
Foundations and institutes	—	—	—	—
Indirect costs recovered	—	26,759	—	—
Loan cancellation and bad debt write-offs	—	—	646	—
Administration and collection costs	—	—	500	63
Realized investment losses–unrestricted	13	—	—	—
Realized investment losses–restricted	—	4	2	84
Expended for plant facilities (including noncapitalized expenditures of $22,552)	—	—	—	—
Retirement of indebtedness	—	—	—	—
Interest on indebtedness	—	—	—	—
Disposal of plant facilities	—	—	—	—
Refunding bonds issued	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—
Refunds to grantors	—	8	22	27
Other expenditures and deductions	1,906	20	—	11
Total expenditures and other deductions	**1,649,469**	**327,575**	**1,170**	**185**
Transfers in (out):				
Transfers among Higher Education Funds:				
Mandatory transfers for:				
Principal and interest	(37,900)	—	—	—
Loan fund matching grants	(422)	—	422	—
Other	(8)	(7)	—	15
Nonmandatory transfers	(12,565)	309	(11)	1,342
Operating transfers in	668,565	5,410	124	100
Operating transfers out	(37,529)	(50)	—	—
Total transfers in (out)	**580,141**	**5,662**	**535**	**1,457**
Net increase (decrease) in fund balances	**42,091**	**3,185**	**2,002**	**10,530**
Fund balances, July 1	**235,137**	**29,774**	**46,360**	**56,151**
Fund balances, June 30	**$ 277,228**	**$ 32,959**	**$ 48,362**	**$ 66,681**

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

PLANT FUNDS				Totals for the Fiscal Year Ended June 30	
Unexpended	Retirement of Indebtedness	Investment in Plant	Foundations and Institutes	1996	1995
$ —	$ —	$ —	$ —	$ 1,111,419	$ 1,153,272
9,051	18,107	—	—	27,158	22,583
7,364	315	—	—	266,022	243,052
920	—	—	—	10,219	7,163
2,962	—	1,803	—	60,983	65,395
4,116	3,801	—	—	13,778	11,744
—	—	—	—	434	—
1	—	—	—	1,877	247
—	—	—	—	1,031	982
—	—	180,779	—	180,779	158,942
—	—	33,060	—	33,060	22,945
—	—	2,000	—	2,000	5,655
—	1,949	—	—	1,949	4,605
1,334	—	785	—	2,119	1,141
—	—	—	—	2,518	—
—	—	—	192,764	192,764	208,079
2,741	1,254	1,451	—	6,859	5,850
28,489	25,426	219,878	192,764	1,914,969	1,911,655
—	—	—	—	1,444,904	1,366,305
—	—	—	—	173,576	167,943
—	—	—	—	329,854	299,072
—	—	—	178,236	178,236	191,829
—	—	—	—	26,759	25,719
—	—	—	—	646	624
—	—	—	—	563	748
—	—	—	—	13	—
—	—	—	—	90	2
133,181	—	—	—	133,181	109,752
—	29,878	—	—	29,878	21,394
—	19,384	—	—	19,384	18,787
—	—	105,713	—	105,713	29,289
—	—	1,949	—	1,949	4,605
—	2,063	—	—	2,063	4,855
—	—	—	—	57	29
1,952	4,331	3,359	—	11,579	7,944
135,133	55,656	111,021	178,236	2,458,445	2,248,897
(85)	37,985	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
74,965	(14,406)	(44,529)	(5,105)	—	—
44,693	—	—	—	718,892	743,321
—	—	—	(10,862)	(48,441)	(163,481)
119,573	23,579	(44,529)	(15,967)	670,451	579,840
12,929	(6,651)	64,328	(1,439)	126,975	242,598
109,541	53,314	2,265,593	43,046	2,838,916	2,596,318
$ 122,470	$ 46,663	$ 2,329,921	$ 41,607	$ 2,965,891	$ 2,838,916

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Unrestricted	Restricted	Totals for the Fiscal Year Ended June 30 1996	1995
Revenues:				
Tuition and fees	$ 366,369	$ —	$ 366,369	$ 349,502
Federal grants and contracts	35,550	230,697	266,247	242,459
State grants and contracts	—	8,960	8,960	7,133
Local grants and contracts	26,921	1,435	28,356	26,611
Private gifts, grants, and contracts	18,558	51,451	70,009	74,242
Endowment income	665	1,797	2,462	2,108
Sales and services of educational departments	31,827	—	31,827	28,963
Sales and services of auxiliary enterprises	187,120	—	187,120	181,712
Sales and services of hospitals	404,717	—	404,717	476,748
Other	39,692	1,091	40,783	35,757
Total current revenues	**1,111,419**	**295,431**	**1,406,850**	**1,425,235**
Expenditures and mandatory transfers:				
Educational and general:				
Instruction	553,348	34,876	588,224	564,653
Research	59,340	111,754	171,094	169,332
Public service	68,769	36,493	105,262	108,177
Academic support	118,034	4,742	122,776	116,622
Student services	70,272	7,262	77,534	74,387
Institutional support	141,850	2,182	144,032	129,538
Operation and maintenance of plant	112,193	265	112,458	107,470
Scholarships and fellowships	22,917	100,607	123,524	96,126
Educational and general expenditures	1,146,723	298,181	1,444,904	1,366,305
Mandatory transfers for:				
Principal and interest	6,920	—	6,920	6,643
Loan fund matching grants	422	—	422	407
Other	8	7	15	14
Total educational and general	1,154,073	298,188	1,452,261	1,373,369
Auxiliary enterprises:				
Expenditures	170,973	2,603	173,576	167,943
Mandatory transfers for principal and interest	18,253	—	18,253	16,787
Total auxiliary enterprises	189,226	2,603	191,829	184,730
Hospitals:				
Expenditures	329,854	—	329,854	299,072
Mandatory transfers for principal and interest	12,727	—	12,727	12,736
Total hospitals	342,581	—	342,581	311,808
Total expenditures and mandatory transfers	**1,685,880**	**300,791**	**1,986,671**	**1,869,907**
Other transfers and additions (deductions):				
Excess of restricted receipts over transfers to revenues	—	2,908	2,908	398
Operating transfers in	668,565	5,410	673,975	693,863
Operating transfers out	(37,529)	(50)	(37,579)	(147,981)
Refunds to grantors	—	(8)	(8)	(14)
Other deductions	(14,484)	285	(14,199)	(23,997)
Total other transfers and additions	**616,552**	**8,545**	**625,097**	**522,269**
Net increase in fund balances	**$ 42,091**	**$ 3,185**	**$ 45,276**	**$ 77,597**

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

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1996
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Savannah Lakes Regional Loan Fund	Enterprise Development, Inc., of South Carolina	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 70,390	$ 13,286	$ 998	$ 269	$ 84,943
Investments	36,440	—	140	—	36,580
Receivables, net:					
Accounts	67,078	10,654	5	—	77,737
Loans and notes	—	—	44	—	44
Due from Federal government and other grantors	—	—	—	925	925
Inventories	75,810	1,109	—	—	76,919
Restricted assets:					
Cash and cash equivalents	96,364	—	—	—	96,364
Other current assets	1,096	2,603	—	7	3,706
Total current assets	347,178	27,652	1,187	1,201	377,218
Long-term assets:					
Loans and notes receivable, net	—	—	144	—	144
Restricted assets:					
Cash and cash equivalents	48,524	21,579	—	—	70,103
Investments	224,332	6,380	—	—	230,712
Deferred charges	530,226	1,572	—	—	531,798
Total long-term assets	803,082	29,531	144	—	832,757
Property, plant, and equipment:					
Land and improvements	—	221,918	—	—	221,918
Buildings and improvements	—	205,644	—	—	205,644
Utility plant	3,218,703	—	—	—	3,218,703
Machinery, equipment, and other	1,938	30,697	—	230	32,865
Construction in progress	71,666	10,250	—	—	81,916
Less: accumulated depreciation	(958,261)	(151,385)	—	(149)	(1,109,795)
Total property, plant, and equipment, net	2,334,046	317,124	—	81	2,651,251
Total assets	**$ 3,484,306**	**$ 374,307**	**$ 1,331**	**$ 1,282**	**$ 3,861,226**

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

Continued on Next Page

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 1996
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Savannah Lakes Regional Loan Fund	Enterprise Development, Inc., of South Carolina	Totals
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	$ 98,274	$ 9,597	$ 1	$ 546	$ 108,418
Revenue bonds payable	196,151	1,015	—	—	197,166
Capital lease and installment debt obligations payable	3,418	28	—	—	3,446
Commercial paper notes	237,320	—	—	—	237,320
Other current liabilities, including retainages payable	37,557	191	—	—	37,748
Total current liabilities	572,720	10,831	1	546	584,098
Long-term liabilities:					
Deferred revenues and deferred credits	40,079	—	—	—	40,079
Revenue bonds payable	2,067,613	86,043	—	—	2,153,656
Capital lease and installment debt obligations payable	42,712	295	—	—	43,007
Other long-term liabilities	25,797	—	—	—	25,797
Total long-term liabilities	2,176,201	86,338	—	—	2,262,539
Total liabilities	**2,748,921**	**97,169**	**1**	**546**	**2,846,637**
Fund Equity:					
Contributed capital	34,438	173,896	1,020	—	209,354
Retained earnings	700,947	103,242	310	736	805,235
Total fund equity	**735,385**	**277,138**	**1,330**	**736**	**1,014,589**
Total liabilities and fund equity	**$ 3,484,306**	**$ 374,307**	**$ 1,331**	**$ 1,282**	**$ 3,861,226**

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

Combining Statement of Revenues, Expenses, and Changes in Fund Equity

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Savannah Lakes Regional Loan Fund	Enterprise Development, Inc., of South Carolina	Totals
Operating revenues:					
Charges for services	$ 643,838	$ 62,254	$ —	$ 1,818	$ 707,910
Interest and other investment income	—	—	71	—	71
Total operating revenues	**643,838**	**62,254**	**71**	**1,818**	**707,981**
Operating expenses:					
General operations and administration	370,492	41,301	3	5,670	417,466
Depreciation and amortization	101,267	14,671	—	78	116,016
Other operating expenses	1,928	—	2	—	1,930
Total operating expenses	**473,687**	**55,972**	**5**	**5,748**	**535,412**
Operating income (loss)	**170,151**	**6,282**	**66**	**(3,930)**	**172,569**
Nonoperating revenues (expenses):					
Interest income	20,682	1,747	—	107	22,536
Federal revenue	—	—	—	3,773	3,773
Costs to be recovered from future revenues	24,854	—	—	—	24,854
Interest expense	(165,118)	(4,731)	—	—	(169,849)
Other nonoperating revenues (expenses)	96	229	—	(223)	102
Total nonoperating revenues (expenses)	**(119,486)**	**(2,755)**	**—**	**3,657**	**(118,584)**
Income (loss) before operating transfers	**50,665**	**3,527**	**66**	**(273)**	**53,985**
Transfers to primary government	(6,436)	—	—	—	(6,436)
Net income (loss)	**44,229**	**3,527**	**66**	**(273)**	**47,549**
Retained earnings, July 1, 1995	**648,493**	**99,715**	**244**	**1,009**	**749,461**
Net unrealized gain on investment securities available for sale	**8,225**	**—**	**—**	**—**	**8,225**
Retained earnings, June 30, 1996	**700,947**	**103,242**	**310**	**736**	**805,235**
Contributed capital, July 1, 1995	**34,438**	**171,100**	**1,020**	**—**	**206,558**
Additions to contributed capital	**—**	**2,805**	**—**	**—**	**2,805**
Deductions from contributed capital	**—**	**(9)**	**—**	**—**	**(9)**
Fund equity, June 30, 1996	**$ 735,385**	**$ 277,138**	**$ 1,330**	**$ 736**	**$ 1,014,589**

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

Combining Statement of Cash Flows

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Savannah Lakes Regional Loan Fund	Enterprise Development, Inc., of South Carolina	Totals
Cash flows from operating activities:					
Operating income (loss)	$ 170,151	$ 6,282	$ 66	$ (3,930)	$ 172,569
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation and amortization	101,267	14,671	—	78	116,016
Collection of loans	—	—	45	—	45
Deferred coal contract buy-out costs	(50,200)	—	—	—	(50,200)
Other nonoperating revenues	96	229	—	—	325
Other nonoperating expenses	—	—	—	(73)	(73)
Other	(137)	(168)	—	—	(305)
Change in assets--decreases (increases):					
Accounts receivable, net	(9,575)	(956)	(3)	—	(10,534)
Due from Federal government and other grantors	—	—	—	884	884
Due from primary government	—	87	—	—	87
Inventories	1,052	(23)	—	—	1,029
Other current assets	(85)	(731)	—	11	(805)
Change in liabilities--increases (decreases):					
Accounts payable and accrued liabilities	(7,877)	1,096	—	(166)	(6,947)
Due to primary government	—	—	—	(805)	(805)
Deferred revenues	11,914	—	—	—	11,914
Other liabilities, including retainages payable	10,919	—	—	—	10,919
Net cash provided by (used in) operating activities	**227,525**	**20,487**	**108**	**(4,001)**	**244,119**
Cash flows from noncapital financing activities:					
Federal revenue	—	—	—	3,773	3,773
Transfers to primary government	(6,436)	—	—	—	(6,436)
Net cash provided by (used in) noncapital financing activities	**(6,436)**	**—**	**—**	**3,773**	**(2,663)**

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

Continued on Next Page

Combining Statement of Cash Flows

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Savannah Lakes Regional Loan Fund	Enterprise Development, Inc., of South Carolina	Totals
Cash flows from capital and related financing activities:					
Acquisition of property, plant, and equipment	$ (114,558)	$ (12,494)	$ —	$ (56)	$ (127,108)
Proceeds from sale of property, plant, and equipment	—	324	—	—	324
Proceeds from sale of revenue bonds	317,791	—	—	—	317,791
Principal payments and refundings on revenue bonds	(362,745)	(960)	—	—	(363,705)
Interest payments	(166,697)	(4,738)	—	—	(171,435)
Payment of bond issuance costs	(16,870)	—	—	—	(16,870)
Increase in commercial paper notes	118,620	—	—	—	118,620
Principal payments on capital leases and installment debt obligations payable	(3,318)	(21)	—	—	(3,339)
Contributions of capital	—	2,796	—	—	2,796
Net cash used in capital and related financing activities	**(227,777)**	**(15,093)**	**—**	**(56)**	**(242,926)**
Cash flows from investing activities:					
Proceeds from sale of investments	48,901	6,976	—	—	55,877
Purchase of investments	—	(5,448)	—	—	(5,448)
Interest on investments	19,977	1,747	—	107	21,831
Net cash provided by investing activities	**68,878**	**3,275**	**—**	**107**	**72,260**
Net increase (decrease) in cash and cash equivalents	**62,190**	**8,669**	**108**	**(177)**	**70,790**
Cash and cash equivalents at beginning of year	**153,088**	**26,196**	**890**	**446**	**180,620**
Cash and cash equivalents at end of year	**$ 215,278**	**$ 34,865**	**$ 998**	**$ 269**	**$ 251,410**

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

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

The State of South Carolina is governed by the South Carolina General Assembly, an elected legislative body, and several elected executives. These general purpose financial statements present the State and its component units—entities for which the State and its elected officials are considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the State's operations. Accordingly, data from these component units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize its legal separateness from the State.

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

Primary Government

All constitutional offices, departments, agencies, commissions, and authorities have been included in the State's reporting entity as part of the primary government unless otherwise noted. Most of these have executives or boards appointed by the Governor, the General Assembly, or a combination thereof. These entities are financially accountable to, and fiscally dependent on, the State.

Although they operate somewhat autonomously, the entities listed below are included in the State's primary government because they lack full corporate powers.

Fiscal year ended June 30, 1996:
- State Housing Finance and Development Authority
- State Education Assistance Authority
- Jobs-Economic Development Authority
- Patriots Point Development Authority

Fiscal year ended December 31, 1995:
- The South Carolina Deferred Compensation Plans
- The Public Railways Division of the Department of Commerce (formerly the Public Railways Commission)

The State's five retirement systems are considered part of the State's primary government. The State Budget and Control Board, consisting of five elected officials, serves as trustee of the systems, and the State Treasurer is custodian of the funds.

The ten State-supported universities and the sixteen area technical colleges and their blended and discrete component units are reported within the State's Higher Education Funds as part of the primary government. Although the universities and colleges operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints most of their boards and budgets a significant portion of their funds.

Note 1s provides further information concerning component units of the universities and colleges. The component units of the universities and colleges are:

Blended Component Units:
- The Citadel Trust
- IPTAY Scholarship Fund
- The Faculty House of Carolina, Inc.

Blended Component Units Discretely Presented:
- Clemson Research Facilities Corporation
- Lander Foundation
- Lander University Alumni Association
- University of South Carolina School of Medicine Educational Trust
- University Specialty Clinics
- Charleston Memorial Hospital
- University Medical Associates of the Medical University of South Carolina (including its three for-profit subsidiaries)
- Medical University Facilities Corporation
- Pharmaceutical Education and Development Foundation of the Medical University of South Carolina
- Medical University of South Carolina Foundation for Research Development

Discrete Component Unit:
- South Carolina Environmental Education Consortium

Discretely Presented Component Units

The State's financial statements include the discretely presented component units listed below.

Fiscal year ended June 30, 1996:
- South Carolina State Ports Authority
- Savannah Lakes Regional Loan Fund
- Enterprise Development, Inc., of South Carolina

Fiscal year ended December 31, 1995:
- South Carolina Public Service Authority (Santee-Cooper)

The South Carolina Public Service Authority, a public utility company, was created by the State General Assembly in 1934. The Authority's primary purpose is to provide electric power to the people of South Carolina. The Governor appoints the Authority's Board of Directors. By law, the Authority must annually transfer to the State General Fund any net earnings not necessary for prudent business operations.

The South Carolina State Ports Authority was created in 1942 by the State General Assembly for the purposes of developing and improving the State's harbors and seaports. The State Ports Authority owns and operates seven ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board.

Notes to the Financial Statements

The Savannah Lakes Regional Loan Fund is a non-profit corporation established in 1990. It maintains a revolving loan fund to promote economic development in the State's Savannah Lakes Region. The Fund's Board of Directors consists of three members from each of two State agencies, the Department of Commerce and the Jobs—Economic Development Authority.

Enterprise Development, Inc., of South Carolina was created in 1989 as the result of a proviso of the State Appropriation Act. The Corporation was established to support the State Department of Commerce in achieving its economic development goals for the State. The purpose of the organization is to identify, create, and develop strategic initiatives and business resources in order for the State to achieve economic parity with neighboring states. The Corporation's Board of Directors consists of four ex-officio State elected officers and five members appointed by the Secretary of the State Department of Commerce.

Complete financial statements for each of these individual component units may be obtained at the entity's administrative office as follows:

South Carolina Public Service Authority
(Santee-Cooper)
Post Office Box 398
Moncks Corner, South Carolina
29461-0398

South Carolina State Ports Authority
Post Office Box 817
Charleston, South Carolina 29402-0817

Savannah Lakes Regional Loan Fund
1201 Main Street, Suite 1750
Columbia, South Carolina 29201

Enterprise Development, Inc., of South
Carolina
Post Office Box 1149
Columbia, South Carolina 29202

These financial statements exclude the related foundations listed in Note 15 because the State does not significantly influence operations of the related foundations nor are the related foundations accountable to the State for fiscal matters.

Related Organizations

A related organization is one for which the primary government is not financially accountable even though the primary government appoints a voting majority of the organization's governing board. The South Carolina Children's Trust Fund is a related organization because the State is not financially accountable for it despite the fact that the Governor appoints all nine of its trustees. County boards of mental retardation are related organizations if their members are appointed by the Governor but are not related organizations if their members are appointed by their respective county councils.

b. Basis of Presentation–Fund Accounting

The State uses fund accounting under which it segregates its resources and accounts for them in various individual funds. Each individual fund is an accounting entity with a self-balancing set of accounts. Individual funds that have similar characteristics are combined into fund types.

Governmental Funds

Governmental Funds finance most of the State's governmental functions. The measurement focus of the Governmental Funds is on sources, uses, and balances of financial resources.

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.

Special Revenue Funds account for specific revenue sources (other than for Capital Projects, Trust, and Higher Education Funds) that are legally restricted for specified purposes.

Capital Projects Funds account for resources to acquire major capital facilities for use by the General Fund and Special Revenue Funds.

Debt Service Funds are not used because the State does not accumulate resources to pay future years' general long-term obligations. Instead, the State finances such payments directly from the current year's resources.

Proprietary Funds

Proprietary Funds account for activities similar to those found in the private sector. The Financial Accounting Standards Board (FASB) and its predecessor organizations have issued accounting and reporting standards for activities in the private sector. The State's Proprietary Funds have elected not to apply standards issued by those organizations after November 30, 1989. These funds, however, have applied all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB).

The measurement focus of the Proprietary Funds is upon determination of net income, financial position, and cash flows.

Enterprise Funds account for business-like State activities that provide goods/services to the public financed primarily through user charges.

Internal Service Funds provide goods/services to other funds, agencies, component units, or governments on a cost-allocation basis.

Fiduciary Funds

Fiduciary Funds account for resources the State holds as trustee or agent for individuals, private organizations, or other governmental units. Both principal and earnings of Expendable Trust Funds

Notes to the Financial Statements

may be used for purposes allowed under the trust agreements. Only the earnings, but not the principal, of Nonexpendable Trust Funds may be expended.

Expendable Trust Funds have the same measurement focus as Governmental Funds. Nonexpendable Trust and Pension Trust Funds have the same measurement focus as Proprietary Funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

The General Fixed Assets Account Group includes all fixed assets of the primary government other than those accounted for in the Proprietary, Fiduciary, and Higher Education Funds.

The General Long-Term Obligations Account Group accounts for all long-term obligations of the primary government not accounted for in the Proprietary and Higher Education Funds. Significant long-term obligations include bonds, capital leases, compensated absences, and claims and judgments.

Discretely Presented Component Units

The State's discretely presented component units conduct business-like activities that provide goods/services to the public and are financed primarily through user charges. The measurement focus of these entities is upon determination of net income, financial position, and cash flows. The Public Service Authority and the State Ports Authority have elected to apply all FASB pronouncements that are not inconsistent with GASB pronouncements. The other discretely presented component units have elected not to apply standards issued by the FASB after November 30, 1989.

c. Basis of Accounting

The basis of accounting determines when the State recognizes revenues and expenditures/expenses and related assets and liabilities, regardless of measurement focus.

Governmental, Expendable Trust, and Agency Funds

The modified accrual basis of accounting is used in Governmental, Expendable Trust, and Agency Funds. Under the modified accrual basis, revenues are recorded when they become susceptible to accrual (i.e., both measurable and available). Except for entitlements, unemployment insurance taxes, and interest on investments, revenues are deemed available at year-end only if received within one month following year-end. Unemployment insurance taxes in the Expendable Trust Funds are deemed available at year-end only if received within forty-five days following year-end. Interest on investments is recorded as earned because it is deemed available when earned. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Individual and corporate income taxes in the hands of employers or corporations, sales and similar taxes (including gasoline taxes) in the hands of merchants or other State collection agents, delinquent taxes, charges for services and commodities, and interest income are accrued at year-end. Fines, forfeitures, licenses and fees, and other miscellaneous taxes and revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures generally are recorded when goods or services are received. An exception is that principal and interest on obligations reflected in the General Long-Term Obligations Account Group are recorded as expenditures when due. Additional exceptions are that expenditures for compensated absences, claims and judgments, and special employee termination benefits reflected in the General Long-Term Obligations Account Group are recorded when paid.

Proprietary Funds, Nonexpendable Trust Funds, Pension Trust Funds, and Discretely Presented Component Units

The State uses the accrual basis of accounting to report activity of the Proprietary, Nonexpendable Trust, and Pension Trust Funds and the discretely presented component units. Under the accrual basis of accounting, the State recognizes revenues when earned and expenses when incurred. The Public Service Authority, a discretely presented component unit, is a regulated utility which uses accounting principles established by the Federal Energy Regulatory Commission.

Grant/Entitlement Revenues

The State recognizes grants, including non-cash support, as revenue when the State has incurred grant costs and has met all related grant requirements (such as matching requirements). Food commodities totaled $13.586 million for the year ended June 30, 1996. In contrast, the State recognizes entitlements as revenue at the beginning of the entitlement period.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditures in the Departmental General Operating Fund (a Special Revenue Fund) at the date of distribution to individual recipients. Food stamp revenues and expenditures for the fiscal year ended June 30, 1996, totaled $300.559 million. In addition, the State has recorded $138 thousand food stamp coupons on hand at June 30, 1996, as part of Other Assets and Deferred Revenue.

The State normally does not account for any grants in its Agency Funds. Pending determination of which funds are to be financed, however, grant/entitlement monies to be distributed to other State agencies are accounted for in Agency Funds. At June 30, 1996, assets totaling $860 thousand were being held in Agency Funds pending such determination.

Notes to the Financial Statements

d. Cash and Cash Equivalents

The amounts shown on the Combined Balance Sheet as Cash and Cash Equivalents represent petty cash, cash on deposit in banks, and cash invested in various instruments as a part of the State's cash management 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 and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, and collateralized repurchase agreements.

Most entities in the primary government participate in the cash management pool. Significant exceptions, however, are: retirement and deferred compensation plans, the Local Government Investment Pool, the Housing Authority Fund (an Enterprise Fund), and certain activities of the Higher Education Funds. Of the discretely presented component units, only the State Ports Authority participates in the pool. For activities excluded from the pool, Cash Equivalents include investments in short-term, highly liquid securities having an initial maturity 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, however, are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Cash on Deposit with Fiscal Agents

The Cash on Deposit with Fiscal Agents in the Trust and Agency Funds consists of amounts associated with the unemployment compensation program that are on deposit with the United States Treasury.

g. 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, Federal agency or other Federally guaranteed obligations with a market value in excess of 100% 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.

Investments of the Pension Trust Funds are presented at fair value. Securities traded on a national exchange are valued at the last reported sales price. Generally, other investments are stated at amortized cost using the effective interest method to amortize bond premiums/discounts over the time from purchase to maturity, except for deferred compensation plans' investments which are valued at the value of the underlying insurance contracts. The Public Service Authority, a discretely presented component unit, however, carries its available-for-sale investments at market value with the net unrealized gain or loss offset against its fund equity. The Authority has no trading investments.

h. Receivables

Receivables are stated net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience.

i. Inventories

Inventories of the Governmental Funds are valued at cost using predominantly the weighted average methodology. Inventories of the Proprietary Funds and the discretely presented component units are valued at cost using the average cost methodology. The Governmental Funds use the purchases method while the Proprietary Funds and the discretely presented component units use the consumption method.

j. Servicing Rights

The Public Railways Division of the Department of Commerce (reported in the Other Enterprise Funds) entered into a servicing agreement during its fiscal year ended December 31, 1995. The Division reported servicing rights as an intangible asset which will be amortized to operating expenses over the life of the agreement. The servicing rights are stated net of accumulated amortization.

k. Fixed Assets and Depreciation

Fixed assets are valued at historical cost or at estimated historical cost if actual historical cost data are not available. Donated fixed assets are recorded at fair market value on the donation date.

Notes to the Financial Statements

Governmental Funds

Governmental Funds record expenditures when they acquire fixed assets and capitalize those assets in the General Fixed Assets Account Group. The General Fixed Assets Account Group records neither depreciation nor capitalization of interest expenditures during construction. The State does not record its public domain (infrastructure) assets in the General Fixed Assets Account Group.

Proprietary Funds, Similar Trust Funds, and Discretely Presented Component Units

Proprietary Funds, Nonexpendable Trust Funds, Pension Trust Funds, and the discretely presented component units capitalize fixed assets when acquired. Net interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method over the following estimated useful lives:

Asset	Years
Wando River channel dredging project	50
Other land improvements	20-30
Residential buildings	20-30
Office and other buildings	20-40
Hydro-electric utility plants	55
Other utility plants	22-37
Automobiles, vans, light trucks	5-8
Heavy trucks and buses	8-15
Airplanes and helicopters	3-8
Other furnishings and equipment	5-15

Depreciation on fixed assets acquired from Contributed Capital is closed to Retained Earnings.

l. Restricted Assets and Liabilities Payable from Restricted Assets

Most of the amounts reported as Restricted Assets in the Enterprise Funds and in the discretely presented component units represent assets required to be held and/or used as specified in bond indentures and bond resolutions. In the Enterprise Funds, Restricted Assets also include amounts collected by the Second Injury Fund to pay claims for which the Fund has no risk. The amounts held by the Second Injury Fund are offset by Liabilities Payable from Restricted Assets to demonstrate that the Fund has not assumed any risk for the payment of claims.

Restricted assets are classified into four categories: Cash and Cash Equivalents, Investments, Loans Receivable, and Other. The State's restricted assets consist primarily of United States government securities, repurchase agreements, and student and mortgage loans receivable.

m. Deferred Charges

Deferred costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility which is a 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 depreciaticn as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

During its fiscal year ended December 31, 1995, the Authority exercised a buy-out option on an existing coal contract. The cost of the buy-out is recorded in deferred charges and amortized as a component of fuel costs over the remaining life of the former contract.

n. 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. This estimated payable is recorded as Tax Refunds Payable and a reduction of Tax Revenues.

o. Long-Term Obligations

The State records long-term debt of governmental funds in the General Long-Term Obligations Account Group. Other governmental fund obligations not expected to be financed with current available financial resources also are recorded in the General Long-Term Obligations Account Group. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

The State's debt in the General Long-Term Obligations Account Group includes capital appreciation (deep-discount) bonds that were issued at stated interest rates significantly below the effective interest rate. The resulting discount is systematically reduced and the carrying amount of the debt is systematically increased over the life of the bonds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as Other Financing Sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as expenditures.

For proprietary fund types and the discretely presented component units, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds 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 remaining life of the old debt or the life of the new debt, whichever is shorter.

Notes to the Financial Statements

Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Unamortized issuance costs are reported as deferred charges.

The State enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

p. 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. 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.

When employees earn vacation leave, the Governmental fund types record a liability in the General Long-Term Obligations Account Group for the amount expected to be used or paid in cash. The General and Special Revenue Funds record expenditures when employees use leave.

The Proprietary Funds record an expense and a liability when employees earn vacation leave.

The South Carolina Public Service Authority, a regulated utility and a discretely presented component unit, records the cost of vacation leave that employees earn as an asset, Deferred Charges (to be recovered through the rate-setting process), and as Other Long-Term Liabilities. When it pays employees for leave, the Authority reduces the asset and liability and records an expense. The State Ports Authority, another discretely presented component unit, records its liability for compensated absences in Accounts Payable and Accrued Liabilities.

The State does not record a liability for unpaid accumulated sick leave.

q. Interfund Transactions

The State accounts for the following types of interfund transactions:

Interfund loans may occur between two State funds. Short-term interfund loans outstanding at year-end are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements result when one fund makes an expenditure on behalf of another fund. Reimbursement transactions reduce expenditure in the reimbursed fund and increase expenditure in the reimbursing fund.

Quasi-external transactions involve charges for goods or services that one fund delivers or provides to another. These transactions may result in the recording of short-term receivables or payables (Due From or To Other Funds, Primary Government, or Component Units) at year-end.

Residual equity transfers are nonroutine or nonrecurring transfers between funds.

Operating transfers include all interfund transactions that are not loans, reimbursements, quasi-external transactions, or residual equity transfers.

The State eliminates material intrafund transactions and interfund transactions that occur within a single combined financial statement fund type.

r. Escheat Property

The State accounts for its escheat property in the General Fund, the fund to which the property ultimately escheats. To the extent it is probable that such property will be reclaimed and paid to claimants, the State records a liability and reduces revenue in the General Fund.

s. Higher Education Funds

Financial activities of the State's higher education institutions are reported in the Higher Education Funds within the State's primary government. These funds use generally accepted accounting principles that apply to colleges and universities as contained in *Audits of Colleges and Universities* published by the American Institute of Certified Public Accountants. The Higher Education Funds are presented in a separate column on the Combined Balance Sheet. The Combined Statement of Changes in Fund Balances–Higher Education Funds presents the following fund types:

Current Funds account for resources that higher education institutions may use for any purpose in carrying out their primary objectives. Restricted Current Funds include resources that donors or other outside agencies have restricted for specific current operating purposes. All other current funds are Unrestricted Current Funds.

Loan Funds account for resources available for loans to students, faculty, or staff of higher education institutions.

Endowment and Similar Funds account for endowment and quasi-endowment transactions. These funds are similar to trust funds. The State must comply with the terms of any applicable agreements.

Plant Funds account for transactions involving physical properties of the higher education institutions. The Unexpended Plant subgroup accounts for monies that institutions have available to finance the acquisition, construction, or improvement of physical properties. Resources that institutions have set aside for the renewal and replacement of institutional properties are also recorded in this subgroup. The Retirement of Indebtedness subgroup

Notes to the Financial Statements

includes monies to pay debt service and to retire indebtedness on institutional properties. The Investment in Plant subgroup accounts for funds that institutions have expended for (and thus have invested in) their properties and any related outstanding debt.

Agency Funds within the Higher Education Funds account for amounts that higher education institutions hold as custodians or fiscal agents for others.

Foundations and Institutes Funds account for certain component units of the State's colleges and universities. Most of these component units have fiscal years ended June 30, but some have fiscal years ended December 31. All but one of these component units meet the criteria for blending but are presented in a separate column because they use a basis of accounting different from the one followed by the State's colleges and universities. The South Carolina Environmental Education Consortium qualifies as a discrete component unit of one of the State's universities but is still considered part of the State's primary government. Most of these component units are governmental non-profit entities that follow the Governmental accounting and financial reporting model as defined by the Governmental Accounting Standards Board's Statement 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities." One governmental non-profit entity, however, has chosen to follow the American Institute of Certified Public Accountants Not-for-Profit model. The remainder of the component units are non-governmental entities that follow generally accepted accounting principles for non-profit entities as prescribed by the Financial Accounting Standards Board.

The Combined Statement of Current Funds Revenues, Expenditures, and Other Changes–Higher Education Funds is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Cash transfers between the higher education institutions and the General Fund and Special Revenue Funds appear as revenues and expenditures on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual (Budgetary Basis)—All Budgeted Funds. On all other combined operating statements, however, such transfers to (from) the institutions appear in the Higher Education Funds as Operating Transfers In (Out). Accordingly, on the Combined Statement of Current Funds Revenues, Expenditures, and Other Changes—Higher Education Funds, the sum of the Restricted Current Funds' Revenues and Operating Transfers In equals the sum of Expenditures and Mandatory Transfers and Operating Transfers Out.

The measurement focus in the Higher Education Funds is upon determination of resources received and used. The Higher Education Funds use the accrual basis. Although certain not-for-profit component units in the Foundations and Institutes Fund record depreciation of fixed assets, other Higher Education Funds do not. In addition, revenues from tuition and student fees of a summer session are reported totally within the fiscal year in which the session is predominantly conducted. Current Funds used to finance plant assets are accounted for as (1) expenditures for normal replacement of movable equipment and library books, (2) mandatory transfers for required provisions for debt amortization/interest, and (3) transfers of a nonmandatory nature for all other cases.

Higher Education Funds record expenditures when they acquire fixed assets and capitalize those assets within their Plant Funds. These funds capitalize interest expenditures during construction but do not record depreciation.

Inventories of the Higher Education Funds are valued at the lower of cost or market using the first-in, first-out method. These funds use the consumption method of recording inventories.

The State's colleges and universities record an expenditure and liability in the Unrestricted Current Funds when employees earn credits toward future compensated absences.

t. Totals (Memorandum Only) Columns

Amounts in the "Totals–Memorandum Only" columns for the primary government and for the reporting entity represent an aggregation of the combined financial statement line-items to facilitate financial analysis. Amounts in the "Totals–Memorandum Only" columns are not comparable to a consolidation.

"Memorandum Only" columns for 1995 are included to provide a summarized comparison with comparable 1996 amounts. The 1995 totals are not intended to present all information necessary for a fair presentation of financial position, results of operations, and cash flows in accordance with generally accepted accounting principles.

To enhance comparability, certain 1995 amounts have been reclassified to conform with the presentation used in the 1996 financial statements.

NOTE 2: BUDGETARY ACCOUNTING AND REPORTING

a. Budgetary Funds

South Carolina's Appropriation Act does not present budgets by GAAP fund. Instead, it presents budgets for:

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 Appropriation Act differs somewhat from the GAAP General Fund.

Total Funds. The Total Funds column in the Appropriation Act includes all budgeted resources. Amounts in this column include General Funds as well as most Federal and department-generated resources. Total Funds include certain Proprietary and Capital Project Fund activities but exclude Pension Trust Funds and most other Trust and Agency Fund activities.

The accompanying financial statements include a Combined Statement of Revenues, Expenditures, and

Notes to the Financial Statements

Changes in Fund Balances–Budget and Actual (Budgetary Basis)–All Budgeted Funds. The Budgetary General Fund category on that statement corresponds to the General Funds column in the Appropriation Act. The Other Budgeted Funds category represents the difference between the Total Funds and the General Funds columns in the Appropriation Act.

b. Budgetary Basis of Accounting

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Agencies may carry forward up to 10% of unexpended Budgetary General Fund appropriations to the next fiscal year. Any remaining unexpended Budgetary General Fund 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 budgetary basis of accounting. 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 20.

(ii) Several types of revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.

(iii) Sales Taxes (including the Education Improvement Act–1% Sales Tax, Excise Tax–Casual Sales, and Retail Sales Tax–4%) in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual (Budgetary Basis) are recorded on the modified accrual basis.

(iv) The following taxes in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual (Budgetary Basis) are recorded on the modified accrual basis: Admissions Tax, Alcoholic Liquors Tax, Beer and Wine Tax, Business License Tax, Electric Power Tax, Gasoline Tax–Counties, and Soft Drinks Tax.

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

c. Budgetary Policies

State law does not require the use of encumbrance accounting. Neither the General Fund nor the Budgetary General Fund, therefore, records encumbrances or a reserve for encumbrances. Instead, the General Fund records the authorized appropriations to be carried forward as a reserve of fund balance.

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. All budgeted departments and agencies except the higher education institutions process their disbursement vouchers through a central budgetary accounting system maintained by the Comptroller General's Office. Departments and agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriations exist. The State's 1995-96 Appropriation Act has approximately 2,540 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. Departments and agencies may request transfers of appropriations among summary object categories and/or among programs within the same budgetary fund. No such transfer request, however, may exceed twenty percent of the program budget. The Budget and Control Board, composed of five key executive and legislative officials, has the authority to approve such requests.

Each year, the General Assembly enacts an Appropriation Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The 1995-96 Appropriation Act directs the Budget and Control Board to reduce the Budgetary General Fund's appropriations during the year if 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.

For Other Budgeted Funds, the annual Appropriation Act presents estimated revenue amounts only for Education Improvement Act and highway revenues. The Budget and Control Board, however, provides estimated revenue amounts for the other resources in these funds. The Appropriation Act includes all appropriation amounts for these funds.

As operating conditions change, departments and agencies may request revisions of estimated revenues and expenditures in Other Budgeted Funds. Such changes require the Governor's approval, the Joint Appropriation Review Committee's concurrence, and the Budget and Control Board's review. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects that the General Assembly did not specifically authorize. The Budget and Control Board and the Joint Bond Review Committee must approve and review these changes. During the current fiscal year, the State's budget was amended in accordance with the procedures outlined above.

During 1995-96, the General Assembly passed a Joint Resolution and a Supplemental Appropriations Act that added $326.786 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1996. Of this amount, $11.740 million was disbursed during the fiscal year ended June 30, 1996, $6.271 million was used to fund the General Reserve, and the remaining $308.775 million was appropriated and reserved as Appropriations to be Carried Forward to 1996-97.

Notes to the Financial Statements

d. Legal Limit On Appropriations

State law imposes a ceiling on appropriations for general, school, and highway purposes. The limit equals the greater of : (1) the limit for the last fiscal year increased by the average percentage rate of growth in State personal income for the previous three completed calendar years, or (2) 9.5% of the total personal income of the State for the last completed calendar year.

The 1995-96 Appropriation Act included appropriations of $5.184 billion for general, school, and highway purposes–$942.583 million less than the legal limit.

In addition, the original appropriations approved by the General Assembly for the Budgetary General Fund may not exceed the *lesser* of:

(i) Total recurring revenues collected in the preceding fiscal year plus seventy-five percent of the revenue growth projected by the Board of Economic Advisors, or
(ii) The estimated revenue projected by the Board of Economic Advisors.

The 1995-96 Appropriation Act included appropriations of $4.134 billion for the Budgetary General Fund–an amount equal to the legal limit.

e. Legal Limit on Number of State Employees

The State's Constitution and statutes limit the number of employees that the Budgetary General Fund may fund. The number of these employees may not increase faster than the State's population. On June 30, 1996, 37,088 employees were funded by the State's Budgetary General Fund–9,255 fewer than the legal limit.

f. Reconciliation of Budget to GAAP Reporting Differences

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual (Budgetary Basis)–All Budgeted Funds presents comparisons of the State's legally adopted budget with actual data on the budgetary basis of accounting. Budgetary accounting principles, however, differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, entity, and timing differences in the excess of revenues and other sources of financial resources over (under) expenditures and other uses of financial resources. These differences (expressed in thousands) for the fiscal year ended June 30, 1996, were:

	Financial Statement Fund Types										
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust	Non-expendable Trust	Pension Trust	Agency	Higher Education	Totals (Memorandum Only)
Classification of budgetary excess of revenues and other sources over (under) expenditures and other uses into GAAP fund structure:											
Budgetary General Fund..	$ 9,626	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 9,626
Other Budgeted Funds.....	8,249	115,101	11,411	49	3,883	(17)	103	9	5,118	63,816	207,722
Totals	**17,875**	**115,101**	**11,411**	**49**	**3,883**	**(17)**	**103**	**9**	**5,118**	**63,816**	**217,348**
Timing differences....................	—	—	—	—	—	—	—	—	—	1,744	1,744
Basis differences.....................	14,758	(75,994)	(65)	11,145	3,006	3	3	—	(5,118)	(3,551)	(55,813)
To record excess of revenues and other sources over (under) expenditures/expenses and other uses for unbudgeted accounts.............	(6,699)	14,416	(11,756)	(8,097)	38,446	56,136	145	753,221	—	64,966	900,778
GAAP financial statement excess of revenues and other sources over (under) expenditures/expenses and other uses........	**$ 25,934**	**$ 53,523**	**$ (410)**	**$ 3,097**	**$ 45,335**	**$ 56,122**	**$ 251**	**$ 753,230**	**$ —**	**$ 126,975**	**$ 1,064,057**

Notes to the Financial Statements

NOTE 3: ACCOUNTING AND REPORTING CHANGES

a. Grants and Other Financial Assistance

Effective July 1, 1995, the State adopted GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." The statement allows recipient governments to account for pass-through grants in Agency Funds only if the recipient government serves only as a cash conduit. To comply with this guidance, the State moved one grant from Agency Funds to Special Revenue Funds and restated its financial statements for this change for the fiscal year ended June 30, 1995.

GASB Statement 24 also established criteria for the accounting and reporting of food stamps. The State's previous policy of recognizing the distribution of food stamp benefits as revenue and expenditures in the Special Revenue Fund was consistent with Statement 24. Compliance with Statement 24, however, also required the State to record $138 thousand in other assets and deferred revenue for food stamp coupons on hand at June 30, 1996. Although the adoption of this guidance did not result in any restatement of fund balance, the State has restated its financial statements for this change for the fiscal year ended June 30, 1995.

In addition, GASB Statement 24 requires governments that make on-behalf payments for fringe benefits and salaries to a third-party recipient for the employees of another, legally separate entity, to recognize revenue and expenditures for the on-behalf payments. In past years, the State recognized revenue and current expenditures (in the applicable functional expenditure category for on-behalf payments). As of July 1, 1995, in compliance with GASB Statement 24, the State began recording expenditures for on-behalf payments in the same manner that it records similar cash grants to other entities–that is, as intergovernmental expenditures. The application of GASB Statement 24 provisions regarding on-behalf payments did not result in any restatement of fund balance; however, the State has restated its financial statements for the fiscal year ended June 30, 1995, to reflect this change in expenditure classification.

b. Pension Fund Accounting

Effective July 1, 1995, the State adopted GASB Statement 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." In addition to changes in the presentation of Pension Trust Funds, Statement 25 requires that investments of the Pension Trust Funds be presented at fair value rather than at cost.

The State has restated its financial statements for the fiscal year ended June 30, 1995, for changes resulting from adoption of Statement 25.

c. Effects on Beginning Fund Balances and Retained Earnings

The schedule below details restatements made to fund equity to give effect to the accounting and reporting changes described above. The schedule (expressed in thousands) also gives retroactive effect to the correction of a prior-period error as indicated.

	Special Revenue Funds	Internal Service Funds	Pension Trust Funds
June 30, 1995, fund equity as previously reported	$ 630,403	$ 245,829	$12,667,691
Effect of GASB Statement 24– to change a Federal program from Agency to Special Revenue Funds	(15)	—	—
Effect of GASB Statement 25– pensions	—	—	1,409,831
To correct Insurance Reserve Fund for prior-year prepaid expenses and deferred revenues	—	(7,534)	—
July 1, 1995, fund equity as restated	**$ 630,388**	**$ 238,295**	**$14,077,522**

The following schedule (expressed in thousands) details the effect of adopting GASB Statement 25 on the individual pension plans:

	Fund Balances–June 30, 1995		
	As Previously Reported	Adjustment	As Restated
South Carolina Retirement System (SCRS)	$ 11,341,883	$1,283,527	$ 12,625,410
Police Officers' Retirement System (PORS)	1,236,039	117,345	1,353,384
Retirement System for Members of the General Assembly (GARS)	29,987	3,133	33,120
Retirement System for Judges and Solicitors (JSRS)	57,226	5,775	63,001
National Guard Pension System (NGPS)	2,556	51	2,607
Total Pension Trust Funds	**$ 12,667,691**	**$1,409,831**	**$ 14,077,522**

d. Employer Pension Accounting

Effective July 1, 1995, the State adopted GASB Statement 27, "Accounting for Pensions by State and Local Governmental Employers." This changed the State's note disclosure regarding pension plans. In addition, the State's adoption of Statement 27 required it to record a $4.064 million pension liability at June 30, 1996, in the General Long-Term Obligations Account Group for the National Guard Pension System. See Note 7 for additional information.

Notes to the Financial Statements

e. State Government Restructuring

In accordance with a general restructuring of State government in 1993-94 through 1995-96, a number of existing agencies were divided and/or combined into different functional categories. On January 1, 1996, a Governor's executive order moved the State's motor vehicle licensing program from the General Government functional category to the Administration of Justice functional category. As a result, the classification of these amounts shown in the accompanying financial statements is different than in past years.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those which by specific authority are under the control of other agencies or discretely presented component units, primarily the Public Service Authority.

The following display reconciles the details included within this footnote to the Combined Balance Sheet at June 30, 1996 (expressed in thousands):

Combined Balance Sheet		
Cash and cash equivalents	$	3,379,611
Investments		16,190,613
Restricted assets:		
Cash and cash equivalents		376,243
Investments		309,196
Total	**$**	**20,255,663**

Disclosure regarding deposits and investments plus reconciling items		
Carrying value of deposits	$	163,428
Carrying value of investments		20,090,859
Cash on hand		1,376
Total	**$**	**20,255,663**

Amounts on deposit with the United States Treasury that relate to the Unemployment Compensation Benefits Fund are not categorized because they are neither deposits with financial institutions nor investments.

a. Deposits

Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. At June 30, 1996, the deposits of the State's primary government and its discretely presented component units (expressed in thousands) were as follows:

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Primary Government	$ 284,786	$ 12,321	$ 37,071	$ 334,178	$ 155,019
Component Units	988	895	6,418	8,301	8,409
Totals	**$ 285,774**	**$ 13,216**	**$ 43,489**	**$ 342,479**	**$ 163,428**

Category 1 deposits are those covered by Federal depository insurance or by collateral held by a State entity (i.e., primary government or discretely presented component unit) or by its agent in the entity's name. Category 2 deposits are collateralized with securities held by the pledging financial institution's trust department or agent in a State entity's name. Category 3 deposits are uncollateralized. All deposits under the control of the State Treasurer are fully insured or collateralized.

b. Investments

Legally authorized investments vary by fund, but generally include obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper.

Investments of the State's Pension Trust Funds are presented at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned.

For the fiscal year ended June 30, 1996, the State's primary government and its discretely presented component units have classified their investments into three risk categories. Category 1 includes investments that were insured or registered or for which the securities were held by a State entity (i.e., primary government or discretely presented component unit) or its agent in the entity's name and investments for which the entity has safekeeping responsibilities but no equity or ownership interest or control. Category 2 includes uninsured and unregistered investments for which the securities were held by the counterparty's trust department or agent in a State entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in a State entity's name. The investments of the State's primary government and its discretely presented component units by risk category (expressed in thousands) at June 30, 1996, were:

Notes to the Financial Statements

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Primary Government					
U.S. government securities	$ 8,147,160	$ 264,091	$ 1,127	$ 8,412,378	$ 8,390,999
Corporate bonds	5,257,678	14,307	1,723	5,273,708	5,272,597
Repurchase agreements	1,874,176	2,252	4,583	1,881,011	1,881,011
Collateralized mortgage obligations	1,021,395	825	—	1,022,220	1,022,194
Asset-backed securities	207,828	—	—	207,828	207,824
Commercial paper	236,919	—	—	236,919	236,879
Other	7,516	27,530	14,690	49,736	57,561
Subtotals				17,083,800	17,069,065
Not categorized:					
Deferred compensation plans-- annuity contracts				874,011	874,011
Securities lending program--U.S. government securities				1,342,335	1,382,972
Unsettled investment transactions				242,366	242,366
Real estate				2,050	2,050
Mutual funds				36,004	37,944
Totals--primary government	**$16,752,672**	**$ 309,005**	**$22,123**	**19,580,566**	**19,608,408**
Discretely Presented Component Units					
U.S. government securities	$ 292,976	$ —	$ 6,380	299,356	300,601
Repurchase agreements	179,854	—	—	179,854	179,854
Subtotals				479,210	480,455
Not categorized:					
Investment in primary government's investment pool				28,450	28,450
Unsettled investment transactions				2,633	2,633
Totals—discretely presented component units	**$ 472,830**	**$ —**	**$ 6,380**	**510,293**	**511,538**
Totals--reporting entity				**$20,090,859**	**$20,119,946**

At June 30, 1996, the State held collateralized mortgage obligations primarily in its Pension Trust Funds. These securities were purchased to protect the State's Pension Trust Funds from principal prepayment risk during an environment of declining interest rates and to provide incremental yield above that available on corporate securities with similar terms. These securities also provide diversification in the Pension Trust Fund investment portfolios and maintain the high quality of government-sponsored instruments in the portfolios. It is estimated that these securities will provide future cash inflows on a time schedule that approximately matches the outflows associated with Pension Trust Fund liabilities. These highly marketable securities are rated AAA by the major rating agencies.

The asset-backed securities held by the State at June 30, 1996, also were held primarily by the State's Pension Trust Funds. These securities, with an average life of less than six months with a legal final maturity in 1997, represented an undivided ownership interest in a trust consisting of credit-card and automobile loan receivables. Most of these securities were purchased in 1992 and 1993 when short-term interest rates were approximately 3.00% and they could provide incremental yields above other securities with similar maturities without increasing the risk of the investment portfolios. These asset-backed securities are rated AAA by the major rating agencies.

The fiscal year for the Public Service Authority, a discretely presented component unit, ends

Notes to the Financial Statements

December 31. At December 31, 1995, the Public Service Authority had held-to-maturity investments carried at amortized cost of $101.583 million and available-for-sale investments carried at fair market value of $373.033 million. The gross unrealized holding losses totaled $25 thousand on the held-to-maturity securities. The gross unrealized holding gains totaled $6.936 million and gross unrealized holding losses totaled $12 thousand on the available-for-sale securities. Included in the Public Service Authority's available-for-sale investments, carried at fair market value, are nuclear decommissioning funds of $38.132 million with related unrealized holding losses of $1.109 million.

All of the Authority's investments, with the exception of decommissioning funds, are limited to a maturity of ten years or less. For the year ended December 31, 1995, the Authority had proceeds of $22.464 million from sales of available-for-sale securities and realized $287 thousand in gains and no losses in connection with these sales. The gains and losses were computed as the difference between the proceeds and specifically identified amortized cost per security.

At June 30, 1996, the State Ports Authority, a discretely presented component unit, held $2.637 million in United States Government securities classified as held-to-maturity.

c. Securities Lending Programs

Through safekeeping agents, the State's primary government lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. Collateral that the programs accept is primarily in the form of cash. The cash collateral requires the payment of a rebate to the borrower of the securities in accordance with a rate (expressed as a percentage). For the programs to be profitable, the State's agents must invest the programs' cash collateral at an aggregate rate exceeding the associated aggregate rebate rate. The State's securities lending programs are similar in nature to programs involving the use of reverse repurchase agreements.

At June 30, 1996, the State had the following amounts of securities (expressed in thousands) on loan under these programs:

Description	Carrying Value
Pooled account	$ 296,536
South Carolina Retirement System	986,722
Police Officers' Retirement System	29,077
Local Government Investment Pool	30,000
Total	**$1,342,335**

NOTE 5: TAXES RECEIVABLE

Taxes receivable (expressed in thousands) at June 30, 1996, were:

	General Fund	Special Revenue Funds	Trust and Agency Funds
Retail sales and use	$ 152,189	$ 49,130	$ —
Individual income	113,785	—	—
Corporate income	5,004	—	—
Unemployment	—	—	44,774
Gasoline and motor vehicle	2,226	32,547	—
Alcoholic beverages and tobacco	13,123	—	—
Other	10,089	17,313	—
Gross taxes receivable	296,416	98,990	44,774
Less: Allowance for uncollectible taxes	19,751	1,339	81
Net taxes receivable	$ 276,665	$ 97,651	$ 44,693

A total of $326.952 million in net taxes receivable pertaining to the General Fund and Special Revenue Funds were current receivables as of June 30, 1996, and were collected within thirty days after that date.

NOTE 6: FIXED ASSETS

Property, plant, and equipment (expressed in thousands) at June 30, 1996, consisted of:

	Primary Government					
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Higher Education	Component Units
Land and improvements	$16,331	$ 5,108	$ 581	$ 172,039	$ 112,126	$ 221,918
Buildings, improvements, and utility plant	4,151	134,144	4,749	946,127	1,733,981	3,424,347
Machinery, equipment, and other	10,425	112,921	2	988,209	814,563	32,865
Construction in progress	2,900	504	—	86,043	104,807	81,916
Property, plant and equipment before accumulated depreciation	33,807	252,677	5,332	2,192,418	2,765,477	3,761,046
Less: accumulated depreciation	9,351	116,872	447	—	8,912	1,109,795
Total property, plant, and equipment, net	$24,456	$135,805	$ 4,885	$2,192,418	$2,756,565	$2,651,251

Changes in general fixed assets (expressed in thousands) for the fiscal year ended June 30, 1996, were:

Notes to the Financial Statements

	Balance July 1, 1995	Additions	Retirements	Balance June 30, 1996
Land and improvements	$ 167,248	$ 6,273	$ 1,482	$ 172,039
Buildings, improvements, and utility plant	888,565	57,957	395	946,127
Machinery, equipment, and other	861,959	172,587	46,337	988,209
Construction in progress	73,176	69,860	56,993	86,043
Total General Fixed Assets	**$1,990,948**	**$306,677**	**$105,207**	**$2,192,418**

Construction in progress retirements are recorded as additions to other categories of assets.

The primary government's outstanding commitments for construction of fixed assets and public domain (infrastructure) assets at June 30, 1996, totaled $143.240 million. The State Ports Authority, a discretely presented component unit, reported commitments for construction of fixed assets and public domain (infrastructure) assets at June 30, 1996, of $4.544 million.

The primary government recorded capitalized construction period interest of $2.341 million during the fiscal year ended June 30, 1996. The Public Service Authority, a discretely presented component unit, recorded capitalized construction period interest of $5.973 million during its fiscal year ended December 31, 1995.

NOTE 7: RETIREMENT PLANS

Note 1c describes the basis of accounting that the State's five defined benefit pension plans use to report Pension Trust Fund activity. Note 4 specifies the method used to value Pension Trust Fund investments.

a. Plans Descriptions

The South Carolina Retirement Systems (the System), a part of the State Budget and Control Board, administers four defined benefit retirement plans: the South Carolina Retirement System (SCRS), the South Carolina Police Officers' Retirement System (PORS), the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), and the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS). The System issues a publicly available Comprehensive Annual Financial Report that includes required supplementary information for all four plans. The report may be obtained by writing to:

The South Carolina Retirement System
Fontaine Business Center
202 Arbor Lake Drive
Columbia, South Carolina 29223

SCRS, established by Section 9-1-20 of the South Carolina Code of Laws, is a cost-sharing multiple-employer pension plan that benefits employees of public schools, the State, and its political subdivisions. Membership is required as a condition of employment. Both employers and employees must contribute. Benefits vest after five years of service. Vested members who retire at age sixty-five or with thirty years of service at any age receive an annual benefit, payable monthly, for life. The benefit is based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. The annual benefit amount is 1.82% of average final compensation times years of service. Reduced benefits are payable as early as age fifty-five.

PORS, established by Section 9-11-20 of the South Carolina Code of Laws, is a cost-sharing multiple-employer pension plan that benefits police officers and fire fighters employed by the State or its political subdivisions. Membership is required as a condition of employment. Both employers and employees must contribute. Benefits vest after five years of service. Vested members who retire with twenty-five years of service receive an annual benefit, payable monthly for life. The benefit is based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. The annual benefit amount is 2.14% of average final compensation times years of service.

GARS, established by Section 9-9-20 of the South Carolina Code of Laws, is a single-employer defined benefit pension plan that benefits members of the South Carolina General Assembly. Membership is required as a condition of taking office as a member of the General Assembly. Both the members of the General Assembly and the State must contribute. Benefits vest after eight years of service. Vested members who retire at age sixty or at any age with thirty years of service receive an annual benefit, payable monthly, for life. The annual benefit amount is 4.82% of earnable compensation times years of service. Earnable compensation is defined as forty days' pay at the rate currently paid to members of the General Assembly plus $12,000.

JSRS, established by Section 9-8-20 of the South Carolina Code of Laws, is a single-employer defined benefit pension plan that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors. Membership is required as a condition of taking office as a judge in these courts. Both judges and the State must contribute. Benefits vest after twelve years of service in a position as a judge or solicitor. Members may retire at age seventy with fifteen years of service, at age sixty-five with twenty years of service, or at any age with twenty-five years of service. Members receive a retirement benefit equal to 71.3% of the current active salary of the position occupied at retirement.

Information regarding membership in the plans at July 1, 1995 (latest available data), was as follows:

Notes to the Financial Statements

	SCRS	PORS	GARS	JSRS
Retirees and beneficiaries receiving benefits	52,076	4,547	205	94
Terminated employees entitled to benefits but not yet receiving them	122,253	5,417	98	9
Fully vested active employees	114,472	10,562	133	61
Nonvested active employees	60,938	9,095	77	47
Total active employees	175,410	19,657	210	108
Total participants	349,739	29,621	513	211
Number of participating employers:				
State and school	106	1	1	1
Other	496	251	-	-
Total participating employers	602	252	1	1

The plans provide retirement, death, and disability benefits to State employees; public school employees; employees of counties, municipalities, and certain other State political subdivisions. Each plan is independent. Assets may not be transferred from one plan to another or used for any purpose other than to benefit each plan's participants.

b. 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 (as amended) 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, 1996, were as follows:

Plan	Rate
SCRS	6.0% of salary
PORS	6.5% of salary
GARS	10.0% of earnable compensation
JSRS	7.0% of salary

Actuarially determined employer contribution rates for the four plans, expressed as percentages of compensation, for the fiscal year ended June 30, 1996, were as follows:

Plan	Rate
SCRS	7.70%
PORS	10.70%
JSRS	39.99%
GARS	44.10%

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. The amounts outstanding at June 30, 1996, were $1.538 million for SCRS and $5.001 million for PORS.

c. 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
Annual pension cost	$1,679	$4,244
Employer contributions made	$1,679	$4,244
Actuarial valuation date	July 1, 1995	July 1, 1995
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, open	Level percent, open
Remaining amortization period	29 years	25 years
Asset valuation method	5 year smoothed market	5 year smoothed market
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	2.00%	5.25%
Assumed inflation rate	4.25%	4.25%
Assumed cost-of-living adjustments	2.00%	4.25%

d. 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:

Notes to the Financial Statements

	Fiscal Year Ended					
	June 30, 1996		June 30, 1995		June 30, 1994	
	Required	% Contributed	Required	% Contributed	Required	% Contributed
SCRS–State:						
Primary government........	$ 140,288	100.00%	$ 134,032	100.00%	$ 128,035	100.00%
Component units............	6,924	100.00%	6,616	100.00%	6,364	100.00%
PORS–State:						
Primary government........	25,651	100.00%	24,117	100.00%	22,395	100.00%
Component units............	15	100.00%	13	100.00%	9	100.00%

An analysis of funding progress for the fiscal year ended June 30, 1996 (dollars expressed in thousands), for the State's single-employer defined benefit plans is as follows:

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	1996	$ 1,679	100%	$ —
JSRS	1996	4,244	100%	—

Additional years will be added as available.

In accordance with GASB Statement 27, the pension liability (asset) for all four plans was determined to be zero both prior to the July 1, 1995, transition date and at the transition date.

e. Funding Status and Progress

The following schedule (dollars expressed in thousands) describes the funding progress for the State's single-employer defined benefit plans for the fiscal year ended June 30, 1996:

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	1995	$ 30,528	$ 58,577	$ 28,049	52.1%	$ 4,704	596.3%
JSRS	1995	57,917	94,420	36,503	61.3%	9,417	387.6%

Additional years will be added as available.

f. Investments and Receivables

The principal components of receivables and investments (expressed in thousands) at June 30, 1996, for the four plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	Totals
Receivables:					
Contributions	$ 70,800	$ 9,523	$ 9	$ 95	$ 80,427
Employer long-term	1,538	5,001	—	—	6,539
Accrued interest	171,454	19,278	457	842	192,031
Due from other funds	15,009	2,126	—	31	17,166
Total receivables	**$ 258,801**	**$ 35,928**	**$ 466**	**$ 968**	**$ 296,163**
Investments:					
United States government securities	$ 3,324,844	$ 260,459	$ 8,235	$ 9,614	$ 3,603,152
United States government agencies and government-insured securities	3,812,063	397,496	7,465	18,472	4,235,496
Corporate bonds	3,404,900	481,619	9,354	19,353	3,915,226
Financial and other	2,268,174	212,439	4,137	9,854	2,494,604
Total investments	**$ 12,809,981**	**$ 1,352,013**	**$ 29,191**	**$ 57,293**	**$ 14,248,478**

g. National Guard Pension System

Plan Description

The National Guard Pension System (NGPS) is a single-employer defined benefit pension plan administered by the State Adjutant General's Office. The Adjutant General's Office does not issue a separate financial report for the NGPS.

The NGPS, established by Section 25-1-3210 of the South Carolina Code of Laws, provides benefits to National Guard members who served in South Carolina prior to July 1, 1993. 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 only if the governor activates the National Guard for service to the State.

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.

The following table shows the number of employees by type of membership as of June 30, 1996.

	NGPS
Retirees and beneficiaries receiving benefits	1,550
Terminated employees entitled to benefits but not yet receiving them	1,947
Fully vested active employees	2,063
Nonvested active employees	9,135
Total active employees	11,198
Total participants	14,695
Number of participating employers	1

National Guard members who served in South Carolina prior to July 1, 1993, are covered by the plan. NGPS is closed to new entrants.

Investments and Receivables

The assets of the NGPS are comprised of Cash and Cash Equivalents and Accounts Receivable. At June 30, 1996, all of the $51 thousand in Accounts Receivable consisted of accrued interest.

Contributions and Reserves

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 25 of the South Carolina Code of Laws

Notes to the Financial Statements

prescribes requirements relating to membership, benefits, and employer contributions for the NGPS.

In accordance with State law, the State Adjutant General's Office administers the plan. Administrative charges are financed through investment earnings. On July 1, 1993, the State began funding the plan on an actuarial basis and has continued since that time to contribute to the plan at an actuarially determined rate. Members do not contribute.

The net assets of the National Guard Pension System are required to be reserved for the purpose of paying the supplemental retirement benefits to eligible members. The balance in the reserve at June 30, 1996, was $3.821 million.

Funding Policy and Annual Pension Cost

The following table provides information concerning funding policies and annual pension costs (dollars expressed in thousands):

	NGPS
Annual pension cost	$2,982
Employer contributions made	$2,499
Actuarial valuation date	June 30, 1996
Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	N/A
Assumed inflation rate	4.25%
Assumed cost-of-living adjustments	Not applicable

The following represents the components of the net pension obligation (NPO) for the NGPS, at June 30, 1996 (expressed in thousands):

	NGPS
Actuarially required contribution (ARC)	$3,085
Interest on the NPO	259
Adjustment to the ARC	(362)
Annual pension cost	2,982
Contributions made	2,499
Increase (decrease) in NPO	483
NPO beginning of year	3,581
NPO end of year	$4,064

The State recognized $2.499 million of expenditures in the General Fund for the current fiscal years' actuarially determined contribution.

In accordance with GASB Statement 27, the pension liability determined at transition was $4.064 million. That amount has been recorded in the State's General Long-Term Obligations Account Group as the pension liability at June 30, 1996. The State recognized no pension liability for the NGPS in the fiscal year ended June 30, 1995.

Trend Information

The following table provides a schedule of funding progress for the three latest available years (dollars expressed in thousands):

Actuarial Valuation Date	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)
7/1/93	$ 2,499	$ 26,200	$ 23,701	9.5%	$ 48,385	49.0%
7/1/94	3,760	26,996	23,236	13.9%	50,766	45.8%
6/30/96	6,259	36,756	30,497	17.0%	48,861	62.4%

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the latest three fiscal years for the plan is as follows (dollars expressed in thousands):

Notes to the Financial Statements

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1996	$ 2,982	83.8%	$ 4,064
1995	2,300	108.7%	3,581
1994	2,400	104.1%	3,781

h. Supplemental Benefits Funded by General Fund

The State General Assembly has directed the General Fund to pay supplemental (cost-of-living) increases to retirees and has fully funded the required amount annually on a pay-as-you-go basis. During the fiscal year ended June 30, 1996, the State's General Fund transferred $5.955 million to the South Carolina Retirement System and the Police Officers' Retirement System for retiree supplemental benefits.

i. Defined Contribution Plan

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan administered by the South Carolina Retirement Systems. The ORP was established under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's four-year higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS (see Section b, "Funding Policies," above). Employer and employee contributions to the ORP were $8.500 million and $6.500 million, respectively, for the fiscal year ended June 30, 1996.

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State provides post-employment health and dental benefits to certain former State employees and to certain of their surviving dependents. Generally, retirees are eligible for the benefits if they have established at least five years of retirement service credit, whereas other former employees are eligible only if they have established at least twenty years of retirement service credit. Benefits become effective when the former employee retires under a state retirement system. Currently, approximately 18,160 retirees meet these eligibility requirements.

Eligible retirees choose between two health insurance plans underwritten by the State, the Economy Plan and the Standard Plan. In accordance with contractual provisions of the plans, participants must meet specified annual deductible requirements. Thereafter, the Standard Plan pays 85% of allowable claims, and the Economy Plan pays 80% of allowable claims. The State pays 100% of allowable claims, however, after the participant has paid the annual out-of-pocket limit prescribed by each plan. Both plans disallow claims in excess of specified annual and lifetime maximums. In addition, State health benefits are reduced if the participant receives or qualifies to receive Medicare benefits.

The State also underwrites a dental care plan. Contractual provisions of the plan specify deductible requirements as well as annual and lifetime maximums.

Both health plans and the dental plan are financed on a pay-as-you-go basis. During the fiscal year ended June 30, 1996, the State recognized expenses (net of participant contributions) of $47.420 million to provide health and dental benefits to State participants in post-employment status.

NOTE 9: DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employees of its political subdivisions. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are accounted for as Agency Funds. Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. These requirements differ among the three plans. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employees. The State has no liability for losses under the plans.

Under the Section 457 plan, all deferred compensation, all property or rights of property purchased with amounts deferred, and any income earned on property purchased remain assets of the employers subject to the claims of the employers' general creditors, one of whom is the employee participant. It is unlikely, however, that the State would ever use plan assets to satisfy claims of the State's general creditors. State law limits the State's financial liability to participants. The State, however, does have the duty of due care that would be required of an ordinary prudent investor. Of the $599.913 million assets in the Section 457 plan at December 31, 1995, $290.848 million was applicable to the State while the remaining $309.065 million represented assets of other participating jurisdictions.

Notes to the Financial Statements

NOTE 10: LEASES AND INSTALLMENT PURCHASES

a. Lease and Installment Purchase Commitments

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Some of these leases take the form of installment purchases of property. The present value of future minimum capital lease and installment purchase payments and minimum annual lease payments for capital leases and installment purchases (expressed in thousands) follow:

	Capital Leases and Installment Purchases				
	Primary Government				
Fiscal Year Ending June 30	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	Total
1997	$ 4,498	$ 3,732	$ 4,863	$ 5,257	$ 18,350
1998	4,507	3,309	4,324	5,457	17,597
1999	4,507	3,042	3,885	5,226	16,660
2000	4,517	2,896	2,876	4,831	15,120
2001	4,540	2,286	1,912	4,139	12,877
2002 and after	26,163	5,253	26,400	37,473	95,289
Total minimum payments	**48,732**	**20,518**	**44,260**	**62,383**	**175,893**
Less: interest and executory costs	16,241	4,096	16,472	15,930	52,739
Present value of net minimum payments	**$32,491**	**$ 16,422**	**$ 27,788**	**$ 46,453**	**$ 123,154**

Assets under capital leases at June 30, 1996, were as follows (expressed in thousands):

	Primary Government				
Assets Acquired Under Capital Leases	Internal Service Funds	Long-Term Obligation Account Group	Higher Education Funds	Component Units	Total
Land and improvements	$ —	$ —	$ 1,613	$ —	$ 1,613
Buildings, improvements, and utility plant	44,074	6,450	35,306	99,123	184,953
Machinery, equipment, and other	—	13,610	7,801	—	21,411
Assets acquired under capital leases before accumulated amortization	**44,074**	**20,060**	**44,720**	**99,123**	**207,977**
Less: accumulated amortization	8,267	—	1,327	61,387	70,981
Assets acquired under capital leases, net	**$35,807**	**$ 20,060**	**$ 43,393**	**$ 37,736**	**$ 136,996**

Operating lease payments during the fiscal year ended June 30, 1996, totaled $54.180 million. At June 30, 1996, future minimum payments under operating leases (expressed in thousands) were as follows:

Notes to the Financial Statements

Fiscal Year Ending June 30	Operating Leases Primary Government	Component Units	Total
1997	$ 24,200	$ 237	$ 24,437
1998	21,237	145	21,382
1999	17,799	35	17,834
2000	13,462	19	13,481
2001	9,052	11	9,063
2002 and after	35,827	—	35,827
Total minimum payments....	$ 121,577	$ 447	$ 122,024

b. Facilities Leased to Others—Component Unit

Non-State parties lease land and facilities under operating leases from the State Ports Authority, a discretely presented component unit. At June 30, 1996, the State Ports Authority had leased to others certain land and facilities having a cost of approximately $200.786 million and $58.228 million of related accumulated depreciation. Future minimum rental payments to be received at June 30, 1996, under this operating lease (expressed in thousands) were:

Fiscal Year Ending June 30	Amount
1997	$ 8,303
1998	6,594
1999	3,406
2000	2,867
2001	409
2002 and after	1,448
Total	$ 23,027

NOTE 11: BONDS, NOTES, AND CERTIFICATES OF PARTICIPATION PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds (expressed in thousands) outstanding at June 30, 1996, were:

General Long-Term Obligations Account Group	
Capital improvement bonds, 3.75% to 7.60%.............	$ 915,494
State highway bonds, 3.50% to 6.10%........................	50,000
Subtotal–General Long-Term Obligations Account Group..	965,494
Higher Education Funds	
State institution bonds, 4.10% to 7.40%.....................	41,900
Total–general obligation bonds payable............	$ 1,007,394

Of the $915.494 million in outstanding capital improvement bonds, $13.083 million is capital appreciation (deep-discount) bonds.

At June 30, 1996, $81.936 million of capital improvement bonds were authorized but unissued.

At June 30, 1996, future debt service requirements (expressed in thousands) for general obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1997	$ 98,270	$ 52,046	$ 150,316
1998	102,055	45,940	147,995
1999	84,665	39,983	124,648
2000	85,230	35,129	120,359
2001	99,268	32,371	131,639
2002 and after	546,503	104,129	650,632
Total debt service requirements...........	1,015,991	$309,598	$1,325,589
Unamortized discounts..	(8,597)		
Total principal outstanding..............	$1,007,394		

The Department of Transportation Special Revenue Fund pays the debt service for the State highway bonds recorded in the General Long-Term Obligations Account Group. The General Fund pays debt service for the other general obligation bonds recorded in the General Long-Term Obligations Account Group. The Higher Education Plant Funds (Retirement of Indebtedness) pay the debt service for general obligation bonds recorded in the Higher Education Funds.

The State's legal debt margin at June 30, 1996, was $48.100 million for institution bonds. Rather than directly limiting the amount of other outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 1996, was $53.524 million for highway bonds and $66.836 million for general obligation bonds excluding institution and highway bonds.

b. Limited Obligation Bonds

Limited obligation bonds are not backed by the full faith, credit, and taxing power of the State. Limited obligation bonds (expressed in thousands) outstanding at June 30, 1996, were:

Notes to the Financial Statements

Internal Service Funds	
Lease revenue bonds, 5.25% to 7.00%......................	$ 6,672

At June 30, 1996, there were no limited obligation bonds authorized but unissued.

The State issued the lease revenue bonds to finance the cost of capital facilities for use by the Department of Social Services. The bonds are secured by pledges of lease rental payments which the Department of Social Services will pay from its General Fund appropriations and Special Revenue Funds.

At June 30, 1996, future debt service requirements (expressed in thousands) for limited obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1997	$ 215	$ 390	$ 605
1998	225	375	600
1999	235	359	594
2000	250	343	593
2001	260	326	586
2002 and after	5,550	2,547	8,097
Total debt service requirements.............	6,735	$ 4,340	$ 11,075
Unamortized discounts....	(63)		
Total principal outstanding................	$ 6,672		

The General Services Fund, an Internal Service Fund, pays all debt service for the lease revenue bonds.

c. Revenue Bonds, Notes, and Certificates of Participation

Revenue bonds, notes, and certificates of participation are not backed by the full faith, credit, and taxing power of the State. Revenue bonds, notes, and certificates of participation outstanding (expressed in thousands) at June 30, 1996, were:

	Bonds	Notes	Certificates of Participation
Primary Government:			
Enterprise Funds			
Housing Authority bonds, 3.50% to 10.25%..	$ 487,394	$ —	$ —
Education Assistance Authority bonds, 3.50% to 8.60%.........................	420,858	—	—
Other Enterprise notes, 6.00%................	—	529	—
Totals--Enterprise Funds...................	908,252	529	—
Higher Education Funds			
Various bonds and notes, 3.00% to 12.00%...	237,061	54,377	—
Direct note obligations, 8.79%.................	—	55,000	—
Certificates of participation, 6.25% to 7.50%...	—	—	22,870
Totals--Higher Education Funds.........	237,061	109,377	22,870
Totals--Primary Government...........	1,145,313	109,906	22,870
Discretely Presented Component Units:			
Public Service Authority priority obligations, 4.10%................................	39,380	—	—
Public Service Authority electric system expansion revenue bonds, 5.35% to 8.60%....................................	659,410	—	—
Public Service Authority electric revenue bonds, 3.60% to 7.75%...........	1,564,974	—	—
State Ports Authority bonds, 3.25% to 6.75%...	87,058	—	—
Totals—Discretely Presented Component Units............................	2,350,822	—	—
Totals--revenue bonds, notes, and certificates of participation payable.....................................	$ 3,496,135	$109,906	$ 22,870

Certain revenue bonds require the individual enterprises to provide sufficient revenue to pay debt service and to fund all necessary expenses to run the enterprises. Additionally, the State Ports Authority, a discretely presented component unit, is required to maintain an irrevocable letter of credit equal to the principal amount of its Series 1994 Bonds and accrued interest. The letter of credit had an available balance of $27.813 million at June 30, 1996.

University Medical Associates of the Medical University of South Carolina (UMA) is a component unit of the Medical University of South Carolina, an institution reported in the Higher Education Funds. During January 1995, UMA issued $55.000 million in Direct Note Obligations, Select Auction Variable Rate Securities. The variable rate of interest is set every 35 days. UMA has entered into a thirty-year interest rate swap agreement for these obligations. Based on the swap agreement, UMA owes interest

Notes to the Financial Statements

calculated at a fixed rate of 8.79%. If the actual floating variable interest rate exceeds 8.79%, the counterparty pays the differential to UMA. If the actual floating variable rate is less than 8.79%, UMA pays the counterparty. Only the net difference in interest payments is actually exchanged with the counterparty. The $55 million in note principal is not exchanged; it is only the basis on which the interest payments are calculated. UMA continues to pay interest to the note holders at the variable rate provided by the notes. However, during the term of the swap agreement, UMA effectively pays a fixed rate on the debt. The debt service requirements to maturity included in this note are based on that fixed rate. UMA will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

At June 30, 1996, the State also owed the United States government $9.243 million for construction of the Trotters Shoals Lake Project. This obligation is included in Other Liabilities in the General Long-Term Obligations Account Group. During the fiscal year ended June 30, 1996, retirements on this debt totaled $37 thousand.

The funds that receive the proceeds of revenue bonds, notes, and certificates of participation have pledged revenues for payment of debt service as follows:

Primary Government:

Enterprise Funds

State Housing Authority bonds: State Housing Authority Fund revenues

Education Assistance Authority bonds: loan repayments and United States Commissioner of Education funds

Higher Education Funds

Various higher education bonds, notes, and certificates of participation: various specific higher education revenues

Discretely Presented Component Units:

Public Service Authority obligations: Public Service Authority Fund revenues

State Ports Authority bonds: State Ports Authority Fund revenues

At June 30, 1996, future debt service requirements (expressed in thousands) for revenue bonds, notes, and certificates of participation were:

Primary Government:

Year Ending June 30	Principal	Interest	Totals
1997	$ 104,496	$ 80,407	$ 184,903
1998	62,124	74,746	136,870
1999	66,403	71,296	137,699
2000	83,668	66,397	150,065
2001	64,936	62,032	126,968
2002 and after	907,800	590,102	1,497,902
Total debt service requirements	1,289,427	$ 944,980	$2,234,407
Unamortized discounts	(11,087)		
Deferred amount on refunding	(251)		
Total principal outstanding	$1,278,089		

Discretely Presented Component Units:

Year Ending June 30	Principal	Interest	Totals
1997	$ 39,475	$ 136,167	$ 175,642
1998	45,500	145,987	191,487
1999	40,905	148,760	189,665
2000	46,790	146,060	192,850
2001	58,350	143,563	201,913
2002 and after	2,458,746	2,192,907	4,651,653
Total debt service requirements	2,689,766	$2,913,444	$5,603,210
Unamortized discounts	(56,265)		
Deferred amount on refunding	(282,679)		
Total principal outstanding	$2,350,822		

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for the State Ports Authority ends June 30. Both entities are discretely presented component units. At December 31, 1995, the carrying value of the Public Service Authority's debt was $2.490 billion while the fair value was approximately $2.870 billion. At June 30, 1996, the carrying value of the State Ports Authority debt was $87.381 million while the fair value was approximately $90.786 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.

d. Defeased Bonds

During August 1995, the Education Assistance Authority, an entity reported in the Enterprise Funds, issued $62.055 million in Student Loan Revenue Bonds with an average interest rate of 5.70% to refund $5.575 million in Student Loan Revenue Bonds with an average interest rate of 6.00% and to provide financing for student loans. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $300 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 1998 using the effective-interest method. The Authority completed the refunding to gain flexibilities provided by the 1993 bond resolution. The refunding increases the Authority's total debt payments over the next nineteen years by $113 thousand and results in an economic loss (difference between the present values of the old and new debt service payments) of $165 thousand.

During December 1995, the University of South Carolina, an institution reported in the State's Higher Education Funds, issued $9.735 million in Parking Facilities Revenue bonds with an average interest rate of 4.86%. Of the $9.735 million, $1.949 million was to advance refund $2.000 million in Parking Revenue Bonds with an average interest rate of 5.83%. The net proceeds of $1.918 million (after payment of $31 thousand in issuance costs) plus an additional $145 thousand in excess debt service funds were used to purchase United States government securities. The University advance refunded these bonds to reduce its debt service and to gain flexibilities provided by the new Bond

Notes to the Financial Statements

Resolution. As a result of the refunding, the University's total debt service payments over the next six years will decrease by $15 thousand and the University will obtain an economic gain (difference between the present values of the old and new debt service payments) of $32 thousand.

During its fiscal year ended December 31, 1995, the Public Service Authority, a discretely presented component unit, issued $316.760 million in Refunding Revenue Bonds with an average interest rate of 6.01% to advance refund $313.835 million in Revenue Bonds with an average interest rate of 7.23%. The net proceeds of $298.476 million (after payment of $4.226 million in original issue discount and $14.058 million in issuance costs, insurance costs and reserve requirements) plus an additional $28.351 million were used to purchase United States government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $54.028 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the effective-interest method. The Authority refunded these bonds to reduce its total debt service payments over the next twenty-seven years by $57.034 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $22.361 million.

In addition, during the current and prior years the State defeased certain general obligation and other bonds. For those defeasances involving advance refundings, the proceeds of the new bonds were placed in irrevocable trusts to provide for all future debt service payments on the old bonds. At June 30, 1996, the following outstanding bonds (expressed in thousands) are considered defeased:

	Primary Government		
	General Long-Term Obligations Account Group	Higher Education Funds	Component Units
Capital improvement bonds	$ 243,000	$ —	$ —
Public Service Authority bonds	—	—	864,125
State Ports Authority bonds	—	—	20,350
Other	—	39,714	—
Totals	**$ 243,000**	**$ 39,714**	**$ 884,475**

Since adequate funds have been placed with a trustee to pay fully the principal and interest of these bonds, the liabilities are not recorded in the accompanying financial statements.

e. No-Commitment Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds, therefore, do not appear as liabilities in the accompanying financial statements. These bonds provide low-cost capital financing for construction of private facilities deemed to be in the public interest. The State's no-commitment debt includes industrial development bonds, pollution control bonds, airport bonds, educational facilities bonds, certain State Housing Finance and Development Authority Multi-Family Bonds issued since 1985, and debt issued by certain other State agencies.

f. Resources Authority Debt

In prior years, the Resources Authority issued bonds and used the proceeds to purchase obligations of local governmental entities. The local governmental entities used the proceeds received from the Authority to fund water and sewer projects. Periodic principal and interest payments received from the local governmental entities are used by the Authority to retire its own debt. The debt issued by the Authority is not a debt of the State and is not recorded in the accompanying Combined Balance Sheet. The Authority's outstanding debt at June 30, 1996, was $46.240 million. Effective October 1994, the General Assembly enacted legislation that prohibits the Authority from issuing bonds except to refund bonds previously issued.

In fiscal years 1993-94, 1994-95, and 1995-96, one local governmental entity was unable to meet its financial obligation under the terms of a $5.025 million revenue bond that was purchased by the Authority. In June 1990, when the local governmental entity issued its debt, it estimated that the related sewer project would be completed and operational by calendar year 1992. Revenue generated by the sewer system is pledged for debt retirement. At June 30, 1996, the system was partially operational but construction had not been completed. The State paid $132 thousand in 1993-94, $425 thousand in 1994-95, and $330 thousand in 1995-96 to the Authority to help the local entity meet its financial obligation. The State has appropriated $420 thousand in fiscal year 1996-97 to be used, if needed, to meet the local governmental entity's 1996-97 scheduled principal and interest payments.

g. Commercial Paper Notes

The Public Service Authority, a discretely presented component unit, issued $237.320 million of Commercial Paper Notes. The paper is issued for valid corporate purposes with a term not to exceed 270 days. The Authority has a $250.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement for the Authority's fiscal year ended December 31, 1995.

h. Subsequent Events

Since June 30, 1996, the State primary government has issued $154.100 million of bonds. Of this amount, $5.385 million of bonds were issued as a current refunding of prior issues. Also, the discretely presented component units have issued

Notes to the Financial Statements

$350.515 million of bonds to advance refund prior issues.

The State primary government called revenue bonds totaling $18.050 million on July 1, 1996.

NOTE 12: CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations (expressed in thousands) for the fiscal year ended June 30, 1996, were:

	Balances at July 1, 1995	Increases	Decreases	Balances at June 30, 1996
Accounts payable and accrued liabilities	$ 2,419	$ 2,347	$ (2,780)	$ 1,986
Insurance claims incurred but not reported	5,331	1,509	—	6,840
General obligation bonds payable	853,702	191,482	(79,690)	965,494
Capital lease and installment debt obligations payable	16,187	3,506	(3,271)	16,422
Compensated absences payable	154,419	83,257	(78,569)	159,107
Other liabilities	37,560	15,450	(11,836)	41,174
Totals	**$ 1,069,618**	**$ 297,551**	**$ (176,146)**	**$ 1,191,023**

The Accounts Payable and Accrued Liabilities, Insurance Claims Incurred but not Reported, and the majority of the Other Liabilities consist of claims and judgments payable.

The increase of $191.482 million for General Obligation Bonds Payable includes $572 thousand in accretion of interest on capital appreciation (deep-discount) bonds.

NOTE 13: INTERFUND BALANCES

a. Interfund Assets and Liabilities Within the Primary Government

Interfund assets and liabilities (expressed in thousands) for each individual fund within the primary government at June 30, 1996, were:

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
General						
General Fund	$ 21,899	$ 54,997	$ 5,593	$ 3,326	$ 10,557	$ 16,749
Less: eliminations	(21,657)	(21,657)	—	—	—	—
Adjusted General Fund	**242**	**33,340**	**5,593**	**3,326**	**10,557**	**16,749**
Special Revenue						
Departmental General Operating Fund	32,853	21,996	1,176	3,532	—	702
Education Improvement Act Fund	1,974	1,524	—	100	—	—
Children's Education Endowment Fund	5	1	—	—	—	—
Repair, Maintenance, and Renovation Fund	1,876	37	—	—	—	—
Waste Management Fund	1,436	288	—	—	—	—
Department of Transportation Special Revenue Fund	44,070	6,294	1,279	—	8,686	—
Economic Development Fund	—	—	200	—	800	—
Accommodations and Local Option Sales Tax Fund	201	62	—	—	—	—
Energy Settlement Fund	—	36	—	—	—	—
Omnibus Crime Fund	189	510	—	—	—	—
Medicaid Expansion Fund	—	40	—	—	—	—
Other Special Revenue Funds	854	1,022	56	70	318	—
Less: eliminations	(20,300)	(20,300)	—	—	—	—
Adjusted Special Revenue Funds	**63,158**	**11,510**	**2,711**	**3,702**	**9,804**	**702**

Notes to the Financial Statements

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
Capital Projects						
Capital Projects Fund	$ 2,945	$ 262	$ —	$ —	$ —	$ —
Less: eliminations	(166)	(166)	—	—	—	—
Adjusted Capital Projects Fund	**2,779**	**96**	**—**	**—**	**—**	**—**
Enterprise						
Housing Authority	—	25	—	—	—	—
Patients' Compensation Fund	—	3	—	—	—	—
Second Injury Fund	—	971	—	—	—	—
Patriots Point Development Authority	—	12	—	20	—	20
Other Enterprise Funds	—	547	—	—	—	12,946
Adjusted Enterprise Funds	**—**	**1,558**	**—**	**20**	**—**	**12,966**
Internal Service						
Insurance Reserve Fund	1,260	135	4,428	—	35,282	—
Health and Disability Insurance Fund	14,068	55	—	—	—	—
State Accident Fund	10,195	96	—	—	—	—
General Services Fund	6,079	452	8	2,241	—	21,554
Central Supplies and Equipment Fund	730	10	—	1,075	—	—
Motor Pool Fund	1,784	165	—	—	—	—
Pension Administration Fund	—	146	—	—	—	—
Prison Industries Fund	719	264	—	—	—	—
Other Internal Service Funds	22	26	2,711	2,752	19,020	18,479
Less: eliminations	(1,349)	(1,349)	(4,150)	(4,150)	(31,211)	(31,211)
Adjusted Internal Service Funds	**33,508**	**—**	**2,997**	**1,918**	**23,091**	**8,822**
Trust and Agency						
Expendable Trust:						
Unemployment Compensation Benefits Fund	4	—	—	421	—	—
Other Expendable Trust	—	56	—	—	—	—
Pension Trust:						
South Carolina Retirement System	15,009	13,467	—	—	—	—
Police Officers' Retirement System	2,126	412	—	—	—	—
Judges' and Solicitors' Retirement System	31	—	—	—	—	—
Agency Funds:						
Federal Interfund Activity Fund	860	53	—	755	—	—
Payroll Clearing Fund	39,666	8,766	—	30	—	—
Other Agency Funds	5,490	74,399	20	—	20	1,100
Less: eliminations	(46,756)	(46,756)	—	—	—	—
Adjusted Trust and Agency Funds	**16,430**	**50,397**	**20**	**1,206**	**20**	**1,100**
Higher Education						
Unrestricted Current Funds	9,048	28,594	—	64	—	104
Restricted Current Funds	2,770	1,660	—	—	—	—
Endowment and Similar Funds	50	—	—	—	—	—
Unexpended Plant Funds	59	—	—	—	—	11,735
Retirement of Indebtedness Funds	—	—	—	—	530	—
Investment in Plant Funds	—	—	—	885	—	25,419
Agency Funds	111	1,000	—	—	—	—
Foundations and Institutes	—	—	—	—	33,395	—
Less: eliminations	(5,099)	(5,099)	—	—	(33,925)	(33,925)
Adjusted Higher Education Funds	**6,939**	**26,155**	**—**	**949**	**—**	**3,333**
Totals–Primary Government	**$ 123,056**	**$ 123,056**	**$ 11,321**	**$ 11,121**	**$ 43,472**	**$ 43,672**

Notes to the Financial Statements

b. Inequality of Interfund Receivables and Interfund Payables; Inequality of Advances To and Advances From Other Funds

Interfund Receivables and Advances From Other Funds each exceed Interfund Payables and Advances To Other Funds by $200 thousand because of an interfund loan from the Economic Development Fund, a Special Revenue Fund, to the Division of Public Railways (reported as part of Other Enterprise Funds). The Division of Public Railways reports using a December 31 fiscal year-end while the Economic Development Fund's fiscal year ends June 30. The loan payment of $200 thousand due on June 1, 1997, is reported as a current Interfund Receivable by the Economic Development Fund at June 30, 1996, but as a long-term Advance From Other Funds by the Division of Public Railways at December 31, 1995.

c. Inequality of Transfers Between the Primary Government and Discretely Presented Component Units

Transfers From Component Units exceed Transfers To Primary Government by $245 thousand because the Public Service Authority, a discretely presented component unit, reports using a December 31 fiscal year-end. The $245 thousand difference represents Transfers From Component Units to the General Fund for the fiscal year ended June 30, 1996, less Transfers To Primary Government from the Public Service Authority for its fiscal year ended December 31, 1995.

d. Inequality of Residual Equity Transfers In and Out

Residual Equity Transfers Out of $5.000 million in the Special Revenue Funds were recorded as additions to Contributed Capital in the Enterprise Funds. Residual Equity Transfers Out of $1.020 million in the General Fund and $1.785 million in the Special Revenue Funds were recorded as additions to Contributed Capital in the State Ports Authority, a discretely presented component unit. These balances resulted from transfers of capital improvement bond proceeds.

NOTE 14: RESERVATIONS AND DESIGNATIONS OF FUND EQUITY

Reserved components of fund equity represent amounts legally segregated and amounts that cannot be appropriated. Designated portions of unreserved fund equity reflect tentative plans for future use of available financial resources.

The unreserved component of fund equity is computed as total fund equity less reserved amounts. Although the total fund balance in the General Fund was positive at June 30, 1996, the unreserved component was negative because the reserve requirements exceeded total fund balance.

a. Primary Government—Reserved Retained Earnings

At June 30, 1996, the $188.301 million balance of Reserved Retained Earnings in the primary government's Enterprise Funds consisted entirely of Retained Earnings Reserved for Debt Requirements. The reservations are required by bond indentures and other financing agreements.

b. Primary Government—Reserved and Designated Fund Balances

At June 30, 1996, the following amounts of fund balance (expressed in thousands) were reserved or designated:

Notes to the Financial Statements

	General	Special Revenue	Capital Projects	Trust and Agency	Higher Education
Fund balances reserved for:					
Pension and other benefits	$ —	$ —	$ —	$ 15,476,811	$ —
Restricted fund balance	—	—	—	—	157,870
Federal government grants refundable	—	—	—	—	43,051
General fund reserve	127,006	—	—	—	—
Inventories	14,992	22,966	—	—	—
Advances to other funds	10,557	9,804	—	—	—
Appropriations to be carried forward	391,382	—	—	—	—
Endowment and similar funds	—	—	—	1,112	52,740
Long-term loans and notes receivable	1,123	123,158	—	—	—
Debt requirements	—	147	—	—	8,027
School building aid	736	34,784	—	—	—
Encumbrances	—	—	—	—	3,419
Other special purposes	—	—	—	—	4,474
Total reserved fund balances	**$ 545,796**	**$ 190,859**	**$ —**	**$ 15,477,923**	**$ 269,581**
Unreserved fund balances designated for:					
Future years' expenditures	$ —	$ 58,924	$ —	$ —	$ 2,512
Capital expenditures	—	41,687	38,811	—	—
Loan funds	—	—	—	—	82
Scholarships	—	228	—	—	—
Quasi-endowments	—	—	—	—	13,941
Plant funds	—	—	—	—	59,991
Special purposes	—	—	—	—	6,505
Total unreserved, designated fund balances	**$ —**	**$ 100,839**	**$ 38,811**	**$ —**	**$ 83,031**

The following subsections contain further descriptive information regarding the above reserved and designated components of fund balance.

Reserved for Pension and Other Benefits

This account includes $14.831 billion reserved for pension, group life, and accidental death benefits. It also includes $646.059 million of reserves to recognize the restricted nature of the fund balances in the Unemployment Compensation Benefits Fund.

Reserves in the Higher Education Funds

Outside sources may restrict certain Higher Education Funds' resources. The financial statements present restricted fund balances as reserves. These reserves include reserves for endowments and other higher education restricted funds to be used for special purposes.

Grant monies received from the United States government under certain student loan programs are recorded as Reserved for Federal Government Grants Refundable. The purpose of this reserve is to indicate that these amounts can neither be appropriated nor expended and to reflect the State's ongoing responsibility to lend the resources only in accordance with applicable Federal program guidelines.

General Fund Reserve

The South Carolina Constitution requires that the State maintain a reserve to prevent deficits in the Budgetary General Fund. The reserve is fully funded whenever it equals three percent of the Budgetary General Fund's revenue (budgetary basis) of the latest completed fiscal year.

If the State withdraws funds from the reserve to cover a year-end deficit, it must replace the funds within three years. The Constitution requires that at least one percent of the Budgetary General Fund

Notes to the Financial Statements

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, 1995, the Reserve was fully funded at $120.735 million. During the fiscal year ended June 30, 1996, the Reserve retained its fully-funded status by increasing $6.271 million to $127.006 million.

Reserved for Inventories

Governmental Funds reserve a portion of fund balance equal to year-end inventory balances to indicate that the funds are not available for appropriation.

Reserved for Advances to Other Funds and Reserved for Long-Term Loans and Notes Receivable

Advances to Other Funds, Long-Term Loans, and Notes Receivable are assets that do not represent expendable available resources. The Governmental Funds, therefore, reserve a corresponding portion of fund balance.

Reserved for Appropriations to be Carried Forward

The General Fund does not use encumbrance accounting. The Reserve for Appropriations to be Carried Forward, however, is used in situations where the General Assembly has authorized Budgetary General Fund appropriations to be carried forward to the next fiscal year. For additional information, see Note 2c.

Reserved for Endowment and Similar Funds

This reserve recognizes restrictions placed on donated resources. In the Fiduciary Fund Types, the reserve represents amounts donated to State-owned secondary schools and to certain other State departments.

Reserved for Debt Requirements

Amounts in the Special Revenue Funds represent reservations required by bond indentures for State Highway bonds. The amounts recorded as Reserved for Debt Requirements in the Higher Education Funds are reservations required by financing agreements and bond indentures of discretely presented component units of the Medical University of South Carolina.

Reserved for School Building Aid

Amounts in the General Fund and in the Education Improvement Act Fund, a Special Revenue Fund, are reserved if committed to State school districts to build school buildings or to retire debt on such buildings. Such amounts are not available for appropriation.

Reserved for Encumbrances

Although not required by State law, some institutions reported in the Higher Education Funds use encumbrance accounting. These institutions also record a reserve for encumbrances.

Reserved for Other Special Purposes

Amounts Reserved for Other Special Purposes in the Higher Education Unrestricted Current Funds consist of resources that are reserved for various operating purposes specific to certain individual higher education institutions.

Designated for Future Years' Expenditures

Amounts Designated for Future Years' Expenditures in the Special Revenue Funds primarily relate to the Department of Transportation's expenditures for future highway repair and maintenance. In the Higher Education Funds the designations were reported by discretely presented component units of the Medical University of South Carolina for future use.

Designated for Capital Expenditures

The amount reported in the Special Revenue Funds represents amounts that the Department of Transportation designated for replacement of structurally deficient bridges. State Highway Bonds will finance these replacements. The State reports the entire fund balance in the Capital Projects Fund as Designated for Capital Expenditures.

Designated for Loan Funds

Amounts Designated for Loan Funds in the Higher Education Funds consist of resources which are designated for loans to students, faculty, or staff of higher education institutions.

Designated for Scholarships

Amounts reported as Designated for Scholarships in the Special Revenue Funds are being accumulated to establish endowments at public and private colleges and universities. The purpose of these endowments is to provide environmental scholarships.

Designated for Quasi-Endowments

The Designated for Quasi-Endowments account includes resources that the State's higher education institutions intend to use in a manner similar to endowments in future years.

Notes to the Financial Statements

Designated for Plant Funds

Amounts Designated for Plant Funds in the Higher Education Funds consist of resources designated to finance the acquisition, construction, improvement, renewal, or replacement of physical properties, and to pay debt service and retire indebtedness on institutional properties.

Designated for Special Purposes

Amounts Designated for Special Purposes in the Higher Education Unrestricted Current Funds consist of resources that are designated for various operating purposes specific to certain individual higher education institutions.

NOTE 15: RELATED PARTY TRANSACTIONS

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

The most significant of these organizations include: the University of South Carolina Development Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the South Carolina Universities Research and Education Foundation; the Greater University of South Carolina Alumni Association; the Carolina Piedmont Foundation, Inc.; the Lancaster County Educational Foundation, Inc.; the Clemson University Foundation; the Clemson University Research Foundation; the Clemson Architectural Foundation; the Clemson University Continuing Education and Conference Complex Corporation; the Clemson University Real Estate Foundation; the Health Sciences Foundation of the Medical University of South Carolina; the Coastal Educational Foundation, Inc., of Coastal Carolina University; The Coastal Carolina Booster Club; the College of Charleston Foundation; the Winthrop University Foundation; the Francis Marion University Foundation; the Citadel Development Foundation; the Association of Citadel Men; the Citadel's Brigadier Foundation; South Carolina State University Educational Foundation; The S.T.A.T.E. Club of South Carolina State University; Greenville Technical Foundation, Inc.; Tri-County Technical College Foundation; York Technical College Foundation, Inc.; the South Carolina Student Loan Corporation; the Educational Television Endowment of South Carolina, Inc.; the South Carolina State Museum Foundation; and the Carolina Capital Investment Corporation.

Those organizations above that are related to higher education report total assets of $364.843 million. During the fiscal year ended June 30, 1996, the State entered into various transactions with these organizations. Approximate amounts within the State's Higher Education Funds that represented transactions with these related parties include: receivable from foundations–$3.433 million; donations of cash and other assets from foundations–$31.294 million; expenditures (rental of foundation-owned property)–$1.975 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations–$2.116 million.

The South Carolina Education Assistance Authority (EAA), an Enterprise Fund, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the EAA student loan program. During the fiscal year ended June 30, 1996, EAA entered into various transactions with SLC. Approximate amounts within the State's Enterprise Funds that represent these transactions include: accounts receivable from SLC–$7.322 million; notes receivable from SLC–$366.636 million; program revenue from SLC–$34.447 million; and reimbursements to SLC for administrative costs–$4.981 million.

During the fiscal year ended June 30, 1996, the Educational Television Endowment of South Carolina, Inc., disbursed $11.024 million on behalf of the State for programs, development, advertising, and other costs. In addition, during the fiscal year ended June 30, 1995, the State entered into a capital lease with the Endowment for a building valued at $6.450 million. The lease term covers ten years. The remaining capital lease obligation at June 30, 1996, was $6.000 million.

The Jobs—Economic Development Authority (JEDA), an Enterprise Fund, maintains a management and administrative agreement with Carolina Capital Investment Corporation (CCIC). During the fiscal year ended June 30, 1996, JEDA paid CCIC $927 thousand for management and administrative expenses.

NOTE 16: SEGMENT INFORMATION

a. Enterprise Funds

The State groups its Enterprise Funds into the following segments: the State Housing Finance and Development Authority (Housing Authority), the State Education Assistance Authority, and the Jobs—Economic Development Authority. In addition, the Patriots Point Development Authority, the Patients' Compensation Fund, the Second Injury Fund, and Other Enterprise Funds are grouped into an Other segment.

The Housing Authority provides low-cost housing to the State's citizens by issuing bonds/notes and by administering Federal contracts and grants. The State Education Assistance Authority issues revenue bonds for the purpose of making student loans. The Jobs—Economic Development Authority acts with others in the promotion of development, especially in areas of the State with greatest need. The Authority is supported primarily by interest on project loans.

Financial information (expressed in thousands) for these segments for the fiscal year ended June 30, 1996, follows:

Notes to the Financial Statements

	Housing Authority	Education Assistance Authority	Jobs—Economic Development Authority	Other	Totals
Operating revenues	$ 51,391	$ 42,101	$ 1,408	$ 28,370	$ 123,270
Depreciation and amortization expense	185	—	—	981	1,166
Operating income (loss)	10,339	11,293	(1,713)	(11,499)	8,420
Federal revenue	20,372	2,496	—	—	22,868
Operating transfers in	—	—	125	—	125
Extraordinary loss	(298)	—	—	—	(298)
Net income (loss)	10,004	13,774	(9,489)	(11,192)	3,097
Current capital contributions and transfers	—	—	648	4,995	5,643
Property, plant, and equipment:					
Additions	86	—	—	2,556	2,642
Retirements	(20)	—	—	(684)	(704)
Net working capital	96,335	117,284	11,177	33,014	257,810
Total assets	640,416	506,549	20,325	127,364	1,294,654
Bonds and other long-term liabilities payable from operating revenues	458,244	391,463	—	32,555	882,262
Total fund equity	132,347	75,488	19,994	38,673	266,502

b. Discretely Presented Component Units

The primary segments among the State's discretely presented component units are the Public Service Authority and the State Ports Authority. The remaining entities are reported within an Other segment.

The Public Service Authority produces and sells electric power. The State Ports Authority develops and maintains State harbors and seaports and handles the commerce through these ports.

Financial information (expressed in thousands) for these segments for the fiscal year ended June 30, 1996, follows:

	Public Service Authority	State Ports Authority	Other	Totals
Operating revenues	$ 643,838	$ 62,254	$1,889	$ 707,981
Depreciation and amortization expense	101,267	14,671	78	116,016
Operating income (loss)	170,151	6,282	(3,864)	172,569
Federal revenue	—	—	3,773	3,773
Transfers to primary government	(6,436)	—	—	(6,436)
Net income (loss)	44,229	3,527	(207)	47,549
Current capital contributions and transfers	—	2,796	—	2,796
Property, plant, and equipment:				
Additions	120,929	11,661	56	132,646
Retirements	(26,657)	(2,075)	(234)	(28,966)
Net working capital	(225,542)	16,821	1,841	(206,880)
Total assets	3,484,306	374,307	2,613	3,861,226
Bonds and other long-term liabilities payable from operating revenues	2,176,201	86,338	—	2,262,539
Total fund equity	735,385	277,138	2,066	1,014,589

The Public Service Authority's sale of electric power to two major customers constitutes a concentration of credit risk. For its fiscal year ended December 31, 1995, the Authority's revenue and Accounts Receivable (expressed in thousands) attributable to those customers were:

Customer	Revenue	% of Total Operating Revenue	Accounts Receivable	% of Total Accounts Receivable
Central Electric Power Cooperative, Inc.	$294,000	45.66%	$ 28,883	43.06%
Alumax of South Carolina, Inc.	73,000	11.34%	6,879	10.26%

During the fiscal year ended June 30, 1996, one customer accounted for approximately 10% of the State Ports Authority's revenues.

NOTE 17: EXTRAORDINARY LOSS

The $298 thousand of Extraordinary Loss on the Early Extinguishment of Debt in the Enterprise Funds represented a loss on Housing Authority debt extinguishments that resulted from calling bonds.

Notes to the Financial Statements

NOTE 18: DEFICIT RETAINED EARNINGS

The Patriots Point Development Authority, an entity reported in the Enterprise Funds, had a deficit retained earnings balance of $1.572 million at June 30, 1996. This deficit resulted primarily from an interrupted development project and the related bankruptcy proceedings over the last several years. The interrupted project left the Authority with an unfinished hotel and marina. During the fiscal year ended June 30, 1996, the Authority entered into a lease with a private company that plans to develop the unfinished assets. The lease agreement has been structured to provide for a controlled and orderly development. The Authority expects that revenues from this agreement eventually will eliminate the deficit retained earnings.

NOTE 19: 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), an Internal Service Fund. 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."

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The unpaid claims liability of $153.040 million at June 30, 1996, includes a provision for claims in the process of review and for claims incurred but not reported. The liability for claims in the process of review is included in Accounts Payable and Accrued Liabilities, while the liability for Insurance Claims Incurred But Not Reported is reported separately on the face of the accompanying financial statements. The liability for claims incurred but not reported is estimated actuarially based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, and award trends. This process does not necessarily result in an exact amount. Estimates of liabilities for incurred claims are continually reviewed and revised as changes occur. Revisions are reflected in the current year's income.

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
1995	$ 126,126	$ 55,681	$ (35,235)	$ 146,572
1996	146,572	41,999	(35,531)	153,040

The IRF purchases insurance to cover risks where it has limited expertise (aircraft insurance and ocean marine insurance).

The IRF purchases reinsurance to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability. Reinsurance for catastrophic losses in the area of property insurance is purchased for losses above $2.000 million per location and $10.000 million per occurrence. For medical professional liability insurance, reinsurance for catastrophic losses is acquired for losses exceeding $250 thousand per occurrence. Reinsurance permits partial recovery of losses from reinsurers; but the IRF, as direct insurer of the risks, remains primarily liable. The unpaid claims liabilities were reduced by $10.080 million and $13.049 million as of June 30, 1996, and 1995, respectively, for amounts relating to unpaid claims estimated to be recoverable from reinsurers.

b. Health and Disability Insurance Fund

The Health and Disability Insurance Fund, an Internal Service Fund, was established to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and 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 a health maintenance organization or the State's self-insured plan. All dental, group life, and long-term disability coverage is through the State's self-insured plan. 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, and retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long term disability.

The Health and Disability Insurance Fund establishes claims liabilities when information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The unpaid claims

Notes to the Financial Statements

liability of $88.065 million at June 30, 1996, includes a provision for claims in the process of review and for claims incurred but not reported. The liability for claims in the process of review is included in Accounts Payable and Accrued Liabilities, while the liability for Insurance Claims Incurred But Not Reported is reported separately on the face of the accompanying financial statements. The liability for claims incurred but not reported is estimated actuarially based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. Estimates of liabilities for incurred claims are continually reviewed and revised as changes occur. Revisions are reflected in the current year's income.

Claim costs for group life and long-term disability coverage are actuarially calculated using the one-year term cost method; the cost of coverage is the present value of all benefit payments that will be made on expected claims incurred during the year following the valuation date. Claim liabilities are equal to the present value, as of the valuation date, of all future payments to be made for disabilities and deaths up to that date. Actuarial assumptions include an interest rate of 7.25%, compounded annually. Of the total claims liability reported for the Health and Disability Insurance Fund at June 30, 1996, $18.169 million relates to group life and long-term disability insurance coverage. Claims liabilities for health and dental insurance coverage are not discounted 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
1995	$ 88,285	$ 471,956	$ (467,246)	$ 92,995
1996	92,995	467,807	(472,737)	88,065

c. State Accident Fund

State law established the State Accident Fund (the 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. Participating entities remit their actual payroll after the policy period ends. The Fund then adjusts the premium using the actual payroll and a rating modifier based on claims experience.

The Fund establishes claims liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims liabilities are actuarially determined and include an amount for claims reported but not yet paid and claims incurred but not yet reported. At June 30, 1996, the claims liability for the Fund was $59.791 million. The liability for claims reported but not yet paid is included in Accounts Payable and Accrued Liabilities, while the liability for Insurance Claims Incurred But Not Reported is reported separately on the face of the accompanying financial statements. 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. Claims liabilities and the computation methods are reevaluated periodically, and any adjustments are reflected in current earnings.

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
1995	$ 55,898	$ 32,770	$ (23,017)	$ 65,651
1996	65,651	20,726	(26,586)	59,791

During the current fiscal year, the Fund entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Reinsurance permits partial recovery of losses from reinsurers; but the Fund, as direct insurer of the risks, remains primarily liable. There were no amounts estimated to be recoverable from reinsurers at June 30, 1996.

d. Patients' Compensation Fund

The State's Enterprise Funds include the South Carolina Medical Malpractice Patients' Compensation Fund (PCF). The PCF is accounted for as an insurance enterprise because it is primarily composed of non-governmental entities. Accordingly, the PCF follows the guidance of FASB Statement 60, "Accounting and Reporting by Insurance Enterprises."

State law created the PCF to pay that portion of any medical malpractice claim, settlement, or judgment against a licensed health care provider which exceeds $100 thousand per incident or $300 thousand in the aggregate for one year. In the event the PCF incurs a liability exceeding $100 thousand to any person under a single occurrence, the PCF may not pay more than $100 thousand per year until the claim has been paid in full. However, the Board of Governors of the PCF may authorize payments in excess of $100 thousand per year so as to avoid payment of interest.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists,

Notes to the Financial Statements

pharmacists, chiropractors, hospitals, nursing homes, and any similar category of licensed health care providers. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The PCF actuarially 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. At June 30, 1996, the claims liability for the PCF was $17.241 million. The liability for claims reported but not settled is included in Accrued Liabilities while the liability for Insurance Claims Incurred But Not Reported is reported separately on the face of the accompanying financial statements. The PCF does not incur claim adjustment expenses because it provides only excess liability coverage. The length of time for which such 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 used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed 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 reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

e. Public Service Authority—A Discretely Presented Component Unit

The Public Service Authority, a discretely presented component unit with a December 31 fiscal year-end, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Authority purchases commercial insurance to cover these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Policies are subject to deductibles ranging from $1 thousand to approximately $800 thousand. Also a $1.000 million self-insured layer exists between the Authority's primary and excess liability policies.

The Authority self-insures its risks related to auto, dental, and environmental incidents. Automotive exposure is up to $2.000 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have not been any third-party claims for environmental damages for 1994 or 1995.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

At December 31, 1995, the amount of these liabilities was $1.634 million. Changes in the reported liability in each 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
1994	$ 4,517	$ (1,029)	$ (1,051)	$ 2,437
1995	2,437	77	(880)	1,634

NOTE 20: JOINT OPERATION

The Summer Nuclear Station is a joint operation owned by the Public Service Authority (the Authority), a discretely presented component unit and regulated electric utility, and the South Carolina Electric and Gas Company (SCE&G), a non-governmental electric utility. The Authority owns an undivided one-third interest in the Station while SCE&G owns an undivided two-thirds interest. SCE&G is solely responsible for the Station's management, budgeting, operation, maintenance, and decommissioning; and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives one-third of the net electricity generated.

In accordance with regulatory accounting practices, the Authority reported Property, Plant, and Equipment of $478.000 million and expenses of $45.282 million which represent its interest in this joint operation. The Authority has financed its interest in the joint operation with long-term debt. The Summer Nuclear Station is not a separate legal entity and does not prepare separate financial statements.

The Nuclear Regulatory Commission (NRC) has published final regulations on decommissioning of nuclear facilities. These regulations require a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. A site-specific decommissioning study completed in 1991 estimated the Authority's share of decommissioning costs for the Summer Nuclear Station as $76.266 million in 1990 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates.

To comply with the NRC regulations, the Authority established an external trust fund and has been making deposits into this fund since September 1990. In addition, the Authority established an internal decommissioning account in 1983. The Authority makes deposits into this fund in the amount necessary to fund the difference between the 1991 site-specific study and the NRC's imposed minimum requirement. Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled $38.165 million (adjusted to market) at December 31, 1995, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are expected to provide sufficient funds for the Authority's share of the estimated decommissioning costs.

Notes to the Financial Statements

The Price-Anderson Indemnification Act has established the maximum liability for public claims arising from any nuclear incident as $8.900 billion. This amount would be covered by nuclear liability insurance of up to $200.000 million per site, with potential retrospective assessments of up to $79.275 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $10.000 million per incident per year). Based on its one-third interest in the Summer Nuclear Station, the Authority would be responsible for a maximum assessment of $26.425 million, not to exceed approximately $3.300 million per incident per year. This amount is subject to further increases to reflect (i) inflation, (ii) increases in the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance the NRC is required to maintain.

SCE&G and the Authority maintain, with American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL), $500.000 million primary and $1.400 billion excess property and decontamination insurance to cover the costs of facility cleanup in the event of an accident. In addition to the premiums paid on the excess policy, SCE&G and the Authority also could be assessed a retroactive premium, not to exceed 7.5 times the annual premium, in the event of property damage to any nuclear generating facility covered by NEIL. Based on the current annual premium and the Authority's one-third interest, the Authority's maximum retroactive premium would be $4.300 million.

The Authority does not purchase insurance for any retroactive premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power.

NOTE 21: CONTINGENCIES AND COMMITMENTS

a. Litigation

Among the unresolved lawsuits in which the State was involved at June 30, 1996, were several that challenge the legality of certain State taxes and fees. The challenged revenues include the following: fees payable under the Infectious Waste Act and Regulations, sales taxes on certain prescription medicines, the repeal of capital gains tax refunds, and taxes on bingo operations. Losses in these cases could have an adverse impact on future revenues. While the State is uncertain as to the ultimate outcome of any of these cases, it is vigorously defending each lawsuit. In the event of an unfavorable outcome for these cases, the ultimate liability is not expected to exceed $40.442 million. This estimate does not include the impact on future revenues.

Other cases in which the State may incur a liability include cases challenging the 1990 amendments to the Beachfront Management Act and a suit alleging defalcation of trust funds by a probate judge. Also, several cases seek compensation for attorneys' fees. These include a suit that challenged the single gender education policy at The Citadel and reapportionment cases. In the event of an unfavorable outcome for these cases, the ultimate liability is not expected to exceed $10.300 million, which includes plaintiff's attorneys' fees of $5.800 million for the Citadel case and $1.000 million for the reapportionment cases.

The State Department of Education and the State Superintendent have four cases pending which were filed by one current and three former Department employees. The former employees have sued, alleging wrongful termination. The total amount requested in these four lawsuits is $9.000 million. The ultimate liability of the State in these cases, if any, is not determinable at this time.

The South Carolina Retirement Systems are involved in a lawsuit filed by four retired members. The plaintiffs challenge the Systems' treatment of unused annual leave in the calculation of participants' retirement payments. The State's liability in the event of an unfavorable outcome would be approximately $340.000 million for current retirees. This estimate excludes the impact of an adverse decision upon future payments for current active members. That impact is estimated to be in excess of $600.000 million if plaintiffs prevail and current statutes are not amended. The State believes that the Systems are providing retirement benefits to its members in accordance with current State laws and regulations and is vigorously defending this position.

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. The State moved to dismiss that case, and the Circuit Court granted that motion. The plaintiffs have appealed.

The Medical University of South Carolina is a defendant in two cases for which the University has no insurance coverage to provide for losses. Legal counsel is unable to assess the likely outcome of these cases. Loss to the Higher Education Funds, if any, as a result of an unfavorable outcome for these cases cannot be determined.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving possible violations of State and Federal laws. Unfavorable outcomes in these matters could result in the State incurring losses. However, these losses are not expected to have a material, adverse effect on the State's financial statements.

Due to the uncertainty involving the ultimate outcome of the previously discussed unresolved lawsuits, no provision for potential liability has been made for them in the accompanying financial statements.

In two recent decisions, the South Carolina Supreme Court concluded that the $250 thousand statutory government liability cap provided for in the South Carolina Tort Claims Act would not apply to those tort cases filed against the State prior to July 1, 1994. Most State agencies purchase only

Notes to the Financial Statements

$250 thousand in liability insurance coverage. Accordingly, the State estimates an uninsured loss of between $10.000 million and $50.000 million due to the Supreme Court's decision. As a result, the State has recorded a $10.000 million liability in its General Long-Term Obligations Account Group at June 30, 1996.

b. Loan Guarantees

The State Education Assistance Authority within the State's Enterprise Funds guarantees student loans. At June 30, 1996, these loans totaled $811.573 million. The United States Department of Education ordinarily reinsures losses under these guarantees up to 100%. If the loan default rate exceeds 5.0% of the loans in repayment status, however, the United States Department of Education decreases the reinsurance rate. The State's default rate at June 30, 1996, was less than 1.2%.

c. 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 when the State and the Federal government agree upon reimbursement terms. It is presently not possible for management to determine the outcome of pending audit disallowances. Based on an analysis of historical data, however, the State believes that any such reimbursements relating to the fiscal year ended June 30, 1996, or earlier years will not have a material impact on the State's financial statements.

d. Purchase Commitments

At December 31, 1995, the Public Service Authority, a discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $407.823 million for coal and approximately $112.000 million for power. The term of the contract is 40 years. The Authority has commitments of approximately $105.000 million for its one-third share under the joint ownership agreement with the South Carolina Electric and Gas Company for the purchase, enrichment, and fabrication of uranium. The terms of these commitments range from 2 to 10 years.

e. Clean Air Act

The Public Service Authority, a discretely presented component unit and electric utility company, endeavors to ensure that its facilities comply with applicable environmental regulations and standards. Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. Although most of the Clean Air Act Amendment regulations have been finalized, the Federal Environmental Protection Agency has not yet promulgated some important regulations. Therefore, complete compliance costs cannot yet be determined. The Authority has installed continuous emissions monitoring equipment at a cost of $5.600 million and estimates that it will spend approximately $8.000 million for low nitrogen oxide burner technology by the year 2000.

f. Medical University Sale/Lease—Subsequent Event

On October 16, 1995, the Medical University of South Carolina (MUSC) signed a letter of intent with Columbia/HCA Healthcare Corporation to negotiate for the sale of Medical Center assets and the lease of certain real estate. On February 9, 1996, MUSC's Board of Trustees approved, in principle, seven proposed agreements and directed that the agreements be presented to the appropriate governmental bodies for review and approval. Six of the agreements were between MUSC and the Columbia Charleston Healthcare System, Inc., a wholly-owned subsidiary of the Columbia/HCA Healthcare Corporation. These agreements were: a Master Agreement, an Academic Affiliation Agreement, a Lease Agreement, a License Agreement, a Shared-Services Agreement, and an Option/Affiliation Dissolution Agreement. The seventh agreement was a Guaranty Agreement between MUSC and Columbia/HCA Healthcare corporation.

On May 22, 1996, the State's General Assembly authorized MUSC to enter into the agreements, subject to the State Budget and Control Board's satisfaction that (a) the proposed compensation would reflect fair and reasonable value to the State and (b) provisions in the lease and purchase agreements would ensure compliance with the General Assembly's conditions. The Budget and Control Board granted its approval on August 27, 1996.

On July 24, 1996, a third party filed suit in Circuit Court questioning (a) whether the transaction is a constitutionally illegal joint venture and (b) the reasonableness of the compensation to the State. On August 14, 1996, MUSC petitioned the South Carolina Supreme Court to take original jurisdiction of the case. On September 18, 1996, the Supreme Court refused to accept jurisdiction and referred the case to the lower court. A trial date has not been set, and MUSC's legal counsel estimates that the case will not be settled until the latter part of 1997.

Subsequent to signing the Master Agreement, both parties to the transaction will file information with the federal government to obtain a ruling on compliance with antitrust and monopoly laws. It is the opinion of MUSC's legal counsel that federal approval will be granted. The final closing of the transaction will not take place until both issues are settled. The date of such closing cannot be determined at this time.

Notes to the Financial Statements

NOTE 22: PLEDGES OF GIFTS—HIGHER EDUCATION FUNDS

The State's Higher Education Funds expect to collect pledges (expressed in thousands) as follows:

Fiscal Year Ending June 30	Higher Education Fund Type: Current Unrestricted	Current Restricted	Unexpended Plant	Totals
1997	$ 2,104	$ 85	$ 31	$ 2,220
1998	1,010	56	—	1,066
1999	—	17	—	17
2000	—	2	—	2
2001	—	1	—	1
Thereafter	20,890	1,869	—	22,759
Totals	$ 24,004	$ 2,030	$ 31	$ 26,065

It is not practicable to estimate the net realizable value of such pledges; accordingly, they are not recorded as pledges receivable at June 30, 1996, in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

National Guard Pension System

SCHEDULE OF FUNDING PROGRESS

Last Six Fiscal Years
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Valuation of Assets *(a)*	Actuarial Accrued Liability (AAL) Entry Age *(b)*	Unfunded AAL (UAAL) *(b-a)*	Funded Ratio *(a/b)*	Annual Covered Payroll *(c)*	UAAL As a Percentage of Covered Payroll *((b-a)/c)*
July 1, 1990[a]	$ 0	$ 19,499	$ 19,499	0.0%	$ 48,818	39.9%
July 1, 1991[a]	0	19,499	19,499	0.0%	48,827	39.9%
July 1, 1992[a]	0	23,701	23,701	0.0%	50,404	47.0%
July 1, 1993	2,499	26,200	23,701	9.5%	48,385	49.0%
July 1, 1994	3,760	26,996	23,236	13.9%	50,766	45.8%
June 30, 1996	6,259	36,756	30,497	17.0%	48,861	62.4%

[a]Before July 1, 1993, the National Guard Pension System operated on a pay-as-you-go basis. On July 1, 1993, the State began funding the plan on an actuarial basis.

The unfunded actuarial accrued liability expressed as a percentage of covered payroll is a measure of the significance of the unfunded actuarial liability relative to the State's capacity to pay it. The funded ratio represents the assets expressed as a percentage of the actuarial accrued liability. The trend in those two ratios provides information about whether the financial strength of the plan is improving or deteriorating over time. An improvement is indicated when the funded ratio is increasing and the ratio of the unfunded actuarial liability to active covered payroll is decreasing.

National Guard Pension System

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Six Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	Employer Contributions: Annual Required Contribution	Employer Contributions: Percentage Contributed
1991	$ 2,316	39.0%
1992	2,316	45.0%
1993	2,499	46.8%
1994	2,499	100.0%
1995	2,499	100.0%
1996	3,085	81.0%

The schedule of employer contributions provides information about the required contributions of the State and the extent to which those contributions are being made. The schedule gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

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

Actuarial valuation date	June 30, 1996
Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	Not applicable
Assumed inflation rate	4.25%
Assumed cost-of-living adjustments	Not applicable

Photograph is not available in web version of CAFR

The Palmetto tree served a vital role in South Carolina's history. Early forts of palmetto logs protected colonists from British bombardment. Because of this, the Palmetto became the State tree and was added to the center of the State flag we use today.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

(See Accompanying Independent Auditors' Report)

Photograph is not available in web version of CAFR

Trees are a significant part of the ambiance of the State's cities. It has been said that you do not plant a tree for yourself, you plant it for your grandchildren.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources (other than for Capital Projects, Trust, and Higher Education Funds) that are legally restricted for specified purposes. The State uses the following Special Revenue Funds:

Departmental General Operating Fund. This fund accounts for resources that are part of a particular State agency's General Fund but are not part of the State's General Fund. These resources include significant amounts of Federal grant receipts.

Education Improvement Act Fund. This fund accounts for the special additional one-percent sales tax levied to be used exclusively for improvements in elementary and secondary education.

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.

Repair, Maintenance, and Renovation Fund. This fund accounts for State bond proceeds and other permanent improvement project resources to be expended for approved repair, maintenance, renovation, and alteration projects.

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.

Department of Transportation Special Revenue Fund. This fund accounts for the various gasoline taxes, fees, fines, and Federal grant resources used by the Department of Transportation for its general operations. These operations include highway maintenance and repair.

Economic Development Fund. This fund accounts for projects authorized by the South Carolina Coordinating Council for Economic Development. It is funded by certain motor fuel taxes.

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

Energy Settlement Fund. Revenues received from court-ordered settlements resulting from oil overcharges by various oil companies are accounted for in this fund. These resources must be used for energy-related programs designed to benefit all categories of the State's petroleum product consumers.

Omnibus Crime Fund. This fund accounts for court fees remitted to the State by local court systems under the Omnibus Crime Act of 1985. These fees must be used for certain programs administered by the Department of Probation, Parole & Pardon Services.

Medicaid Expansion Fund. Resources of this fund include county assessments for indigent medical care and a tax on licensed hospitals. The fund was established to provide Medicaid coverage to persons formerly ineligible for such coverage and to provide additional State matching funds for Medicaid.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues which must be used for specific purposes. These include operations of various employment services, water recreation, agricultural boards, forest renewal programs, certain housing programs, and medical and dental scholarships.

Photograph is not available in web version of CAFR

The cycle of regeneration and renewal continues when new forests replace those we use. On average, 250,000 trees are planted in the State each day—25 for each person in the State.

Combining Balance Sheet

SPECIAL REVENUE FUNDS

June 30, 1996
(Expressed in Thousands)

	Departmental General Operating	Education Improvement Act	Children's Education Endowment	Repair, Maintenance, and Renovation	Waste Management	Department of Transportation Special Revenue
ASSETS						
Cash and cash equivalents	$ 184,917	$ 51,106	$ 67,522	$ 12,407	$ 58,500	$ 131,184
Investments	217	—	—	—	—	—
Receivables, net:						
Accounts	59,359	64	604	2	628	3,406
Taxes	2,142	36,980	13,860	—	—	32,317
Loans and notes	122,146	—	—	—	—	—
Due from Federal government and other grantors	103,230	—	—	55	—	40,151
Due from other funds	32,853	1,974	5	1,876	1,436	44,070
Interfund receivables	1,176	—	—	—	—	1,279
Advances to other funds	—	—	—	—	—	8,686
Inventories	9,306	—	—	—	72	13,582
Other assets	138	—	—	—	—	—
Total assets	**$ 515,484**	**$ 90,124**	**$ 81,991**	**$ 14,340**	**$ 60,636**	**$ 274,675**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 189,637	$ 1,847	$ 6,175	$ 2,826	$ 5,717	$ 80,722
Tax refunds payable	—	111	—	—	—	472
Intergovernmental payables	62,446	6,398	—	—	761	—
Due to other funds	21,996	1,524	1	37	288	6,294
Interfund payables	3,532	100	—	—	—	—
Advances from other funds	702	—	—	—	—	—
Deferred revenues	58,054	1,838	—	176	—	3,964
Other liabilities, including retainages payable	266	—	—	965	—	22,631
Total liabilities	**336,633**	**11,818**	**6,176**	**4,004**	**6,766**	**114,083**
Fund balances:						
Reserved for:						
Inventories	9,306	—	—	—	72	13,582
Advances to other funds	—	—	—	—	—	8,686
Long-term loans and notes receivable	121,828	—	—	—	—	—
Debt requirements	—	—	—	—	—	147
School building aid	—	34,784	—	—	—	—
Unreserved:						
Designated for future years' expenditures	—	—	—	—	—	58,924
Designated for capital expenditures	—	—	—	—	—	41,687
Designated for scholarships	—	—	—	—	228	—
Undesignated	47,717	43,522	75,815	10,336	53,570	37,566
Total fund balances	**178,851**	**78,306**	**75,815**	**10,336**	**53,870**	**160,592**
Total liabilities and fund balances	**$ 515,484**	**$ 90,124**	**$ 81,991**	**$ 14,340**	**$ 60,636**	**$ 274,675**

Economic Development	Accommodations and Local Option Sales Tax	Energy Settlement	Omnibus Crime	Medicaid Expansion	Other Special Revenue	Eliminations	Totals
$ 36,292	$ 18,024	$ 19,763	$ 1,148	$ 4,926	$ 50,509	$ —	$ 636,298
—	—	—	—	—	—	—	217
406	—	203	—	24	265	—	64,961
—	10,813	—	—	—	1,539	—	97,651
400	—	—	—	—	948	—	123,494
—	—	—	—	—	—	—	143,436
—	201	—	189	—	854	(20,300)	63,158
200	—	—	—	—	56	—	2,711
800	—	—	—	—	318	—	9,804
—	—	6	—	—	—	—	22,966
—	—	—	—	—	—	—	138
$ 38,098	**$ 29,038**	**$ 19,972**	**$ 1,337**	**$ 4,950**	**$ 54,489**	**$ (20,300)**	**$ 1,164,834**
$ 3,082	$ —	$ 1,767	$ 571	$ 24	$ 2,029	$ —	$ 294,397
—	8	—	—	—	1	—	592
591	16,790	22	—	—	228	—	87,236
—	62	36	510	40	1,022	(20,300)	11,510
—	—	—	—	—	70	—	3,702
—	—	—	—	—	—	—	702
—	357	—	—	—	17	—	64,406
—	—	—	—	—	3	—	23,865
3,673	**17,217**	**1,825**	**1,081**	**64**	**3,370**	**(20,300)**	**486,410**
—	—	6	—	—	—	—	22,966
800	—	—	—	—	318	—	9,804
400	—	—	—	—	930	—	123,158
—	—	—	—	—	—	—	147
—	—	—	—	—	—	—	34,784
—	—	—	—	—	—	—	58,924
—	—	—	—	—	—	—	41,687
—	—	—	—	—	—	—	228
33,225	11,821	18,141	256	4,886	49,871	—	386,726
34,425	**11,821**	**18,147**	**256**	**4,886**	**51,119**	**—**	**678,424**
$ 38,098	**$ 29,038**	**$ 19,972**	**$ 1,337**	**$ 4,950**	**$ 54,489**	**$ (20,300)**	**$ 1,164,834**

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

SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Departmental General Operating	Education Improvement Act	Children's Education Endowment	Repair, Maintenance, and Renovation	Waste Management
Revenues:					
Taxes:					
Retail sales and use	$ 21	$ 384,641	$ —	$ —	$ 1,565
Other	30,091	—	88,786	338	—
Licenses, fees, and permits	44,714	—	—	—	22,969
Interest and other investment income	6,113	2,838	1,567	—	1,604
Federal	2,225,149	—	—	553	—
Departmental services	160,053	—	—	107	365
Contributions	98,252	—	—	3	—
Fines and penalties	18,129	—	—	1,650	—
Other	53,720	479	—	803	2,281
Total revenues	**2,636,242**	**387,958**	**90,353**	**3,454**	**28,784**
Expenditures:					
Current:					
General government	48,940	9,082	—	17,280	—
Education	187,676	9,523	875	84	—
Health and environment	1,552,101	818	—	6,060	6,341
Social services	575,792	907	—	321	—
Administration of justice	38,876	1,097	—	6,606	—
Resources and economic development	80,371	—	—	2,101	—
Transportation	—	—	—	—	—
Capital outlay	—	—	—	—	—
Debt service:					
Principal retirement	897	—	—	—	—
Interest and fiscal charges	107	—	—	—	—
Intergovernmental	365,734	360,471	—	—	4,236
Total expenditures	**2,850,494**	**381,898**	**875**	**32,452**	**10,577**
Revenues over (under) expenditures	**(214,252)**	**6,060**	**89,478**	**(28,998)**	**18,207**
Other financing sources (uses):					
Proceeds from bonds and notes	—	—	—	—	—
Lease and installment debt proceeds	2,045	—	—	—	—
Operating transfers in	164,837	136	—	19,933	21
Operating transfers out	(33,330)	(5,358)	(13,663)	(638)	(479)
Total other financing sources (uses)	**133,552**	**(5,222)**	**(13,663)**	**19,295**	**(458)**
Revenues and other sources over (under) expenditures and other uses	**(80,700)**	**838**	**75,815**	**(9,703)**	**17,749**
Fund balances (deficit), July 1, 1995 (restated)	**258,365**	**77,468**	**—**	**20,039**	**36,093**
Increases in reserve for inventories	**1,186**	**—**	**—**	**—**	**28**
Residual equity transfers out	**—**	**—**	**—**	**—**	**—**
Fund balances, June 30, 1996	**$ 178,851**	**$ 78,306**	**$ 75,815**	**$ 10,336**	**$ 53,870**

Department of Transportation Special Revenue	Economic Development	Accommodations and Local Option Sales Tax	Energy Settlement	Omnibus Crime	Medicaid Expansion	Other Special Revenue	Eliminations	Totals
$ —	$ —	$ 100,688	$ —	$ —	$ —	$ —	$ —	$ 486,915
304,115	18,000	—	—	—	21,414	12,639	—	475,383
—	—	—	—	—	—	4,003	—	71,686
13,023	414	—	1,059	—	152	1,620	—	28,390
234,381	—	—	150	—	—	—	—	2,460,233
49,103	—	—	1,369	—	—	809	—	211,806
—	—	—	—	—	7,501	717	—	106,473
—	—	—	—	12,773	—	8,466	—	41,018
4,922	—	—	126	1	—	253	—	62,585
605,544	18,414	100,688	2,704	12,774	29,067	28,507	—	3,944,489
—	—	6	838	37	—	12,947	—	89,130
—	—	—	—	—	—	—	—	198,158
—	—	—	246	—	28,797	127	—	1,594,490
—	—	—	—	—	—	1,758	—	578,778
—	—	—	—	11,574	—	155	—	58,308
—	39	—	—	—	—	1,843	—	84,354
218,366	—	—	—	—	—	—	—	218,366
394,904	—	—	—	—	—	—	—	394,904
—	—	—	—	4	—	—	—	901
569	—	—	—	—	—	—	—	676
9,500	6,848	98,163	765	481	—	2,348	—	848,546
623,339	6,887	98,169	1,849	12,096	28,797	19,178	—	4,066,611
(17,795)	11,527	2,519	855	678	270	9,329	—	(122,122)
50,000	—	—	—	—	—	—	—	50,000
—	—	—	—	—	—	—	—	2,045
3,550	—	—	12	300	125	2,486	(67,630)	123,770
(8,084)	(360)	(1,038)	(506)	—	(125)	(4,219)	67,630	(170)
45,466	(360)	(1,038)	(494)	300	—	(1,733)	—	175,645
27,671	11,167	1,481	361	978	270	7,596	—	53,523
132,843	30,043	10,340	17,780	(722)	4,616	43,523	—	630,388
78	—	—	6	—	—	—	—	1,298
—	(6,785)	—	—	—	—	—	—	(6,785)
$ 160,592	$ 34,425	$ 11,821	$ 18,147	$ 256	$ 4,886	$ 51,119	$ —	$ 678,424

Photograph is not available in web version of CAFR

Specialized operations enable production of trees for special needs, including Christmas trees. This greenhouse is heated with renewable energy—wood.

Enterprise Funds

Enterprise Funds account for business-like State activities that provide goods and/or services to the public. These funds are financed primarily through user charges. The State's primary government maintains the following Enterprise Funds:

Housing Authority. The State Housing Finance and Development Authority 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. The Authority is supported primarily by mortgage interest.

Education Assistance Authority. The State Education Assistance Authority issues bonds for the purpose of making loans to students of the State to enable them to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, and investment earnings.

Jobs–Economic Development Authority. The Jobs–Economic Development Authority acts in conjunction with other organizations in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State. The Authority's emphasis is on those areas of the State with the greatest economic need and to those projects providing the greatest economic benefit. The Authority is supported primarily by interest charges on project loans.

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.

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.

Patriots Point Development Authority. The Patriots Point Development Authority is responsible for developing and operating the Patriots Point area near Charleston, including a Naval Museum. The Authority is supported by user fees.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development and the Public Railways Divisions of the South Carolina Department of Commerce, and the Canteens Fund.

Photograph is not available in web version of CAFR

Sharing the wonders of nature with children, natural resource professionals promote understanding and appreciation of the dynamic forest environment. It is vital that our future adults understand the principles of sustainable forestry.

Combining Balance Sheet

ENTERPRISE FUNDS

June 30, 1996
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs-Economic Development Authority	Patients' Compensation
ASSETS				
Current assets:				
Cash and cash equivalents	$ 983	$ 53,349	$ 10,609	$ 21,208
Receivables, net:				
Accounts	106	9,587	151	260
Student loans	—	9	—	—
Loans and notes	742	58,000	—	—
Due from Federal government and other grantors	318	1,180	—	—
Inventories	—	—	—	—
Restricted assets:				
Cash and cash equivalents	129,244	34,757	711	—
Loans receivable	8,715	—	—	—
Other	6,052	—	—	—
Other current assets	—	—	37	—
Total current assets	146,160	156,882	11,508	21,468
Long-term assets:				
Investments	—	—	1,530	—
Receivables, net:				
Student loans	—	20	—	—
Loans and notes	4,879	308,636	6,986	—
Servicing rights, net	—	—	—	—
Restricted assets:				
Investments	39,021	39,463	—	—
Loans receivable	448,666	—	—	—
Other	893	—	—	—
Other long-term assets	—	—	301	—
Deferred charges	—	1,548	—	—
Total long-term assets	493,459	349,667	8,817	—
Property, plant, and equipment:				
Land and improvements	—	—	—	—
Buildings and improvements	—	—	—	—
Machinery, equipment, and other	1,278	—	—	39
Construction in progress	—	—	—	—
Less: accumulated depreciation	(481)	—	—	(34)
Total property, plant, and equipment, net	797	—	—	5
Total assets	**$ 640,416**	**$ 506,549**	**$ 20,325**	**$ 21,473**

Second Injury	Patriots Point Development Authority	Other Enterprise	Totals
$ 4,193	$ 993	$ 13,602	$ 104,937
—	70	1,413	11,587
—	—	—	9
—	—	—	58,742
—	—	—	1,498
—	171	1,526	1,697
42,476	110	2,478	209,776
—	—	—	8,715
611	—	—	6,663
—	9	30	76
47,280	1,353	19,049	403,700
—	—	—	1,530
—	—	—	20
—	—	11,946	332,447
—	—	2,185	2,185
—	—	—	78,484
—	—	—	448,666
—	—	—	893
—	—	424	725
—	—	—	1,548
—	—	14,555	866,498
—	2,935	13,395	16,330
—	1,629	2,522	4,151
211	7,626	1,272	10,426
—	2,900	—	2,900
(150)	(5,563)	(3,123)	(9,351)
61	9,527	14,066	24,456
$ 47,341	**$ 10,880**	**$ 47,670**	**$ 1,294,654**

Continued on Next Page

Combining Balance Sheet

ENTERPRISE FUNDS (Continued)

June 30, 1996
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs-Economic Development Authority	Patients' Compensation
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	$ 16,906	$ 10,111	$ 197	$ 1,808
Due to other funds	25	—	—	3
Interfund payables	—	—	—	—
Deferred revenues	—	58	—	1,500
Deposits	—	—	109	—
Liabilities payable from restricted assets	—	—	—	—
Notes payable	—	—	—	—
Revenue bonds payable	29,150	29,395	—	—
Compensated absences payable	295	34	25	22
Other current liabilities, including retainages payable	3,449	—	—	—
Total current liabilities	49,825	39,598	331	3,333
Long-term liabilities:				
Accrued liabilities	—	—	—	14,084
Insurance claims incurred but not reported	—	—	—	3,157
Advances from other funds	—	—	—	—
Notes payable	—	—	—	—
Revenue bonds payable	458,244	391,463	—	—
Total long-term liabilities	458,244	391,463	—	17,241
Total liabilities	**508,069**	**431,061**	**331**	**20,574**
Fund Equity:				
Contributed capital	—	—	7,088	—
Retained earnings (deficit):				
Reserved for debt requirements	125,115	61,578	—	—
Unreserved	7,232	13,910	12,906	899
Total fund equity	**132,347**	**75,488**	**19,994**	**899**
Total liabilities and fund equity	**$ 640,416**	**$ 506,549**	**$ 20,325**	**$ 21,473**

Second Injury	Patriots Point Development Authority	Other Enterprise	Totals
$ 4,129	$ 325	$ 2,472	$ 35,948
971	12	547	1,558
—	20	—	20
—	121	33	1,712
—	—	—	109
42,117	—	920	43,037
—	—	501	501
—	—	—	58,545
63	145	321	905
—	—	106	3,555
47,280	623	4,900	145,890
—	—	2,320	16,404
—	—	—	3,157
—	20	12,946	12,966
—	—	28	28
—	—	—	849,707
—	20	15,294	882,262
47,280	**643**	**20,194**	**1,028,152**
—	11,809	3,724	22,621
—	—	1,608	188,301
61	(1,572)	22,144	55,580
61	**10,237**	**27,476**	**266,502**
$ 47,341	**$ 10,880**	**$ 47,670**	**$ 1,294,654**

Combining Statement of Revenues, Expenses, and Changes in Fund Equity

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs-Economic Development Authority	Patients' Compen-sation
Operating revenues:				
Charges for services	$ 3,331	$ 35,591	$ 176	$ 2,580
Contributions	—	—	—	—
Interest and other investment income	48,060	6,510	1,232	1,519
Total operating revenues	**51,391**	**42,101**	**1,408**	**4,099**
Operating expenses:				
General operations and administration	4,508	6,551	3,121	256
Benefits and claims	—	—	—	15,831
Interest	34,492	23,563	—	—
Depreciation and amortization	185	—	—	4
Other operating expenses	1,867	694	—	—
Total operating expenses	**41,052**	**30,808**	**3,121**	**16,091**
Operating income (loss)	**10,339**	**11,293**	**(1,713)**	**(11,992)**
Nonoperating revenues (expenses):				
Interest income	—	—	—	—
Federal revenue	20,372	2,496	—	—
Interest expense	—	—	—	—
Other nonoperating revenues (expenses)	(20,409)	(15)	(7,901)	—
Total nonoperating revenues (expenses)	**(37)**	**2,481**	**(7,901)**	**—**
Income (loss) before operating transfers and extraordinary items	**10,302**	**13,774**	**(9,614)**	**(11,992)**
Operating transfers in	—	—	125	—
Income (loss) before extraordinary items	**10,302**	**13,774**	**(9,489)**	**(11,992)**
Extraordinary loss on early extinguishment of debt	(298)	—	—	—
Net income (loss)	**10,004**	**13,774**	**(9,489)**	**(11,992)**
Retained earnings (deficit), July 1, 1995	**122,343**	**61,714**	**22,395**	**12,891**
Retained earnings (deficit), June 30, 1996	**132,347**	**75,488**	**12,906**	**899**
Contributed capital, July 1, 1995	**—**	**—**	**6,440**	**—**
Additions to contributed capital	**—**	**—**	**648**	**—**
Deductions from contributed capital	**—**	**—**	**—**	**—**
Fund equity, June 30, 1996	**$ 132,347**	**$ 75,488**	**$ 19,994**	**$ 899**

Second Injury	Patriots Point Development Authority	Other Enterprise	Totals
$ 1,114	$ 4,240	$ 18,909	$ 65,941
—	—	8	8
—	—	—	57,321
1,114	**4,240**	**18,917**	**123,270**
1,053	3,900	17,761	37,150
—	—	—	15,831
—	—	—	58,055
31	440	506	1,166
43	42	2	2,648
1,127	**4,382**	**18,269**	**114,850**
(13)	**(142)**	**648**	**8,420**
—	6	1,470	1,476
—	—	—	22,868
—	—	(968)	(968)
—	250	(451)	(28,526)
—	**256**	**51**	**(5,150)**
(13)	**114**	**699**	**3,270**
—	—	—	125
(13)	**114**	**699**	**3,395**
—	—	—	(298)
(13)	**114**	**699**	**3,097**
74	**(1,686)**	**23,053**	**240,784**
61	**(1,572)**	**23,752**	**243,881**
—	**6,809**	**3,729**	**16,978**
—	**5,000**	**—**	**5,648**
—	**—**	**(5)**	**(5)**
$ 61	**$ 10,237**	**$ 27,476**	**$ 266,502**

Combining Statement of Cash Flows

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs-Economic Development Authority
Cash flows from operating activities:			
Operating income (loss)	$ 10,339	$ 11,293	$ (1,713)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:			
Depreciation and amortization	185	—	—
Provisions for loan losses and bad debts	—	—	1,443
Issuance of loans and notes	(45,376)	(93,045)	(6,968)
Collection of loans and notes	55,527	56,409	1,502
Interest payments	34,492	23,061	—
Interest on investments	(8,903)	(6,510)	—
Amounts received for payment of claims	—	—	—
Payment of claims	—	—	—
Other nonoperating expenses	—	(15)	—
Other	(629)	521	71
Change in assets--decreases (increases):			
Accounts receivable, net	(50)	(682)	183
Student loans receivable, net	—	5	—
Due from Federal government and other grantors	(6)	—	—
Inventories	—	—	—
Other restricted assets	(54)	—	—
Other current assets	—	—	—
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities	(12)	589	165
Insurance claims incurred but not reported	—	—	—
Due to other funds	25	—	—
Deferred revenues	—	37	—
Deposits	—	—	1
Liabilities payable from restricted assets	—	—	—
Compensated absences payable	28	—	—
Other liabilities, including retainages payable	1,093	3	—
Net cash provided by (used in) operating activities	**46,659**	**(8,334)**	**(5,316)**
Cash flows from noncapital financing activities:			
Principal payments made to other funds	—	—	—
Proceeds from sale of revenue bonds	24,730	62,055	—
Principal payments on revenue bonds	(14,545)	(32,155)	—
Proceeds from notes payable	—	—	—
Principal payments on notes payable	—	—	—
Interest payments	(34,180)	(22,880)	—
Payment of bond issuance costs	—	(835)	—
Federal revenue	20,372	2,496	—
Payments from Federal grants	(20,372)	—	(711)
Operating transfers in	—	—	125
Indirect cost remitted to State General Fund	(37)	—	—
Loss on early extinguishment of debt	(212)	—	—
Net cash provided by (used in) noncapital financing activities	**(24,244)**	**8,681**	**(586)**

Patients' Compensation	Second Injury	Patriots Point Development Authority	Other Enterprise	Totals
$ (11,992)	$ (13)	$ (142)	$ 648	$ 8,420
4	31	440	506	1,166
—	—	—	—	1,443
—	—	—	—	(145,389)
—	—	—	—	113,438
—	—	—	1	57,554
(1,519)	—	—	—	(16,932)
—	50,178	—	—	50,178
—	(54,991)	—	—	(54,991)
—	—	—	(107)	(122)
—	(1)	—	44	6
—	—	(29)	(27)	(605)
—	—	—	—	5
—	—	—	—	(6)
—	—	6	(314)	(308)
—	—	—	—	(54)
—	—	—	(3)	(3)
3,384	354	(150)	755	5,085
(43)	—	—	—	(43)
—	—	5	205	235
100	—	121	(1)	257
—	—	—	—	1
—	—	—	153	153
3	2	145	14	192
—	—	—	(80)	1,016
(10,063)	**(4,440)**	**396**	**1,794**	**20,696**
—	—	(420)	—	(420)
—	—	—	—	86,785
—	—	—	—	(46,700)
—	—	—	1,569	1,569
—	—	—	(425)	(425)
—	—	—	(864)	(57,924)
—	—	—	—	(835)
—	—	—	—	22,868
—	—	—	—	(21,083)
—	—	—	—	125
—	—	—	—	(37)
—	—	—	—	(212)
—	**—**	**(420)**	**280**	**(16,289)**

Continued on Next Page

Combining Statement of Cash Flows

ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs-Economic Development Authority
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	$ (86)	$ —	$ —
Interest payments	—	—	—
Principal payments on notes payable	—	—	—
Proceeds from the sale of capital assets	—	—	—
Proceeds from the sale of notes payable	—	—	—
Net cash used in capital and related financing activities	**(86)**	**—**	**—**
Cash flows from investing activities:			
Proceeds from sale of investments	—	21,937	10,937
Purchase of investments	(989)	(19,646)	—
Interest on investments	9,058	6,469	—
Issuance of loans	—	—	—
Collection of loans	—	—	—
Net cash provided by investing activities	**8,069**	**8,760**	**10,937**
Net increase (decrease) in cash and cash equivalents	**30,398**	**9,107**	**5,035**
Cash and cash equivalents at beginning of year	**99,829**	**78,999**	**6,285**
Cash and cash equivalents at end of year	**$ 130,227**	**$ 88,106**	**$ 11,320**
Noncash capital, investing, and financing activities:			
Contributions from other funds	$ —	$ —	$ 335
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ 335**

Patients' Compensation	Second Injury	Patriots Point Development Authority	Other Enterprise	Totals
$ —	$ (18)	$ (234)	$ (2,304)	$ (2,642)
—	—	—	(70)	(70)
—	—	—	(2,845)	(2,845)
—	—	—	231	231
—	—	—	1,000	1,000
—	**(18)**	**(234)**	**(3,988)**	**(4,326)**
—	—	—	—	32,874
—	—	—	—	(20,635)
1,465	3,332	6	1,480	21,810
—	—	—	(1,548)	(1,548)
—	—	—	425	425
1,465	**3,332**	**6**	**357**	**32,926**
(8,598)	**(1,126)**	**(252)**	**(1,557)**	**33,007**
29,806	**47,795**	**1,355**	**17,637**	**281,706**
$ 21,208	**$ 46,669**	**$ 1,103**	**$ 16,080**	**$ 314,713**
$ —	$ —	$ 5,000	$ —	$ 5,335
$ —	**$ —**	**$ 5,000**	**$ —**	**$ 5,335**

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Trees in our towns and cities create our urban forests. They provide shade, beauty, and other environmental benefits.

Internal Service Funds

Internal Service Funds provide goods/services to other funds, other agencies, or other governments on a cost-reimbursement basis. The State uses the following Internal Service Funds:

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. The Fund's customers are limited by law to certain governmental persons/entities within the State and certain associated parties.

Health and Disability Insurance Fund. This is a risk management fund which underwrites the group health, dental, and related benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund which provides workers' compensation benefits 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.

Department of Transportation Internal Service Fund. This fund accounts for various service activities of the Department of Transportation. The fund provides data processing and printing services, equipment rentals, and office and engineering supplies to other divisions and county offices of the Department.

Pension Administration Fund. This fund administers the public employee retirement systems. Revenues of the fund primarily consist of assessments charged to the Pension Trust Funds.

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.

Photograph is not available in web version of CAFR

Wood is a preferred building material. In the United States we use more wood, by weight, than steel, concrete, or any other material. It promotes energy conservation, too, because less energy is consumed to convert trees into useful products than other materials.

Combining Balance Sheet

INTERNAL SERVICE FUNDS

June 30, 1996
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment	Motor Pool
ASSETS						
Current assets:						
Cash and cash equivalents	$ 246,594	$ 201,294	$ 60,702	$ 24,787	$ 1,642	$ 1,948
Receivables, net:						
Accounts	21,739	4,296	7,329	355	—	68
Due from Federal government and other grantors	—	—	—	14	—	—
Due from other funds	1,260	14,068	10,195	6,079	730	1,784
Interfund receivables	4,428	—	—	8	—	—
Inventories	—	—	—	1,750	2,192	17
Other current assets	1,624	150	—	33	—	—
Total current assets	275,645	219,808	78,226	33,026	4,564	3,817
Long-term assets:						
Long-term investments	—	15,906	—	—	—	—
Advances to other funds	35,282	—	—	—	—	—
Total long-term assets	35,282	15,906	—	—	—	—
Property, plant, and equipment:						
Land and improvements	—	—	—	4,888	—	220
Buildings and improvements	—	—	—	133,032	—	1,112
Machinery, equipment, and other	1,006	868	1,408	63,984	—	20,077
Construction in progress	—	—	—	504	—	—
Less: accumulated depreciation	(303)	(445)	(445)	(88,651)	—	(11,744)
Total property, plant, and equipment, net	703	423	963	113,757	—	9,665
Total assets	**$ 311,630**	**$ 236,137**	**$ 79,189**	**$ 146,783**	**$ 4,564**	**$ 13,482**
LIABILITIES AND FUND EQUITY						
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	$ 109,661	$ 30,643	$ 18,854	$ 5,786	$ 824	$ 269
Insurance claims incurred but not reported	64,492	61,179	11,251	—	—	—
Due to other funds	135	55	96	452	10	165
Interfund payables	—	—	—	2,241	1,075	—
Deferred revenues	32,595	—	7,900	—	—	—
Limited obligation bonds payable	—	—	—	215	—	—
Capital lease and installment debt obligations payable	—	—	—	1,938	—	—
Compensated absences payable	239	285	228	1,768	—	113
Other current liabilities, including retainages payable	—	—	86	44	—	—
Total current liabilities	207,122	92,162	38,415	12,444	1,909	547
Long-term liabilities:						
Accrued liabilities	—	11,137	18,481	—	—	—
Insurance claims incurred but not reported	—	3,192	17,839	—	—	—
Advances from other funds	—	—	—	21,554	—	—
Limited obligation bonds payable	—	—	—	6,457	—	—
Capital lease and installment debt obligations payable	—	—	—	30,553	—	—
Total long-term liabilities	—	14,329	36,320	58,564	—	—
Total liabilities	**207,122**	**106,491**	**74,735**	**71,008**	**1,909**	**547**
Fund Equity:						
Contributed capital	—	7	—	60,708	—	334
Retained earnings	104,508	129,639	4,454	15,067	2,655	12,601
Total fund equity	**104,508**	**129,646**	**4,454**	**75,775**	**2,655**	**12,935**
Total liabilities and fund equity	**$ 311,630**	**$ 236,137**	**$ 79,189**	**$ 146,783**	**$ 4,564**	**$ 13,482**

Department of Transportation Internal Service	Pension Adminis-tration	Prison Industries	Other Internal Service	Elimina-tions	Totals
$ 14,576	$ 1,365	$ 3,840	$ 1,264	$ —	$ 558,012
—	10	802	—	—	34,599
—	—	—	—	—	14
—	—	719	22	(1,349)	33,508
—	—	—	2,711	(4,150)	2,997
—	—	1,942	—	—	5,901
—	—	—	8	—	1,815
14,576	1,375	7,303	4,005	(5,499)	636,846
—	—	—	—	—	15,906
—	—	—	19,020	(31,211)	23,091
—	—	—	19,020	(31,211)	38,997
—	—	—	—	—	5,108
—	—	—	—	—	134,144
13,206	5,001	7,197	174	—	112,921
—	—	—	—	—	504
(8,012)	(2,003)	(5,178)	(91)	—	(116,872)
5,194	2,998	2,019	83	—	135,805
$ 19,770	**$ 4,373**	**$ 9,322**	**$ 23,108**	**$ (36,710)**	**$ 811,648**

$ —	$ 1,256	$ 568	$ 110	$ —	$ 167,971
—	—	—	—	—	136,922
—	146	264	26	(1,349)	—
—	—	—	2,752	(4,150)	1,918
—	—	—	—	—	40,495
—	—	—	—	—	215
—	—	—	—	—	1,938
—	640	363	58	—	3,694
—	—	—	—	—	130
—	2,042	1,195	2,946	(5,499)	353,283
—	—	—	—	—	29,618
—	—	—	—	—	21,031
—	—	—	18,479	(31,211)	8,822
—	—	—	—	—	6,457
—	—	—	—	—	30,553
—	—	—	18,479	(31,211)	96,481
—	**2,042**	**1,195**	**21,425**	**(36,710)**	**449,764**
13,205	8	3,854	138	—	78,254
6,565	2,323	4,273	1,545	—	283,630
19,770	**2,331**	**8,127**	**1,683**	**—**	**361,884**
$ 19,770	**$ 4,373**	**$ 9,322**	**$ 23,108**	**$ (36,710)**	**$ 811,648**

Combining Statement of Revenues, Expenses, and Changes in Fund Equity

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1996 (Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment
Operating revenues:					
Charges for services	$ 60,228	$ 575,073	$ 36,381	$ 66,668	$ 10,430
Interest and other investment income	18,380	13,555	3,297	—	—
Other operating revenues	—	—	—	—	—
Total operating revenues	**78,608**	**588,628**	**39,678**	**66,668**	**10,430**
Operating expenses:					
General operations and administration	48,625	92,084	5,699	48,032	11,209
Benefits and claims	22,798	474,268	25,764	—	—
Depreciation	133	120	88	5,555	—
Other operating expenses	—	—	137	3,584	—
Total operating expenses	**71,556**	**566,472**	**31,688**	**57,171**	**11,209**
Operating income (loss)	**7,052**	**22,156**	**7,990**	**9,497**	**(779)**
Nonoperating revenues (expenses):					
Interest income	—	—	—	162	—
Federal revenue	—	—	—	459	—
Interest expense	—	—	—	(4,910)	—
Other nonoperating revenues (expenses)	(74)	4	—	646	1
Total nonoperating revenues (expenses)	**(74)**	**4**	**—**	**(3,643)**	**1**
Income (loss) before operating transfers	**6,978**	**22,160**	**7,990**	**5,854**	**(778)**
Operating transfers in	22	—	—	694	—
Operating transfers out	(408)	(792)	—	(1,103)	—
Net income (loss)	**6,592**	**21,368**	**7,990**	**5,445**	**(778)**
Retained earnings (deficit), July 1, 1995 (restated)	**97,916**	**108,271**	**(3,536)**	**9,622**	**3,433**
Retained earnings, June 30, 1996	**104,508**	**129,639**	**4,454**	**15,067**	**2,655**
Contributed capital, July 1, 1995	**11**	**11**	**—**	**60,812**	**—**
Additions to contributed capital	**—**	**1**	**—**	**79**	**—**
Deductions from contributed capital	**(11)**	**(5)**	**—**	**(183)**	**—**
Fund equity, June 30, 1996	**$ 104,508**	**$ 129,646**	**$ 4,454**	**$ 75,775**	**$ 2,655**

	Motor Pool	Department of Transportation Internal Service	Pension Adminis-tration	Prison Industries	Other Internal Service	Elimina-tions	Totals
	$ 8,841	$ 3,903	$ 11,632	$ 12,358	$ 2,661	$ —	$ 788,175
	—	—	—	—	—	—	35,232
	—	—	—	2	—	—	2
	8,841	**3,903**	**11,632**	**12,360**	**2,661**	**—**	**823,409**
	4,244	1,920	10,556	11,431	1,914	—	235,714
	—	—	—	—	—	—	522,830
	3,416	490	661	500	12	—	10,975
	4	190	125	14	5	—	4,059
	7,664	**2,600**	**11,342**	**11,945**	**1,931**	**—**	**773,578**
	1,177	**1,303**	**290**	**415**	**730**	**—**	**49,831**
	—	—	—	—	1,827	—	1,989
	—	—	—	—	—	—	459
	(4)	—	—	—	(1,492)	—	(6,406)
	(137)	—	245	75	(3)	—	757
	(141)	**—**	**245**	**75**	**332**	**—**	**(3,201)**
	1,036	**1,303**	**535**	**490**	**1,062**	**—**	**46,630**
	110	—	534	—	41	(1,223)	178
	(238)	—	—	—	(155)	1,223	(1,473)
	908	**1,303**	**1,069**	**490**	**948**	**—**	**45,335**
	11,693	**5,262**	**1,254**	**3,783**	**597**	**—**	**238,295**
	12,601	**6,565**	**2,323**	**4,273**	**1,545**	**—**	**283,630**
	319	**13,144**	**8**	**3,622**	**132**	**—**	**78,059**
	61	**3,036**	**—**	**232**	**6**	**—**	**3,415**
	(46)	**(2,975)**	**—**	**—**	**—**	**—**	**(3,220)**
	$ 12,935	**$ 19,770**	**$ 2,331**	**$ 8,127**	**$ 1,683**	**$ —**	**$ 361,884**

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
Cash flows from operating activities:				
Operating income (loss)	$ 7,052	$ 22,156	$ 7,990	$ 9,497
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:				
Depreciation	133	120	88	5,555
Loss on disposition of property and equipment	—	4	64	88
Interest on investments and interfund loans	(18,294)	(13,555)	(3,297)	—
Other nonoperating revenues	—	—	—	656
Other nonoperating expenses	—	—	—	(10)
Other	(13)	11	—	(2)
Change in assets--decreases (increases):				
Accounts receivable, net	(3,384)	304	13,280	6
Due from Federal government and other grantors	—	—	—	23
Due from other funds	3,250	1,962	4,521	(2,205)
Inventories	—	—	—	(42)
Other current assets	183	(83)	—	(33)
Change in liabilities--increases (decreases):				
Accounts payable and accrued liabilities	(14,346)	3,915	(2,433)	1,346
Insurance claims incurred but not reported	10,002	(6,728)	(1,445)	—
Due to other funds	129	34	(10)	(344)
Deferred revenues	1,493	—	(9,389)	—
Limited obligation bonds payable	—	—	—	(142)
Compensated absences payable	(4)	11	15	82
Other liabilities, including retainages payable	—	—	21	(224)
Net cash provided by (used in) operating activities	**(13,799)**	**8,151**	**9,405**	**14,251**
Cash flows from noncapital financing activities:				
Principal payments received from other funds	3,983	—	—	35
Proceeds from loans made by other funds	—	—	—	451
Principal payments made to other funds	—	—	—	(2,423)
Receipt of interest from other funds	2,713	—	—	1
Interest payments made to other funds	—	—	—	(1,793)
Loans made to other funds	(3,797)	—	—	—
Federal revenue	—	—	—	459
Operating transfers in	22	—	—	694
Operating transfers out	(408)	(792)	—	(1,103)
Net cash provided by (used in) noncapital financing activities	**2,513**	**(792)**	**—**	**(3,679)**

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis-tration	Prison Industries	Other Internal Service	Elimina-tions	Totals
$ (779)	$ 1,177	$ 1,303	$ 290	$ 415	$ 730	$ —	$ 49,831
—	3,416	490	661	500	12	—	10,975
—	—	—	9	—	—	—	165
—	—	—	—	—	—	—	(35,146)
1	4	—	245	—	—	—	906
—	—	—	—	—	—	—	(10)
—	—	—	—	(1)	(1)	—	(6)
1	(15)	—	(10)	(30)	—	—	10,152
—	—	—	—	—	—	—	23
59	(445)	—	2	(511)	203	(4,337)	2,499
697	(5)	—	—	(326)	—	—	324
—	—	—	—	—	(8)	—	59
145	(4)	—	475	25	60	—	(10,817)
—	—	—	—	—	—	—	1,829
7	47	—	9	107	(4,316)	4,337	—
—	—	—	—	—	—	—	(7,896)
—	—	—	—	—	—	—	(142)
—	—	—	57	12	(9)	—	164
—	—	—	—	—	—	—	(203)
131	**4,175**	**1,793**	**1,738**	**191**	**(3,329)**	**—**	**22,707**
—	—	—	—	—	2,894	—	6,912
75	—	—	—	—	1,827	—	2,353
—	(59)	—	—	—	(2,943)	—	(5,425)
—	—	—	—	—	1,827	—	4,541
—	(4)	—	—	—	(1,492)	—	(3,289)
—	—	—	—	—	(1,827)	—	(5,624)
—	—	—	—	—	—	—	459
—	110	—	534	—	41	(1,223)	178
—	(238)	—	—	—	(155)	1,223	(1,473)
75	**(191)**	**—**	**534**	**—**	**172**	**—**	**(1,368)**

Continued on Next Page

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
Cash flows from capital and related financing activities:				
Acquisition of property, plant, and equipment	$ (585)	$ (62)	$ (678)	$ (4,004)
Interest payments	—	—	—	(3,117)
Principal payments on capital leases and installment debt obligations payable	—	—	—	(1,822)
Net cash used in capital and related financing activities	**(585)**	**(62)**	**(678)**	**(8,943)**
Cash flows from investing activities:				
Proceeds from sale of investments	—	14,360	—	—
Purchase of investments	—	(12,402)	—	—
Interest on investments	15,581	11,437	3,489	161
Net cash provided by investing activities	**15,581**	**13,395**	**3,489**	**161**
Net increase (decrease) in cash and cash equivalents	**3,710**	**20,692**	**12,216**	**1,790**
Cash and cash equivalents at beginning of year	**242,884**	**180,602**	**48,486**	**22,997**
Cash and cash equivalents at end of year	**$ 246,594**	**$ 201,294**	**$ 60,702**	**$ 24,787**
Noncash capital and financing activities:				
Acquisition of property and equipment through contributions and transfers from (to) other funds	$ 13	$ (13)	$ —	$ —
Total noncash capital and financing activities	**$ 13**	**$ (13)**	**$ —**	**$ —**

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis-tration	Prison Industries	Other Internal Service	Elimina-tions	Totals
$ —	$ (4,608)	$ —	$ (1,887)	$ (267)	$ (15)	$ —	$ (12,106)
—	—	—	—	—	—	—	(3,117)
—	—	—	—	—	—	—	(1,822)
—	**(4,608)**	**—**	**(1,887)**	**(267)**	**(15)**	**—**	**(17,045)**
—	—	—	—	—	—	—	14,360
—	—	—	—	—	—	—	(12,402)
—	—	—	—	—	—	—	30,668
—	**—**	**—**	**—**	**—**	**—**	**—**	**32,626**
206	**(624)**	**1,793**	**385**	**(76)**	**(3,172)**	**—**	**36,920**
1,436	**2,572**	**12,783**	**980**	**3,916**	**4,436**	**—**	**521,092**
$ 1,642	**$ 1,948**	**$ 14,576**	**$ 1,365**	**$ 3,840**	**$ 1,264**	**$ —**	**$ 558,012**
$ —	$ 60	$ 1,978	$ —	$ —	$ —	$ —	$ 2,038
$ —	$ 60	$ 1,978	$ —	$ —	$ —	$ —	$ 2,038

Photograph is not available in web version of CAFR

A quiet refuge just minutes away from downtown Columbia, Harbison State Forest offers educational opportunities and outdoor recreation. The 2,000 acre tract is thought to be the nation's largest working forest situated entirely within city limits.

Fiduciary Funds

Fiduciary Funds account for resources the State holds as trustee or agent for individuals, private organizations, or other governmental units.

EXPENDABLE TRUST FUNDS

Expendable Trust Funds account for resources the State holds as trustee. Both the principal and earnings of Expendable Trust Funds may be used for purposes allowed under the trust agreements. The State uses the following Expendable Trust Funds:

Radioactive Waste Contingency Fund. A private company operates a low-level radioactive waste disposal facility within the State. The State and the company have entered into a trust agreement with the State Treasurer as trustee. The company has deposited monies into the trust fund to provide for site cleanup in the event that there is seepage into the groundwater or the site is abandoned.

Unemployment Compensation Benefits Fund. This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Other Expendable Trust Funds. These funds, aggregated for presentation purposes, account for other miscellaneous expendable trust funds. These are generally resources given to the State through trust agreements and provide for such items as scholarship funds, maintenance and operation of specific properties, and construction of monuments.

NONEXPENDABLE TRUST FUNDS

These funds account for resources the State holds as trustee. The principal of these funds must be preserved and only the earnings may be used for the purposes allowed under the trust agreement. Most of the resources in these funds were bequeathed to the State via wills of deceased persons.

PENSION TRUST FUNDS

Pension Trust Funds account for the following five public employee retirement systems that the State administers:

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 Pension System. The State administers this single-employer pension system that provides a supplemental retirement benefit to South Carolina members of the National Guard. The State is a nonemployer contributor to the system.

AGENCY FUNDS

Agency Funds are custodial in nature. They generally represent amounts held by the State on behalf of third parties. The State uses the following Agency Funds:

Deferred Compensation Plans. This fund accounts for the Section 457, Section 401(k), and Section 403(b) deferred compensation plans offered to employees of the State, its component units, and various local governmental units.

Insurance Company Deposits Fund. This fund accounts for deposits which are required to be made by insurance companies in lieu of surety bonds.

Local Government Investment Pool. Excess public monies are deposited into this fund by various local governmental units and other political subdivisions of the State. The State Treasurer invests these monies in order to allow these participating governmental units to realize a higher income on their investments by pooling their investments.

Federal Interfund Activity Fund. This fund accounts for Federal grants and entitlements that are first received by one State agency and eventually will be distributed to another State agency.

Payroll Clearing Fund. This fund accounts for employee deductions and contributions for the short period of time between the issuance of payroll checks and payment to the proper recipient.

Other Agency Funds. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, unclaimed property, miscellaneous clearing accounts, and other deposits.

Combining Balance Sheet

FIDUCIARY FUNDS

June 30, 1996
(Expressed in Thousands)

	EXPENDABLE TRUST			
	Radioactive Waste Contingency	Unemployment Compensation Benefits	Other Expendable Trust	NONEXPENDABLE TRUST
ASSETS				
Cash and cash equivalents	$ 82,683	$ —	$ 19,071	$ 1,978
Cash on deposit with fiscal agents	—	604,965	—	—
Investments	—	—	—	—
Receivables, net:				
Accounts	852	86	291	34
Taxes	—	44,693	—	—
Loans and notes	—	—	60	—
Due from other funds	—	4	—	—
Interfund receivables	—	—	—	—
Advances to other funds	—	—	—	—
Other assets	—	—	—	—
Property, plant, and equipment:				
Land and improvements	—	—	—	—
Buildings and improvements	—	—	—	—
Machinery, equipment, and other	—	—	—	—
Less: accumulated depreciation	—	—	—	—
Total assets	**$ 83,535**	**$ 649,748**	**$ 19,422**	**$ 2,012**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 7,015	$ 1,033	$ 260	$ —
Tax refunds payable	—	1,396	—	—
Intergovernmental payables	—	—	—	—
Due to other funds	—	—	56	—
Interfund payables	—	421	—	—
Advances from other funds	—	—	—	—
Deferred revenues	—	839	—	—
Deposits	—	—	—	—
Amounts held in custody for others	—	—	—	—
Deferred compensation	—	—	—	—
Other liabilities	—	—	—	—
Total liabilities	**7,015**	**3,689**	**316**	**—**
Fund Balances:				
Reserved for:				
Pension and other benefits	—	646,059	—	—
Endowment and similar funds	—	—	—	1,112
Unreserved, undesignated	76,520	—	19,106	900
Total fund balances	**76,520**	**646,059**	**19,106**	**2,012**
Total liabilities and fund balances	**$ 83,535**	**$ 649,748**	**$ 19,422**	**$ 2,012**

PENSION TRUST

South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Pension System
$ 253,283	$ 70,104	$ 3,657	$ 7,784	$ 3,769
—	—	—	—	—
12,809,981	1,352,013	29,191	57,293	—
243,792	33,802	466	937	51
—	—	—	—	—
—	—	—	—	—
15,009	2,126	—	31	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
524	54	1	2	—
4,279	437	13	20	—
—	—	—	—	2
(403)	(41)	(1)	(1)	(1)
$ 13,326,465	**$ 1,458,495**	**$ 33,327**	**$ 66,066**	**$ 3,821**
$ 33,339	$ 10,201	$ 3	$ —	$ —
—	—	—	—	—
—	—	—	—	—
13,467	412	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
46,806	**10,613**	**3**	**—**	**—**
13,279,659	1,447,882	33,324	66,066	3,821
—	—	—	—	—
—	—	—	—	—
13,279,659	**1,447,882**	**33,324**	**66,066**	**3,821**
$ 13,326,465	**$ 1,458,495**	**$ 33,327**	**$ 66,066**	**$ 3,821**

Continued on Next Page

Combining Balance Sheet

FIDUCIARY FUNDS (Continued)

June 30, 1996
(Expressed in Thousands)

	Deferred Compensation Plans	Insurance Company Deposits
ASSETS		
Cash and cash equivalents	$ —	$ —
Cash on deposit with fiscal agents	—	—
Investments	874,011	314,061
Receivables, net:		
Accounts	2,583	—
Taxes	—	—
Loans and notes	20,830	—
Due from other funds	—	—
Interfund receivables	—	—
Advances to other funds	—	—
Other assets	4,974	—
Property, plant, and equipment:		
Land and improvements	—	—
Buildings and improvements	—	—
Machinery, equipment, and other	—	—
Less: accumulated depreciation	—	—
Total assets	**$ 902,398**	**$ 314,061**
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	$ —	$ —
Tax refunds payable	—	—
Intergovernmental payables	—	—
Due to other funds	—	—
Interfund payables	—	—
Advances from other funds	—	—
Deferred revenues	—	—
Deposits	—	—
Amounts held in custody for others	—	314,061
Deferred compensation	902,398	—
Other liabilities	—	—
Total liabilities	**902,398**	**314,061**
Fund Balances:		
Reserved for:		
Pension and other benefits	—	—
Endowment and similar funds	—	—
Unreserved, undesignated	—	—
Total fund balances	—	—
Total liabilities and fund balances	**$ 902,398**	**$ 314,061**

AGENCY

Local Government Investment Pool	Federal Interfund Activity	Payroll Clearing	Other Agency	Eliminations	Totals
$ 20,000	$ —	$ 8,763	$ 253,409	$ —	$ 724,501
—	—	—	—	—	604,965
595,480	—	—	16,507	—	16,048,537
927	—	—	930	—	284,751
—	—	—	—	—	44,693
—	—	—	—	—	20,890
—	860	39,666	5,490	(46,756)	16,430
—	—	—	20	—	20
—	—	—	20	—	20
—	—	—	—	—	4,974
—	—	—	—	—	581
—	—	—	—	—	4,749
—	—	—	—	—	2
—	—	—	—	—	(447)
$ 616,407	**$ 860**	**$ 48,429**	**$ 276,376**	**$ (46,756)**	**$ 17,754,666**
$ 20,000	$ —	$ 219	$ 16,397	$ —	$ 88,467
—	—	—	—	—	1,396
—	1	—	—	—	1
—	53	8,766	74,399	(46,756)	50,397
—	755	30	—	—	1,206
—	—	—	1,100	—	1,100
—	—	—	—	—	839
—	—	—	700	—	700
596,407	51	39,414	183,615	—	1,133,548
—	—	—	—	—	902,398
—	—	—	165	—	165
616,407	**860**	**48,429**	**276,376**	**(46,756)**	**2,180,217**
—	—	—	—	—	15,476,811
—	—	—	—	—	1,112
—	—	—	—	—	96,526
—	**—**	**—**	**—**	**—**	**15,574,449**
$ 616,407	**$ 860**	**$ 48,429**	**$ 276,376**	**$ (46,756)**	**$ 17,754,666**

Combining Statement of Plan Net Assets

PENSION TRUST FUNDS

June 30, 1996
(Expressed in Thousands)

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Pension System	Totals
ASSETS						
Cash and cash equivalents	$ 253,283	$ 70,104	$ 3,657	$ 7,784	$ 3,769	$ 338,597
Receivables:						
Contributions	70,800	9,523	9	95	—	80,427
Employer long-term	1,538	5,001	—	—	—	6,539
Accrued interest	171,454	19,278	457	842	51	192,082
Due from other funds	15,009	2,126	—	31	—	17,166
Total receivables	258,801	35,928	466	968	51	296,214
Investments, at fair value:						
United States government securities	3,324,844	260,459	8,235	9,614	—	3,603,152
United States government agencies and government-insured securities	3,812,063	397,496	7,465	18,472	—	4,235,496
Corporate bonds	3,404,900	481,619	9,354	19,353	—	3,915,226
Financial and other	2,268,174	212,439	4,137	9,854	—	2,494,604
Total investments	12,809,981	1,352,013	29,191	57,293	—	14,248,478
Property and equipment, net of accumulated depreciation	4,400	450	13	21	1	4,885
Total assets	**13,326,465**	**1,458,495**	**33,327**	**66,066**	**3,821**	**14,888,174**
LIABILITIES						
Accounts payable–unsettled investment purchases	30,000	10,000	—	—	—	40,000
Due to other funds	13,467	412	—	—	—	13,879
Accounts payable and accrued liabilities	3,339	201	3	—	—	3,543
Total liabilities	**46,806**	**10,613**	**3**	**—**	**—**	**57,422**
Net assets held in trust for pension benefits	**$ 13,279,659**	**$ 1,447,882**	**$ 33,324**	**$ 66,066**	**$ 3,821**	**$ 14,830,752**

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

EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Radioactive Waste Contingency	Unemployment Compensation Benefits	Other Expendable Trust	Eliminations	Totals
Revenues:					
Taxes, other	$ —	$ 205,911	$ —	$ —	$ 205,911
Licenses, fees, and permits	1,340	—	2,447	—	3,787
Interest and other investment income	4,410	39,586	1,089	—	45,085
Federal	—	14,680	—	—	14,680
Contributions	—	—	6	—	6
Other	—	1,553	—	—	1,553
Total revenues	**5,750**	**261,730**	**3,542**	**—**	**271,022**
Expenditures:					
Current:					
General government	—	213,455	629	—	214,084
Health and environment	—	—	6	—	6
Social services	—	—	62	—	62
Resources and economic development	—	—	6	—	6
Intergovernmental	—	—	7	—	7
Total expenditures	**—**	**213,455**	**710**	**—**	**214,165**
Revenues over expenditures	**5,750**	**48,275**	**2,832**	**—**	**56,857**
Other financing sources (uses):					
Operating transfers in	—	48	210	(88)	170
Operating transfers out	—	(993)	—	88	(905)
Total other financing sources (uses)	**—**	**(945)**	**210**	**—**	**(735)**
Revenues and other sources over expenditures and other uses	**5,750**	**47,330**	**3,042**	**—**	**56,122**
Fund balances, July 1, 1995	**70,770**	**598,729**	**16,064**	**—**	**685,563**
Fund balances, June 30, 1996	**$ 76,520**	**$ 646,059**	**$ 19,106**	**$ —**	**$ 741,685**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
DEFERRED COMPENSATION PLANS				
Assets:				
Investments	$ 770,657	$ 130,751	$ 27,397	$ 874,011
Accounts receivable	1,916	70,737	70,070	2,583
Loans and notes receivable	16,880	3,950	—	20,830
Other assets	4,767	4,255	4,048	4,974
Total assets	**$ 794,220**	**$ 209,693**	**$ 101,515**	**$ 902,398**
Liabilities:				
Deferred compensation	$ 794,220	$ 139,479	$ 31,301	$ 902,398
Total liabilities	**$ 794,220**	**$ 139,479**	**$ 31,301**	**$ 902,398**
INSURANCE COMPANY DEPOSITS				
Assets:				
Investments	**$ 313,891**	**$ 94,523**	**$ 94,353**	**$ 314,061**
Liabilities:				
Amounts held in custody for others	**$ 313,891**	**$ 94,523**	**$ 94,353**	**$ 314,061**
LOCAL GOVERNMENT INVESTMENT POOL				
Assets:				
Cash and cash equivalents	$ 39,993	$ 28,936,348	$ 28,956,341	$ 20,000
Investments	470,980	26,094,818	25,970,318	595,480
Accounts receivable	1,621	27,018	27,712	927
Total assets	**$ 512,594**	**$ 55,058,184**	**$ 54,954,371**	**$ 616,407**
Liabilities:				
Accounts payable and accrued liabilities	$ 40,000	$ 20,000	$ 40,000	$ 20,000
Amounts held in custody for others	472,594	1,759,798	1,635,985	596,407
Total liabilities	**$ 512,594**	**$ 1,779,798**	**$ 1,675,985**	**$ 616,407**

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
FEDERAL INTERFUND ACTIVITY				
Assets:				
Cash and cash equivalents	$ 91	$ 16,426	$ 16,517	$ —
Accounts receivable	7	—	7	—
Due from other funds	3,083	860	3,083	860
Total assets	**$ 3,181**	**$ 17,286**	**$ 19,607**	**$ 860**
Liabilities:				
Intergovernmental payables	$ —	$ 26	$ 25	$ 1
Due to other funds	3,114	294	3,355	53
Interfund payables	—	755	—	755
Amounts held in custody for others	67	11,802	11,818	51
Total liabilities	**$ 3,181**	**$ 12,877**	**$ 15,198**	**$ 860**
PAYROLL CLEARING				
Assets:				
Cash and cash equivalents	$ 8,517	$ 875,874	$ 875,628	$ 8,763
Accounts receivable	7	—	7	—
Due from other funds	38,729	39,666	38,729	39,666
Total assets	**$ 47,253**	**$ 915,540**	**$ 914,364**	**$ 48,429**
Liabilities:				
Accounts payable and accrued liabilities	$ 305	$ 260	$ 346	$ 219
Due to other funds	8,492	8,801	8,527	8,766
Interfund payables	30	30	30	30
Amounts held in custody for others	38,426	750,121	749,133	39,414
Total liabilities	**$ 47,253**	**$ 759,212**	**$ 758,036**	**$ 48,429**

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
OTHER AGENCY				
Assets:				
Cash and cash equivalents	$ 214,104	$ 1,604,919	$ 1,565,614	$ 253,409
Investments	16,351	206	50	16,507
Accounts receivable	2,375	1,272	2,717	930
Due from Federal government and other grantors	16	—	16	—
Due from other funds	4,632	5,490	4,632	5,490
Interfund receivables	20	20	20	20
Advances to other funds	40	20	40	20
Other assets	38	—	38	—
Total assets	**$ 237,576**	**$ 1,611,927**	**$ 1,573,127**	**$ 276,376**
Liabilities:				
Accounts payable and accrued liabilities	$ 1,578	$ 18,408	$ 3,589	$ 16,397
Due to other funds	61,305	83,021	69,927	74,399
Advances from other funds	1,100	1,100	1,100	1,100
Deposits	3,493	700	3,493	700
Amounts held in custody for others	169,935	1,168,299	1,154,619	183,615
Other liabilities	165	165	165	165
Total liabilities	**$ 237,576**	**$ 1,271,693**	**$ 1,232,893**	**$ 276,376**
TOTALS--ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	$ 262,705	$ 31,433,567	$ 31,414,100	$ 282,172
Investments	1,571,879	26,320,298	26,092,118	1,800,059
Accounts receivable	5,926	99,027	100,513	4,440
Loans and notes receivable	16,880	3,950	—	20,830
Due from Federal government and other grantors	16	—	16	—
Due from other funds	46,444	46,016	46,444	46,016
Interfund receivables	20	20	20	20
Advances to other funds	40	20	40	20
Other assets	4,805	4,255	4,086	4,974
Total assets	**$ 1,908,715**	**$ 57,907,153**	**$ 57,657,337**	**$ 2,158,531**
Liabilities:				
Accounts payable and accrued liabilities	$ 41,883	$ 38,668	$ 43,935	$ 36,616
Intergovernmental payables	—	26	25	1
Due to other funds	72,911	92,116	81,809	83,218
Interfund payables	30	785	30	785
Advances from other funds	1,100	1,100	1,100	1,100
Deposits	3,493	700	3,493	700
Amounts held in custody for others	994,913	3,784,543	3,645,908	1,133,548
Deferred compensation	794,220	139,479	31,301	902,398
Other liabilities	165	165	165	165
Total liabilities	**$ 1,908,715**	**$ 4,057,582**	**$ 3,807,766**	**$ 2,158,531**

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all fixed assets except those accounted for in the Proprietary Funds, Discretely Presented Component Units, Fiduciary Funds, and Higher Education Funds.

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Clean water, wildlife habitat, and quiet beauty combine with timber in an economic and aesthetic treasure, South Carolina's hardwood wetlands. The forest floor is home to a wide diversity of plant and animal life.

Schedule of General Fixed Assets by Function

June 30, 1996
(Expressed in Thousands)

Function	Land and Improvements	Buildings, Improvements, and Utility Plant	Machinery, Equipment, and Other	Totals
General government	$ 8,875	$ 122,909	$ 86,336	$ 218,120
Education	5,607	80,860	360,020	446,487
Health and environment	12,448	192,519	125,947	330,914
Social services	514	12,809	30,923	44,246
Administration of justice	5,964	408,435	113,501	527,900
Resources and economic development	135,374	67,285	85,260	287,919
Transportation	3,257	61,310	186,222	250,789
Total general fixed assets allocated to functions	**$ 172,039**	**$ 946,127**	**$ 988,209**	**2,106,375**
Construction in progress				86,043
Total general fixed assets				**$ 2,192,418**

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Engineered wood products provide maximum utilization of the wood fiber harvested. Wood that was formerly wasted is pressed together with resins to create literally hundreds of useful products. South Carolina leads the nation in production of medium density fiberboard (MDF), an important furniture and cabinet panel material.

Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

Function	Balance July 1, 1995	Additions	Retirements	Balance June 30, 1996
General government	$ 220,222	$ 4,723	$ 6,825	$ 218,120
Education	358,868	92,424	4,805	446,487
Health and environment	309,453	27,175	5,714	330,914
Social services	37,634	8,765	2,153	44,246
Administration of justice	473,006	63,414	8,520	527,900
Resources and economic development	275,196	22,291	9,568	287,919
Transportation	243,393	18,025	10,629	250,789
Construction in progress	73,176	69,860	56,993	86,043
Total general fixed assets	**$ 1,990,948**	**$ 306,677**	**$ 105,207**	**$ 2,192,418**

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Producing useful products from wood, such as the chairs above, provides over 50,000 jobs in South Carolina.

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By testing soil and vegetation, foresters can determine the best forestry treatment for wetlands.

Higher Education Funds

Financial activities of the State's higher education institutions are reported in the Higher Education Funds. The four-year institutions are:

The Citadel
Clemson University
Coastal Carolina University
The College of Charleston (including an Undergraduate School, known as the College of Charleston, and a Graduate School, known as the University of Charleston)
Francis Marion University
Lander University
The Medical University of South Carolina
South Carolina State University
The University of South Carolina
Winthrop University

Area technical colleges include:

Aiken Technical College
Central Carolina Technical College
Chesterfield-Marlboro Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Midlands Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Technical College
Technical College of the Lowcountry
Tri-County Technical College
Trident Technical College
Williamsburg Technical College
York Technical College

Higher Education Funds include the following individual funds:

CURRENT FUNDS

Current Funds account for resources that higher education institutions may use for any purpose in carrying out their primary objectives.

Unrestricted Current Funds. These funds account for currently expendable resources. The majority of these funds are completely unrestricted. Certain institutions, however, have reserved or designated small portions of available resources for various operating purposes specific to the individual institution.

Restricted Current Funds. These funds account for resources that donors or other outside agencies have restricted for specific current operating purposes.

LOAN FUNDS

Loan Funds account for resources available for loans to students, faculty, or staff of higher education institutions.

ENDOWMENT AND SIMILAR FUNDS

These funds account for endowments and quasi-endowments. These funds are similar to trust funds. The State must comply with the terms of any applicable agreements.

PLANT FUNDS

Plant Funds account for transactions involving physical properties of the higher education institutions.

Unexpended Plant Funds. The Unexpended Plant Funds subgroup accounts for resources that institutions have available to finance the acquisition, construction, or improvement of physical properties. Resources that institutions have set aside for the renewal and replacement of institutional properties are also recorded in this fund. Assets under construction may be accounted for in this fund or in the Investment in Plant Funds.

Retirement of Indebtedness Funds. The Retirement of Indebtedness Funds subgroup includes amounts to pay debt service and to retire indebtedness on institutional properties.

Investment in Plant Funds. The Investment in Plant Funds subgroup accounts for resources that the institution has expended for (and thus has invested in) its properties and any related outstanding debt.

AGENCY FUNDS

Agency Funds account for amounts that higher education institutions hold as custodians or fiscal agents for others.

FOUNDATIONS AND INSTITUTES FUNDS

Foundations and Institutes Funds account for certain component units of the State's colleges and universities. All but one of these component units meet the criteria for blending but are presented in a separate column because they use a basis of accounting different from the one followed by the State's colleges and universities. The South Carolina Environmental Education Consortium qualifies as a discrete component unit of one of the State's universities but is still considered part of the State's primary government.

Combining Balance Sheet

HIGHER EDUCATION FUNDS

June 30, 1996
(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
ASSETS				
Cash and cash equivalents	$ 323,237	$ 8,175	$ 4,711	$ 39,911
Investments	11,344	3,208	681	26,099
Receivables, net:				
Accounts	3,710	2,302	97	146
Patient and student	53,132	—	—	—
Student loans	—	—	43,465	—
Loans and notes	—	115	—	—
Due from Federal government and other grantors	15,861	38,943	43	—
Due from other Higher Education Funds	50,293	43	8	35
Due from other funds	9,048	2,770	—	50
Advances to other funds	—	—	—	—
Inventories	21,345	—	—	—
Other assets	16,071	742	108	1,468
Property, plant, and equipment, net	—	—	—	—
Total assets	**$ 504,041**	**$ 56,298**	**$ 49,113**	**$ 67,709**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 72,780	$ 7,501	$ 720	$ 932
Due to other Higher Education Funds	15,580	13,467	31	96
Due to other funds	28,594	1,660	—	—
Interfund payables	64	—	—	—
Advances from other funds	104	—	—	—
Deferred revenues	32,320	687	—	—
Deposits	2,801	—	—	—
Amounts held in custody for others	—	—	—	—
Notes payable	—	—	—	—
General obligation bonds payable	—	—	—	—
Revenue bonds payable	—	—	—	—
Certificates of participation payable	—	—	—	—
Capital lease and installment debt obligations payable	—	—	—	—
Compensated absences payable	72,461	15	—	—
Other liabilities	2,109	9	—	—
Total liabilities	**226,813**	**23,339**	**751**	**1,028**
Fund Balances:				
Investment in plant	—	—	—	—
Reserved for:				
Restricted fund balance	—	32,959	5,229	—
Federal government grants refundable	—	—	43,051	—
Endowment and similar funds	—	—	—	52,740
Debt requirements	—	—	—	—
Encumbrances	1,745	—	—	—
Other special purposes	4,474	—	—	—
Unreserved:				
Designated for future years' expenditures	—	—	—	—
Designated for loan funds	—	—	82	—
Designated for quasi-endowments	—	—	—	13,941
Designated for plant funds	—	—	—	—
Designated for special purposes	6,505	—	—	—
Undesignated	264,504	—	—	—
Total fund balances	**277,228**	**32,959**	**48,362**	**66,681**
Total liabilities and fund balances	**$ 504,041**	**$ 56,298**	**$ 49,113**	**$ 67,709**

PLANT FUNDS						
Unexpended	Retirement of Indebtedness	Investment in Plant	AGENCY FUNDS	FOUNDATIONS AND INSTITUTES	Eliminations	Totals
$ 100,818	$ 53,237	$ —	$ 5,279	$ 37,623	$ —	$ 572,991
7,576	—	—	—	38,935	—	87,843
1,226	560	—	5,224	1,144	—	14,409
—	—	—	—	24,486	—	77,618
—	—	—	—	20	—	43,485
—	—	—	—	—	—	115
567	—	—	—	556	—	55,970
24,325	252	—	120	2,524	(77,600)	—
59	—	—	111	—	(5,099)	6,939
—	530	—	—	33,395	(33,925)	—
—	—	—	—	597	—	21,942
14	40	98	—	27,367	—	45,908
44,775	—	2,678,264	—	33,526	—	2,756,565
$ 179,360	**$ 54,619**	**$ 2,678,362**	**$ 10,734**	**$ 200,173**	**$ (116,624)**	**$ 3,683,785**
$ 14,567	$ 7,281	$ —	$ 4,010	$ 6,913	$ —	$ 114,704
14,648	675	—	205	32,898	(77,600)	—
—	—	—	1,000	—	(5,099)	26,155
—	—	885	—	—	—	949
11,735	—	25,419	—	—	(33,925)	3,333
—	—	—	—	7,633	—	40,640
—	—	—	—	—	—	2,801
—	—	—	5,490	—	—	5,490
3,911	—	37,332	—	68,134	—	109,377
2,675	—	39,225	—	—	—	41,900
4,867	—	217,998	—	14,196	—	237,061
—	—	—	—	22,870	—	22,870
—	—	27,311	—	477	—	27,788
—	—	—	—	3,842	—	76,318
4,487	—	271	29	1,603	—	8,508
56,890	**7,956**	**348,441**	**10,734**	**158,566**	**(116,624)**	**717,894**
—	—	2,329,921	—	—	—	2,329,921
67,861	39,607	—	—	12,214	—	157,870
—	—	—	—	—	—	43,051
—	—	—	—	—	—	52,740
—	—	—	—	8,027	—	8,027
1,674	—	—	—	—	—	3,419
—	—	—	—	—	—	4,474
—	—	—	—	2,512	—	2,512
—	—	—	—	—	—	82
—	—	—	—	—	—	13,941
52,935	7,056	—	—	—	—	59,991
—	—	—	—	—	—	6,505
—	—	—	—	18,854	—	283,358
122,470	**46,663**	**2,329,921**	**—**	**41,607**	**—**	**2,965,891**
$ 179,360	**$ 54,619**	**$ 2,678,362**	**$ 10,734**	**$ 200,173**	**$ (116,624)**	**$ 3,683,785**

Photograph is not available in web version of CAFR

Land with longleaf pines was cleared extensively by early settlers. With less land needed for agriculture today, these stately trees are being reestablished.

Schedules--Budgetary General Fund

The Budgetary General Fund, which corresponds to the General Funds column in the Appropriation Act, is the State's general operating fund. The Budgetary General Fund differs significantly from the GAAP-basis General Fund.

The schedules in this section have been prepared using the budgetary basis of accounting. In South Carolina, the budgetary basis of accounting is the cash basis with certain exceptions. The Notes to the Financial Statements include a more detailed description of the budgetary basis of accounting.

Photograph is not available in web version of CAFR

A locally-grown Christmas tree has become the favored holiday centerpiece in many South Carolina homes. More than 175 growers provide quality local trees to markets throughout the State. The Leyland Cypress, a hybrid which grows well in South Carolina's moderate climate, has become popular in the State.

Appropriation Activity

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

Function	Original Appropriations	Adjustments[a]
Legislative	$ 26,247	$ 4,357
Judicial	28,748	3,705
Executive and administrative	161,759	52,579
Educational	1,931,221	130,731
Health	681,502	69,177
Social rehabilitation services	122,575	21,118
Correctional and public safety	371,247	87,023
Conservation, natural resources, and development	105,292	60,568
Regulatory	81,141	(8,274)
Department of Transportation	586	7
Debt service	138,204	—
Miscellaneous	377,880	216,822
Totals--appropriations for expenditures	**4,026,402**	**637,813**
Transfer to designation for capital and nonrecurring	80,490	—
Totals--appropriations for expenditures and intrafund transfers	**$ 4,106,892**	**$ 637,813**

Note: See Note 2 to the Financial Statements for information on budgetary accounting and reporting.

[a]The adjustments shown above (expressed in thousands) may be summarized as follows:

Appropriations brought forward from 1994-95	$ 313,440
Governor vetoes of 1994-95 supplemental appropriations	(2,533)
Open-ended appropriations	6,392
Supplemental appropriations	236,201
Surplus revenue appropriations 1994-95	84,313
Total adjustments	**$ 637,813**

Adjusted Appropriations	Expenditures	Intrafund Transfer	Appropriations To Be Carried Forward	Lapsed Appropriations
$ 30,604	$ 27,180	$ —	$ 3,424	$ —
32,453	30,711	—	1,742	—
214,338	123,764	—	89,557	1,017
2,061,952	2,006,600	—	55,352	—
750,679	731,051	—	19,628	—
143,693	126,189	—	17,503	1
458,270	400,100	—	58,170	—
165,860	130,190	—	35,670	—
72,867	71,438	—	1,429	—
593	589	—	4	—
138,204	136,505	—	—	1,699
594,702	485,022	—	108,903	777
4,664,215	**4,269,339**	—	**391,382**	**3,494**
80,490	—	80,490	—	—
$ 4,744,705	**$ 4,269,339**	**$ 80,490**	**$ 391,382**	**$ 3,494**

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Nursery workers exercise care to insure that the tree seedlings produced for reforestation are of the highest quality.

General Fund Reserve Activity

BUDGETARY GENERAL FUND
Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Fund Reserve, a reserve primarily designed to prevent Budgetary General Fund deficits. On November 4, 1984, a Constitutional amendment changed the funding requirement from five to four percent of the Budgetary General Fund revenue of the latest completed fiscal year. Provisions of the amendment also allowed the percentage rate to be reduced to three or increased to five percent by a special vote of the General Assembly. An act which took effect on March 9, 1988, reduced the percentage rate to three percent. 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 latest completed fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution establishes a schedule for restoring the Reserve to full funding within three years.

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

Fiscal Year Ended June 30	Start-of-Year Balance	Deposits	Withdrawals	End-of-Year Balance	Full-Funding Amount	Actual End-of-Year % Funded [c]
1987	$ 51,775	$ 23,606	$ —	$ 75,381	$ 100,372[a]	75%
1988	75,381	25,093	(14,382)	86,092	80,783[b]	107%
1989	86,092	7,217	(5,310)	87,999	87,999[b]	100%
1990	87,999	—	—	87,999	94,114[b]	94%
1991	87,999	6,115	(60,687)	33,427	98,843[b]	34%
1992	33,427	4,729	(38,156)	—	99,163[b]	0%
1993	—	66,832	—	66,832	100,248[b]	67%
1994	66,832	43,346	—	110,178	110,178[b]	100%
1995	110,178	10,557	—	120,735	120,735[b]	100%
1996	120,735	6,271	—	127,006	127,006[b]	100%

[a]Equals 4% of the Budgetary General Fund revenues for the latest completed fiscal year.
[b]Equals 3% of the Budgetary General Fund revenues for the latest completed fiscal year.
[c]Equals (End-of-Year Balance/Full Funding Amount) x 100.

Funds Earmarked for Public Education

BUDGETARY GENERAL FUND
For the Fiscal Year Ended June 30, 1996
(Expressed in Thousands)

Part I, Section 1, of the 1995-96 Appropriation Act and Sections 12-21-1130, 12-33-30, and 61-13-520 of the South Carolina Code of Laws require that the State's portion of those Budgetary General Fund revenues shown below be expended only to support the specific public education agencies listed below (including debt service on Capital Improvement Bonds applicable to those agencies) and for other school purposes. These legal requirements are considered to be satisfied if the amount of Budgetary General Funds expended for these particular agencies and for other school purposes exceeds the State's portion of the specified revenues.

Gross budgetary-basis revenues:		
Retail sales tax (4%) and excise tax–casual sales	$ 1,544,724	
Alcoholic liquors tax–60% portion	19,868	
Beer and wine tax–penalties and fines	300	
Soft drinks tax	27,231	
Commercial nuclear waste tax	860	
Gross budgetary-basis revenues	**1,592,983**	
Less: Applicable portion of Act 162 of 1993 Spending Limitation	(23,531)	a
Budgetary-basis revenues available for appropriation	**1,569,452**	
Total budgetary-basis revenues earmarked for public education (95.5% of budgetary-basis revenues available for appropriation)	**1,498,827**	b
Budgetary-basis expenditures:		
Department of Education	1,307,309	
State Board of Technical and Comprehensive Education	136,632	
Educational Television Commission	19,867	
Wil Lou Gray Opportunity School	2,738	
School for the Deaf and Blind	10,773	
John De La Howe School	3,944	
Debt service on Capital Improvement Bonds applicable to above agencies	16,080	
Other school purposes	8,578	c
Total budgetary-basis expenditures for public education	**1,505,921**	
Excess of budgetary-basis expenditures over revenues earmarked for public education	**$ 7,094**	

[a] Act 162 of 1993 limits annual appropriations to the lesser of: (1) the total recurring revenues collected in the preceding fiscal year plus seventy-five percent (75%) of the revenue growth projected by the Board of Economic Advisors, or (2) the estimated revenue projected by the Board of Economic Advisors.

[b] Title 6, Chapter 27 of the South Carolina Code of Laws is known as the State Aid to Subdivisions Act. That Act requires the State to appropriate not less than four and one-half percent (4.5%) of the latest completed fiscal year's total budgetary General Fund revenues to local governments. Accordingly, the State's portion of the above revenues is ninety-five and one-half percent (95.5%) of the budgetary-basis revenues available for appropriation.

[c] The Other School Purposes expenditure category includes: (1) a State supplement to school districts to help pay the district contribution toward public school employee benefits and (2) State expenditures for the Palmetto Unified School District.

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Statistical Section

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Producing tree seeds is the first step in reforestation. Seed orchards, such as the one pictured, produce genetically improved seeds for trees that have improved growth and yield characteristics. C. H. Niederhof Seed Orchard in Jasper County is one of the largest pine seed orchards in the United States.

Expenditures by Function

ALL GOVERNMENTAL FUND TYPES[a]

Last Nine Fiscal Years[b]
(Expressed in Thousands)

Function	1988	1989	1990
General government[c]	$ 232,243	$ 261,929	$ 314,764
Education	223,623	240,491	270,237
Individual and family services[d]	1,316,828	1,417,641	1,811,417
Health and environment[d]	—	—	—
Social services[d]	—	—	—
Administration of justice	217,125	256,358	282,580
Resources and economic development	101,041	113,672	128,101
Transportation	190,345	249,285	265,443
Miscellaneous	50	70	30
Capital outlay	466,626	412,357	369,219
Debt service:			
Principal retirement	77,521	84,680	62,482
Interest and fiscal charges	44,684	46,077	47,902
Intergovernmental	1,641,939	1,746,987	1,969,425
Total expenditures	**$ 4,512,025**	**$ 4,829,547**	**$ 5,521,600**

[a]All Governmental Fund Types include General, Special Revenue, and Capital Projects Funds.

[b]The fiscal year ended June 30, 1988, was the first year for which the State prepared complete financial statements in accordance with generally accepted accounting principles. Accordingly, this schedule does not present data for earlier years.

[c]Until July 1, 1990, General Government expenditures included premiums for retiree health and dental insurance for all functional areas. Since July 1, 1990, the total premium cost has been allocated among the various functional areas. This resulted in a decrease in General Government expenditures for the fiscal year ended June 30, 1991.

[d]Beginning July 1, 1993, Individual and Family Services expenditures were divided into two new functional expenditure categories—Health and Environment expenditures and Social Services expenditures. Prior years were not restated for this change.

For the Fiscal Year Ended June 30

1991	1992	1993	1994	1995	1996
$ 251,692	$ 234,092	$ 247,452	$ 399,456	$ 352,015	$ 331,398
262,697	241,230	254,464	293,158	322,219	376,035
2,097,614	2,489,321	2,682,162	—	—	—
—	—	—	2,166,088	2,320,642	2,541,100
—	—	—	678,772	697,958	702,075
300,250	304,488	312,961	405,503	457,008	492,723
132,970	128,059	131,021	138,937	139,635	155,302
274,895	274,957	290,740	214,574	203,837	218,366
—	—	—	—	—	—
402,258	429,896	456,707	453,625	435,336	470,050
66,715	94,538	104,316	82,602	88,765	82,997
50,878	53,943	53,316	49,202	48,796	50,574
2,007,557	2,033,486	2,096,679	2,157,866	2,358,823	2,636,440
$ 5,847,526	**$ 6,284,010**	**$ 6,629,818**	**$ 7,039,783**	**$ 7,425,034**	**$ 8,057,060**

Revenues by Source

ALL GOVERNMENTAL FUND TYPES[a]

Last Nine Fiscal Years[b]
(Expressed in Thousands)

Sources	1988	1989	1990
Taxes:			
Individual income	$ 1,130,898	$ 1,225,648	$ 1,361,839
Retail sales and use	1,277,447	1,359,200	1,464,989
Other	904,243	958,970	918,455
Licenses, fees, and permits	134,083	150,859	163,202
Interest and other investment income	72,040	80,327	83,777
Federal	1,316,607	1,391,309	1,821,052
Departmental services	104,867	107,724	113,703
Contributions	26,324	30,717	32,056
Fines and penalties	22,777	24,235	31,034
Other	26,932	45,247	37,851
Total revenues	**$ 5,016,218**	**$ 5,374,236**	**$ 6,027,958**

[a]All Governmental Fund Types include General, Special Revenue, and Capital Projects Funds.

[b]The fiscal year ended June 30, 1988, was the first year for which the State prepared complete financial statements in accordance with generally accepted accounting principles. Accordingly, this schedule does not present data for earlier years.

For the Fiscal Year Ended June 30

1991	1992	1993	1994	1995	1996
$ 1,377,825	$ 1,386,724	$ 1,481,592	$ 1,519,030	$ 1,646,375	$ 1,809,287
1,463,941	1,515,223	1,628,766	1,756,157	1,892,801	2,034,484
914,736	911,110	983,586	999,733	1,060,165	1,151,544
198,253	218,726	300,699	308,019	255,570	243,502
78,092	55,708	44,756	48,765	82,723	96,400
2,001,490	2,347,896	2,443,881	2,586,257	2,792,165	2,803,303
120,098	138,610	155,546	161,378	215,547	235,003
54,424	81,421	101,486	82,665	89,849	106,939
31,643	43,610	44,182	51,926	54,881	55,379
33,856	43,853	52,894	53,293	59,716	73,676
$ 6,274,358	**$ 6,742,881**	**$ 7,237,388**	**$ 7,567,223**	**$ 8,149,792**	**$ 8,609,517**

Income and Sales Tax Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30	Individual Income Tax	Corporate Income Tax	Retail Sales Tax[a]
1987	3 - 7%	6%	5%
1988	3 - 7%	5.5%	5%
1989	3 - 7%	5%	5%
1990	3 - 7%	5%	5%
1991	2.75 - 7%	5%	5%
1992	2.50 - 7%	5%	5%
1993	2.50 - 7%	5%	5%
1994	2.50 - 7%	5%	5%
1995	2.50 - 7%	5%	5%
1996	2.50 - 7%	5%	5%

[a]Excludes the 2% accommodations tax and the local option sales tax.

Source: The Department of Revenue and Taxation

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Trees can be harvested with minimal damage to the environment. Trees are South Carolina's most valuable cash crop, with receipts to landowners of over $600 million annually.

Net General Obligation Bonds and Notes Per Capita

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population[a] (Thousands)	Gross Bonded Debt[b] (Thousands)	Debt Payable From Higher Education Funds (Thousands)	Net General Bonded Debt[c] (Thousands)	Net General Bonded Debt Per Capita
1987	3,369	$ 693,270	$ 28,030	$ 665,240	$ 197.46
1988	3,400	681,425	28,185	653,240	192.13
1989	3,444	709,165	25,925	683,240	198.39
1990	3,487	807,911	28,071	779,840	223.64
1991	3,555	828,650	28,560	800,090	225.06
1992	3,594	876,305	44,570	831,735	231.42
1993	3,627	884,025	43,230	840,795	231.82
1994	3,643	929,571	40,420	889,151	244.07
1995	3,673	898,047	44,345	853,702	232.43
1996	3,730	1,007,394	41,900	965,494	258.85

[a] Office of Research and Statistics, State Budget and Control Board.

[b] Includes general obligation bonds payable and general obligation bond anticipation notes of both the General Long-Term Obligations Account Group and the Higher Education Funds and notes payable in the General Long-Term Obligations Account Group.

[c] Net general bonded debt is the gross general bonded debt less the general obligation debt payable not expected to be repaid through general governmental resources (i.e. the debt payable from Higher Education Funds).

Note: Assessed value data is not presented because the State of South Carolina does not receive property tax revenue.

Computation of Legal Debt Margin

June 30, 1996
(Expressed in Thousands)

Section 59-107-90 of the South Carolina Code of Laws limits State institution bonds legally outstanding to $90 million.

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.

Furthermore, Section 11-11-430 states: "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 five 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)."

State institution bond limitation	$	90,000
Less: State institution bonds outstanding at June 30, 1996		41,900
Legal debt margin at June 30, 1996--institution bonds	**$**	**48,100**
1994-1995 Budgetary General Fund revenues pledged for highway bonds	$	101,420
1994-1995 other revenues pledged for highway bonds		287,379
1994-1995 revenues pledged for highway bonds		388,799
15% of 1994-1995 revenues pledged for highway bonds		58,320
Less: maximum annual debt service for highway bonds[a]		4,796
Legal debt service margin at June 30, 1996--highway bonds	**$**	**53,524**
1994-1995 Budgetary General Fund revenues	$	4,233,540
Less: 1994-1995 Budgetary General Fund revenues pledged for highway bonds		101,420
Less: 1994-1995 transfers for institution bond debt service recorded as Budgetary General Fund revenues		6,662
1994-1995 net Budgetary General Fund revenues		4,125,458
5% of 1994-1995 net Budgetary General Fund revenues		206,273
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds[a]		139,437
Legal debt service margin at June 30, 1996--general obligation bonds excluding institution and highway bonds	**$**	**66,836**

[a]As of June 30, 1996, the maximum annual debt service will occur in the fiscal year ending June 30, 1997, for (1) highway bonds and (2) for general obligation bonds (excluding institution and highway bonds).

Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Governmental Expenditures[a]

Last Nine Fiscal Years[b]
(Dollars in Thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1988	$ 77,521	$ 44,684	$ 122,205	$ 4,512,025	2.71%
1989	84,680	46,077	130,757	4,829,547	2.71%
1990	62,482	47,902	110,384	5,521,600	2.00%
1991	66,715	50,878	117,593	5,847,526	2.01%
1992	94,538	53,943	148,481	6,284,010	2.36%
1993	104,316	53,316	157,632	6,629,818	2.38%
1994	82,602	49,202	131,804	7,036,723	1.87%
1995	88,765	48,796	137,561	7,424,673	1.85%
1996	82,997	50,574	133,571	8,057,060	1.66%

[a]General Governmental Expenditures includes the General, Special Revenue, and Capital Projects Funds.

[b]The State did not prepare financial statements in conformity with generally accepted accounting principles until the fiscal year ended June 30, 1988. Comparable data for earlier years is not available.

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South Carolina Forestry Commission workers clear underbrush to help prevent the spread of wildfires. Even though South Carolina experiences over 6,000 wildfires annually, losses are kept low, averaging 5 acres per fire. Average wildfire loss has been reduced by 40% in the past 25 years.

Revenue Bond Coverage—Enterprise Funds[a]

Last Ten Fiscal Years
(Dollars in Thousands)

SOUTH CAROLINA HOUSING FINANCE AND DEVELOPMENT AUTHORITY[c d]

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses[b]	Net Revenue Available for Debt Service
1987	$ 83,269	$ 70,526	$ 4,323	$ 149,472
1988	75,642	42,642	4,472	113,812
1989	69,673	41,888	4,758	106,803
1990	71,017	45,028	5,853	110,192
1991	73,984	44,896	5,265	113,615
1992	68,431	103,495	5,314	166,612
1993	64,465	94,666	5,797	153,334
1994	53,871	116,082	5,703	164,250
1995	52,576	44,228	6,611	90,193
1996	51,391	55,527	6,375	100,543

SOUTH CAROLINA EDUCATION ASSISTANCE AUTHORITY[d e]

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses[b]	Net Revenue Available for Debt Service
1987	$ 13,916	$ 7,086	$ 2,328	$ 18,674
1988	14,387	8,954	3,436	19,905
1989	19,541	10,677	7,477	22,741
1990	24,312	15,249	4,663	34,898
1991	22,969	18,087	8,320	32,736
1992	32,411	23,163	9,025	46,549
1993	35,697	28,402	11,299	52,800
1994	35,207	32,965	6,450	61,722
1995	41,164	36,715	7,641	70,238
1996	44,597	47,735	7,245	85,087

[a]Computations are based on data provided by the authorities. There may be classification differences between this data and data found elsewhere in this report.

[b]Excludes depreciation and interest expense.

[c]Direct operating expenses for years before 1989 have been restated to exclude housing assistance payments.

[d]These entities use bond proceeds to make loans to non-governmental parties. Accordingly, principal proceeds received are included as a revenue in the calculation of Net Revenue Available for Debt Service.

[e]In years prior to 1994, the South Carolina Education Assistance Authority Fund included the Student Loan Corporation. Previous years have not been restated.

Debt Service Requirements			
Principal	Interest	Total	Coverage Ratio
$ 19,730	$ 60,505	$ 80,235	1.86
10,075	53,435	63,510	1.79
10,125	55,412	65,537	1.63
10,010	56,661	66,671	1.65
10,025	59,359	69,384	1.64
11,325	59,468	70,793	2.35
43,103	49,503	92,606	1.66
81,965	39,405	121,370	1.35
11,715	35,307	47,022	1.92
9,880	34,492	44,372	2.27

Debt Service Requirements			
Principal	Interest	Total	Coverage Ratio
$ 20,650	$ 6,965	$ 27,615	0.68
9,815	5,655	15,470	1.29
7,330	7,477	14,807	1.54
11,440	11,864	23,304	1.50
17,665	12,419	30,084	1.09
21,320	14,284	35,604	1.31
22,480	17,507	39,987	1.32
24,895	19,199	44,094	1.40
34,795	21,469	56,264	1.25
32,155	23,563	55,718	1.53

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Fire is indispensable in managing many of our forest communities. Professionally applied, fire is used to enhance wildlife habitat, improve forest growth, and insure against damaging wildfire.

Demographic Statistics

Last Ten Years

Year	Population[a] at June 30	Per Capita Income[a] Year Ended December 31	Median Age[a] (Years) at June 30	School Enrollment[b] at June 30	Unemployment Rate[c] at December 31
1986	3,332,000	$ 11,585	30.1	670,980	6.0%
1987	3,369,000	12,283	30.6	672,943	5.1%
1988	3,400,000	13,192	31.0	676,847	4.3%
1989	3,444,000	13,884	31.4	678,050	4.6%
1990	3,486,703	15,106	31.7	677,356	5.2%
1991	3,555,000	15,482	32.2	681,717	6.5%
1992	3,594,000	16,196	32.6	685,744	6.7%
1993	3,627,000	16,877	32.9	688,513	7.4%
1994	3,643,000	17,713	33.3	692,515	5.3%
1995	3,673,000	18,788	33.7	701,140	5.3%
1996	3,729,900	d	34.1	699,058	d

Sources:

[a]Office of Research and Statistics, State Budget and Control Board

[b]South Carolina Department of Education

[c]South Carolina Employment Security Commission

[d]Not yet available.

Property Value, Construction, and Bank Deposits

Last Ten Years
(Dollars in Millions)

	Nonresidential Construction		Residential Construction			Property Value[a]	
Year	Number of Units at December 31	Value at December 31	Number of Units at December 31	Value at December 31	Bank Deposits at December 31	Nonresidential at June 30	Residential at June 30
1986	6,761	$ 743	40,390	$ 1,581	$ 22,907	$ 25,915	$ 27,149
1987	7,283	835	26,991 [b]	1,489	23,612	28,364	29,114
1988	6,926	763	25,563 [b]	1,438	26,022	34,127	31,241
1989	6,627	707	20,530 [b]	1,252	27,849	34,936	33,869
1990	6,877	788	22,454 [b]	1,475	29,091	37,079	38,852
1991	6,811	670	19,309 [b]	1,372	29,528	39,089	41,220
1992	6,329	494	20,853 [b]	1,585	30,224	41,104	45,926
1993	6,078	694	21,186 [b]	1,662	31,005	43,084	50,963
1994	6,678	746	23,670 [b]	1,898	30,475	44,204	54,118
1995	[c]	[c]	22,400 [b]	1,825	33,035	[d]	[d]
1996	[c]	[c]	[c]	[c]	[c]	[d]	[d]

[a]Property taxes do not represent a source of revenue for the State.

[b]Beginning with 1987, the number of mobile home permits is not reported.

[c]Not yet available.

[d]Due to legislation requiring that tax assessments be based on the prior year's property value, neither the 1995 nor 1996 information is yet available.

Sources: Board of Economic Advisors, State Budget and Control Board; Department of Revenue

Largest Manufacturing Companies[a]

December 31, 1995

Name	Number of Plants in South Carolina	Number of Employees in South Carolina
Westinghouse Electric Corporation	3	16,011
Springs Industries, Incorporated	22	12,036
Milliken & Company	27	6,650
Michelin Tire Corporation	6	6,024
KEMET Corporation	4	5,286
Robert Bosch GmbH	6	4,401
Hoechst AG	5	3,807
WestPoint Stevens	6	3,200
Ingersoll-Rand Company	6	3,066
Greenwood Mills, Incorporated	9	2,868
W. R. Grace & Company	5	2,830
AB Electrolux Sweden	2	2,800
AlliedSignal, Incorporated	5	2,645
JPS Textile Group	5	2,499
E. I. du Pont de Nemours	4	2,472
Graniteville Company	7	2,440
Ryobi North America, Incorporated	2	2,428
Sonoco Products Company	3	2,422
Kyocera Corporation	2	2,310
Wellman, Incorporated	3	2,280
Owens-Corning Fiberglas Corporation	3	2,219
Spartan Mills	7	2,210
General Electric Company	2	2,150
International Paper	5	2,064

[a]Based on number of employees. This list includes all companies with 2,000 or more employees.

Source: 1996-97 South Carolina Industrial Directory.

Miscellaneous Statistics
December 31, 1995 (Except as Noted)

Date of ratification--U. S. Constitution	1788[a]
Form of government	Legislative-Executive-Judicial
Miles of State highways	64,290[b]
Land area (square miles)	30,111[c]
State police protection:	
Police and sheriff agencies	292[d]
Total number of sworn officers	8,918[d]
Higher education (universities, colleges, and technical education centers):	
Number of campuses	61[e]
Number of students	176,794[e]
Recreation:	
Number of State parks and historical sites	56[f]
Area of State parks	81,589 acres[f]
Area of State forests	77,018 acres[g]
State employees--all funds (at June 30,1996)	67,787[h]

Sources:

[a]1996 Legislative Manual

[b]Department of Transportation

[c]Office of Research and Statistics, State Budget and Control Board

[d]State Law Enforcement Division

[e]Commission on Higher Education

[f]Department of Parks, Recreation, and Tourism

[g]Forestry Commission

[h]Office of State Budget, State Budget and Control Board

Photograph is not available in web version of CAFR

Smokey Bear has been a symbol of forest fire prevention for over 50 years. Most adults today remember Smokey's timeless message learned as a child, "Only You Can Prevent Forest Fires."

Photograph is not available in web version of CAFR

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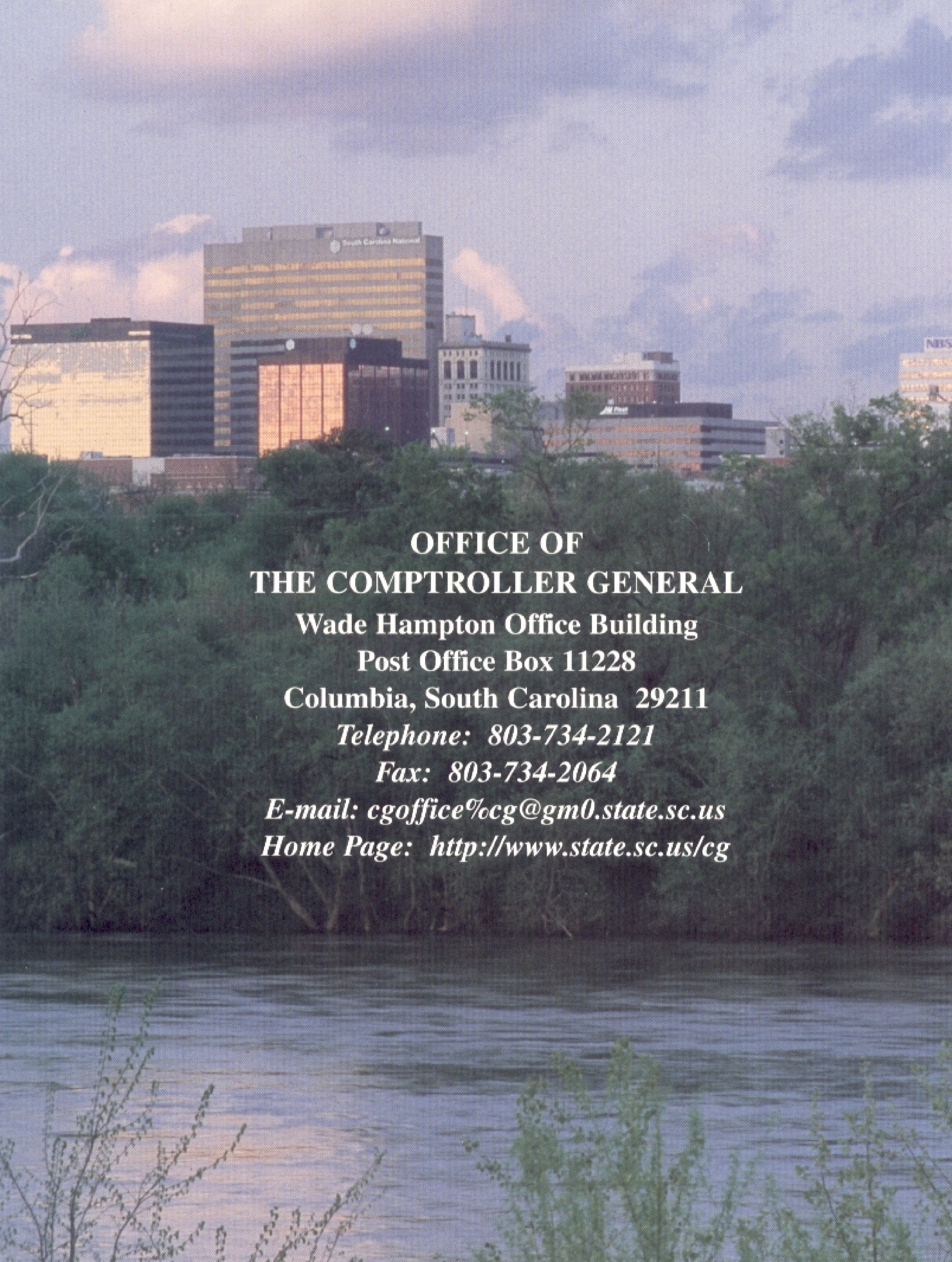

OFFICE OF
THE COMPTROLLER GENERAL
Wade Hampton Office Building
Post Office Box 11228
Columbia, South Carolina 29211
Telephone: 803-734-2121
Fax: 803-734-2064
E-mail: cgoffice%cg@gm0.state.sc.us
Home Page: http://www.state.sc.us/cg