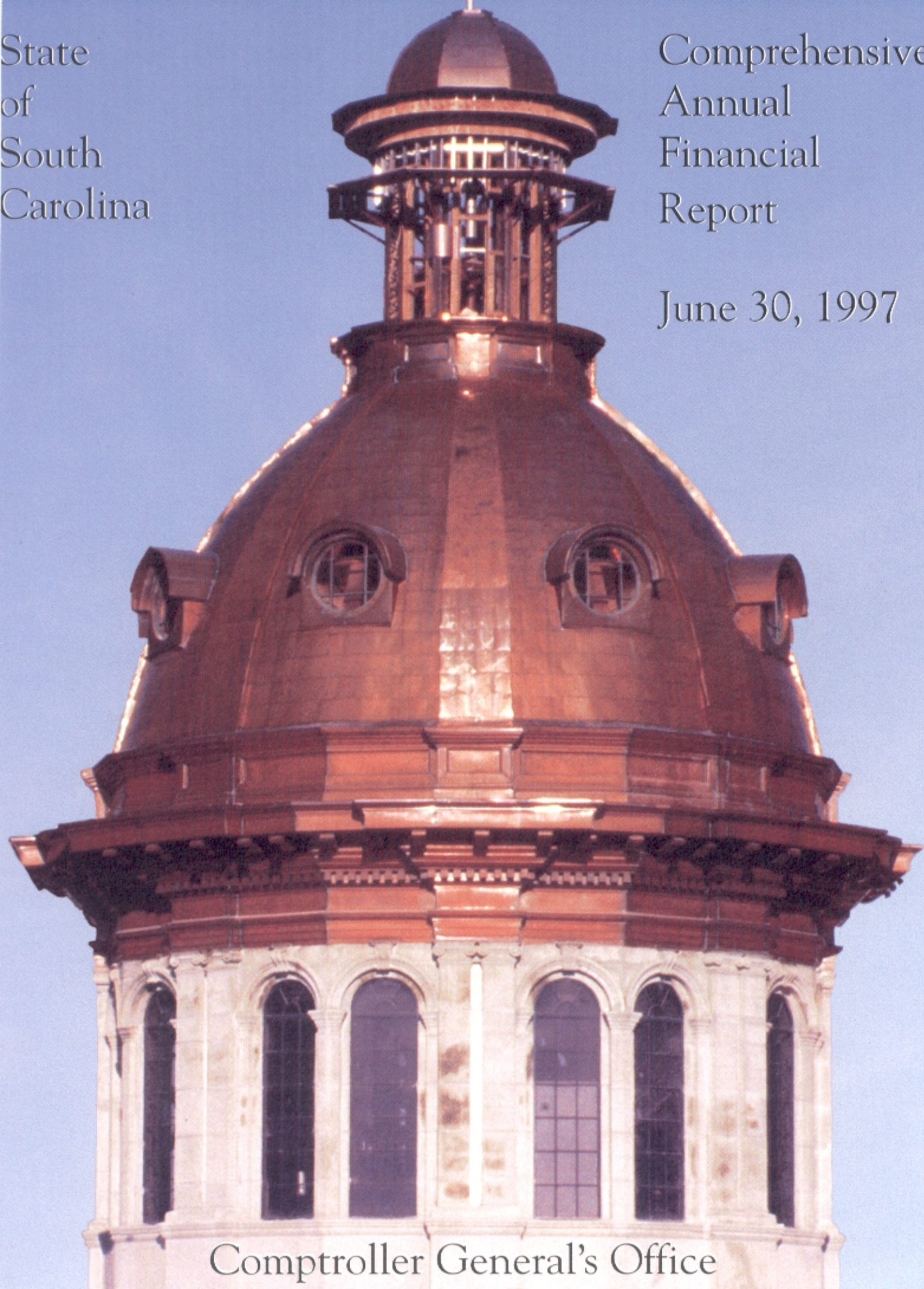


State
of
South
Carolina

Comprehensive
Annual
Financial
Report

June 30, 1997

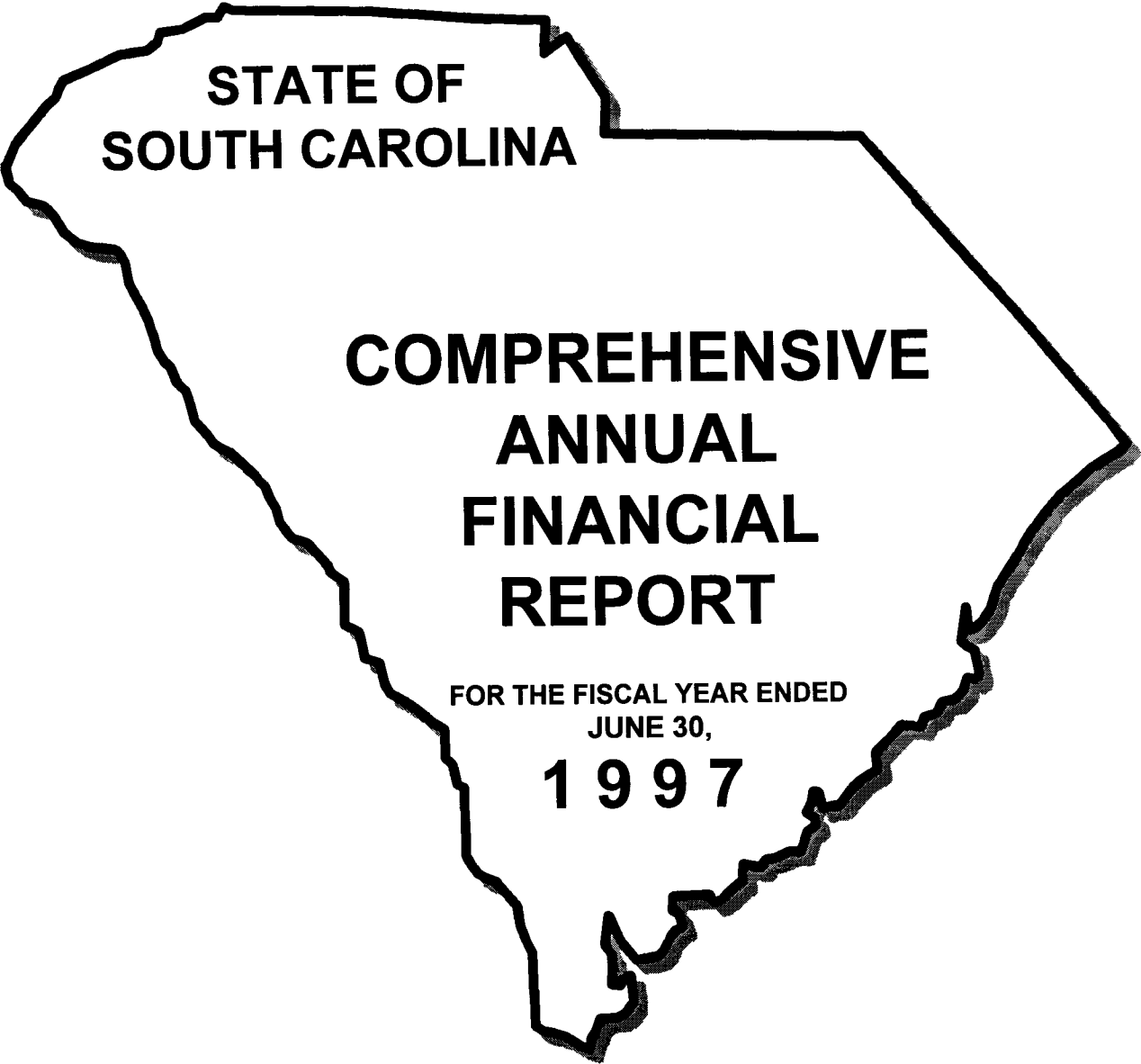


Comptroller General's Office

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On the cover:

The State House dome was designed in 1900 by Frank P. Milburn and was a controversial modification of the original 1855 design. During the current renovation the dome was structurally reinforced, fireproofed and re-clad in copper. The new copper will darken for several years; as it weathers, the historic green patina (color) will reappear.



**STATE OF
SOUTH CAROLINA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30,**

1997

Prepared by the Comptroller General's Office

COMPTROLLER'S MESSAGE...

CAPITOL AND CAPITAL

“And in good time, in the state’s future prosperity, it is not too much to hope that it (the State House) may yet be restored to his ideals.”

These were the words expressed in 1904 by Charles C. Wilson who admired the capitol design of Major John R. Niernsee, the architect who designed South Carolina’s capitol building in 1854.

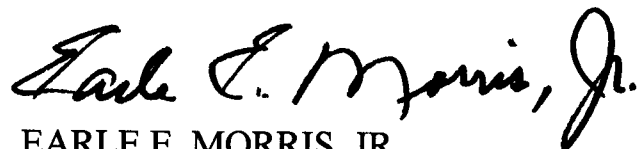
South Carolina’s capitol experienced many alterations in its design, disasters from war and insufficient funds.

Even now, the State House is experiencing a major renovation for its preservation as, in the words of Charles C. Wilson, “one of the most notable buildings of the world.”

Just as the capitol building continues to evolve, South Carolina’s economy is achieving a “present prosperity” unequaled and unexcelled in the nation.

CAPITOL AND CAPITAL.

Together!



EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

RETRIEVING A TREASURE

Like the State itself, South Carolina's venerable State House stands scarred and battered, proud and stately, imperfect, immutable, and infinitely renewable.

No single structure more faithfully reflects the remarkable history of America's most enigmatic state. Grand in scale and noble in design, the State House was conceived as a monument to the power and wealth of antebellum South Carolina. Its footings were deep in the soil which nourished the State's plantation system, and its temple-like proportions bespoke the tradition and ambitions of the State.

The Civil War interrupted that construction, and only a roofless shell of the uncompleted structure stood at the outbreak of the conflict that challenged and ultimately destroyed the plantation system. Targeted for bombardment in the final weeks of the war, the building survived as a mutation of earlier designs, rendered usable as the State's government center only by makeshift alterations.

Over time, the structure was strengthened and stabilized. While the grandeur of the original concept was never achieved, the State House emerged with a nobility wrought of hardship and ordeal. Its very sturdiness bespeaks the durability of a state that has also built on its own hardship and ordeal and has emerged unified, tempered and strengthened by the experience.

As the new millennium approaches, South Carolina has revisited its beloved State House and has retrieved and restored much of its earlier grandeur. The pages of this report, featuring material from an upcoming book on the State House by University of South Carolina's Professor John M. Bryan, tell of that renovation and bring to life much of the history contained within the walls and foundations of this remarkable building.

This report also tells of the growing economic strength of the State, the financial responsibility of its government, and the stewardship with which South Carolina shepherds the assets and treasures of its past, present, and future.

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The principal architect of the present State House, Niernsee moved from Baltimore and lived in Columbia from 1855 through 1865, during the first period of construction.

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Introductory Section

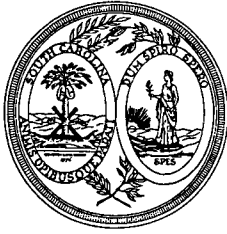
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North Elevation, A. W. Todd, 1911, courtesy of the South Carolina Department of Archives and History

Todd's plan included an enlarged dome and was based upon the U.S. Capitol. Todd, an architect, was a member of the House from Charleston (1909-1914 and 1921-1922); he also served in the South Carolina Senate (1923-1924). He was on the Public Buildings Committee when he submitted a plan to enlarge the State House with wings and a dome based on the U.S. Capitol.

Plan, A. W. Todd, 1911, courtesy of the South Carolina Department of Archives and History

J. R. Niernsee's original plan did not include bathrooms, elevators, electricity, or adequate offices. The original granite construction made interior alterations difficult. Todd suggested putting service functions in the proposed wings.



STATE OF SOUTH CAROLINA
Office of Comptroller General

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COMPTROLLER GENERAL

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December 2, 1997

**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, 1997. 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. A report issued in 1997 by the South Carolina Legislative Audit Council determined that the Comptroller General's Office had complied with all applicable laws and regulations.

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, 1996 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), required supplementary information, other combining financial statements, and schedules.

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

MAJOR INITIATIVES

South Carolina addressed several major components of long-term and mid-term economic growth and stability during the current session of the General Assembly, specifically targeting public education, infrastructure, and tax relief for significant attention.

Education provisions included the following:

- Financial commitment to full-day kindergartens.
- Requirement of additional credits for high school graduation.
- Funding of incentive college scholarships for outstanding high school students.
- Establishment of a tuition prepayment plan.
- Provision for teacher salaries to exceed regional averages.

Significant among initiatives for the General Assembly was the priority attention given to the State's infrastructure needs, particularly in the area of transportation needs. Legislators created the South Carolina Transportation Infrastructure Bank (the Bank), an entity empowered to make loans, issue bonds, enter into contracts, and establish related policies and procedures. The State's infrastructure needs are estimated at \$50 billion over the next twenty years.

The legislation establishing the Bank also created the Division of Regional Government within the State Budget and Control Board, the State's central management agency, to coordinate planning among local and regional governments, as well as among State agencies. A statewide infrastructure plan will be presented to the General Assembly in the early spring of 1998.

Addressing more immediate capital needs, the General Assembly authorized the issuance of State capital improvement bonds totaling \$250.660 million of which \$150.625 million is planned for use by the State's universities and colleges (including technical colleges).

Legislators appropriated \$14.200 million in additional monies to fund property tax relief, raising the total relief for the year to \$227.900 million, and South Carolinians age 65 and over will receive an increase in their income tax exemption from \$10,000 to \$11,500. Further tax restrictions were enacted by legislation that limited the authority of political subdivisions to raise or create taxes or fees.

Key automobile-related legislation tightened experience and training requirements for young drivers and provided comprehensive changes in the State's

automobile insurance market. These and other insurance provisions are designed to draw more automobile insurers into the State.

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 \$53 billion of investments in plants within the State.

The State's recreation 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 incentives for people over 65 years of age. The number of individuals receiving Social Security retirement pay has grown at a rapid average annual rate of 4.3% since 1970. The annual income from retirement now exceeds an estimated \$6 billion.

The State's coastal areas have emerged as one of the leading recreation 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 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 nine-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 8.5% per year, compared to a lesser 7.7% 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 it has since increased to 82% of the national average.

The State's economy has begun fiscal year 1997-98 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 170,000 in August 1997 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%.

Last 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 by substantially increasing the tax incentives for which companies may be eligible. Through September 1997, more than three hundred companies have taken advantage of the tax incentive package offered by the State. Recently, Honda of America has announced the location of a facility to build all-terrain vehicles in Florence, South Carolina. Bridgestone/Firestone, Inc., also has announced the construction of a multi-million dollar manufacturing facility in Aiken, South Carolina. In addition to these projects, 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 reported that the State's Budgetary General Fund revenue collections at the end of the first four months of fiscal year 1997-98 were greater than anticipated. Accordingly, on November 10, 1997, the Board of Economic Advisors increased its estimate of fiscal year 1997-98 revenues by \$64.106 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 estimated on a modified accrual basis, the State estimates revenues on a cash receipts basis. Appropriations for 1996-97 covered all expenditures deemed applicable to that year and paid on or before July 18, 1997. 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 February 1997.

During 1996-97, the General Assembly passed a Supplemental Appropriations Act that added \$148.696 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1997. Of this amount, \$3.374 million was used to fund the General Reserve, and the remaining \$145.322 million was appropriated and reserved as Appropriations to be Carried Forward to 1997-98.

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.

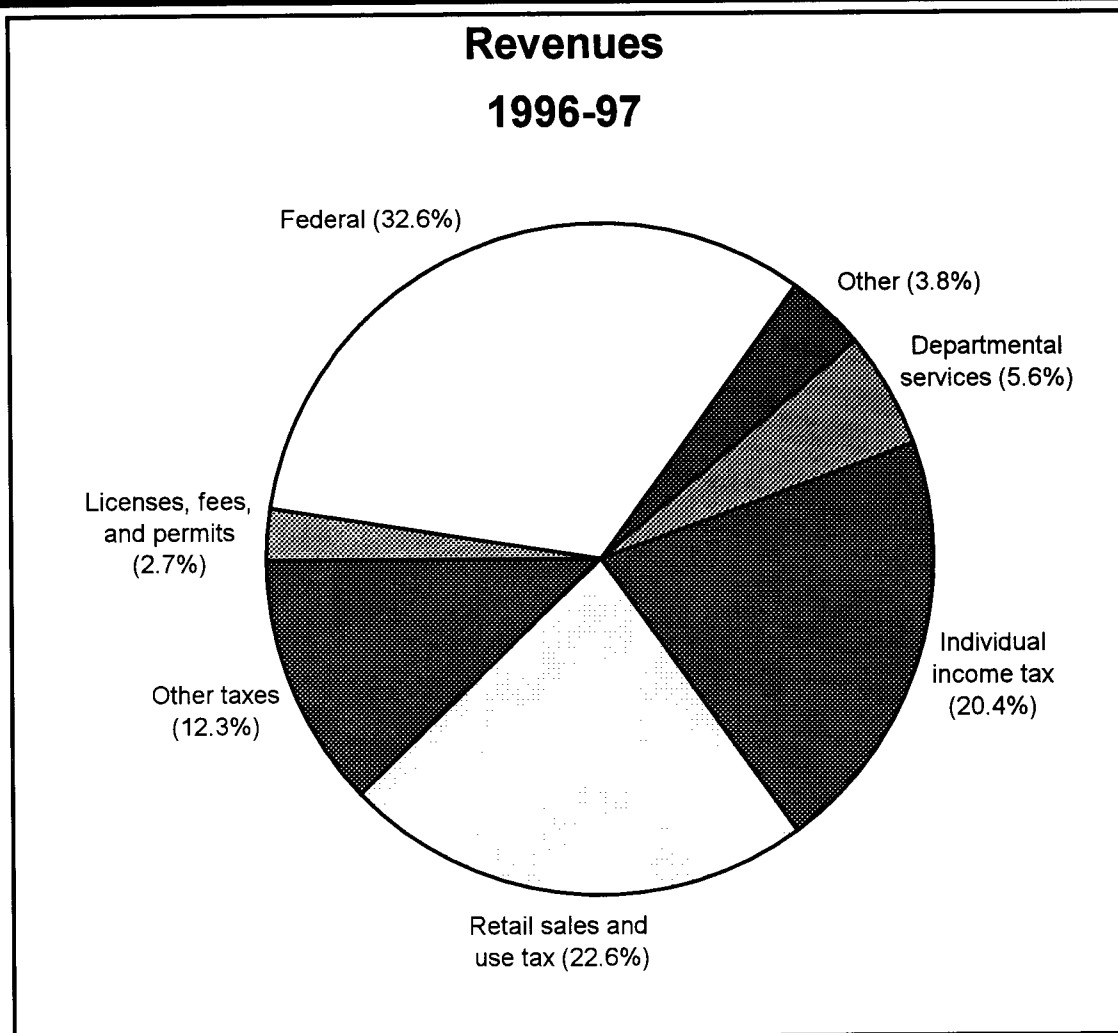
FINANCIAL OVERVIEW

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, 1997, other financing uses exceeded other financing sources for these funds by \$694.487 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, 1997 (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year revenues:

Revenues	1996-97 Amount	Percent of Total	Increase (Decrease) from 1995-96	Percentage Increase (Decrease)
Individual income tax.....	\$ 1,927,600	20.4%	\$ 118,313	6.5%
Retail sales and use tax.....	2,141,864	22.6%	107,380	5.3%
Other taxes.....	1,163,889	12.3%	14,547	1.3%
Licenses, fees, and permits.....	258,960	2.7%	15,458	6.3%
Interest and other investment income....	113,199	1.2%	14,471	14.7%
Federal.....	3,087,312	32.6%	179,651	6.2%
Departmental services.....	533,395	5.6%	(1,722)	(0.3%)
Contributions.....	115,739	1.2%	9,133	8.6%
Fines and penalties.....	58,170	0.6%	2,830	5.1%
Other.....	70,424	0.8%	(3,215)	(4.4%)
Totals	\$ 9,470,552	100.0%	\$ 456,846	5.1%

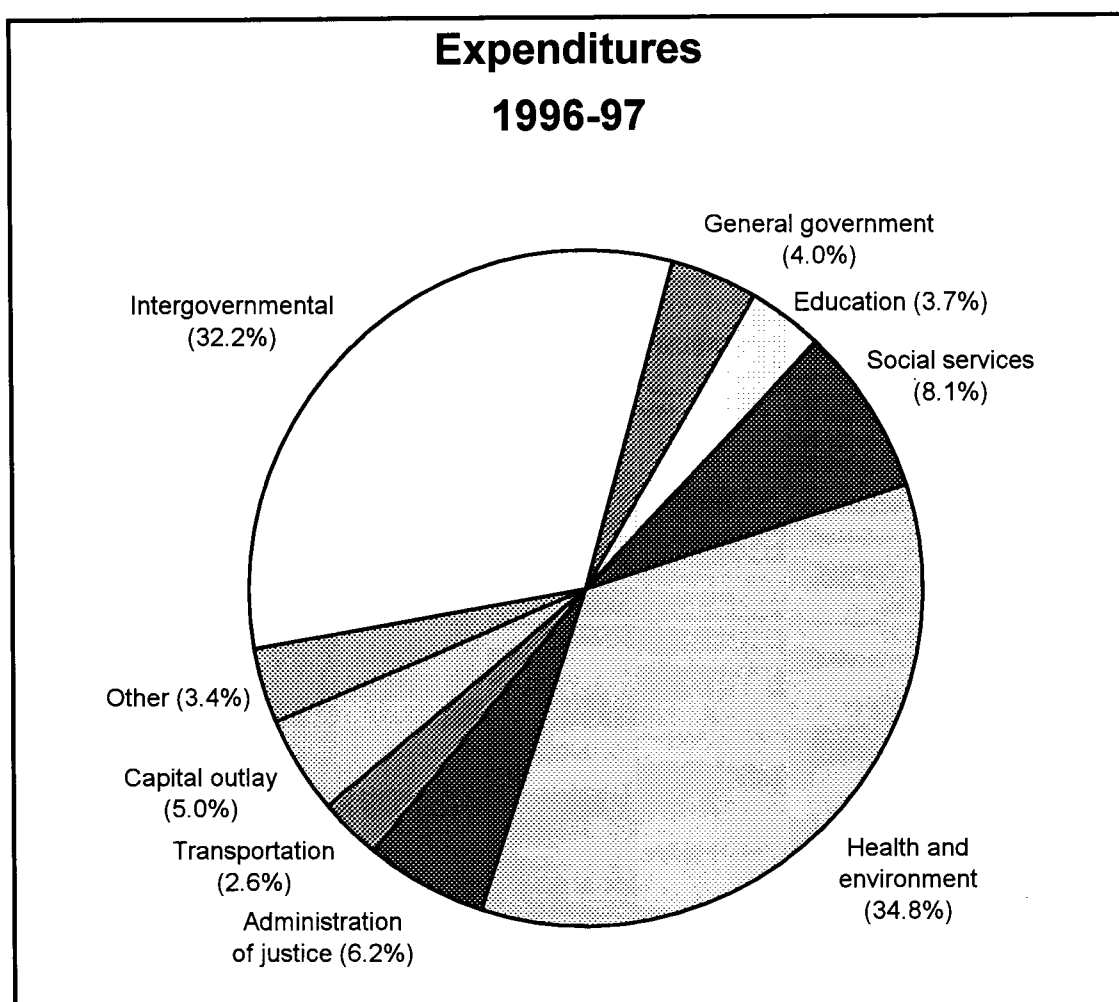


Interest and other investment income were higher than the previous year because more cash was available to invest.

Expenditures

The following schedule presents a summary of General Fund and Special Revenue Funds expenditures for the fiscal year ended June 30, 1997, (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year expenditures:

Expenditures	1996-97 Amount	Percent of Total	Increase (Decrease) from 1995-96	Percentage Increase (Decrease)
Current:				
General government.....	\$ 351,156	4.0%	\$ 20,637	6.2%
Education.....	326,103	3.7%	(53,881)	(14.3%)
Health and environment.....	3,032,995	34.8%	86,538	3.4%
Social services.....	700,442	8.1%	(9,305)	(1.3%)
Administration of justice.....	543,456	6.2%	55,031	11.2%
Resources and economic development	150,131	1.7%	(5,171)	(3.3%)
Transportation.....	230,384	2.6%	12,018	5.5%
Capital outlay.....	436,798	5.0%	38,022	9.6%
Debt service:				
Principal retirement.....	97,728	1.1%	14,731	17.7%
Interest and fiscal charges.....	53,493	0.6%	2,919	5.8%
Intergovernmental.....	2,805,584	32.2%	169,144	6.4%
Totals.....	\$ 8,728,270	100.0%	\$ 330,683	3.9%



During fiscal year 1995-96, the Department of Education purchased school buses to transport children using Capital Improvement Bond proceeds. Education expenditures decreased during fiscal year 1996-97 when the school bus project was completed.

Administration of Justice expenditures increased with the construction of the Kershaw Correctional Institution and renovations to existing facilities. Expenditures for correctional officer salaries and for health services and rehabilitation of inmates also increased.

Debt Service expenditures for Capital Improvement Bond principal payments increased for two refunding bond issues. As older debt is retired by the paying agent when scheduled, more funds are available to pay the newer debt on the refunding issues.

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:

	1997	1996	1995	1994	1993
General Fund					
Reserved.....	\$ 450,686	\$ 545,796	\$ 461,303	\$ 335,709	\$ 153,194
Unreserved.....	(294,233)	(261,065)	(202,981)	(303,628)	(247,475)
Total General Fund.....	\$ 156,453	\$ 284,731	\$ 258,322	\$ 32,081	\$ (94,281)
Special Revenue Funds					
Reserved.....	\$ 205,377	\$ 202,628	\$ 172,487	\$ 126,482	\$ 94,928
Unreserved, designated.....	128,640	112,144	73,946	174,827	237,559
Unreserved, undesignated.....	541,769	386,726	383,955	292,657	257,552
Total Special Revenue Funds	\$ 875,786	\$ 701,498	\$ 630,388	\$ 593,966	\$ 590,039

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, 1997, are as follows:

	Housing Authority	Education Assistance Authority
Operating revenues....	\$ 50,520	\$ 45,130
Net income.....	10,282	15,629
Total assets.....	650,898	494,573
Total fund equity.....	142,629	91,117

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 \$6.682 million during its fiscal year ended December 31, 1996. 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, 1997, are presented below:

	Public Service Authority (Santee- Cooper)	State Ports Authority
Operating revenues....	\$ 699,606	\$ 71,024
Net income.....	59,264	10,945
Total assets.....	3,464,683	396,746
Total fund equity.....	790,996	288,585

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.

The State presents investments of its Pension Trust Funds at fair (market) value, in accordance with Governmental Accounting Standard's Board 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." 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, 1997, for those plans.

The South Carolina Adjutant General's Office administers the National Guard Pension System. The State recorded a \$4.534 million pension liability in the General Long-Term Obligations Account Group at June 30, 1997, for that plan. 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," and Standard & Poor's and Fitch Investors Service, Inc. rate these bonds as "AAA," representing the highest ratings awarded. The Comptroller General's Office annually furnishes the State's Comprehensive Annual Financial Report and related information to the bond rating firms. This process is critical to ensuring that the State maintains its current high bond ratings. A report issued in 1997 by the South

Carolina Legislative Audit Council emphasized the usefulness of the information that the Comptroller General's Office provides in the determination of the State's credit rating.

During the fiscal year ended June 30, 1997, South Carolina issued \$95.000 million and retired \$94.385 million in general obligation bonds payable by governmental funds. Of the amount issued, \$45.000 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, 1997, the Higher Education Funds reported State institution general obligation bonds outstanding of \$85.365 million.

The State's available legal debt margin at June 30, 1997, was \$4.635 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, 1997, was \$51.455 million for highway bonds and \$68.276 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:

	1997	1996	1995
Net general obligation bonds/notes outstanding.....	\$967 million	\$965 million	\$854 million
Net general obligation bonds/notes outstanding per capita.....	\$256	\$261	\$233

The General Services Fund, an Internal Service Fund, had \$28.977 million of limited obligation lease revenue bonds outstanding at June 30, 1997.

The primary government's higher education institutions and enterprise entities had revenue bonds, notes, and certificates of participation of \$1.261 billion outstanding on June 30, 1997. Revenue bonds, notes, and certificates of participation outstanding (expressed in thousands) by agency were:

South Carolina Housing Authority.....	\$ 488,091
South Carolina Education Assistance Authority.....	391,915
Various higher education institutions.....	380,647
Other State agencies.....	28
Total—primary government.....	\$ 1,260,681

In addition, discretely presented component units had the following amounts of bonds and notes outstanding (expressed in thousands) at June 30, 1997:

South Carolina Public Service Authority (Santee-Cooper).....	\$ 2,229,862
South Carolina State Ports Authority.....	86,080
Enterprise Development, Inc.....	175
Total—discretely presented component units.....	<u>\$ 2,316,117</u>

During its fiscal year ended December 31, 1996, the Public Service Authority (Santee-Cooper) advance refunded \$342.970 million in revenue bonds to reduce its total debt service payments over the next twenty-seven years by approximately \$150.258 million and to obtain an economic gain of approximately \$27.097 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 income for the General Fund totaled \$66.896 million for the fiscal year ended June 30, 1997.

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 covered claims. The Fund purchases reinsurance 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 to participating licensed health care providers within the State of South Carolina.

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 Deloitte & Touche 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 as amended in 1996. 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, 1996. 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.

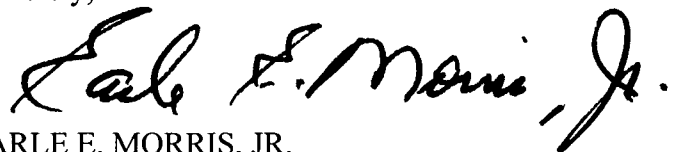
The State of South Carolina has received a Certificate of Achievement for the last nine consecutive years (1987-88 through 1995-96). Again this year, the State will submit its CAFR to the Certificate of Achievement for Excellence in Financial Reporting program of the GFOA. I firmly believe that South Carolina's report for the fiscal year ended June 30, 1997, 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 State House Committee members and to the Committee Chairman, Senator J. Verne Smith, for providing photographs and background information for the photograph captions included in this report. In addition, thanks are due to Professor John M. Bryan, University of South Carolina, for writing the photograph captions, and to Dr. William C. Gillespie, Chief Economist of the State of South Carolina, and Philip G. Grose, Jr., Director of the State Budget and Control Board's Executive Institute, for providing invaluable assistance in producing the report.

Sincerely,

A handwritten signature in dark ink, reading "Earle E. Morris, Jr." with a stylized flourish at the end.

EARLE E. MORRIS, JR.
Comptroller General

**Photograph is not available
in web version of CAFR**

The present State House was put into service in 1869 with a temporary—largely wooden—roof and interior.

**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, 1996

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.



Lida K. Savitsky
President

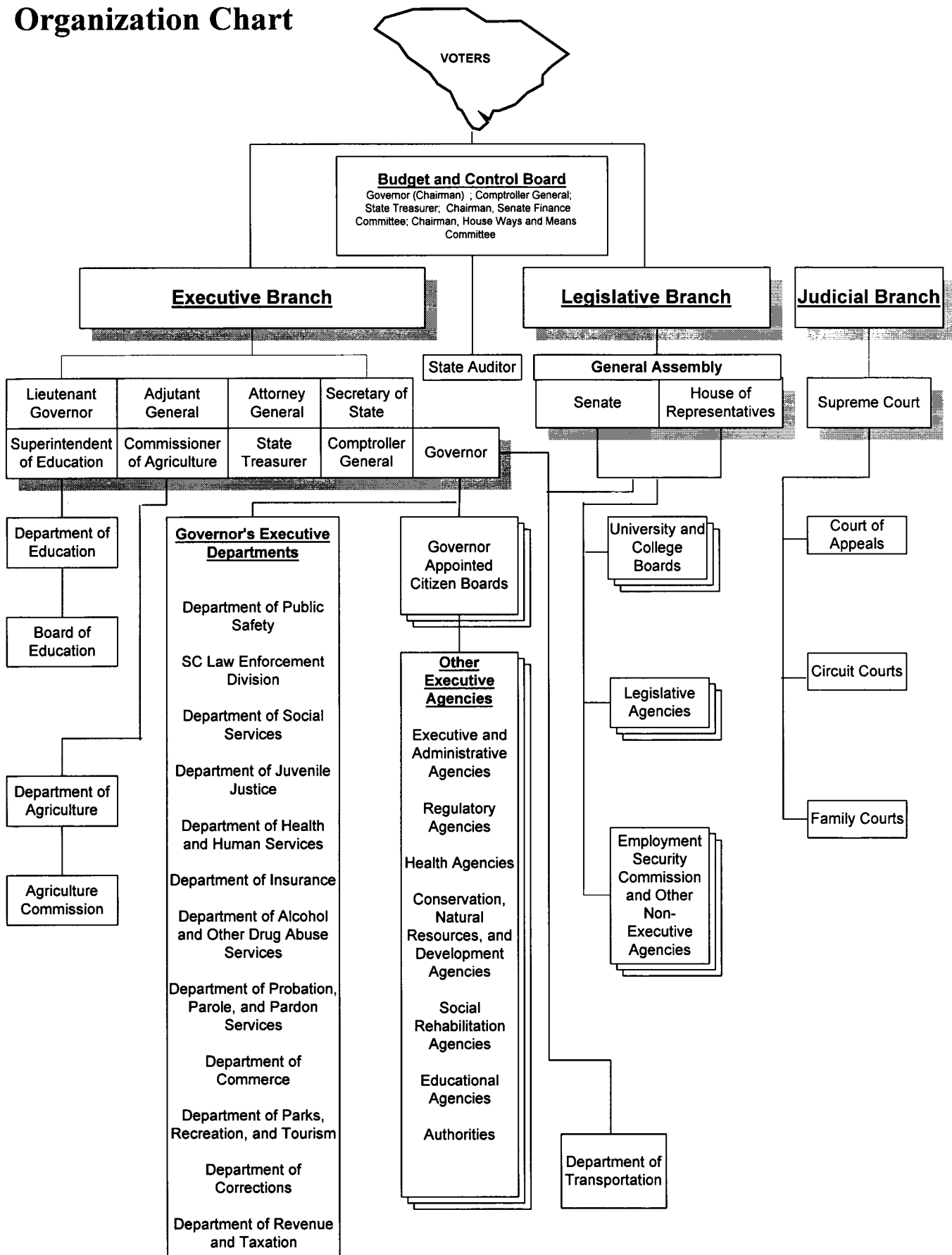
Jeffrey L. Esser
Executive Director

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.

Organization Chart



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in web version of CAFR**

Financial Section

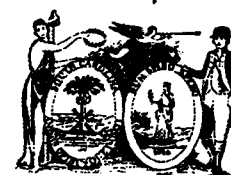
**Photograph is not available
in web version of CAFR**

New State House, North Façade, anonymous, 1896,
courtesy of the South Caroliniana Library

The steps and portico have not been built,
and the trees which were planted in the
1870s and 1880s are immature.



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, 1997, 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 89%), Internal Service (76% 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 (9% 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 35% and 43% 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 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 an 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. 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 those auditors provide a reasonable basis for our opinion.

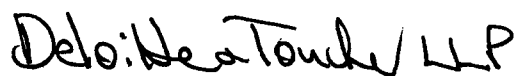
In our opinion, based on our audit and reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of South Carolina as of June 30, 1997, and the results of its operations and cash flows of its proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3(b) to the general purpose financial statements, in fiscal year 1997, the State of South Carolina adopted GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*.

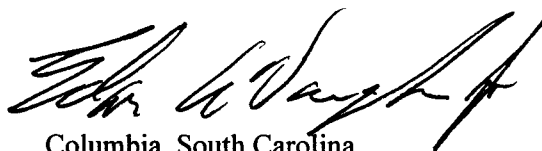
In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 1997 on our consideration of the State of South Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our joint audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The required supplementary information and the combining financial statements and schedules listed in the accompanying table of contents are presented for 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.



Columbia, South Carolina
December 2, 1997



Columbia, South Carolina
December 2, 1997

**Photograph is not available
in web version of CAFR**

The present State House was designed to face North and was sited to span two blocks of the original city plan. Note the columns for the porticoes (not built until 1900-1903) stacked on the grounds near the corner of Sumter and Senate Streets.

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

Combined Balance Sheet

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

June 30, 1997

(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	\$ 601,896	\$ 762,527	\$ 87,058	\$ 88,064	\$ 338,758	\$ 990,714
Cash on deposit with fiscal agents	—	—	—	—	—	664,540
Investments	—	217	—	3,730	210,328	17,293,966
Securities lending investments.....	33,339	8,571	1,137	1,665	33,289	1,400,921
Receivables, net:						
Accounts	33,539	59,614	551	11,155	62,417	303,539
Taxes	275,187	102,854	—	—	—	44,976
Patient and student	—	—	—	—	—	—
Student loans	—	14,645	—	20	—	—
Loans and notes	1,003	141,912	—	379,546	—	25,213
Due from Federal government and other grantors	6,000	194,018	126	1,458	44	1,714
Due from other funds	174	90,132	451	1	21,962	7,791
Interfund receivables	4,676	1,960	—	—	4,679	—
Advances to other funds	9,771	7,087	—	—	23,394	—
Inventories	14,623	22,051	—	1,927	6,702	—
Prepaid long-term operating lease.....	—	—	—	—	—	—
Servicing rights, net.....	—	—	—	2,070	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	225,653	—	—
Investments	—	—	—	64,991	—	—
Loans receivable	—	—	—	468,035	—	—
Other	—	—	—	8,251	—	—
Other assets	—	143	—	863	2,453	5,310
Deferred charges	—	—	—	1,497	—	—
Property, plant, and equipment, net	—	—	—	24,886	147,424	4,767
Amount to be provided for retirement of long-term obligations	—	—	—	—	—	—
Total assets and other debits	\$ 980,208	\$ 1,405,731	\$ 89,323	\$ 1,283,812	\$ 851,450	\$ 20,743,451

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

ACCOUNT GROUPS			Totals Primary Government (Memorandum Only)			Totals Reporting Entity (Memorandum Only)		
General Fixed Assets	General Long-Term Obligations	HIGHER EDUCATION FUNDS	June 30		COMPONENT UNITS	June 30		
			1997	1996		1997	1996	
\$ —	\$ —	\$ 637,785	\$ 3,506,802	\$ 3,142,144	\$ 79,213	\$ 3,586,015	\$ 3,227,087	
—	—	—	664,540	604,965	—	664,540	604,965	
—	—	90,662	17,598,903	16,313,044	83,576	17,682,479	16,349,624	
—	—	22,568	1,501,490	1,419,353	641	1,502,131	1,419,353	
—	—	15,557	486,372	433,140	83,758	570,130	510,877	
—	—	—	423,017	419,009	—	423,017	419,009	
—	—	92,259	92,259	77,726	—	92,259	77,726	
—	—	44,827	59,492	58,603	—	59,492	58,603	
—	—	114	547,788	533,507	881	548,669	534,089	
—	—	54,785	258,145	232,427	636	258,781	232,958	
—	—	20,939	141,450	153,091	—	141,450	153,091	
—	—	—	11,315	11,321	—	11,315	11,321	
—	—	—	40,252	43,472	—	40,252	43,472	
—	—	21,616	66,919	67,498	75,089	142,008	144,417	
—	—	18,353	18,353	19,033	—	18,353	19,033	
—	—	—	2,070	2,185	—	2,070	2,185	
—	—	—	225,653	209,776	183,952	409,605	376,243	
—	—	—	64,991	78,484	180,506	245,497	309,196	
—	—	—	468,035	457,381	—	468,035	457,381	
—	—	—	8,251	7,556	—	8,251	7,556	
—	—	33,388	42,157	33,938	3,394	45,551	37,644	
—	—	—	1,497	1,548	528,156	529,653	533,346	
2,303,849	—	2,841,563	5,322,489	5,074,927	2,645,153	7,967,642	7,726,178	
—	1,202,108	—	1,202,108	1,191,023	—	1,202,108	1,191,023	
\$ 2,303,849	\$ 1,202,108	\$ 3,894,416	\$ 32,754,348	\$ 30,585,151	\$ 3,864,955	\$ 36,619,303	\$ 34,446,377	

Continued on Next Page

Combined Balance Sheet

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

June 30, 1997

(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	\$ 178,546	\$ 305,845	\$ 5,781	\$ 43,539	\$ 169,076	\$ 27,830
Tax refunds payable	355,776	972	—	—	—	1,577
Intergovernmental payables	58,247	99,770	—	—	—	535
Insurance claims incurred but not reported	—	—	—	3,925	167,476	—
Due to other funds	66,194	12,542	397	1,146	—	54,939
Interfund payables	3,372	3,368	—	220	1,647	348
Advances from other funds	15,402	300	—	14,037	8,175	—
Deferred revenues and deferred credits	107,122	71,650	34	3,027	68,460	476
Deposits	—	—	—	100	—	526
Amounts held in custody for others	—	—	—	—	—	1,195,246
Deferred compensation	—	—	—	—	—	1,020,301
Obligations under securities lending	33,339	8,571	1,137	1,665	33,289	1,400,921
Liabilities payable from restricted assets	—	—	—	45,342	—	—
Notes payable	—	—	—	28	—	—
General obligation bonds payable	—	—	—	—	—	—
Revenue bonds payable	—	—	—	880,006	—	—
Limited obligation bonds payable	—	—	—	—	28,977	—
Certificates of participation payable	—	—	—	—	—	—
Capital lease and installment debt obligations payable	—	—	—	—	10,572	—
Commercial paper notes	—	—	—	—	—	—
Compensated absences payable	—	—	—	990	4,245	—
Other liabilities, including retainages payable	5,757	26,927	3,495	3,130	270	5
Total liabilities	823,755	529,945	10,844	997,155	492,187	3,702,704
Fund equity and other credits:						
Contributed capital	—	—	—	16,870	76,537	—
Investment in fixed assets	—	—	—	—	—	—
Retained earnings:						
Reserved	—	—	—	210,042	—	—
Unreserved	—	—	—	59,745	282,726	—
Fund balances (deficit):						
Reserved	450,686	205,377	—	—	—	16,938,692
Unreserved, Designated	—	128,640	78,479	—	—	—
Unreserved, Undesignated	(294,233)	541,769	—	—	—	102,055
Total fund equity and other credits	156,453	875,786	78,479	286,657	359,263	17,040,747
Total liabilities, fund equity, and other credits	\$ 980,208	\$ 1,405,731	\$ 89,323	\$ 1,283,812	\$ 851,450	\$ 20,743,451

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

ACCOUNT GROUPS			Totals				Totals	
			Primary Government				Reporting Entity	
			(Memorandum Only)				(Memorandum Only)	
			June 30		June 30			
General	General	HIGHER EDUCATION FUNDS			COMPONENT UNITS			
Fixed	Long-Term		1997	1996		1997	1996	
Assets	Obligations							
\$		\$	\$	\$	\$	\$	\$	
—	2,416	98,846	831,879	944,363	110,528	942,407	1,052,781	
—	—	—	358,325	348,773	—	358,325	348,773	
—	21,850	—	180,402	145,713	—	180,402	145,713	
—	3,376	—	174,777	167,950	—	174,777	167,950	
—	—	6,232	141,450	153,091	—	141,450	153,091	
—	—	2,360	11,315	11,121	—	11,315	11,121	
—	—	2,538	40,452	43,672	—	40,452	43,672	
—	—	39,910	290,679	226,628	42,509	333,188	266,707	
—	—	3,339	3,965	4,174	—	3,965	4,174	
—	—	7,249	1,202,495	1,138,460	—	1,202,495	1,138,460	
—	—	—	1,020,301	902,398	—	1,020,301	902,398	
—	—	22,568	1,501,490	1,419,353	641	1,502,131	1,419,353	
—	—	—	45,342	43,037	—	45,342	43,037	
—	—	110,761	110,789	109,906	175	110,964	109,906	
—	966,808	85,365	1,052,173	1,007,394	—	1,052,173	1,007,394	
—	—	247,695	1,127,701	1,145,313	2,315,942	3,443,643	3,496,135	
—	—	—	28,977	6,672	—	28,977	6,672	
—	—	22,191	22,191	22,870	—	22,191	22,870	
—	15,494	25,390	51,456	76,701	42,806	94,262	123,154	
—	—	—	—	—	204,773	204,773	237,320	
—	166,740	81,379	253,354	239,944	11,966	265,320	250,034	
—	25,424	6,211	71,219	83,974	53,520	124,739	137,429	
—	1,202,108	762,034	8,520,732	8,241,507	2,782,860	11,303,592	11,088,144	
—	—	—	93,407	93,787	209,856	303,263	303,141	
2,303,849	—	2,407,867	4,711,716	4,476,875	—	4,711,716	4,476,875	
—	—	—	210,042	188,301	—	210,042	188,301	
—	—	—	342,471	349,222	872,239	1,214,710	1,154,457	
—	—	273,586	17,868,341	16,473,611	—	17,868,341	16,473,611	
—	—	137,245	344,364	256,303	—	344,364	256,303	
—	—	313,684	663,275	505,545	—	663,275	505,545	
2,303,849	—	3,132,382	24,233,616	22,343,644	1,082,095	25,315,711	23,358,233	
\$ 2,303,849	\$ 1,202,108	\$ 3,894,416	\$ 32,754,348	\$ 30,585,151	\$ 3,864,955	\$ 36,619,303	\$ 34,446,377	

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, 1997
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes:			
Individual income.....	\$ 1,927,600	\$ —	\$ —
Retail sales and use.....	1,613,374	528,490	—
Other.....	693,969	469,920	657
Licenses, fees, and permits.....	182,419	76,541	—
Interest and other investment income.....	66,896	46,303	760
Federal.....	80,215	3,007,097	10,206
Departmental services.....	306,513	226,882	1
Contributions.....	643	115,096	614
Fines and penalties.....	15,255	42,915	69
Other.....	12,697	57,727	23
Total revenues.....	4,899,581	4,570,971	12,330
Expenditures:			
Current:			
General government.....	255,756	95,400	—
Education.....	191,047	135,056	—
Health and environment.....	993,263	2,039,732	—
Social services.....	112,738	587,704	—
Administration of justice.....	488,018	55,438	—
Resources and economic development.....	66,829	83,302	—
Transportation.....	—	230,384	—
Capital outlay.....	—	436,798	69,702
Debt service:			
Principal retirement.....	94,763	2,965	—
Interest and fiscal charges.....	49,748	3,745	—
Intergovernmental.....	1,871,747	933,837	—
Total expenditures.....	4,123,909	4,604,361	69,702
Revenues over (under) expenditures.....	775,672	(33,390)	(57,372)
Other financing sources (uses):			
Proceeds from bonds and notes.....	—	44,550	50,000
Lease and installment debt proceeds.....	1,721	651	—
Operating transfers in.....	1,006	168,756	54,392
Transfers from component units.....	7,463	—	—
Operating transfers out.....	(913,772)	(4,862)	(6,015)
Total other financing sources (uses).....	(903,582)	209,095	98,377
Revenues and other sources over (under) expenditures and other uses.....	(127,910)	175,705	41,005
Fund balances, July 1 (restated).....	284,731	701,498	38,811
Increases (decreases) in reserve for inventories.....	(368)	(915)	—
Residual equity transfers out.....	—	(502)	(1,337)
Fund balances, June 30.....	\$ 156,453	\$ 875,786	\$ 78,479

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

**FIDUCIARY
FUND TYPE**
**Totals
(Memorandum Only)
June 30**

Expendable Trust	1997	1996
\$ —	\$ 1,927,600	\$ 1,809,287
—	2,141,864	2,034,484
214,848	1,379,394	1,357,455
2,232	261,192	247,289
48,219	162,178	144,414
12,179	3,109,697	2,932,488
—	533,396	535,265
142	116,495	107,081
—	58,239	55,379
1,368	71,815	75,459
278,988	9,761,870	9,298,601
199,618	550,774	544,603
199	326,302	379,984
29	3,033,024	2,946,512
33	700,475	709,809
1	543,457	488,425
—	150,131	155,308
—	230,384	218,366
—	506,500	473,922
—	97,728	82,997
—	53,493	50,574
4	2,805,588	2,636,447
199,884	8,997,856	8,686,947
79,104	764,014	611,654
—	94,550	190,910
—	2,372	3,500
383	224,537	160,828
—	7,463	6,681
(1,245)	(925,894)	(836,064)
(862)	(596,972)	(474,145)
78,242	167,042	137,509
742,426	1,767,466	1,634,969
—	(1,283)	2,793
—	(1,839)	(7,805)
\$ 820,668	\$ 1,931,386	\$ 1,767,466

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, 1997
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Admissions tax.....	\$ 3,000	\$ 2,096	\$ (904)
Aircraft tax.....	3,648	3,277	(371)
Alcoholic liquors tax.....	47,460	48,269	809
Bank tax.....	13,637	16,043	2,406
Beer and wine tax.....	78,819	79,984	1,165
Business license tax.....	26,750	30,510	3,760
Coin-operated device tax.....	35,000	58,107	23,107
Commercial nuclear waste tax.....	—	—	—
Contractors' license tax.....	—	—	—
Corporation income tax.....	225,510	220,237	(5,273)
Corporation license tax.....	43,351	52,246	8,895
Department of Agriculture.....	7,237	7,381	144
Departmental revenue (primarily grant revenues and fees for services).....	42,369	47,587	5,218
Documentary tax.....	20,662	19,445	(1,217)
Earned on investments.....	55,000	65,616	10,616
Education Improvement Act—1% sales tax.....	—	—	—
Education Improvement Act—investment earnings.....	—	—	—
Education Improvement Act—other.....	—	—	—
Electric power tax.....	20,391	19,091	(1,300)
Estate tax.....	21,638	28,174	6,536
Excise tax—casual sales.....	14,413	14,640	227
Fertilizer inspection tax.....	200	204	4
Gasoline tax—counties.....	19,789	18,128	(1,661)
Individual income tax.....	1,920,564	1,932,992	12,428
Insurance tax.....	90,667	92,922	2,255
Miscellaneous sources.....	65,150	62,938	(2,212)
Motor transport fees.....	2,500	212	(2,288)
Motor vehicle licenses.....	105,211	101,704	(3,507)
Nonrecurring (excess warrants for distraint).....	—	932	932
Private car lines tax.....	1,800	1,762	(38)
Public service assessment.....	—	—	—
Public Service Authority.....	7,154	7,463	309
Retail sales tax (4%).....	1,610,755	1,619,982	9,227
Retail sales tax—mail order sales.....	—	—	—
Retailers' license tax.....	1,031	1,039	8
Savings and loan association tax.....	3,908	3,070	(838)
Soft drinks tax.....	22,631	22,622	(9)
Workers' compensation insurance tax.....	9,539	9,643	104
Total revenues.....	4,519,784	4,588,316	68,532

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)
\$ 32,007	\$ 25,237	\$ (6,770)	\$ 35,007	\$ 27,333	\$ (7,674)
—	—	—	3,648	3,277	(371)
—	—	—	47,460	48,269	809
—	—	—	13,637	16,043	2,406
—	—	—	78,819	79,984	1,165
—	—	—	26,750	30,510	3,760
250	250	—	35,250	58,357	23,107
105,305	73,600	(31,705)	105,305	73,600	(31,705)
1,500	1,677	177	1,500	1,677	177
—	—	—	225,510	220,237	(5,273)
—	—	—	43,351	52,246	8,895
3,150	2,348	(802)	10,387	9,729	(658)
7,246,325	6,026,038	(1,220,287)	7,288,694	6,073,625	(1,215,069)
2,760	1,372	(1,388)	23,422	20,817	(2,605)
22,838	47,749	24,911	77,838	113,365	35,527
406,292	404,838	(1,454)	406,292	404,838	(1,454)
3,000	2,639	(361)	3,000	2,639	(361)
3,622	3,670	48	3,622	3,670	48
—	—	—	20,391	19,091	(1,300)
—	—	—	21,638	28,174	6,536
—	—	—	14,413	14,640	227
—	—	—	200	204	4
—	—	—	19,789	18,128	(1,661)
—	—	—	1,920,564	1,932,992	12,428
333	267	(66)	91,000	93,189	2,189
181,297	110,292	(71,005)	246,447	173,230	(73,217)
—	2,367	2,367	2,500	2,579	79
3,041	1,580	(1,461)	108,252	103,284	(4,968)
6	1	(5)	6	933	927
—	—	—	1,800	1,762	(38)
5,416	4,864	(552)	5,416	4,864	(552)
—	—	—	7,154	7,463	309
—	255	255	1,610,755	1,620,237	9,482
32,000	—	(32,000)	32,000	—	(32,000)
—	—	—	1,031	1,039	8
—	—	—	3,908	3,070	(838)
—	—	—	22,631	22,622	(9)
—	—	—	9,539	9,643	104
8,049,142	6,709,044	(1,340,098)	12,568,926	11,297,360	(1,271,566)

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, 1997

(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Legislative.....	\$ 31,608	\$ 27,507	\$ 4,101
Judicial.....	37,870	35,034	2,836
Executive and administrative.....	225,101	164,236	60,865
Educational.....	2,178,704	2,111,951	66,753
Health.....	768,368	742,824	25,544
Social rehabilitation services.....	160,027	132,595	27,432
Correctional and public safety.....	516,681	478,064	38,617
Conservation, natural resources, and development...	151,581	118,945	32,636
Regulatory.....	58,559	56,088	2,471
Department of Transportation.....	590	586	4
Debt service.....	157,460	156,809	651
Miscellaneous.....	549,667	507,854	41,813
Enterprise agencies.....	—	—	—
Total expenditures.....	4,836,216	4,532,493	303,723
Excess of revenues over (under) expenditures.....	(316,432)	55,823	372,255
Other financing sources (uses):			
Operating transfers in.....	—	—	—
Operating transfers out.....	(80,490)	(145,994)	(65,504)
Total financing sources (uses).....	(80,490)	(145,994)	(65,504)
Excess of revenues and other sources over (under) expenditures and other uses.....	(396,922)	(90,171)	306,751
Budgetary fund balance, July 1, 1996.....	598,878	598,878	—
Budgetary fund balance, June 30, 1997.....	\$ 201,956	\$ 508,707	\$ 306,751

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)
\$ 752	\$ 551	\$ 201	\$ 32,360	\$ 28,058	\$ 4,302
268	79	189	38,138	35,113	3,025
482,775	285,254	197,521	707,876	449,490	258,386
2,685,041	2,041,070	643,971	4,863,745	4,153,021	710,724
2,834,877	2,593,838	241,039	3,603,245	3,336,662	266,583
850,661	634,198	216,463	1,010,688	766,793	243,895
218,399	117,094	101,305	735,080	595,158	139,922
222,513	151,213	71,300	374,094	270,158	103,936
169,121	140,330	28,791	227,680	196,418	31,262
763,575	664,928	98,647	764,165	665,514	98,651
—	—	—	157,460	156,809	651
—	—	—	549,667	507,854	41,813
1,908	1,908	—	1,908	1,908	—
8,229,890	6,630,463	1,599,427	13,066,106	11,162,956	1,903,150
(180,748)	78,581	259,329	(497,180)	134,404	631,584
80,490	145,994	65,504	80,490	145,994	65,504
—	—	—	(80,490)	(145,994)	(65,504)
80,490	145,994	65,504	—	—	—
(100,258)	224,575	324,833	(497,180)	134,404	631,584
861,583	861,583	—	1,460,461	1,460,461	—
\$ 761,325	\$ 1,086,158	\$ 324,833	\$ 963,281	\$ 1,594,865	\$ 631,584

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, 1997

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Operating revenues:			
Charges for services.....	\$ 72,910	\$ 813,705	\$ —
Contributions.....	—	8	158
Interest and other investment income.....	55,552	37,030	2
Licenses, fees, and permits.....	—	—	91
Other operating revenues.....	—	—	—
Total operating revenues.....	128,462	850,743	251
Operating expenses:			
General operations and administration.....	37,767	261,072	—
Benefits and claims.....	7,105	581,101	—
Interest.....	55,559	—	—
Depreciation and amortization.....	1,170	14,042	—
Other operating expenses.....	2,268	565	3
Total operating expenses.....	103,869	856,780	3
Operating income (loss).....	24,593	(6,037)	248
Nonoperating revenues (expenses):			
Interest income.....	1,627	1,791	—
Federal revenue.....	22,699	620	—
Costs to be recovered from future revenues.....	—	—	—
Interest expense.....	(1,069)	(5,771)	—
Other nonoperating revenues (expenses).....	(25,576)	(282)	—
Total nonoperating revenues (expenses).....	(2,319)	(3,642)	—
Income (loss) before operating transfers and extraordinary items.....	22,274	(9,679)	248
Operating transfers in.....	125	3,874	—
Operating transfers out.....	—	(1,361)	—
Transfers to primary government.....	—	—	—
Income (loss) before extraordinary items.....	22,399	(7,166)	248
Extraordinary loss on early extinguishment of debt.....	(243)	—	—
Net income (loss).....	22,156	(7,166)	248
Retained earnings/fund balances, July 1 (restated)	247,631	289,892	1,271
Net unrealized gain (loss) on investment securities available for sale.....	—	—	—
Retained earnings/fund balances, June 30.....	269,787	282,726	1,519
Contributed capital, July 1 (restated).....	15,533	78,254	—
Additions to contributed capital	1,337	5,303	—
Deductions from contributed capital.....	—	(7,020)	—
Fund equity, June 30.....	\$ 286,657	\$ 359,263	\$ 1,519

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	
1997	1996		1997	1996
\$ 886,615	\$ 856,871	\$ 773,024	\$ 1,659,639	\$ 1,564,454
166	38	495	661	38
92,584	92,526	12	92,596	92,543
91	72	—	91	72
—	2	—	—	2
979,456	949,509	773,531	1,752,987	1,657,109
298,839	272,864	436,933	735,772	687,847
588,206	538,661	—	588,206	538,661
55,559	58,055	—	55,559	58,055
15,212	12,141	125,780	140,992	128,157
2,836	6,431	1,929	4,765	8,361
960,652	888,152	564,642	1,525,294	1,421,081
18,804	61,357	208,889	227,693	236,028
3,418	3,465	26,214	29,632	26,053
23,319	21,142	309	23,628	22,725
—	—	2,034	2,034	24,854
(6,840)	(7,374)	(169,572)	(176,412)	(177,223)
(25,858)	(27,769)	9,465	(16,393)	(27,631)
(5,961)	(10,536)	(131,550)	(137,511)	(131,222)
12,843	50,821	77,339	90,182	104,806
3,999	303	—	3,999	303
(1,361)	(1,473)	—	(1,361)	(1,473)
—	—	(6,682)	(6,682)	(6,436)
15,481	49,651	70,657	86,138	97,200
(243)	(298)	—	(243)	(298)
15,238	49,353	70,657	85,895	96,902
538,794	489,441	805,235	1,344,029	1,238,902
—	—	(3,653)	(3,653)	8,225
554,032	538,794	872,239	1,426,271	1,344,029
93,787	88,597	209,354	303,141	295,155
6,640	8,415	502	7,142	11,220
(7,020)	(3,225)	—	(7,020)	(3,234)
\$ 647,439	\$ 632,581	\$ 1,082,095	\$ 1,729,534	\$ 1,647,170

Combined Statement of Cash Flows

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

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Cash flows from operating activities:			
Operating income (loss).....	\$ 24,593	\$ (6,037)	\$ 248
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:			
Depreciation and amortization	1,170	14,042	—
Provisions for loan losses and bad debts.....	(493)	—	—
Amortization of deferred gain on sale of capital leaseback.....	—	(296)	—
Gain on disposition of property and equipment	—	34	—
Issuance of loans and notes.....	(108,213)	—	—
Collection of loans and notes.....	108,224	—	—
Interest payments	55,560	—	—
Interest on investments and interfund loans.....	(16,639)	(37,807)	(2)
Amounts received for payment of claims.....	56,273	—	—
Payment of claims.....	(58,000)	—	—
Deferred coal contract buy-out costs.....	—	—	—
Donated property.....	—	—	—
Other nonoperating revenues.....	—	1,084	—
Other nonoperating expenses.....	(311)	(124)	—
Other.....	388	(2,422)	—
Change in assets--decreases (increases):			
Accounts receivable, net.....	336	(28,309)	—
Student loans receivable, net.....	3	—	—
Due from Federal government and other grantors.....	146	(30)	—
Due from other funds.....	(1)	11,546	—
Due from primary government.....	—	—	—
Inventories.....	(230)	(801)	—
Other restricted assets.....	—	—	—
Other current assets.....	(620)	(638)	—
Deferred charges.....	—	—	—
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities.....	(8,847)	(28,513)	—
Insurance claims incurred but not reported.....	768	9,523	—
Due to other funds.....	102	—	—
Due to primary government.....	—	—	—
Deferred revenues	1,315	27,965	—
Deposits.....	(9)	—	—
Liabilities payable from restricted assets	—	—	—
Limited obligation bonds payable	—	—	—
Compensated absences payable	85	551	—
Other liabilities, including retainages payable.....	(3)	140	—
Net cash provided by (used in) operating activities.....	55,597	(40,092)	246
Cash flows from noncapital financing activities:			
Principal payments received from other funds.....	—	9,561	—
Proceeds from loans made by other funds.....	—	4,368	—
Principal payments made to other funds.....	(20)	(5,926)	—
Receipt of interest from other funds.....	—	4,374	—
Interest payments made to other funds	—	(3,019)	—
Loans made to other funds.....	—	(10,866)	—
Proceeds from sale of notes payable	1,730	—	—
Principal payments on notes payable	(440)	—	—
Proceeds from sale of revenue bonds.....	29,643	—	—
Principal payments on revenue bonds.....	(58,845)	—	—
Interest payments	(56,752)	—	—
Payment of bond issuance costs.....	(68)	—	—
Federal revenue	22,604	620	—
Payments from Federal grants.....	(24,869)	—	—
Operating transfers in	125	3,874	—
Operating transfers out	—	(1,361)	—
Transfers to primary government	—	—	—
Indirect cost remitted to State General Fund.....	(19)	—	—
Loss on early extinguishment of debt.....	—	—	—
Net cash provided by (used in) noncapital financing activities.....	(86,911)	1,625	—

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	
1997	1996		1997	1996
\$ 18,804	\$ 61,357	\$ 208,889	\$ 227,693	\$ 236,028
15,212	12,141	125,780	140,992	128,157
(493)	1,443	57	(436)	1,443
(296)	—	—	(296)	—
34	165	32	66	165
(108,213)	(145,389)	(387)	(108,600)	(145,389)
108,224	113,438	35	108,259	113,483
55,560	57,554	—	55,560	57,554
(54,448)	(52,146)	—	(54,448)	(52,146)
56,273	50,178	—	56,273	50,178
(58,000)	(54,991)	—	(58,000)	(54,991)
—	—	5,700	5,700	(50,200)
—	—	(495)	(495)	—
1,084	906	43	1,127	1,231
(435)	(132)	(160)	(595)	(169)
(2,034)	—	108	(1,926)	(305)
(27,973)	9,547	(6,143)	(34,116)	(987)
3	5	—	3	5
116	17	—	116	901
11,545	2,499	—	11,545	2,499
—	—	—	—	87
(1,031)	16	3,613	2,582	1,045
—	(54)	—	—	(54)
(1,258)	56	313	(945)	(749)
—	—	5,460	5,460	—
(37,360)	(5,732)	(3,144)	(40,504)	(12,679)
10,291	1,786	—	10,291	1,786
102	235	—	102	235
—	—	—	—	(805)
29,280	(7,639)	—	29,280	4,275
(9)	1	—	(9)	1
—	153	—	—	153
—	(142)	—	—	(142)
636	356	16	652	356
137	813	(863)	(726)	11,732
15,751	46,441	338,854	354,605	292,698
9,561	6,912	—	9,561	6,912
4,368	2,353	—	4,368	2,353
(5,946)	(5,845)	—	(5,946)	(5,845)
4,374	4,541	—	4,374	4,541
(3,019)	(3,289)	—	(3,019)	(3,289)
(10,866)	(5,624)	—	(10,866)	(5,624)
1,730	1,569	—	1,730	1,569
(440)	(425)	—	(440)	(425)
29,643	86,785	—	29,643	86,785
(58,845)	(46,700)	—	(58,845)	(46,700)
(56,752)	(57,924)	—	(56,752)	(57,924)
(68)	(835)	—	(68)	(835)
23,224	21,142	204	23,428	22,725
(24,869)	(21,083)	—	(24,869)	(21,083)
3,999	303	—	3,999	303
(1,361)	(1,473)	—	(1,361)	(1,473)
—	—	(6,682)	(6,682)	(6,436)
(19)	(37)	—	(19)	(37)
—	(212)	—	—	(212)
(85,286)	(19,842)	(6,478)	(91,764)	(24,695)

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, 1997
(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	\$ (2,069)	\$ (19,715)	\$ —
Proceeds from sale of property, plant, and equipment	—	—	—
Proceeds from sale of notes payable	—	—	—
Principal payments on notes payable	(513)	—	—
Proceeds from sale and refundings of revenue bonds	—	—	—
Principal payments and refundings on revenue bonds	—	—	—
Proceeds from sale of limited obligation bonds	—	22,512	—
Principal payments on limited obligation bonds	—	(215)	—
Interest payments	(3)	(2,744)	—
Payment of bond issuance costs	—	—	—
Increase (decreases) in commercial paper notes	—	—	—
Proceeds from the sale of capital assets	74	—	—
Principal payments on capital leases and installment debt obligations payable	—	(21,919)	—
Contributions of capital	1,337	—	—
Net cash used in capital and related financing activities	(1,174)	(22,081)	—
Cash flows from investing activities:			
Proceeds from sale of investments	28,299	53,869	—
Purchase of investments	(16,980)	(89,279)	—
Interest on investments	21,319	35,715	8
Issuance of loans	(1,730)	—	—
Collection of loans	584	—	—
Net cash provided by investing activities	31,492	305	8
Net increase (decrease) in cash and cash equivalents	(996)	(60,243)	254
Cash and cash equivalents at beginning of year (restated)	314,713	399,001	1,237
Cash and cash equivalents at end of year	\$ 313,717	\$ 338,758	\$ 1,491
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents for Fiduciary Funds			\$ 990,714
Less: Cash and cash equivalents for Expendable Trust Funds, Pension Trust Funds, and Agency Funds			(989,223)
Cash and cash equivalents Nonexpendable Trust Fund			\$ 1,491
Noncash capital, investing, and financing activities:			
Acquisition of property and equipment through:			
Contributions and transfers from other funds	\$ —	\$ 3,260	\$ —
Donations	—	20	—
Contributions from other funds	—	—	—
Total noncash capital, investing, and financing activities	\$ —	\$ 3,280	\$ —

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	
1997	1996		1997	1996
\$ (21,784)	\$ (14,748)	\$ (97,357)	\$ (119,141)	\$ (141,856)
—	—	11	11	324
—	1,000	175	175	1,000
(513)	(2,845)	—	(513)	(2,845)
—	—	354,220	354,220	317,791
—	—	(383,505)	(383,505)	(363,705)
22,512	—	—	22,512	—
(215)	—	—	(215)	—
(2,747)	(3,187)	(159,932)	(162,679)	(174,622)
—	—	(22,013)	(22,013)	(16,870)
—	—	(32,547)	(32,547)	118,620
74	231	—	74	231
(21,919)	(1,822)	(3,447)	(25,366)	(5,161)
1,337	—	502	1,839	2,796
<u>(23,255)</u>	<u>(21,371)</u>	<u>(343,893)</u>	<u>(367,148)</u>	<u>(264,297)</u>
82,168	141,425	5,642	87,810	197,302
(106,259)	(158,274)	(9,933)	(116,192)	(163,722)
57,042	52,539	27,563	84,605	74,422
(1,730)	(1,548)	—	(1,730)	(1,548)
584	425	—	584	425
<u>31,805</u>	<u>34,567</u>	<u>23,272</u>	<u>55,077</u>	<u>106,879</u>
<u>(60,985)</u>	<u>39,795</u>	<u>11,755</u>	<u>(49,230)</u>	<u>110,585</u>
<u>714,951</u>	<u>675,156</u>	<u>251,410</u>	<u>966,361</u>	<u>855,776</u>
<u>\$ 653,966</u>	<u>\$ 714,951</u>	<u>\$ 263,165</u>	<u>\$ 917,131</u>	<u>\$ 966,361</u>
\$ 3,260	\$ 2,038	\$ —	\$ 3,260	\$ 2,038
20	—	495	515	—
—	5,335	—	—	5,335
<u>\$ 3,280</u>	<u>\$ 7,373</u>	<u>\$ 495</u>	<u>\$ 3,775</u>	<u>\$ 7,373</u>

Combined Statement of Changes in Plan Net Assets

PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System
Additions:			
Contributions:			
Employer.....	\$ 374,452	\$ 61,651	\$ 2,492
Employee.....	306,678	38,402	563
Transfers from other systems.....	—	916	3
Total contributions.....	681,130	100,969	3,058
Investment income:			
Net appreciation (depreciation) in fair value of investments.....	359,294	27,814	651
Interest income.....	851,519	103,912	2,270
Securities lending income.....	53,111	4,389	28
Total investment income.....	1,263,924	136,115	2,949
Less:			
Investment expense.....	965	74	1
Securities lending expense.....	50,687	4,207	26
Net investment income.....	1,212,272	131,834	2,922
Operating transfers in (for supplemental benefits).....	5,305	137	—
Total additions.....	1,898,707	232,940	5,980
Deductions:			
Regular retirement benefits.....	602,922	63,958	3,751
Supplemental retirement benefits.....	5,305	137	—
Refunds of contributions to members.....	52,568	7,392	25
Group life insurance claims.....	7,957	919	77
Accidental death benefits.....	—	618	—
Depreciation.....	107	11	—
Administrative expense.....	9,805	1,072	25
Transfers to other systems.....	987	1	—
Total deductions.....	679,651	74,108	3,878
Net increase in plan net assets.....	1,219,056	158,832	2,102
Net assets held in trust for pension benefits:			
Beginning of year	13,279,659	1,447,882	33,324
End of year.....	<u>\$ 14,498,715</u>	<u>\$ 1,606,714</u>	<u>\$ 35,426</u>

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

Judges' and Solicitors' Retirement System	National Guard Pension System	Eliminations	Totals (Memorandum Only) June 30	
			1997	1996
\$ 4,771	\$ 2,499	\$ —	\$ 445,865	\$ 423,646
1,252	—	—	346,895	336,991
69	—	(988)	—	—
<u>6,092</u>	<u>2,499</u>	<u>(988)</u>	<u>792,760</u>	<u>760,637</u>
1,670	62	—	389,491	(180,370)
4,277	380	—	962,358	882,072
17	—	—	57,545	34,812
<u>5,964</u>	<u>442</u>	<u>—</u>	<u>1,409,394</u>	<u>736,514</u>
1	—	—	1,041	860
14	—	—	54,934	32,663
<u>5,949</u>	<u>442</u>	<u>—</u>	<u>1,353,419</u>	<u>702,991</u>
—	—	—	5,442	5,955
<u>12,041</u>	<u>2,941</u>	<u>(988)</u>	<u>2,151,621</u>	<u>1,469,583</u>
5,443	1,648	—	677,722	628,622
—	—	—	5,442	5,955
—	—	—	59,985	58,866
5	—	—	8,958	10,572
—	—	—	618	580
1	1	—	120	120
49	17	—	10,968	11,638
—	—	(988)	—	—
<u>5,498</u>	<u>1,666</u>	<u>(988)</u>	<u>763,813</u>	<u>716,353</u>
6,543	1,275	—	1,387,808	753,230
66,066	3,821	—	14,830,752	14,077,522
<u>\$ 72,609</u>	<u>\$ 5,096</u>	<u>\$ —</u>	<u>\$ 16,218,560</u>	<u>\$ 14,830,752</u>

Combined Statement of Changes in Fund Balances

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
Revenues and other additions:				
Unrestricted Current Fund revenues.....	\$ 1,187,513	\$ —	\$ —	\$ —
Restricted student tuition and fees.....	—	—	—	—
Federal grants and contracts—restricted.....	—	263,145	617	91
State grants—restricted.....	—	33,438	130	—
Private gifts, grants, and contracts—restricted.....	—	58,077	11	4,496
Investment income—restricted.....	—	4,672	243	615
Realized investment gains—unrestricted.....	—	—	—	526
Realized investment gains—restricted.....	—	302	136	3,751
Interest earned.....	—	—	1,051	—
Expended for plant facilities (including \$65,665 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness (including \$2,994 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness—defeased bonds.....	—	—	—	—
Proceeds of refunding bonds.....	—	—	—	—
Capitalization of interest cost.....	—	—	—	—
Sale of property.....	—	—	—	—
Foundations and institutes.....	—	—	—	—
Other revenues and additions.....	—	960	209	11
Total revenues and other additions.....	1,187,513	360,594	2,397	9,490
Expenditures and other deductions:				
Educational and general.....	1,218,113	333,980	—	—
Auxiliary enterprises.....	176,874	2,199	—	—
Hospital.....	345,473	—	—	—
Foundations and institutes.....	—	—	—	—
Indirect costs recovered.....	—	26,606	—	—
Loan cancellation and bad debt write-offs.....	—	—	713	—
Administration and collection costs.....	—	7	479	—
Realized investment losses—unrestricted.....	18	—	—	—
Realized investment losses—restricted.....	—	23	10	317
Expended for plant facilities (including noncapitalized expenditures of \$17,865).....	—	—	—	—
Retirement of indebtedness.....	—	—	—	—
Interest on indebtedness.....	—	—	—	—
Disposal of plant facilities.....	—	—	—	—
Refunding bonds issued.....	—	—	—	—
Payment to refunded bond escrow agent.....	—	—	—	—
Refunds to grantors.....	—	9	7	132
Other expenditures and deductions.....	1,860	21	—	24
Total expenditures and other deductions.....	1,742,338	362,845	1,209	473
Transfers in (out):				
Transfers among Higher Education Funds:				
Mandatory transfers for:				
Principal and interest.....	(37,451)	—	—	—
Loan fund matching grants.....	(232)	—	232	—
Other.....	(71)	25	—	16
Nonmandatory transfers.....	(32,737)	(1,164)	(23)	676
Operating transfers in.....	697,018	22,569	—	—
Operating transfers out.....	(37,695)	(26)	—	—
Total transfers in (out).....	588,832	21,404	209	692
Net increase (decrease) in fund balances.....	34,007	19,153	1,397	9,709
Fund balances, July 1 (restated).....	277,228	32,959	48,362	66,681
Fund balances, June 30.....	\$ 311,235	\$ 52,112	\$ 49,759	\$ 76,390

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	1997	1996
\$ —	\$ —	\$ —	\$ —	\$ 1,187,513	\$ 1,124,304
2,661	20,226	—	—	22,887	28,125
20,569	857	2,725	—	288,004	267,008
859	—	200	—	34,627	10,219
874	30	5,800	—	69,288	59,506
6,363	2,322	—	—	14,215	13,094
—	—	—	—	526	434
44	—	—	—	4,233	1,877
—	—	—	—	1,051	1,031
—	—	175,094	—	175,094	179,834
608	—	34,484	—	35,092	33,060
—	—	—	—	—	2,000
—	—	—	—	—	1,949
1,097	—	495	—	1,592	2,119
4,283	—	—	—	4,283	2,518
—	—	—	189,965	189,965	192,310
3,346	1,252	697	—	6,475	6,814
<u>40,704</u>	<u>24,687</u>	<u>219,495</u>	<u>189,965</u>	<u>2,034,845</u>	<u>1,926,202</u>
—	—	—	—	1,552,093	1,456,589
—	—	—	—	179,073	173,567
—	—	—	—	345,473	329,854
—	—	—	181,473	181,473	177,782
—	—	—	—	26,606	26,761
—	—	—	—	713	646
—	—	—	—	486	563
—	—	—	—	18	13
3	—	—	—	353	90
128,294	—	—	—	128,294	133,882
—	32,098	—	—	32,098	30,415
—	21,648	—	—	21,648	19,777
—	—	44,884	—	44,884	24,503
—	—	—	—	—	1,949
—	—	—	—	—	2,063
—	—	—	—	148	58
333	233	336	—	2,807	9,951
<u>128,630</u>	<u>53,979</u>	<u>45,220</u>	<u>181,473</u>	<u>2,516,167</u>	<u>2,388,463</u>
(270)	37,721	—	—	—	—
—	—	—	—	—	—
30	—	—	—	—	—
104,734	(16,318)	(50,865)	(4,303)	—	—
11,411	—	—	—	730,998	718,892
—	—	—	—	(37,721)	(48,441)
<u>115,905</u>	<u>21,403</u>	<u>(50,865)</u>	<u>(4,303)</u>	<u>693,277</u>	<u>670,451</u>
27,979	(7,889)	123,410	4,189	211,955	208,190
122,470	46,663	2,284,457	41,607	2,920,427	2,712,237
<u>\$ 150,449</u>	<u>\$ 38,774</u>	<u>\$ 2,407,867</u>	<u>\$ 45,796</u>	<u>\$ 3,132,382</u>	<u>\$ 2,920,427</u>

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

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Unrestricted	Restricted	Totals for the Fiscal Year Ended June 30	
			1997	1996
Revenues:				
Tuition and fees.....	\$ 400,258	\$ —	\$ 400,258	\$ 376,942
Federal grants and contracts.....	35,496	240,499	275,995	266,307
State grants and contracts.....	—	14,277	14,277	8,960
Local grants and contracts.....	28,690	1,606	30,296	28,228
Private gifts, grants, and contracts.....	20,477	54,689	75,166	68,670
Endowment income.....	748	1,052	1,800	2,462
Sales and services of educational departments.....	31,619	—	31,619	31,827
Sales and services of auxiliary enterprises.....	196,007	—	196,007	187,197
Sales and services of hospitals.....	421,131	—	421,131	404,717
Other.....	53,087	1,488	54,575	42,897
Total current revenues.....	1,187,513	313,611	1,501,124	1,418,207
Expenditures, mandatory and operating transfers:				
Educational and general:				
Instruction.....	583,668	26,016	609,684	580,956
Research.....	61,019	111,780	172,799	172,390
Public service.....	74,057	43,357	117,414	105,155
Academic support.....	132,868	3,903	136,771	121,352
Student services.....	76,910	11,136	88,046	79,114
Institutional support.....	138,548	1,939	140,487	144,026
Operation and maintenance of plant.....	113,315	1,013	114,328	112,458
Scholarships and fellowships.....	37,728	134,836	172,564	141,138
Educational and general expenditures.....	1,218,113	333,980	1,552,093	1,456,589
Mandatory transfers for:				
Principal and interest.....	3,572	—	3,572	4,197
Loan fund matching grants.....	232	—	232	422
Other.....	71	(25)	46	15
Total educational and general.....	1,221,988	333,955	1,555,943	1,461,223
Auxiliary enterprises:				
Expenditures.....	176,874	2,199	179,073	173,567
Mandatory transfers for principal and interest.....	21,088	—	21,088	18,253
Total auxiliary enterprises.....	197,962	2,199	200,161	191,820
Hospitals:				
Expenditures.....	345,473	—	345,473	329,854
Mandatory transfers for principal and interest.....	12,791	—	12,791	12,727
Total hospitals.....	358,264	—	358,264	342,581
Operating transfers in.....	(697,018)	(22,569)	(719,587)	(673,975)
Operating transfers out.....	37,695	26	37,721	37,579
Total expenditures, mandatory and operating transfers.....	1,118,891	313,611	1,432,502	1,359,228
Other additions (deductions):				
Excess of restricted receipts over transfers to revenues.....	—	20,377	20,377	2,906
Refunds to grantors.....	—	(9)	(9)	(8)
Other deductions.....	(34,615)	(1,215)	(35,830)	(16,601)
Total additions (deductions).....	(34,615)	19,153	(15,462)	(13,703)
Net increase in fund balances.....	\$ 34,007	\$ 19,153	\$ 53,160	\$ 45,276

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

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1997

(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.....	\$ 62,602	\$ 15,508	\$ 1,098	\$ 5	\$ 79,213
Investments.....	83,436	—	140	—	83,576
Securities lending investments.....	—	641	—	—	641
Receivables, net:					
Accounts.....	70,966	12,791	1	—	83,758
Loans and notes.....	—	—	15	—	15
Due from Federal government and other grantors.....	—	—	—	636	636
Inventories.....	73,924	1,165	—	—	75,089
Restricted assets:					
Cash and cash equivalents.....	117,607	—	—	—	117,607
Other current assets.....	83	3,296	—	15	3,394
Total current assets.....	408,618	33,401	1,254	656	443,929
Long-term assets:					
Loans and notes receivable, net.....	—	—	85	781	866
Restricted assets:					
Cash and cash equivalents.....	41,923	24,422	—	—	66,345
Investments.....	174,658	5,848	—	—	180,506
Deferred charges.....	526,655	1,501	—	—	528,156
Total long-term assets.....	743,236	31,771	85	781	775,873
Property, plant, and equipment:					
Land and improvements.....	—	235,652	—	207	235,859
Buildings and improvements.....	—	206,233	—	468	206,701
Utility plant.....	3,269,030	—	—	—	3,269,030
Machinery, equipment, and other.....	2,021	32,672	—	223	34,916
Construction in progress.....	68,241	22,294	—	—	90,535
Less: accumulated depreciation.....	(1,026,463)	(165,277)	—	(148)	(1,191,888)
Total property, plant, and equipment, net.....	2,312,829	331,574	—	750	2,645,153
Total assets.....	<u>\$ 3,464,683</u>	<u>\$ 396,746</u>	<u>\$ 1,339</u>	<u>\$ 2,187</u>	<u>\$ 3,864,955</u>

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 1997

(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.....	\$ 94,583	\$ 15,124	\$ 1	\$ 820	\$ 110,528
Obligations under securities lending.....	—	641	—	—	641
Notes payable.....	—	—	—	30	30
Revenue bonds payable.....	218,642	1,070	—	—	219,712
Capital lease and installment debt obligations payable.....	3,526	29	—	—	3,555
Commercial paper notes.....	204,773	—	—	—	204,773
Compensated absences payable.....	—	1,274	—	16	1,290
Other current liabilities, including retainages payable	36,297	1,242	—	—	37,539
Total current liabilities.....	557,821	19,380	1	866	578,068
Long-term liabilities:					
Deferred revenues and deferred credits.....	42,509	—	—	—	42,509
Notes payable.....	—	—	—	145	145
Revenue bonds payable.....	2,011,220	85,010	—	—	2,096,230
Capital lease and installment debt obligations payable.....	39,186	65	—	—	39,251
Compensated absences payable.....	10,676	—	—	—	10,676
Other long-term liabilities.....	12,275	3,706	—	—	15,981
Total long-term liabilities.....	2,115,866	88,781	—	145	2,204,792
Total liabilities.....	2,673,687	108,161	1	1,011	2,782,860
Fund Equity:					
Contributed capital.....	34,438	174,398	1,020	—	209,856
Retained earnings.....	756,558	114,187	318	1,176	872,239
Total fund equity.....	790,996	288,585	1,338	1,176	1,082,095
Total liabilities and fund equity.....	\$ 3,464,683	\$ 396,746	\$ 1,339	\$ 2,187	\$ 3,864,955

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, 1997
(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.....	\$ 699,606	\$ 71,024	\$ —	\$ 2,394	\$ 773,024
Contributions.....	—	—	—	495	495
Interest and other investment income.....	—	—	12	—	12
Total operating revenues.....	699,606	71,024	12	2,889	773,531
Operating expenses:					
General operations and administration.....	391,255	42,881	60	2,737	436,933
Depreciation and amortization.....	110,660	15,086	—	34	125,780
Other operating expenses.....	1,928	—	1	—	1,929
Total operating expenses.....	503,843	57,967	61	2,771	564,642
Operating income (loss).....	195,763	13,057	(49)	118	208,889
Nonoperating revenues (expenses):					
Interest income.....	23,537	2,595	57	25	26,214
Federal revenue.....	—	—	—	309	309
Costs to be recovered from future revenues.....	2,034	—	—	—	2,034
Interest expense.....	(165,013)	(4,559)	—	—	(169,572)
Other nonoperating revenues (expenses).....	9,625	(148)	—	(12)	9,465
Total nonoperating revenues (expenses).....	(129,817)	(2,112)	57	322	(131,550)
Income before operating transfers.....	65,946	10,945	8	440	77,339
Transfers to primary government.....	(6,682)	—	—	—	(6,682)
Net income.....	59,264	10,945	8	440	70,657
Retained earnings, July 1, 1996.....	700,947	103,242	310	736	805,235
Net unrealized loss on investment securities available for sale.....	(3,653)	—	—	—	(3,653)
Retained earnings, June 30, 1997.....	756,558	114,187	318	1,176	872,239
Contributed capital, July 1, 1996.....	34,438	173,896	1,020	—	209,354
Additions to contributed capital.....	—	502	—	—	502
Fund equity, June 30, 1997.....	\$ 790,996	\$ 288,585	\$ 1,338	\$ 1,176	\$ 1,082,095

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, 1997
(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)	\$ 195,763	\$ 13,057	\$ (49)	\$ 118	\$ 208,889
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation and amortization	110,660	15,086	—	34	125,780
Provision for loan losses and bad debts.....	—	—	57	—	57
Loss (gain) on disposition of property and equipment...	—	41	—	(9)	32
Issuance of loans and notes.....	—	—	—	(387)	(387)
Collection of loans and notes.....	—	—	35	—	35
Deferred coal contract buy-out costs	5,700	—	—	—	5,700
Donated property.....	—	—	—	(495)	(495)
Other nonoperating revenues.....	43	—	—	—	43
Other nonoperating expenses.....	—	(148)	—	(12)	(160)
Other.....	—	108	—	—	108
Change in assets--decreases (increases):					
Accounts receivable, net.....	(4,006)	(2,137)	—	—	(6,143)
Inventories.....	3,669	(56)	—	—	3,613
Other current assets.....	1,013	(692)	—	(8)	313
Deferred charges.....	5,460	—	—	—	5,460
Change in liabilities--increases (decreases):					
Accounts payable and accrued liabilities.....	(2,462)	(956)	—	274	(3,144)
Compensated absences payable.....	—	—	—	16	16
Other liabilities, including retainages payable.....	(863)	—	—	—	(863)
Net cash provided by (used in) operating activities.....	314,977	24,303	43	(469)	338,854
Cash flows from noncapital financing activities:					
Federal revenue.....	—	—	—	204	204
Transfers to primary government.....	(6,682)	—	—	—	(6,682)
Net cash provided by (used in) noncapital financing activities.....	(6,682)	—	—	204	(6,478)

Combining Statement of Cash Flows

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

For the Fiscal Year Ended June 30, 1997
(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.....	\$ (79,860)	\$ (17,287)	\$ —	\$ (210)	\$ (97,357)
Proceeds from sale of property, plant, and equipment..	—	—	—	11	11
Proceeds from sale of notes payable.....	—	—	—	175	175
Proceeds from sale of revenue bonds.....	354,220	—	—	—	354,220
Principal payments and refundings on revenue bonds..	(382,490)	(1,015)	—	—	(383,505)
Interest payments	(155,396)	(4,536)	—	—	(159,932)
Payment of bond issuance costs.....	(22,013)	—	—	—	(22,013)
Decrease in commercial paper notes	(32,547)	—	—	—	(32,547)
Principal payments on capital leases and installment debt obligations payable	(3,418)	(29)	—	—	(3,447)
Contributions of capital	—	502	—	—	502
Net cash used in capital and related financing activities.....	(321,504)	(22,365)	—	(24)	(343,893)
Cash flows from investing activities:					
Proceeds from sale of investments.....	—	5,642	—	—	5,642
Purchase of investments	(4,823)	(5,110)	—	—	(9,933)
Interest on investments.....	24,886	2,595	57	25	27,563
Net cash provided by investing activities.....	20,063	3,127	57	25	23,272
Net increase (decrease) in cash and cash equivalents.....	6,854	5,065	100	(264)	11,755
Cash and cash equivalents at beginning of year.....	215,278	34,865	998	269	251,410
Cash and cash equivalents at end of year.....	\$ 222,132	\$ 39,930	\$ 1,098	\$ 5	\$ 263,165
Noncash capital, investing, and financing activities:					
Acquisition of property and equipment through:					
Donations.....	\$ —	\$ —	\$ —	\$ 495	\$ 495
Total noncash capital, investing, and financing activities.....	\$ —	\$ —	\$ —	\$ 495	\$ 495

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, 1997:

- State Housing Finance and Development Authority
- South Carolina Education Assistance Authority
- Jobs-Economic Development Authority
- Patriots Point Development Authority

Fiscal year ended December 31, 1996:

- The South Carolina Deferred Compensation Plans
- The Public Railways Division of the Department of Commerce

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
- Clinical Faculty Practice Plan (University of South Carolina)
- 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, 1997:

- South Carolina State Ports Authority
- Savannah Lakes Regional Loan Fund
- Enterprise Development, Inc., of South Carolina

Fiscal year ended December 31, 1996:

- 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

Notes to the Financial Statements

owns and operates seven ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board.

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 South Carolina 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. During the fiscal year ended June 30, 1997, the Corporation's Board of Directors consisted of four ex-officio State elected officers and five members appointed by the Secretary of the South Carolina 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)
One Riverwood Drive
Moncks Corner, South Carolina
29461-2901

South Carolina State Ports Authority
Post Office Box 22287
Charleston, South Carolina 29413-2287

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

Enterprise Development, Inc., of South
Carolina
1105 Bellview Drive
Columbia, South Carolina 29201

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

Notes to the Financial Statements

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 \$12.523 million for the fiscal year ended June 30, 1997. 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, 1997, totaled \$289.562 million. In addition, the State has recorded \$144 thousand for food stamp coupons on hand at June 30, 1997, 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, 1997, assets totaling \$645 thousand were being held in Agency Funds pending such determination.

d. Cash and Cash Equivalents

The amounts shown on the Combined Balance Sheet as Cash and Cash Equivalents represent petty

Notes to the Financial Statements

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 domestic corporations, 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 are valued at the last reported sales price as provided by an independent pricing service. 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 first-in, first-out 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 reports 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.

Governmental Funds

Governmental Funds record expenditures when they acquire fixed assets and capitalize those assets

Notes to the Financial Statements

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.

I. 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 depreciation 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.

Deferred charges also include the cost of a buy-out option on a coal contract exercised by the Authority. The cost is being 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. 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.

A component unit of an institution reported in the State's Higher Education Funds enters into

Notes to the Financial Statements

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 long-term Compensated Absences Payable. When it pays employees for leave, the Authority reduces the asset and liability and records an expense.

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 expenditures in the reimbursed fund and increase expenditures 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 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

Notes to the Financial Statements

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. 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. All of the remaining component units in the Foundations and Institutes Funds 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. Most of the component units of higher education institutions are governmental entities that follow one of the two accounting and financial reporting models defined by the Governmental Accounting Standards Board's Statement 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities." A few of the component units, however, 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).

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.

Unamortized bond discounts are netted against the related portion of bonds payable in the Retirement of Indebtedness subgroup. The

discounts are amortized to interest on indebtedness over the life of the bonds using the straight-line method.

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 1996 are included to provide a summarized comparison with comparable 1997 amounts. The 1996 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 1996 amounts have been reclassified to conform with the presentation used in the 1997 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 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.

Notes to the Financial Statements

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 18.
- (ii) Certain 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, Soft Drinks Tax, and Commercial Nuclear Waste 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 1996-97 Appropriation Act has approximately 2,970 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 1996-97 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 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 1996-97, the General Assembly passed a Supplemental Appropriations Act that added \$148.696 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1997. Of this amount, \$3.374 million was used to fund the General Reserve, and the remaining \$145.322 million was appropriated and reserved as Appropriations to be Carried Forward to 1997-98.

As a result of special legislation, the Budgetary General Fund transferred \$65.504 million to the Other Budgeted Funds to help fund the newly created South Carolina Transportation Infrastructure Bank. This transfer was unbudgeted.

d. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 1997, the Educational function within Other Budgeted Funds had \$2.275 million of expenditures in excess of appropriations at the level of legal control. These

Notes to the Financial Statements

overexpenditures were associated with the State's technical colleges. The technical colleges maintain their own accounting systems. The colleges had sufficient budgetary-basis revenue and cash to provide for their budgetary-basis expenditures.

e. 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 1996-97 Appropriation Act included appropriations of \$5.493 billion for general, school, and highway purposes—\$1.042 billion 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 1996-97 Appropriation Act included appropriations of \$4.377 billion for the Budgetary General Fund—an amount equal to the legal limit.

f. 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, 1997, 37,162 employees were funded by the State's Budgetary General Fund—9,022 fewer than the legal limit.

g. 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, 1997, were:

	Financial Statement Fund Types										Totals (Memo- randum Only)
	General	Special Revenue	Capital Projects	Enter- prise	Internal Service	Expend- able Trust	Non- expend- able Trust	Pension Trust	Agency	Higher Educa- tion	
Classification of budgetary excess of revenues and other sources over (under) expenditures and other uses into GAAP fund structure:											
Budgetary General Fund...	\$ (90,171)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (90,171)
Other Budgeted Funds....	10,417	164,188	22,410	1,035	4,665	(190)	91	(5)	5,623	16,341	224,575
Totals	(79,754)	164,188	22,410	1,035	4,665	(190)	91	(5)	5,623	16,341	134,404
Timing differences.....	—	—	—	—	—	—	—	—	—	3,880	3,880
Basis differences.....	(44,617)	(17,418)	(344)	8,767	458	(1)	3	2	(5,623)	40,111	(18,662)
To record excess of revenues and other sources over (under) expenditures/expenses and other uses for unbudgeted accounts.....	(3,539)	28,935	18,939	12,354	(12,289)	78,433	154	1,387,811	—	151,623	1,662,421
GAAP financial statement excess of revenues and other sources over (under) expenditures/expenses and other uses.....	\$ (127,910)	\$ 175,705	\$ 41,005	\$ 22,156	\$ (7,166)	\$ 78,242	\$ 248	\$ 1,387,808	\$ —	\$ 211,955	\$ 1,782,043

Notes to the Financial Statements

NOTE 3: ACCOUNTING AND REPORTING CHANGES

a. Effects on Beginning Fund Balances and Retained Earnings

The schedule below details restatements made to fund equity. The restatement in the Higher

Education Funds gives effect to changes in fixed asset capitalization thresholds. The schedule (expressed in thousands) also gives retroactive effect to certain corrections of prior-period errors as indicated.

	Special Revenue Funds	Enterprise Funds Retained Earnings	Contributed Capital	Internal Service Funds Retained Earnings	Expendable Trust Funds	Nonexpendable Trust Fund	Higher Education Funds Investment in Plant
June 30, 1996, fund equity as previously reported.....	\$ 678,424	\$ 243,881	\$ 22,621	\$ 283,630	\$ 741,685	\$ 2,012	\$ 2,329,921
To correct for omission of Teacher Loan Program balances.....	23,074	—	—	—	—	—	—
To correct fund equity accounts for Jobs-Economic Development Authority Fund....	—	7,088	(7,088)	—	—	—	—
To correct loans receivable for Jobs-Economic Development Authority Fund....	—	(3,338)	—	—	—	—	—
To correct for omission of building.....	—	—	—	6,262	—	—	—
To correct fund classification.....	—	—	—	—	741	(741)	—
Effect of changes in capitalization policy....	—	—	—	—	—	—	(45,464)
July 1, 1996, fund equity as restated.....	<u>\$ 701,498</u>	<u>\$ 247,631</u>	<u>\$ 15,533</u>	<u>\$ 289,892</u>	<u>\$ 742,426</u>	<u>\$ 1,271</u>	<u>\$ 2,284,457</u>

b. Securities Lending

Effective July 1, 1996, the State adopted GASB Statement 28, "Accounting and Financial Reporting for Securities Lending Transactions." As a result of implementing this statement, the State's balance sheets now include the asset, Securities Lending Investments, and the liability, Obligations Under Securities Lending. The State has restated its financial statements for the fiscal year ended June 30, 1996, for changes resulting from adoption of Statement 28, but this did not result in any restatement of fund equity accounts.

ended June 30, 1996, for this change as summarized below (expressed in thousands):

	General	Special Revenue	Totals
Assets.....	\$ —	\$ 30,035	\$ 30,035
Liabilities.....	—	30,035	30,035
Revenues.....	509	414,197	414,706
Expenditures.....	(15,718)	430,424	414,706
Operating transfers in.....	(37)	16,190	16,153
Operating transfers out.....	(16,190)	37	(16,153)

c. Medicaid

The State has changed the manner in which it accounts for Medicaid assistance that the South Carolina Department of Health and Human Services pays to other State agency providers reported in the State's Governmental Funds. In the past, Medicaid was treated as Federal revenue that could be used in more than one fund at the State's discretion. Accordingly, the resources paid to other funds were accounted for in the State's Agency Funds. Effective July 1, 1996, however, the State began classifying these transactions as quasi-external transactions. Although this change did not result in any restatement of fund balances, the State has restated its financial statements for the fiscal year

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, 1997 (expressed in thousands):

Notes to the Financial Statements

Combined Balance Sheet

Cash and cash equivalents.....	\$	3,586,015
Investments.....		17,682,479
Securities lending investments.....		1,502,131
Restricted assets:		
Cash and cash equivalents.....		409,605
Investments.....		245,497
Total.....	\$	23,425,727

Disclosure regarding deposits and investments plus reconciling items

Carrying value of deposits.....	\$	148,244
Carrying value of investments.....		23,276,530
Cash on hand.....		953
Total.....	\$	23,425,727

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, 1997, the deposits of the State's primary government and its discretely presented component units (expressed in thousands) were as follows:

	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Primary					
Government ...	\$ 285,138	\$ 13,306	\$ 35,149	\$ 333,593	\$ 145,445
Component					
Units.....	242	—	2,557	2,799	2,799
Totals	\$ 285,380	\$ 13,306	\$ 37,706	\$ 336,392	\$ 148,244

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 are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned.

For the fiscal year ended June 30, 1997, 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, 1997, were:

Notes to the Financial Statements

	Category			Carrying	Market
	1	2	3	Value	Value
Primary Government					
U.S. government securities.....	\$ 8,475,729	\$ 297,685	\$ 7,977	\$ 8,781,391	\$ 8,809,555
Corporate bonds.....	6,458,107	13,078	1,999	6,473,184	6,473,154
Repurchase agreements.....	1,532,510	5,853	3,282	1,541,645	1,541,742
Collateralized mortgage obligations.....	1,012,559	1,084	—	1,013,643	1,013,604
Asset-backed securities.....	100,607	—	—	100,607	100,613
Commercial paper.....	724,737	—	—	724,737	724,636
Securities lending program					
Investments from cash collateral					
U.S. government securities.....	—	—	183,562	183,562	183,562
Corporate bonds.....	—	—	148,957	148,957	148,957
Repurchase agreements.....	—	—	1,169,612	1,169,612	1,169,612
Other.....	9,440	24,192	7,819	41,451	49,843
Subtotals.....				20,178,789	20,215,278
Not categorized:					
Deferred compensation plans--					
annuity contracts.....				989,325	989,325
Securities lending program					
U.S. government securities.....				1,345,052	1,354,353
Corporate bonds.....				134,792	134,792
Unsettled investment transactions.....				64,268	64,268
Real estate.....				2,051	2,051
Mutual funds.....				37,805	37,805
Totals--primary government.....	\$ 18,313,689	\$ 341,892	\$ 1,523,208	22,752,082	22,797,872
Discretely Presented					
Component Units					
U.S. government securities.....	\$ 287,174	\$ —	\$ 5,848	293,022	293,022
Repurchase agreements.....	196,245	—	—	196,245	196,245
Subtotals.....				489,267	489,267
Not categorized:					
Investment in primary government's					
investment pool.....				34,449	34,449
Unsettled investment transactions.....				732	732
Totals—discretely presented					
component units.....	\$ 483,419	\$ —	\$ 5,848	524,448	524,448
Totals--reporting entity.....				\$ 23,276,530	\$ 23,322,320

At June 30, 1997, 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

Notes to the Financial Statements

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, 1997, were held by the State's Pension Trust Funds. These securities, with an average life of one to three years and a legal final maturity of five to six years, 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 December 31. At December 31, 1996, the Public Service Authority had held-to-maturity investments carried at amortized cost of \$117.607 million and available-for-sale investments carried at fair market value of \$367.662 million. The gross unrealized holding gains totaled \$2.224 million and gross unrealized holding losses totaled \$2.799 million 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 \$40.913 million with related unrealized holding losses of \$2.739 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, 1996, the Authority had proceeds of \$24.096 million from sales of available-for-sale securities and realized \$386 thousand in gains and \$6 thousand in 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, 1997, 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

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loans during the fiscal year and at June 30, 1997. At June 30, 1997, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the

State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 1997, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. A small portion of the collateral received by the State at June 30, 1997, was in the form of securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 1997, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 1997, these investments of cash collateral were recorded as assets on the State's Combined Balance Sheet. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. At June 30, 1997, the carrying amount and fair value of the State's securities on loan were \$1.480 billion and \$1.489 billion, respectively. These underlying securities are uncategorized as to custodial credit risk in the table in the investments subsection (Note 4b) above. For the State's cash collateral investments, that table also includes the carrying amount, fair value, and custodial credit risk by investment type.

Securities Lending Income and Securities Lending Expenses are separately reported in the State's Pension Trust Funds. For funds other than Pension Trust Funds, the Securities Lending Income and Securities Lending Expenses (expressed in thousands) were as follows:

Description	Income	Expenses
Primary Government		
General Fund.....	\$ 3,473	\$ 3,424
Special Revenue Funds.....	893	880
Capital Projects Fund.....	118	117
Enterprise Funds.....	173	171
Internal Service Funds.....	3,467	3,419
Expendable Trust Funds.....	185	182
Higher Education Funds.....	2,350	2,318
Totals-Primary Government..	10,659	10,511
Discretely Presented Component		
Units.....	67	66
Totals-Reporting Entity.....	\$ 10,726	\$ 10,577

NOTE 5: TAXES RECEIVABLE

Taxes receivable (expressed in thousands) at June 30, 1997, were:

Notes to the Financial Statements

	General Fund	Special Revenue Funds	Trust and Agency Funds
Retail sales and use.....	\$ 161,057	\$ 53,338	\$ —
Individual income.....	104,543	—	—
Corporate income.....	6,749	—	—
Unemployment.....	—	—	45,135
Gasoline and motor vehicle.....	1,357	31,420	—
Alcoholic beverages and tobacco.....	13,664	—	—
Other.....	11,209	19,346	—
Gross taxes receivable.....	298,579	104,104	45,135
Less: Allowance for uncollectible taxes.....	23,392	1,250	159
Net taxes receivable.....	\$ 275,187	\$ 102,854	\$ 44,976

A total of \$335.969 million in net taxes receivable pertaining to the General Fund and Special Revenue Funds were current receivables as of June 30, 1997, and were collected within thirty days after that date.

NOTE 6: FIXED ASSETS

Property, plant, and equipment (expressed in thousands) at June 30, 1997, consisted of:

	Primary Government					Component Units
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Higher Education	
Land and improvements.....	\$ 19,970	\$ 5,377	\$ 582	\$ 185,222	\$ 114,419	\$ 235,859
Buildings, improvements, and utility plant.....	4,172	144,276	4,749	1,009,633	1,835,844	3,475,731
Machinery, equipment, and other.....	10,648	119,492	4	1,030,299	803,946	34,916
Construction in progress.....	8	648	—	78,695	98,815	90,535
Property, plant and equipment before accumulated depreciation..	34,798	269,793	5,335	2,303,849	2,853,024	3,837,041
Less: accumulated depreciation.....	9,912	122,369	568	—	11,461	1,191,888
Total property, plant, and equipment, net.....	\$ 24,886	\$ 147,424	\$ 4,767	\$ 2,303,849	\$ 2,841,563	\$ 2,645,153

Changes in general fixed assets (expressed in thousands) for the fiscal year ended June 30, 1997, were:

	Balance July 1, 1996	Additions	Retirements	Balance June 30, 1997
Land and improvements.....	\$ 172,039	\$ 13,200	\$ 17	\$ 185,222
Buildings, improvements, and utility plant.....	946,127	64,020	514	1,009,633
Machinery, equipment, and other.....	988,209	97,597	55,507	1,030,299
Construction in progress.....	86,043	51,107	58,455	78,695
Total General Fixed Assets.....	\$ 2,192,418	\$ 225,924	\$ 114,493	\$ 2,303,849

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

Outstanding commitments for construction of fixed assets and public domain (infrastructure) assets at June 30, 1997, totaled \$435.975 million for the primary government and \$17.756 million for the State Ports Authority, a discretely presented component unit. The Public Service Authority, a discretely presented component unit, reported commitments for construction of fixed assets of \$81.590 million at December 31, 1996.

The primary government recorded capitalized construction period interest of \$1.592 million during the fiscal year ended June 30, 1997.

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. Plan 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 defined benefit pension plan that benefits employees of public schools, the State, and

Notes to the Financial Statements

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 defined benefit 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 thousand.

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 the number of participating employers at June 30, 1997, was as follows:

	SCRS	PORS	GARS	JSRS
State and school.....	105	1	1	1
Other.....	506	254	—	—
Total participating employers.....	611	255	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, 1997, were as follows:

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

Actuarially determined employer contribution rates for the four plans, expressed as percentages of compensation, for the fiscal year ended June 30, 1997, were as follows:

Plan	Rate
SCRS	7.70%
PORS	10.70%
JSRS	40.69%
GARS	63.75%

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, 1997, were \$1.351 million for SCRS and \$4.224 million for PORS.

Notes to the Financial Statements

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.....	\$2,492	\$4,771
Employer contributions made.....	\$2,492	\$4,771
Actuarial valuation date.....	July 1, 1996	July 1, 1996
Actuarial cost method.....	Entry age	Entry age
Amortization method.....	Level percent, open	Level percent, open
Remaining amortization period.....	28 years	25 years
Asset valuation method.....	5 year smoothed market	5 year smoothed market

Actuarial assumptions:

	GARS	JSRS
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:

	Fiscal Year Ended					
	June 30, 1997		June 30, 1996		June 30, 1995	
	Required	% Contributed	Required	% Contributed	Required	% Contributed
SCRS—State:						
Primary government.....	\$ 142,607	100.00%	\$ 140,288	100.00%	\$ 134,032	100.00%
Component units.....	7,104	100.00%	6,924	100.00%	6,616	100.00%
PORS—State:						
Primary government.....	27,851	100.00%	25,651	100.00%	24,117	100.00%
Component units.....	16	100.00%	15	100.00%	13	100.00%

The following table presents the Annual Pension Cost, percentage of Annual Pension Cost Contributed, and the Net Pension Obligation for the two latest available years for the State's single-employer defined benefit plans (dollars expressed in thousands):

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	1996	\$ 1,679	100%	\$ —
	1997	2,492	100%	—
JSRS	1996	\$ 4,244	100%	\$ —
	1997	4,771	100%	—

An additional year will be added as available.

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 two latest available years:

Notes to the Financial Statements

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%
	1996	31,702	59,914	28,212	52.9%	4,771	591.3%
JSRS	1995	\$ 57,917	\$ 94,420	\$ 36,503	61.3%	\$ 9,417	387.6%
	1996	62,850	101,020	38,170	62.2%	10,109	377.6%

An additional year will be added as available.

June 30, 1997, for the four plans administered by the South Carolina Retirement Systems were as follows:

f. Investments and Receivables

The principal components of receivables and investments (expressed in thousands) at

	SCRS	PORS	GARS	JSRS	Totals
Receivables:					
Contributions.....	\$ 78,471	\$ 8,832	\$ 7	\$ 170	\$ 87,480
Employer long-term.....	1,351	4,224	—	—	5,575
Accrued interest.....	179,470	21,909	508	999	202,886
Due from other funds.....	12,705	3,118	2	104	15,929
Total receivables.....	\$ 271,997	\$ 38,083	\$ 517	\$ 1,273	\$ 311,870
Investments:					
United States government securities.....	\$ 3,124,253	\$ 269,013	\$ 8,478	\$ 9,915	\$ 3,411,659
United States government agencies and government-insured securities.....	4,287,428	416,047	8,776	22,382	4,734,633
Corporate bonds.....	4,135,763	576,414	10,932	24,974	4,748,083
Financial and other.....	2,166,565	246,318	4,526	10,971	2,428,380
Securities lending investments.....	1,257,149	133,958	2,445	2,444	1,395,996
Total investments.....	\$ 14,971,158	\$ 1,641,750	\$ 35,157	\$ 70,686	\$ 16,718,751

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.

Notes to the Financial Statements

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, 1997.

	NGPS
Retirees and beneficiaries receiving benefits.....	1,550
Terminated employees entitled to benefits but not yet receiving them.....	1,947
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, 1997, all of the \$88 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 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. The State funded the plan on an actuarial basis for the fiscal years ended June 30, 1994, and June 30, 1995. From July 1, 1995, through the present time, however, the plan has not been fully funded in accordance with

actuarial recommendations. 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, 1997, was \$5.096 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.....	\$2,968
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, 1997 (expressed in thousands):

	NGPS
Actuarially required contribution (ARC).....	\$ 3,085
Interest on the NPO.....	294
Adjustment to the ARC.....	(411)
Annual pension cost.....	2,968
Contributions made.....	2,499
Increase in NPO.....	469
NPO beginning of year.....	4,065
NPO end of year.....	\$ 4,534

The State recognized \$2.499 million of expenditures in the General Fund to pay a portion of the current fiscal years' actuarially determined contribution.

The following schedule (dollars expressed in thousands) describes the funding progress for the NGPS for each of the three most recent actuarial valuations:

Notes to the Financial Statements

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

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. The following table presents the Annual Pension Cost, percentage of Annual Pension Cost contributed, and the Net Pension Obligation for the latest three fiscal years for the plan (dollars expressed in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	\$ 2,300	108.7%	\$ 3,581
1996	2,982	83.8%	4,064
1997	2,968	84.2%	4,534

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, 1997, the State's General Fund transferred \$5.442 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 \$9.300 million and \$7.400 million, respectively, for the fiscal year ended June 30, 1997.

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 18,430 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

Notes to the Financial Statements

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, 1997, the State recognized expenses (net of participant contributions) of \$57.761 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 \$642.707 million assets in the Section 457 plan at December 31, 1996, \$337.387 million was applicable to the State while the remaining \$305.320 million represented assets of other participating jurisdictions.

On August 20, 1996, the provisions of Internal Revenue Code Section 457 were amended by adding subsection (g). That subsection provides that new plans will not be considered eligible plans unless all assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. Existing plans also must comply with this requirement by January 1, 1999. After South Carolina's plan makes this change, the plan's assets and income will no longer be subject to the claims of employers' general creditors.

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:

Fiscal Year Ending June 30	Primary Government				Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	
1998	\$ 1,457	\$ 3,891	\$ 4,593	\$ 5,229	\$ 15,170
1999	1,457	3,517	4,205	5,198	14,377
2000	1,467	3,369	3,212	4,802	12,850
2001	1,489	2,750	2,154	4,129	10,522
2002	1,524	2,149	1,916	3,821	9,410
2003 and after	7,861	3,144	24,560	33,746	69,311
Total minimum payments.....	15,255	18,820	40,640	56,925	131,640
Less: interest and executory costs.....	4,683	3,326	15,250	14,119	37,378
Present value of net minimum payments.....	\$ 10,572	\$ 15,494	\$ 25,390	\$ 42,806	\$ 94,262

Assets under capital leases at June 30, 1997, were as follows (expressed in thousands):

Notes to the Financial Statements

Assets Acquired Under Capital Leases	Primary Government				Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	
Land and improvements.....	\$ —	\$ —	\$ 4,374	\$ —	\$ 4,374
Buildings, improvements, and utility plant.....	14,405	6,450	33,546	98,178	152,579
Machinery, equipment, and other.....	—	15,600	15,800	150	31,550
Assets acquired under capital leases before accumulated amortization.....	14,405	22,050	53,720	98,328	188,503
Less: accumulated amortization.....	2,918	—	1,993	63,717	68,628
Assets acquired under capital leases, net.....	\$ 11,487	\$ 22,050	\$ 51,727	\$ 34,611	\$ 119,875

The capital lease liability and the assets acquired under capital leases in Internal Service Funds decreased significantly during the fiscal year ended June 30, 1997, because the State exercised a purchase option on a building under capital lease.

Operating lease payments during the fiscal year ended June 30, 1997, totaled \$54.028 million. At June 30, 1997, future minimum payments under operating leases (expressed in thousands) were as follows:

Fiscal Year Ending June 30	Operating Leases		
	Primary Government	Component Units	Totals
1998	\$ 26,138	\$ 144	\$ 26,282
1999	23,566	33	23,599
2000	18,295	18	18,313
2001	13,099	11	13,110
2002	10,316	—	10,316
2003 and after	33,271	—	33,271
Total minimum payments....	\$ 124,685	\$ 206	\$ 124,891

b. Facilities Leased to Others

Non-State parties lease land and facilities under operating leases from the State Ports Authority, a discretely presented component unit, and from Enterprise Funds (the Patriots Point Development Authority and the Other Enterprise Funds). At June 30, 1997, the State Ports Authority had leased to others certain land and facilities having a cost of approximately \$214.753 million and \$69.712 million of related accumulated depreciation. At June 30, 1997, the total cost of land and improvements leased to others by the Enterprise Funds was \$9.314 million, with \$707 thousand of related accumulated depreciation. Future minimum rental payments to be received at June 30, 1997, under these operating leases (expressed in thousands) were:

Fiscal Year Ending June 30	Enterprise Funds	Component Unit
1998	\$ 402	\$ 6,607
1999	410	3,292
2000	410	2,834
2001	410	414
2002	417	414
2003 and after	20,660	1,962
Total	\$ 22,709	\$ 15,523

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, 1997, were:

General Long-Term Obligations Account Group	
Capital improvement bonds, 3.50% to 7.30%.....	\$ 874,038
State highway bonds, 3.50% to 6.10%.....	92,770
Subtotal—General Long-Term Obligations Account Group.....	966,808
Higher Education Funds	
State institution bonds, 4.10% to 7.00%.....	85,365
Total—general obligation bonds payable.....	\$ 1,052,173

Of the \$874.038 million in outstanding capital improvement bonds, \$13.782 million is capital appreciation (deep-discount) bonds.

Notes to the Financial Statements

At June 30, 1997, \$282.597 million of capital improvement bonds were authorized but unissued.

At June 30, 1997, future debt service requirements (expressed in thousands) for general obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1998	\$ 107,815	\$ 53,415	\$ 161,230
1999	90,830	47,135	137,965
2000	91,760	41,934	133,694
2001	108,347	36,657	145,004
2002	86,440	31,614	118,054
2003 and after	574,879	128,391	703,270
Total debt service requirements.....	1,060,071	\$ 339,146	\$ 1,399,217
Unamortized discounts...	(7,898)		
Total principal outstanding.....	\$ 1,052,173		

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, 1997, was \$4.635 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, 1997, was \$51.455 million for highway bonds and \$68.276 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, 1997, were:

Internal Service Funds			
Lease revenue bonds, 4.00% to 7.00%.....	\$		28,977

At June 30, 1997, 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 Department of Revenue, the Museum Commission, and the State Library. The bonds are secured by pledges of lease rental payments that the agencies will pay from their General Fund appropriations and Special Revenue Funds.

At June 30, 1997, future debt service requirements (expressed in thousands) for limited obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1998	\$ 2,000	\$ 1,595	\$ 3,595
1999	2,170	1,382	3,552
2000	2,265	1,274	3,539
2001	2,365	1,157	3,522
2002	2,465	1,015	3,480
2003 and after	17,880	4,009	21,889
Total debt service requirements.....	29,145	\$ 10,432	\$ 39,577
Unamortized discounts.....	(168)		
Total principal outstanding.....	\$ 28,977		

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, 1997, were:

	Bonds	Notes	Certificates of Participation
Primary Government:			
Enterprise Funds			
Housing Authority bonds, 3.50% to 9.375%.....	\$ 488,091	\$ —	\$ —
Education Assistance Authority bonds, 3.50% to 7.40%.....	391,915	—	—
Other Enterprise notes, 6.00%.....	—	28	—
Totals—Enterprise Funds.....	880,006	28	—
Higher Education Funds			
Various bonds and notes, 3.00% to 11.25%.....	247,695	55,761	—
Direct note obligations, 8.79%.....	—	55,000	—
Certificates of participation, 5.60% to 7.50%.....	—	—	22,191
Totals—Higher Education Funds.....	247,695	110,761	22,191
Totals—Primary Government.....	1,127,701	110,789	22,191
Discretely Presented Component Units:			
Public Service Authority bonds, 3.80% to 7.75%.....	2,229,862	—	—
State Ports Authority bonds, 4.25% to 6.75%.....	86,080	—	—
Enterprise Development, Inc., notes, 8.00%.....	—	175	—
Totals—Discretely Presented Component Units.....	2,315,942	175	—
Totals—revenue bonds, notes, and certificates of participation payable.....	\$ 3,443,643	\$ 110,964	\$ 22,191

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, 1997.

Notes to the Financial Statements

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 entered into a thirty-year interest rate swap agreement for these obligations. Based on the swap agreement, UMA owes interest 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 \$55.000 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, 1997, the State also owed the United States government \$9.204 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, 1997, retirements on this debt totaled \$39 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, 1997, 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
1998	\$ 98,179	\$ 78,446	\$ 176,625
1999	66,614	74,179	140,793
2000	84,169	69,261	153,430
2001	65,614	64,847	130,461
2002	63,324	60,389	123,713
2003 and after	893,601	579,718	1,473,319
Total debt service requirements.....	1,271,501	\$ 926,840	\$ 2,198,341
Unamortized discounts.....	(10,657)		
Deferred amount on refunding...	(163)		
Total principal outstanding...	\$ 1,260,681		

Discretely Presented Component Units:

Year Ending June 30	Principal	Interest	Totals
1998	\$ 60,519	\$ 146,024	\$ 206,543
1999	58,422	143,079	201,501
2000	71,635	139,654	211,289
2001	72,798	136,143	208,941
2002	54,041	133,032	187,073
2003 and after	2,342,127	1,913,150	4,255,277
Total debt service requirements.....	2,659,542	\$ 2,611,082	\$ 5,270,624
Unamortized discounts.....	(58,496)		
Deferred amount on refunding...	(284,929)		
Total principal outstanding...	\$ 2,316,117		

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, 1996, the carrying value of the Public Service Authority's debt was \$2.456 billion while the fair value was approximately \$2.780 billion. At June 30, 1997, the carrying value of the State Ports Authority debt was \$86.374 million while the fair value was approximately \$91.231 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. Extraordinary Loss on Early Extinguishment of Debt

The \$243 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.

e. Defeased Bonds

During its fiscal year ended December 31, 1996, the Public Service Authority, a discretely presented component unit, issued \$350.515 million in refunding revenue bonds with an average interest rate of 5.58% to advance refund \$342.970 million in revenue bonds with an average interest rate of 7.07%. The net proceeds of \$325.817 million (after payment of \$10.592 million in original issue discount and \$14.106 million in issuance costs, insurance costs and reserve requirements) plus an additional \$30.761 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

Notes to the Financial Statements

the old debt of \$97.427 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 \$150.258 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$27.097 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, 1997, the following outstanding bonds (expressed in thousands) are considered defeased:

	Primary Government		
	General		
	Long-Term	Higher	
	Obligations	Education	Component
	Account	Funds	Units
	Group		
Capital improvement			
bonds.....	\$ 204,000	\$ —	\$ —
Public Service Authority			
bonds.....	—	—	543,175
State Ports Authority			
bonds.....	—	—	18,070
Other.....	—	23,360	—
Totals.....	\$ 204,000	\$ 23,360	\$ 561,245

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.

f. Conduit 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.

The Jobs-Economic Development Authority, an Enterprise Fund, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 1997, the original amount of bonds issued prior to June 30, 1996, was \$757.465 million, and the outstanding balance of bonds issued after June 30, 1996, was \$72.448 million.

The State Housing Finance and Development Authority, an Enterprise Fund, issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 1997, the

outstanding balance of bonds issued was \$186.525 million.

The Educational Facilities Authority, reported as part of the State's primary government, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 1997, the outstanding balance of bonds issued was \$76.328 million.

g. 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, 1997, was \$45.120 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, 1995-96, and 1996-97, 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, 1997, the system was partially operational but construction had not been completed. The State paid \$132 thousand in 1993-94, \$425 thousand in 1994-95, \$330 thousand in 1995-96, and \$420 thousand in 1996-97 to the Authority to offset the loss of revenues from the delinquent local entity. The State has appropriated \$420 thousand in fiscal year 1997-98 to be used, if needed, to offset the loss of revenues from the delinquent local entity.

h. Commercial Paper Notes

The Public Service Authority, a discretely presented component unit, issued \$204.773 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, 1996.

i. Subsequent Events

Since June 30, 1997, the State's primary government has issued \$80.810 million of bonds. Of this amount, \$14.470 million of bonds were issued as an advance refunding of prior bond issues.

Notes to the Financial Statements

The Public Service Authority, a discretely presented component unit, has issued \$214.555 million of bonds and \$58.933 million of commercial paper to advance refund prior bond issues. Also, the Authority has executed an in-substance cash defeasance of \$29,035 million in outstanding bonds.

The State primary government plans to issue mini-bonds in an aggregate amount not to exceed \$25 million in December 1997.

The Accounts Payable and Accrued Liabilities, the Insurance Claims Incurred but not Reported, and \$11.686 million of the Other Liabilities consist of claims and judgments payable. The increase of \$95.699 million for General Obligation Bonds Payable includes \$699 thousand in accretion of interest on capital appreciation (deep-discount) bonds.

NOTE 12: CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations (expressed in thousands) for the fiscal year ended June 30, 1997, were:

	Balances at July 1, 1996	Increases	Decreases	Balances at June 30, 1997
Accounts payable and accrued liabilities.....	\$ 1,986	\$ 2,808	\$ (2,378)	\$ 2,416
Insurance claims incurred but not reported.....	6,840	—	(3,464)	3,376
General obligation bonds payable.....	965,494	95,699	(94,385)	966,808
Capital lease and installment debt obligations payable.....	16,422	2,376	(3,304)	15,494
Intergovernmental payable.....	—	21,850	—	21,850
Compensated absences payable.....	159,107	86,161	(78,528)	166,740
Other liabilities.....	41,174	6,608	(22,358)	25,424
Totals.....	\$ 1,191,023	\$ 215,502	\$ (204,417)	\$ 1,202,108

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, 1997, were:

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
General						
General Fund.....	\$ 55,904	\$ 121,924	\$ 4,676	\$ 3,372	\$ 9,771	\$ 15,402
Less: eliminations.....	(55,730)	(55,730)	—	—	—	—
Adjusted General Fund.....	174	66,194	4,676	3,372	9,771	15,402
Special Revenue						
Departmental General Operating Fund.....	13,501	46,958	343	3,198	—	300
Education Improvement Act Fund.....	1,846	2,379	—	100	—	—
Children's Education Endowment Fund.....	—	6	—	—	—	—
Repair, Maintenance, and Renovation Fund.....	1,564	191	—	—	—	—
Waste Management Fund.....	1,546	383	—	—	—	—
Department of Transportation Special Revenue Fund.....	48,660	2,155	1,358	—	6,227	—
Local Government Infrastructure Fund.....	65,504	17	200	—	600	—
Accommodations and Local Option Sales Tax Fund..	33	72	—	—	—	—
Energy Settlement Fund.....	—	42	—	—	—	—
Ornibus Crime Fund.....	249	243	—	—	—	—
Medicaid Expansion Fund.....	—	59	—	—	—	—
Other Special Revenue Funds.....	768	3,576	59	70	260	—
Less: eliminations.....	(43,539)	(43,539)	—	—	—	—
Adjusted Special Revenue Funds.....	90,132	12,542	1,960	3,368	7,087	300

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.....	\$ 619	\$ 565	\$ —	\$ —	\$ —	\$ —
Less: eliminations.....	(168)	(168)	—	—	—	—
Adjusted Capital Projects Fund.....	451	397	—	—	—	—
Enterprise						
Housing Authority.....	5	14	—	—	—	—
Education Assistance Authority.....	—	210	—	—	—	—
Patients' Compensation Fund.....	—	2	—	—	—	—
Second Injury Fund.....	—	458	—	—	—	—
Patriots Point Development Authority.....	—	8	—	20	—	—
Other Enterprise Funds.....	—	458	—	200	—	14,037
Less: eliminations.....	(4)	(4)	—	—	—	—
Adjusted Enterprise Funds.....	1	1,146	—	220	—	14,037
Internal Service						
Insurance Reserve Fund.....	450	22	5,772	—	34,075	—
Health and Disability Insurance Fund.....	13,064	170	—	—	—	—
State Accident Fund.....	2,703	110	—	—	—	—
General Services Fund.....	3,700	858	420	2,141	—	19,413
Central Supplies and Equipment Fund.....	860	24	—	1,000	—	—
Motor Pool Fund.....	2,043	106	—	—	—	—
Pension Administration Fund.....	—	111	—	—	—	—
Prison Industries Fund.....	911	219	—	—	—	—
Other Internal Service Funds.....	151	300	4,561	4,580	17,966	17,409
Less: eliminations.....	(1,920)	(1,920)	(6,074)	(6,074)	(28,647)	(28,647)
Adjusted Internal Service Funds.....	21,962	—	4,679	1,647	23,394	8,175
Trust and Agency						
Expendable Trust:						
Unemployment Compensation Benefits Fund.....	—	202	—	—	—	—
Other Expendable Trust.....	5	39	—	—	—	—
Pension Trust:						
South Carolina Retirement System.....	12,705	13,613	—	—	—	—
Police Officers' Retirement System.....	3,118	462	—	—	—	—
General Assembly Retirement System.....	2	—	—	—	—	—
Judges' and Solicitors' Retirement System.....	104	—	—	—	—	—
Agency Funds:						
Federal Interfund Activity Fund.....	—	262	—	343	—	—
Payroll Clearing Fund.....	41,495	9,175	—	5	—	—
Other Agency Funds.....	4,257	85,081	—	—	—	—
Less: eliminations.....	(53,895)	(53,895)	—	—	—	—
Adjusted Trust and Agency Funds.....	7,791	54,939	—	348	—	—
Higher Education						
Unrestricted Current Funds.....	17,978	6,381	—	400	—	—
Restricted Current Funds.....	2,975	366	—	—	—	—
Loan Funds.....	3	—	—	—	—	—
Unexpended Plant Funds.....	270	12	—	326	—	520
Retirement of Indebtedness.....	—	—	—	—	520	—
Investment in Plant Funds.....	—	—	—	1,634	—	35,178
Agency Funds.....	240	—	—	—	—	—
Foundations and Institutes.....	—	—	—	—	32,640	—
Less: eliminations.....	(527)	(527)	—	—	(33,160)	(33,160)
Adjusted Higher Education Funds.....	20,939	6,232	—	2,360	—	2,538
Totals—Primary Government.....	\$ 141,450	\$ 141,450	\$ 11,315	\$ 11,315	\$ 40,252	\$ 40,452

Notes to the Financial Statements

b. Inequality of Advances To and Advances From Other Funds

Advances From Other Funds exceed Advances To Other Funds by \$200 thousand because of an interfund loan from the Local Government Infrastructure 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 Local Government Infrastructure Fund's fiscal year ends June 30. The Division of Public Railways' \$200 thousand June 1997 loan payment was not reflected in its Advances From Other Funds at December 31, 1996, but that payment reduced the Local Government Infrastructure Fund's Advances To Other Funds as of June 30, 1997.

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

Transfers From Component Units exceed Transfers To Primary Government by \$781 thousand because the Public Service Authority, a discretely presented component unit, reports using a December 31 fiscal year-end. The \$781 thousand difference represents Transfers From Component Units to the General Fund for the fiscal year ended June 30, 1997, less Transfers To Primary Government from the Public Service Authority for its fiscal year ended December 31, 1996.

d. Inequality of Residual Equity Transfers In and Out

Residual Equity Transfers Out of \$1.337 million in the Capital Projects Fund were recorded as additions to Contributed Capital in the Enterprise Funds. These balances resulted from transfers of Capital Improvement Bond proceeds.

Residual Equity Transfers Out of \$502 thousand in the Special Revenue Funds were recorded as additions to Contributed Capital of the State Ports Authority, a discretely presented component unit. These balances resulted from transfers of capital grant 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, 1997, the unreserved component was negative because the reserve requirements exceeded total fund balance.

a. Primary Government—Reserved Retained Earnings

At June 30, 1997, the \$210.042 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, 1997, 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	\$ —	\$ —	\$ —	\$ 16,937,265	\$ —
Restricted fund balance	—	—	—	—	169,129
Federal government grants refundable	—	—	—	—	44,046
General fund reserve	130,380	—	—	—	—
Inventories	14,623	22,051	—	—	—
Advances to other funds	9,771	7,087	—	—	—
Appropriations to be carried forward	294,761	—	—	—	—
Endowment and similar funds	—	—	—	1,361	42,445
Long-term loans and notes receivable	929	152,460	—	66	—
Debt requirements	—	1,267	—	—	8,027
School building aid	222	22,512	—	—	—
Encumbrances	—	—	—	—	3,880
Other special purposes	—	—	—	—	6,059
Total reserved fund balances	\$ 450,686	\$ 205,377	\$ —	\$ 16,938,692	\$ 273,586
Unreserved fund balances designated for:					
Future years' expenditures	\$ —	\$ 76,805	\$ —	\$ —	\$ 4,260
Capital expenditures	—	37,508	78,479	—	—
Loan funds	—	—	—	—	172
Scholarships	—	14,327	—	—	—
Quasi-endowments	—	—	—	—	33,945
Plant funds	—	—	—	—	87,195
Special purposes	—	—	—	—	11,673
Total unreserved, desig- nated fund balances	\$ —	\$ 128,640	\$ 78,479	\$ —	\$ 137,245

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 \$16.219 billion reserved for pension, group life, and accidental death benefits. It also includes \$718.705 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.

Notes to the Financial Statements

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 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, 1996, the Reserve was fully funded at \$127.006 million. During the fiscal year ended June 30, 1997, the Reserve retained its fully-funded status by increasing \$3.374 million to \$130.380 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 technical colleges 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

Of the amount reported as Designated for Scholarships in the Special Revenue Funds, \$14.085 million is to be used for the Teacher Loan Program. The program makes loans to students to attract talented individuals to teach in areas of critical need. For each year the borrower teaches in

Notes to the Financial Statements

a critical need area, 20% to 33% of the loan is canceled. If the borrower does not teach, however, the loan must be repaid. The remaining \$242 thousand reported as Designated for Scholarships in the Special Revenue Funds is 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.

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 Health Sciences Foundation of the Medical University of South Carolina; the Coastal Educational Foundation, Inc.; of Coastal Carolina University; 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; EDI Ventures, Inc.; the South Carolina Research Authority; and the Carolina Capital Investment Corporation.

Those organizations above that are related to higher education report total assets of \$458.033 million. During the fiscal year ended June 30, 1997, 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—\$1.762 million; donations of cash and other assets from foundations—\$20.405 million; expenditures (rental of foundation-owned property)—\$2.696 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations—\$14.133 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, 1997, EAA entered into various transactions with SLC. Approximate amounts within the State's Enterprise Funds that represent these transactions include: accounts receivable from SLC—\$6.994 million; notes receivable from SLC—\$354.739 million; program revenue from SLC—\$34.049 million; accounts payable to SLC—\$3.062 million; and reimbursements to SLC for administrative costs—\$5.095 million.

During the fiscal year ended June 30, 1997, the Educational Television Endowment of South Carolina, Inc., disbursed \$8.876 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, 1997, was \$5.525 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, 1997, JEDA paid CCIC \$594 thousand for management and administrative expenses and incurred payables to CCIC of \$52 thousand.

In past years, the State of South Carolina has contributed capital of \$11.234 million to the South Carolina Research Authority, a related party. During the fiscal year ended June 30, 1997, the State made an additional contribution of land valued at \$142 thousand.

EDI Ventures, Inc., a related party, earned approximately \$619 thousand of contract revenues and rental revenues under various contracts with the State of South Carolina during the fiscal year ended June 30, 1997.

Notes to the Financial Statements

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 South Carolina 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 South Carolina 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, 1997, follows:

	Housing Authority	Education Assistance Authority	Jobs—Economic Development Authority	Other	Totals
Operating revenues.....	\$ 50,520	\$ 45,130	\$ 1,427	\$ 31,385	\$ 128,462
Depreciation and amortization expense.....	222	51	—	897	1,170
Operating income (loss).....	10,437	15,629	1,108	(2,581)	24,593
Federal revenue.....	21,547	—	1,152	—	22,699
Operating transfers in.....	—	—	125	—	125
Extraordinary loss.....	(243)	—	—	—	(243)
Net income (loss).....	10,282	15,629	(1,023)	(2,732)	22,156
Current capital contributions and transfers.....	—	—	—	1,337	1,337
Property, plant, and equipment:					
Additions.....	253	—	—	1,816	2,069
Retirements.....	(246)	—	—	(832)	(1,078)
Net working capital.....	110,949	129,494	8,434	26,478	275,355
Total assets.....	650,898	494,573	15,817	122,528	1,283,816
Bonds and other long-term liabilities payable from operating revenues.....	471,846	360,050	—	28,976	860,872
Total fund equity.....	142,629	91,117	15,633	37,278	286,657

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, 1997, follows:

Notes to the Financial Statements

	Public Service Authority	State Ports Authority	Other	Totals
Operating revenues.....	\$ 699,606	\$ 71,024	\$ 2,901	\$ 773,531
Depreciation and amortization expense.....	110,660	15,086	34	125,780
Operating income.....	195,763	13,057	69	208,889
Federal revenue.....	—	—	309	309
Transfers to primary government.....	(6,682)	—	—	(6,682)
Net income.....	59,264	10,945	448	70,657
Current capital contributions and transfers.....	—	502	—	502
Property, plant, and equipment:				
Additions.....	89,677	29,627	778	120,082
Retirements.....	(42,692)	(1,285)	(110)	(44,087)
Net working capital.....	(149,203)	14,021	1,043	(134,139)
Total assets.....	3,464,683	396,746	3,526	3,864,955
Bonds and other long-term liabilities payable from operating revenues.....	2,115,866	88,781	145	2,204,792
Total fund equity.....	790,996	288,585	2,514	1,082,095

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, 1996, 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.....	\$ 314,000	44.88%	\$ 30,551	43.05%
Alumax of South Carolina, Inc.....	87,000	12.44%	7,503	10.57%

During the fiscal year ended June 30, 1997, two customers each accounted for approximately 10% of the State Ports Authority's revenues.

NOTE 17: DEFICIT RETAINED EARNINGS

The Patients' Compensation Fund, reported in the Enterprise Funds, had a deficit Retained Earnings balance of \$2.000 million at June 30, 1997. This deficit resulted from large losses that the Fund experienced in the last two years. The fund has increased premiums and expects that this will eliminate the deficit. If not, the Fund, as a last resort, can assess additional premiums.

The Patriots Point Development Authority, reported in the Enterprise Funds, had a deficit retained earnings balance of \$1.677 million at June 30, 1997. 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 Authority expects that revenues from this agreement and private contributions eventually will eliminate the deficit retained earnings.

NOTE 18: 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. Amounts for allocated and unallocated claims adjustment expenditures have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid claims liability of \$157.306 million at June 30, 1997, 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 financial statements. The liability for claims incurred but not reported is an actuarial estimate 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):

Notes to the Financial Statements

Fiscal Year Ended June 30	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1996	\$ 146,572	\$ 41,999	\$ (35,531)	\$ 153,040
1997	153,040	51,370	(47,104)	157,306

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 \$4.700 million and \$10.080 million as of June 30, 1997, and 1996, 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. Amounts for allocated and unallocated claims adjustment expenditures have been included in the calculation of the unpaid claims liability. The unpaid claims liability of \$97.560 million at June 30, 1997, 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 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 5.50% for 1997 and 7.25% for 1996, compounded annually. Of the total claims liability reported for the Health and Disability Insurance Fund at June 30, 1997, \$24.461 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
1996	\$ 92,995	\$ 467,807	\$ (472,737)	\$ 88,065
1997	88,065	513,584	(504,089)	97,560

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. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data 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

Notes to the Financial Statements

that loss can be reasonably estimated. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. Estimated amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims are deducted from the liability for unpaid claims to the extent they can be reasonably estimated. Adjustments to claims expenditures are charged or credited to expense in the period in which they are made. 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, 1997, the claims liability for the Fund was \$58,443 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 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
1996	\$ 65,651	\$ 20,726	\$ (26,586)	\$ 59,791
1997	59,791	25,563	(26,911)	58,443

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses are covered up to \$45,000 million per event and \$2,000 million per individual, with the Fund retaining the risk for the first \$5,000 million of loss. 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, 1997, or 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, 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, 1997, the claims liability for the PCF was \$12,800 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 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-

Notes to the Financial Statements

party claims for environmental damages for 1995 or 1996.

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, 1996, the amount of these liabilities was \$1.649 million. Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1995	\$ 2,437	\$ 77	\$ (880)	\$ 1,634
1996	1,634	984	(969)	1,649

NOTE 19: 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 \$480.000 million and expenses of \$42.433 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. 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 \$40.913 million (adjusted to market) at December 31, 1996, 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.

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 \$79.300 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 \$26.400 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 \$1.500 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 five 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 \$2.900 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 20: CONTINGENCIES AND COMMITMENTS

a. Litigation

Among the unresolved lawsuits in which the State was involved at June 30, 1997, were several that challenge the legality of certain taxes. The challenged revenues include the following: sales taxes on certain prescription medicines, on video gaming machines, and taxes on bingo operations. Another suit challenges the legality of the State's enforcement of a referendum provided by State law, which allows each county to ban video poker operations. The plaintiffs allege that this resulted in revenue losses for video poker operators in counties

Notes to the Financial Statements

where the referendum was passed. State 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 \$131.808 million. This estimate does not include the impact on future revenues.

Another case in which the State may incur a liability is a suit that challenged the single gender education policy at The Citadel. A judgment was entered by the District Court in August of 1996 finding the Citadel's admissions policy in violation of the United States Constitution. That judgment is presently on appeal to the United States Court of Appeals for the Fourth Circuit. In the event of an unfavorable outcome for this case, the ultimate uninsured liability is not expected to exceed \$4.700 million.

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 and \$800,000 million for current active members of the South Carolina Retirement System and the Police Officers' Retirement System. Although the Circuit Court determined that the State has been providing retirement benefits in accordance with the law, the plaintiffs have appealed the decision to the South Carolina Supreme Court. The State continues to vigorously defend its 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 and one involving tax refunds on State capital gains taxes. The State moved to dismiss the public education case, and the Circuit Court granted that motion. The plaintiffs have appealed.

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 tort cases filed against the State prior to July 1, 1994. Most State agencies purchase only \$250 thousand in liability insurance coverage. During 1997, the General Assembly reenacted the government liability caps and made the reenactment applicable to all claims or actions that have not been reduced to final judgment. The State has recorded

an \$800 thousand liability in the Department of Transportation Special Revenue funds and a \$3.400 million liability in its General Long-Term Obligations Account Group at June 30, 1997, for judgments against the State in cases filed prior to July 1, 1994.

b. Federal Grants

The State receives significant Federal grant and entitlement revenues. Compliance audits of Federal programs may identify disallowed expenditures. Disallowances by Federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded 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, 1997, or earlier years will not have a material impact on the State's financial statements.

c. Education Assistance Loan Guarantees

The South Carolina Education Assistance Authority within the State's Enterprise Funds guarantees student loans. At June 30, 1997, these loans totaled \$930.757 million. The United States Department of Education reinsures 100% of losses under these guarantees for loans made prior to October 1, 1993, and 98% of losses for loans made on or after October 1, 1993. 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, 1997, was less than 2.0%.

d. Federal Housing and Urban Development Loan Guarantee Program

During 1994, Lexington County and Berkeley County each entered into a contract for participation in the Housing and Urban Development (HUD) Section 108 loan guarantee program. Under this program, HUD arranges a public offering of notes guaranteed by Federal funds and lends the note proceeds to the program participant. The participant guarantees the loan with HUD Community Development Block Grant (CDBG) funds. Because neither county received CDBG funds directly from HUD, the State cosigned the HUD contracts and pledged its future federal CDBG funds on behalf of the counties. Each county lent its loan proceeds to fund an economic development project.

During 1997, both of the funded projects declared bankruptcy. Because neither project will make any further loan payments to its respective county, the counties will not receive the funds they would have used to make the corresponding loan payments to HUD. Under the agreements, therefore,

Notes to the Financial Statements

the State must use its federal CDBG funds to make the loan payments on behalf of the counties to the extent that such funds are available. If the State does not receive CDBG funds in future years, the Federal government is responsible for the payments to the note holders.

At June 30, 1997, \$9.850 million remained outstanding on the Lexington County loan. The payment terms require the State to repay this amount in seven years at 8% interest. Berkeley County had an interim loan with an outstanding balance of \$12 million at June 30, 1997. Quarterly interest payments, using the 90 day floating LIBOR rate, are being made until the HUD notes are sold and a permanent repayment schedule of principal and fixed rate interest is established. Accordingly, at June 30, 1997, the State has recorded an Intergovernmental Payable liability of \$21.850 million in the General Long-Term Obligations Group for the amount it owes HUD on the two loans.

In July 1997, the State received title to real and personal property from the bankrupt Berkeley County project. The State plans to sell that property to partially fund its liability, although the amount of recovery is uncertain.

e. Purchase Commitments

At December 31, 1996, the Public Service Authority, a discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$420.704 million for coal and approximately \$100.000 million for power. The term of the power contract is 39 years. The Authority has commitments of approximately \$104.900 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 are 10 years.

f. 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 \$10.700 million for low nitrogen oxide burner technology by the year 2000.

g. Medical University Proposed Sale/Lease

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.

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 hearing has been scheduled for mid-December 1997, but a trial date has not been set.

NOTE 21: 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 Funds		Totals
	Current Unre- stricted	Current Restricted	
1998	\$ 2,678	\$ 59	\$ 2,737
1999	10	56	66
2000	—	1	1
2001	—	1	1
2002	—	1	1
Thereafter	20,410	1,630	22,040
Totals	\$ 23,098	\$ 1,748	\$ 24,846

It is not practicable to estimate the net realizable value of such pledges; accordingly, they are not recorded as pledges receivable at June 30, 1997, in the accompanying financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

National Guard Pension System

SCHEDULE OF FUNDING PROGRESS

Last Six Fiscal Years
(Dollars in Thousands)

Fiscal Year Ended June 30	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)
1992	July 1, 1991 ^a	\$ 0	\$ 19,499	\$ 19,499	0.0%	\$ 48,827	39.9%
1993	July 1, 1992 ^a	0	23,701	23,701	0.0%	50,404	47.0%
1994	July 1, 1993	2,499	26,200	23,701	9.5%	48,385	49.0%
1995	July 1, 1994	3,760	26,996	23,236	13.9%	50,766	45.8%
1996	June 30, 1996	6,259	36,756	30,497	17.0%	48,861	62.4%
1997	June 30, 1996 ^b	6,259	36,756	30,497	17.0%	41,264	73.9%

^a Before July 1, 1993, the National Guard Pension System operated on a pay-as-you-go basis.

^b The State Adjutant General's Office administers the plan. Effective June 30, 1996, the plan's administrator implemented a biennial valuation schedule.

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	Percentage Contributed
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%
1997 ^a	3,085	81.0%

^a The State Adjutant General's Office administers the plan. Effective June 30, 1996, the plan's administrator implemented a biennial valuation schedule.

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. 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 first landscape plan (1879) included a butterfly-shaped lake near the corner of Gervais and Assembly Streets.

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**
(See Accompanying Independent Auditors' Report)

**Photograph is not available
in web version of CAFR**

Milburn specialized in public buildings. He worked on the State House from 1900 through 1903 and was responsible for the present dome and the porticoes.

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.

Local Government Infrastructure Fund. This fund, formerly called the Economic Development Fund, accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. It is funded by certain motor fuel taxes, Federal funds, and transfers from other funds.

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.

Image

Steel Frame of Dome Completion of South Carolina Capitol Building, Frank P. Milburn, c. 1900, courtesy of the South Carolina Department of Archives and History

The simplified dome has a steel frame, similar to a railroad bridge, and copper sheathing. A smaller, off-center interior dome was necessary to "line up" with the lobby below.

Combining Balance Sheet

SPECIAL REVENUE FUNDS

June 30, 1997

(Expressed in Thousands)

	Depart- mental General Operating	Education Improve- ment Act	Children's Education Endowment	Repair, Mainte- nance, and Renovation	Waste Manage- ment	Department of Transportation Special Revenue
ASSETS						
Cash and cash equivalents.....	\$ 173,484	\$ 63,499	\$ 84,490	\$ 23,600	\$ 69,234	\$ 153,151
Investments.....	217	—	—	—	—	—
Securities lending investments.....	142	155	1,562	—	1,240	3,109
Receivables, net:						
Accounts.....	45,282	1,824	972	—	794	8,209
Taxes.....	2,230	38,051	15,758	—	—	31,164
Student loans.....	—	14,645	—	—	—	—
Loans and notes.....	224	—	—	—	—	—
Due from Federal government and other grantors.....	142,644	167	—	3	—	51,204
Due from other funds.....	13,501	1,846	—	1,564	1,546	48,660
Interfund receivables.....	343	—	—	—	—	1,358
Advances to other funds.....	—	—	—	—	—	6,227
Inventories.....	9,788	—	—	—	25	12,237
Other assets.....	143	—	—	—	—	—
Total assets.....	\$ 387,998	\$ 120,187	\$ 102,782	\$ 25,167	\$ 72,839	\$ 315,319
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities.....	\$ 192,199	\$ 2,621	\$ 1,785	\$ 3,095	\$ 3,891	\$ 95,879
Tax refunds payable.....	5	294	—	—	—	625
Intergovernmental payables.....	67,923	6,444	4,816	—	606	—
Due to other funds.....	46,958	2,379	6	191	383	2,155
Interfund payables.....	3,198	100	—	—	—	—
Advances from other funds.....	300	—	—	—	—	—
Deferred revenues.....	20,810	1,290	—	31	—	16,835
Obligations under securities lending.....	142	155	1,562	—	1,240	3,109
Other liabilities, including retainages payable.....	8	5	—	2,079	—	24,830
Total liabilities.....	331,543	13,288	8,169	5,396	6,120	143,433
Fund balances:						
Reserved for:						
Inventories.....	9,788	—	—	—	25	12,237
Advances to other funds.....	—	—	—	—	—	6,227
Long-term loans and notes receivable.....	224	10,859	—	—	—	—
Debt requirements.....	—	—	—	—	—	1,267
School building aid.....	—	22,512	—	—	—	—
Unreserved:						
Designated for future years' expenditures.....	—	—	—	—	—	76,805
Designated for capital expenditures.....	—	—	—	—	—	37,508
Designated for scholarships.....	—	14,085	—	—	242	—
Undesignated.....	46,443	59,443	94,613	19,771	66,452	37,842
Total fund balances.....	56,455	106,899	94,613	19,771	66,719	171,886
Total liabilities and fund balances.....	\$ 387,998	\$ 120,187	\$ 102,782	\$ 25,167	\$ 72,839	\$ 315,319

Local Government Infrastructure	Accommoda- tions and Local Option Sales Tax	Energy Settlement	Omnibus Crime	Medicaid Expansion	Other Special Revenue	Elimina- tions	Totals
\$ 90,343	\$ 21,342	\$ 18,529	\$ 1,796	\$ 5,456	\$ 57,603	\$ —	\$ 762,527
—	—	—	—	—	—	—	217
1,670	—	341	—	37	315	—	8,571
2,008	—	232	—	59	234	—	59,614
—	14,085	—	—	—	1,566	—	102,854
—	—	—	—	—	—	—	14,645
139,019	—	—	—	—	2,669	—	141,912
—	—	—	—	—	—	—	194,018
65,504	33	—	249	—	768	(43,539)	90,132
200	—	—	—	—	59	—	1,960
600	—	—	—	—	260	—	7,087
—	—	1	—	—	—	—	22,051
—	—	—	—	—	—	—	143
\$ 299,344	\$ 35,460	\$ 19,103	\$ 2,045	\$ 5,552	\$ 63,474	\$ (43,539)	\$ 1,405,731
\$ 1,908	\$ 1	\$ 463	\$ 539	\$ 42	\$ 3,422	\$ —	\$ 305,845
—	46	—	—	—	2	—	972
—	19,663	44	—	—	274	—	99,770
17	72	42	243	59	3,576	(43,539)	12,542
—	—	—	—	—	70	—	3,368
—	—	—	—	—	—	—	300
31,745	925	—	—	—	14	—	71,650
1,670	—	341	—	37	315	—	8,571
—	—	—	—	—	5	—	26,927
35,340	20,707	890	782	138	7,678	(43,539)	529,945
—	—	1	—	—	—	—	22,051
600	—	—	—	—	260	—	7,087
138,733	—	—	—	—	2,644	—	152,460
—	—	—	—	—	—	—	1,267
—	—	—	—	—	—	—	22,512
—	—	—	—	—	—	—	76,805
—	—	—	—	—	—	—	37,508
—	—	—	—	—	—	—	14,327
124,671	14,753	18,212	1,263	5,414	52,892	—	541,769
264,004	14,753	18,213	1,263	5,414	55,796	—	875,786
\$ 299,344	\$ 35,460	\$ 19,103	\$ 2,045	\$ 5,552	\$ 63,474	\$ (43,539)	\$ 1,405,731

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

SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Depart- mental General Operating	Education Improve- ment Act	Children's Education Endowment	Repair, Mainte- nance, and Renovation	Waste Manage- ment
Revenues:					
Taxes:					
Retail sales and use.....	\$ 257	\$ 404,944	\$ —	\$ —	\$ 1,635
Other.....	30,414	—	73,393	216	—
Licenses, fees, and permits.....	47,311	2	—	6	24,668
Interest and other investment income.....	410	5,945	5,011	—	2,301
Federal.....	2,744,288	143	—	1,499	—
Departmental services.....	158,569	—	—	553	282
Contributions.....	106,566	—	—	121	—
Fines and penalties.....	19,886	—	—	1,438	100
Other.....	51,647	1,366	—	335	755
Total revenues.....	3,159,348	412,400	78,404	4,168	29,741
Expenditures:					
Current:					
General government.....	45,994	6,972	—	27,099	4
Education.....	115,988	15,700	3,009	359	—
Health and environment.....	1,993,942	926	—	4,221	11,440
Social services.....	580,884	4,263	—	—	—
Administration of justice.....	38,529	1,222	—	3,511	—
Resources and economic development.....	78,586	—	—	1,443	—
Transportation.....	—	—	—	—	—
Capital outlay.....	—	—	—	—	—
Debt service:					
Principal retirement.....	628	—	—	—	—
Interest and fiscal charges.....	129	—	—	—	—
Intergovernmental.....	378,693	374,388	39,198	—	5,023
Total expenditures.....	3,233,373	403,471	42,207	36,633	16,467
Revenues over (under) expenditures.....	(74,025)	8,929	36,197	(32,465)	13,274
Other financing sources (uses):					
Proceeds from bonds and notes.....	—	—	—	—	—
Lease and installment debt proceeds.....	151	—	—	—	—
Operating transfers in.....	89,353	37	—	42,657	38
Operating transfers out.....	(11,147)	(3,447)	(17,399)	(757)	(416)
Total other financing sources (uses).....	78,357	(3,410)	(17,399)	41,900	(378)
Revenues and other sources over expenditures and other uses.....	4,332	5,519	18,798	9,435	12,896
Fund balances, July 1, 1996 (restated).....	51,641	101,380	75,815	10,336	53,870
Increases (decreases) in reserve for inventories.....	482	—	—	—	(47)
Residual equity transfers out.....	—	—	—	—	—
Fund balances, June 30, 1997.....	\$ 56,455	\$ 106,899	\$ 94,613	\$ 19,771	\$ 66,719

Department of Transportation Special Revenue	Local Government Infrastructure	Accommoda- tions and Local Option Sales Tax	Energy Settle- ment	Omni- bus Crime	Medicaid Expansion	Other Special Revenue	Elimina- tions	Totals
\$ —	\$ —	\$ 121,654	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 528,490
313,328	18,000	—	—	—	21,726	12,843	—	469,920
—	—	—	—	—	—	4,554	—	76,541
20,950	8,458	—	1,123	—	331	1,774	—	46,303
253,083	8,084	—	—	—	—	—	—	3,007,097
65,104	—	—	203	—	—	2,171	—	226,882
—	—	—	—	—	7,508	901	—	115,096
—	—	—	—	12,708	—	8,783	—	42,915
3,595	—	—	1	1	—	27	—	57,727
656,060	34,542	121,654	1,327	12,709	29,565	31,053	—	4,570,971
—	—	12	661	4	—	14,654	—	95,400
—	—	—	—	—	—	—	—	135,056
—	—	—	79	—	29,037	87	—	2,039,732
—	—	—	—	—	—	2,557	—	587,704
—	—	—	—	12,002	—	174	—	55,438
—	643	—	—	—	—	2,630	—	83,302
230,384	—	—	—	—	—	—	—	230,384
436,798	—	—	—	—	—	—	—	436,798
2,230	—	—	—	—	—	107	—	2,965
3,596	—	—	—	—	—	20	—	3,745
9,499	7,601	117,022	413	—	—	2,000	—	933,837
682,507	8,244	117,034	1,153	12,006	29,037	22,229	—	4,604,361
(26,447)	26,298	4,620	174	703	528	8,824	—	(33,390)
44,550	—	—	—	—	—	—	—	44,550
—	—	—	—	—	—	500	—	651
586	76,933	—	—	304	—	2,866	(44,018)	168,756
(6,050)	(360)	(1,688)	(103)	—	—	(7,513)	44,018	(4,862)
39,086	76,573	(1,688)	(103)	304	—	(4,147)	—	209,095
12,639	102,871	2,932	71	1,007	528	4,677	—	175,705
160,592	161,635	11,821	18,147	256	4,886	51,119	—	701,498
(1,345)	—	—	(5)	—	—	—	—	(915)
—	(502)	—	—	—	—	—	—	(502)
\$ 171,886	\$ 264,004	\$ 14,753	\$ 18,213	\$ 1,263	\$ 5,414	\$ 55,796	\$ —	\$ 875,786

**Photograph is not available
in web version of CAFR**

When the new capital city was laid out, a central square was reserved for the State House.

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 South Carolina 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

The terrace and tower were never built, and none of Niernsee's drawings survive; nonetheless, nineteenth century pictures clearly show what he had in mind.

Combining Balance Sheet

ENTERPRISE FUNDS

June 30, 1997

(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Education Assistance Authority</u>	<u>Jobs- Economic Development Authority</u>	<u>Patients' Compensation</u>
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 1,576	\$ 47,970	\$ 8,422	\$ 13,645
Securities lending investments.....	—	433	—	244
Receivables, net:				
Accounts	155	9,061	158	165
Student loans.....	—	6	—	—
Loans and notes.....	303	64,000	—	—
Due from Federal government and other grantors.....	424	1,034	—	—
Due from other funds.....	5	—	—	—
Inventories.....	—	—	—	—
Restricted assets:				
Cash and cash equivalents.....	128,320	50,396	—	—
Loans receivable.....	9,930	—	—	—
Other.....	6,659	—	—	—
Other current assets.....	—	—	38	—
Total current assets.....	147,372	172,900	8,618	14,054
Long-term assets:				
Investments.....	—	2,280	1,450	—
Receivables, net:				
Student loans.....	—	14	—	—
Loans and notes	5,819	290,739	5,449	—
Servicing rights, net.....	—	—	—	—
Restricted assets:				
Investments.....	37,848	27,143	—	—
Loans receivable.....	458,105	—	—	—
Other.....	864	—	—	—
Other long-term assets.....	—	—	300	—
Deferred charges.....	—	1,497	—	—
Total long-term assets.....	502,636	321,673	7,199	—
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	1,285	—	—	29
Construction in progress.....	—	—	—	—
Less: accumulated depreciation.....	(395)	—	—	(21)
Total property, plant, and equipment, net.....	890	—	—	8
Total assets.....	\$ 650,898	\$ 494,573	\$ 15,817	\$ 14,062

<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Elimina- tions</u>	<u>Totals</u>
\$ 1,131	\$ 1,254	\$ 14,066	\$ —	\$ 88,064
848	3	137	—	1,665
5	96	1,515	—	11,155
—	—	—	—	6
—	—	—	—	64,303
—	—	—	—	1,458
—	—	—	(4)	1
—	209	1,718	—	1,927
44,095	119	2,723	—	225,653
—	—	—	—	9,930
728	—	—	—	7,387
—	9	42	—	89
<u>46,807</u>	<u>1,690</u>	<u>20,201</u>	<u>(4)</u>	<u>411,638</u>
—	—	—	—	3,730
—	—	—	—	14
—	—	13,236	—	315,243
—	—	2,070	—	2,070
—	—	—	—	64,991
—	—	—	—	458,105
—	—	—	—	864
—	—	474	—	774
—	—	—	—	1,497
<u>—</u>	<u>—</u>	<u>15,780</u>	<u>—</u>	<u>847,288</u>
—	5,619	14,350	—	19,969
—	1,629	2,543	—	4,172
202	7,889	1,244	—	10,649
—	8	—	—	8
(106)	(5,938)	(3,452)	—	(9,912)
<u>96</u>	<u>9,207</u>	<u>14,685</u>	<u>—</u>	<u>24,886</u>
<u>\$ 46,903</u>	<u>\$ 10,897</u>	<u>\$ 50,666</u>	<u>\$ (4)</u>	<u>\$ 1,283,812</u>

Continued on Next Page

Combining Balance Sheet**ENTERPRISE FUNDS (Continued)****June 30, 1997****(Expressed in Thousands)**

	<u>Housing Authority</u>	<u>Education Assistance Authority</u>	<u>Jobs- Economic Development Authority</u>	<u>Patients' Compensation</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities.....	\$ 16,660	\$ 10,764	\$ 65	\$ 294
Due to other funds.....	14	210	—	2
Interfund payables.....	—	—	—	—
Deferred revenues.....	141	92	—	2,700
Deposits.....	—	—	100	—
Obligations under securities lending.....	—	433	—	244
Liabilities payable from restricted assets.....	—	—	—	—
Notes payable.....	—	—	—	—
Revenue bonds payable.....	16,245	31,865	—	—
Compensated absences payable.....	336	42	19	22
Other current liabilities, including retainages payable.....	3,027	—	—	—
Total current liabilities.....	36,423	43,406	184	3,262
Long-term liabilities:				
Accrued liabilities.....	—	—	—	8,875
Insurance claims incurred but not reported.....	—	—	—	3,925
Advances from other funds.....	—	—	—	—
Notes payable.....	—	—	—	—
Revenue bonds payable.....	471,846	360,050	—	—
Total long-term liabilities.....	471,846	360,050	—	12,800
Total liabilities.....	508,269	403,456	184	16,062
Fund Equity (Deficit):				
Contributed capital.....	—	—	—	—
Retained earnings (deficit):				
Reserved for debt requirements.....	134,388	73,848	—	—
Unreserved.....	8,241	17,269	15,633	(2,000)
Total fund equity (deficit).....	142,629	91,117	15,633	(2,000)
Total liabilities and fund equity.....	\$ 650,898	\$ 494,573	\$ 15,817	\$ 14,062

<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Elimina- tions</u>	<u>Totals</u>
\$ 1,051	\$ 532	\$ 3,186	\$ —	\$ 32,552
458	8	458	(4)	1,146
—	20	200	—	220
—	58	36	—	3,027
—	—	—	—	100
848	3	137	—	1,665
44,375	—	967	—	45,342
—	—	1	—	1
—	—	—	—	48,110
75	144	352	—	990
—	—	103	—	3,130
<u>46,807</u>	<u>765</u>	<u>5,440</u>	<u>(4)</u>	<u>136,283</u>
—	—	2,112	—	10,987
—	—	—	—	3,925
—	—	14,037	—	14,037
—	—	27	—	27
—	—	—	—	831,896
<u>—</u>	<u>—</u>	<u>16,176</u>	<u>—</u>	<u>860,872</u>
<u>46,807</u>	<u>765</u>	<u>21,616</u>	<u>(4)</u>	<u>997,155</u>
—	11,809	5,061	—	16,870
—	—	1,806	—	210,042
96	(1,677)	22,183	—	59,745
<u>96</u>	<u>10,132</u>	<u>29,050</u>	<u>—</u>	<u>286,657</u>
<u>\$ 46,903</u>	<u>\$ 10,897</u>	<u>\$ 50,666</u>	<u>\$ (4)</u>	<u>\$ 1,283,812</u>

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

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority	Patients' Compen- sation
Operating revenues:				
Charges for services.....	\$ 3,422	\$ 38,326	\$ 683	\$ 3,578
Interest and other investment income.....	47,098	6,804	744	906
Total operating revenues.....	50,520	45,130	1,427	4,484
Operating expenses:				
General operations and administration.....	4,910	6,709	319	276
Benefits and claims.....	—	—	—	7,105
Interest.....	33,588	21,971	—	—
Depreciation and amortization.....	222	51	—	2
Other operating expenses.....	1,363	770	—	—
Total operating expenses.....	40,083	29,501	319	7,383
Operating income (loss).....	10,437	15,629	1,108	(2,899)
Nonoperating revenues (expenses):				
Interest income.....	—	—	44	—
Federal revenue.....	21,547	—	1,152	—
Interest expense.....	—	—	—	—
Other nonoperating revenues (expenses).....	(21,459)	—	(3,452)	—
Total nonoperating revenues (expenses).....	88	—	(2,256)	—
Income (loss) before operating transfers and extraordinary items.....	10,525	15,629	(1,148)	(2,899)
Operating transfers in.....	—	—	125	—
Income (loss) before extraordinary items.....	10,525	15,629	(1,023)	(2,899)
Extraordinary loss on early extinguishment of debt.....	(243)	—	—	—
Net income (loss).....	10,282	15,629	(1,023)	(2,899)
Retained earnings (deficit), July 1, 1996 (restated).....	132,347	75,488	16,656	899
Retained earnings (deficit), June 30, 1997.....	142,629	91,117	15,633	(2,000)
Contributed capital, July 1, 1996 (restated).....	—	—	—	—
Additions to contributed capital.....	—	—	—	—
Fund equity (deficit), June 30, 1997.....	\$ 142,629	\$ 91,117	\$ 15,633	\$ (2,000)

Second Injury	Patriots Point Develop- ment Authority	Other Enterprise	Totals
\$ 1,234	\$ 4,494	\$ 21,173	\$ 72,910
—	—	—	55,552
1,234	4,494	21,173	128,462
1,120	4,148	20,285	37,767
—	—	—	7,105
—	—	—	55,559
33	375	487	1,170
50	83	2	2,268
1,203	4,606	20,774	103,869
31	(112)	399	24,593
—	7	1,576	1,627
—	—	—	22,699
—	—	(1,069)	(1,069)
4	—	(669)	(25,576)
4	7	(162)	(2,319)
35	(105)	237	22,274
—	—	—	125
35	(105)	237	22,399
—	—	—	(243)
35	(105)	237	22,156
61	(1,572)	23,752	247,631
96	(1,677)	23,989	269,787
—	11,809	3,724	15,533
—	—	1,337	1,337
\$ 96	\$ 10,132	\$ 29,050	\$ 286,657

Combining Statement of Cash Flows

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority
Cash flows from operating activities:			
Operating income (loss)	\$ 10,437	\$ 15,629	\$ 1,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:			
Depreciation and amortization	222	51	—
Provisions for loan losses and bad debts	—	—	(493)
Issuance of loans and notes	(58,088)	(48,300)	(1,825)
Collection of loans and notes	47,254	60,353	617
Interest payments	33,588	21,971	—
Interest on investments	(8,928)	(6,805)	—
Amounts received for payment of claims	—	—	—
Payment of claims	—	—	—
Other nonoperating expenses	—	—	(192)
Other	38	358	—
Change in assets--decreases (increases):			
Accounts receivable, net	(49)	526	(13)
Student loans receivable, net	—	3	—
Due from Federal government and other grantors	—	146	—
Due from other funds	(5)	—	—
Inventories	—	—	—
Other current assets	(607)	—	(1)
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities	(266)	653	(132)
Insurance claims incurred but not reported	—	—	—
Due to other funds	(11)	210	—
Deferred revenues	141	34	—
Deposits	—	—	(9)
Compensated absences payable	41	8	(6)
Other liabilities, including retainages payable	—	—	—
Net cash provided by (used in) operating activities	23,767	44,837	(946)
Cash flows from noncapital financing activities:			
Principal payments made to other funds	—	—	—
Proceeds from sale of notes payable	—	—	—
Principal payments on notes payable	—	—	—
Proceeds from sale of revenue bonds	29,643	—	—
Principal payments on revenue bonds	(29,450)	(29,395)	—
Interest payments	(33,724)	(22,072)	—
Payment of bond issuance costs	(68)	—	—
Federal revenue	21,547	—	1,057
Payments from Federal grants	(21,547)	—	(3,322)
Operating transfers in	—	—	125
Indirect cost remitted to State General Fund	(19)	—	—
Net cash provided by (used in) noncapital financing activities	(33,618)	(51,467)	(2,140)

<u>Patients'</u> <u>Compensation</u>	<u>Second</u> <u>Injury</u>	<u>Patriots</u> <u>Point</u> <u>Development</u> <u>Authority</u>	<u>Other</u> <u>Enterprise</u>	<u>Elimina-</u> <u>tions</u>	<u>Totals</u>
\$ (2,899)	\$ 31	\$ (112)	\$ 399	\$ —	\$ 24,593
2	33	375	487	—	1,170
—	—	—	—	—	(493)
—	—	—	—	—	(108,213)
—	—	—	—	—	108,224
—	—	—	1	—	55,560
(906)	—	—	—	—	(16,639)
—	56,273	—	—	—	56,273
—	(58,000)	—	—	—	(58,000)
—	—	—	(119)	—	(311)
—	3	1	(12)	—	388
—	—	(26)	(102)	—	336
—	—	—	—	—	3
—	—	—	—	—	146
—	—	—	—	4	(1)
—	—	(38)	(192)	—	(230)
—	—	—	(12)	—	(620)
(6,723)	(3,078)	207	492	—	(8,847)
768	—	—	—	—	768
—	—	(4)	(89)	(4)	102
1,200	—	(63)	3	—	1,315
—	—	—	—	—	(9)
—	12	(1)	31	—	85
—	—	—	(3)	—	(3)
(8,558)	(4,726)	339	884	—	55,597
—	—	(20)	—	—	(20)
—	—	—	1,730	—	1,730
—	—	—	(440)	—	(440)
—	—	—	—	—	29,643
—	—	—	—	—	(58,845)
—	—	—	(956)	—	(56,752)
—	—	—	—	—	(68)
—	—	—	—	—	22,604
—	—	—	—	—	(24,869)
—	—	—	—	—	125
—	—	—	—	—	(19)
—	—	(20)	334	—	(86,911)

Continued on Next Page

Combining Statement of Cash Flows

ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1997
(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.....	\$ (253)	\$ —	\$ —
Principal payments on notes payable	—	—	—
Interest payments	—	—	—
Proceeds from the sale of capital assets.....	—	—	—
Contributions of capital.....	—	—	—
Net cash used in capital and related financing activities.....	(253)	—	—
Cash flows from investing activities:			
Proceeds from sale of investments.....	2,583	25,716	—
Purchase of investments	(1,304)	(15,676)	—
Interest on investments.....	8,494	6,850	44
Issuance of loans	—	—	—
Collection of loans	—	—	144
Net cash provided by investing activities.....	9,773	16,890	188
Net increase (decrease) in cash and cash equivalents.....	(331)	10,260	(2,898)
Cash and cash equivalents at beginning of year.....	130,227	88,106	11,320
Cash and cash equivalents at end of year.....	\$ 129,896	\$ 98,366	\$ 8,422

Patients'	Second	Patriots	Other	Elimina-	
Compensation	Injury	Point	Enterprise	tions	Totals
		Development			
		Authority			
\$ (6)	\$ (71)	\$ (122)	\$ (1,617)	\$ —	\$ (2,069)
—	—	—	(513)	—	(513)
—	—	—	(3)	—	(3)
—	2	66	6	—	74
—	—	—	1,337	—	1,337
(6)	(69)	(56)	(790)	—	(1,174)
—	—	—	—	—	28,299
—	—	—	—	—	(16,980)
1,001	3,352	7	1,571	—	21,319
—	—	—	(1,730)	—	(1,730)
—	—	—	440	—	584
1,001	3,352	7	281	—	31,492
(7,563)	(1,443)	270	709	—	(996)
21,208	46,669	1,103	16,080	—	314,713
\$ 13,645	\$ 45,226	\$ 1,373	\$ 16,789	\$ —	\$ 313,717

**Photograph is not available
in web version of CAFR**

With a raised basement housing offices and a ceremonial principal (second) floor, the first State House resembled many of the planter-legislators' homes.

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, long-term disability, 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 predominantly to State employees. Premiums are collected from State agencies.

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Central Supplies and Equipment Fund. This fund sells office supplies and equipment, food, and paper products to other governmental units. It also stores food and paper products for State agencies.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

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
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The principal floor had wide hallways, three meeting rooms and a library. The House and Senate chambers were at either end of the building.

Combining Balance Sheet

INTERNAL SERVICE FUNDS

June 30, 1997

(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.....	\$ 43,125	\$ 181,142	\$ 57,420	\$ 33,641	\$ 1,137	\$ 2,822
Securities lending investments.....	28,964	3,282	1,024	19	—	—
Receivables, net:						
Accounts.....	21,206	3,952	35,603	358	36	91
Due from Federal government and other grantors.....	—	—	—	44	—	—
Due from other funds.....	450	13,064	2,703	3,700	860	2,043
Interfund receivables.....	5,772	—	—	420	—	—
Inventories.....	—	—	—	1,569	2,642	10
Other current assets.....	2,451	2	—	—	—	—
Total current assets.....	101,968	201,442	96,750	39,751	4,675	4,966
Long-term assets:						
Investments.....	189,348	20,980	—	—	—	—
Advances to other funds.....	34,075	—	—	—	—	—
Total long-term assets.....	223,423	20,980	—	—	—	—
Property, plant, and equipment:						
Land and improvements.....	—	—	—	5,048	—	329
Buildings and improvements.....	—	—	—	143,157	—	1,119
Machinery, equipment, and other.....	1,084	1,264	5,135	67,993	—	21,655
Construction in progress.....	—	—	—	648	—	—
Less: accumulated depreciation.....	(461)	(570)	(563)	(94,351)	—	(12,984)
Total property, plant, and equipment, net.....	623	694	4,572	122,495	—	10,119
Total assets.....	\$ 326,014	\$ 223,116	\$ 101,322	\$ 162,246	\$ 4,675	\$ 15,085
LIABILITIES AND FUND EQUITY						
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities.....	\$ 100,195	\$ 35,006	\$ 12,832	\$ 5,941	\$ 911	\$ 630
Insurance claims incurred but not reported.....	62,496	66,680	15,468	—	—	—
Due to other funds.....	22	170	110	858	24	106
Interfund payables.....	—	—	—	2,141	1,000	—
Deferred revenues.....	33,502	618	34,340	—	—	—
Obligations under securities lending.....	28,964	3,282	1,024	19	—	—
Limited obligation bonds payable.....	—	—	—	2,000	—	—
Capital lease and installment debt obligations payable.....	—	—	—	669	—	—
Compensated absences payable.....	241	282	266	2,167	—	111
Other current liabilities, including retainages payable.....	—	—	229	41	—	—
Total current liabilities.....	225,420	106,038	64,269	13,836	1,935	847
Long-term liabilities:						
Accrued liabilities.....	—	—	11,546	—	—	—
Insurance claims incurred but not reported.....	—	—	22,832	—	—	—
Advances from other funds.....	—	—	—	19,413	—	—
Limited obligation bonds payable.....	—	—	—	26,977	—	—
Capital lease and installment debt obligations payable.....	—	—	—	9,903	—	—
Total long-term liabilities.....	—	—	34,378	56,293	—	—
Total liabilities.....	225,420	106,038	98,647	70,129	1,935	847
Fund Equity:						
Contributed capital.....	—	7	—	62,553	—	327
Retained earnings.....	100,594	117,071	2,675	29,564	2,740	13,911
Total fund equity.....	100,594	117,078	2,675	92,117	2,740	14,238
Total liabilities and fund equity.....	\$ 326,014	\$ 223,116	\$ 101,322	\$ 162,246	\$ 4,675	\$ 15,085

Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 15,926	\$ 1,356	\$ 1,498	\$ 691	\$ —	\$ 338,758
—	—	—	—	—	33,289
—	—	1,171	—	—	62,417
—	—	—	—	—	44
—	—	911	151	(1,920)	21,962
—	—	—	4,561	(6,074)	4,679
—	—	2,481	—	—	6,702
—	—	—	—	—	2,453
15,926	1,356	6,061	5,403	(7,994)	470,304
—	—	—	—	—	210,328
—	—	—	17,966	(28,647)	23,394
—	—	—	17,966	(28,647)	233,722
—	—	—	—	—	5,377
—	—	—	—	—	144,276
9,652	4,866	7,690	152	—	119,491
—	—	—	—	—	648
(5,763)	(2,092)	(5,501)	(83)	—	(122,368)
3,889	2,774	2,189	69	—	147,424
\$ 19,815	\$ 4,130	\$ 8,250	\$ 23,438	\$ (36,641)	\$ 851,450
\$ —	\$ 1,024	\$ 913	\$ 78	\$ —	\$ 157,530
—	—	—	—	—	144,644
—	111	219	300	(1,920)	—
—	—	—	4,580	(6,074)	1,647
—	—	—	—	—	68,460
—	—	—	—	—	33,289
—	—	—	—	—	2,000
—	—	—	—	—	669
—	716	407	55	—	4,245
—	—	—	—	—	270
—	1,851	1,539	5,013	(7,994)	412,754
—	—	—	—	—	11,546
—	—	—	—	—	22,832
—	—	—	17,409	(28,647)	8,175
—	—	—	—	—	26,977
—	—	—	—	—	9,903
—	—	—	17,409	(28,647)	79,433
—	1,851	1,539	22,422	(36,641)	492,187
9,652	8	3,857	133	—	76,537
10,163	2,271	2,854	883	—	282,726
19,815	2,279	6,711	1,016	—	359,263
\$ 19,815	\$ 4,130	\$ 8,250	\$ 23,438	\$ (36,641)	\$ 851,450

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

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment
Operating revenues:					
Charges for services.....	\$ 62,428	\$ 597,882	\$ 31,178	\$ 69,374	\$ 10,508
Contributions.....	—	—	—	8	—
Interest and other investment income.....	19,066	14,310	3,654	—	—
Total operating revenues.....	81,494	612,192	34,832	69,382	10,508
Operating expenses:					
General operations and administration.....	47,972	111,167	5,150	53,539	10,424
Benefits and claims.....	36,786	513,207	31,108	—	—
Depreciation	161	127	230	8,112	—
Other operating expenses.....	—	—	123	217	—
Total operating expenses.....	84,919	624,501	36,611	61,868	10,424
Operating income (loss).....	(3,425)	(12,309)	(1,779)	7,514	84
Nonoperating revenues (expenses):					
Interest income.....	—	—	—	101	—
Federal revenue.....	—	—	—	620	—
Interest expense.....	—	—	—	(4,397)	—
Other nonoperating revenues (expenses).....	(64)	(2)	—	(221)	1
Total nonoperating revenues (expenses).....	(64)	(2)	—	(3,897)	1
Income (loss) before operating transfers.....	(3,489)	(12,311)	(1,779)	3,617	85
Operating transfers in.....	—	7	—	6,284	—
Operating transfers out.....	(425)	(264)	—	(1,666)	—
Net income (loss).....	(3,914)	(12,568)	(1,779)	8,235	85
Retained earnings, July 1, 1996 (restated).....	104,508	129,639	4,454	21,329	2,655
Retained earnings, June 30, 1997.....	100,594	117,071	2,675	29,564	2,740
Contributed capital, July 1, 1996.....	—	7	—	60,708	—
Additions to contributed capital.....	—	—	—	2,014	—
Deductions from contributed capital.....	—	—	—	(169)	—
Fund equity, June 30, 1997.....	\$ 100,594	\$ 117,078	\$ 2,675	\$ 92,117	\$ 2,740

Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 11,154	\$ 4,716	\$ 11,542	\$ 13,902	\$ 1,021	\$ —	\$ 813,705
—	—	—	—	—	—	8
—	—	—	—	—	—	37,030
11,154	4,716	11,542	13,902	1,021	—	850,743
5,856	965	10,738	13,417	1,844	—	261,072
—	—	—	—	—	—	581,101
3,833	150	845	571	13	—	14,042
2	3	202	11	7	—	565
9,691	1,118	11,785	13,999	1,864	—	856,780
1,463	3,598	(243)	(97)	(843)	—	(6,037)
—	—	—	—	1,690	—	1,791
—	—	—	—	—	—	620
—	—	—	—	(1,374)	—	(5,771)
(184)	—	191	(11)	8	—	(282)
(184)	—	191	(11)	324	—	(3,642)
1,279	3,598	(52)	(108)	(519)	—	(9,679)
376	—	—	—	39	(2,832)	3,874
(345)	—	—	(1,311)	(182)	2,832	(1,361)
1,310	3,598	(52)	(1,419)	(662)	—	(7,166)
12,601	6,565	2,323	4,273	1,545	—	289,892
13,911	10,163	2,271	2,854	883	—	282,726
334	13,205	8	3,854	138	—	78,254
26	3,260	—	3	—	—	5,303
(33)	(6,813)	—	—	(5)	—	(7,020)
\$ 14,238	\$ 19,815	\$ 2,279	\$ 6,711	\$ 1,016	\$ —	\$ 359,263

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
Cash flows from operating activities:				
Operating income (loss).....	\$ (3,425)	\$ (12,309)	\$ (1,779)	\$ 7,514
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:				
Depreciation	161	127	230	8,112
Amortization of deferred gain on sale of capital leaseback.....	—	—	—	(296)
Loss (gain) on disposition of property and equipment.....	—	—	—	—
Interest on investments and interfund loans.....	(19,843)	(14,310)	(3,654)	—
Other nonoperating revenues.....	—	—	—	877
Other nonoperating expenses.....	—	—	—	(116)
Other.....	—	(1)	(1)	(20)
Change in assets--decreases (increases):				
Accounts receivable, net.....	533	(66)	(28,355)	(3)
Due from Federal government and other grantors	—	—	—	(30)
Due from other funds	810	1,004	7,492	2,379
Inventories.....	—	—	—	181
Other current assets.....	(827)	148	—	33
Change in liabilities--increases (decreases):				
Accounts payable and accrued liabilities.....	(9,466)	(6,774)	(12,957)	155
Insurance claims incurred but not reported.....	(1,996)	2,309	9,210	—
Due to other funds.....	(113)	115	14	406
Deferred revenues	907	618	26,440	—
Compensated absences payable.....	2	(3)	38	399
Other liabilities, including retainages payable.....	—	—	143	(3)
Net cash provided by (used in) operating activities.....	(33,257)	(29,142)	(3,179)	19,588
Cash flows from noncapital financing activities:				
Principal payments received from other funds.....	5,961	—	—	28
Proceeds from loans made by other funds.....	—	—	—	—
Principal payments made to other funds.....	—	—	—	(2,241)
Receipt of interest from other funds.....	2,684	—	—	—
Interest payments made to other funds.....	—	—	—	(1,645)
Loans made to other funds.....	(6,098)	—	—	(400)
Federal revenue.....	—	—	—	620
Operating transfers in.....	—	7	—	6,284
Operating transfers out.....	(425)	(264)	—	(1,666)
Net cash provided by (used in) noncapital financing activities.....	2,122	(257)	—	980

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 84	\$ 1,463	\$ 3,598	\$ (243)	\$ (97)	\$ (843)	\$ —	\$ (6,037)
—	3,833	150	845	571	13	—	14,042
—	—	—	—	—	—	—	(296)
—	—	—	59	(25)	—	—	34
—	—	—	—	—	—	—	(37,807)
1	5	—	191	—	10	—	1,084
—	—	—	—	(8)	—	—	(124)
—	(1)	(2,398)	—	(1)	—	—	(2,422)
(36)	(23)	—	10	(369)	—	—	(28,309)
—	—	—	—	—	—	—	(30)
(130)	(259)	—	—	(192)	(129)	571	11,546
(450)	7	—	—	(539)	—	—	(801)
—	—	—	—	—	8	—	(638)
87	361	—	(232)	345	(32)	—	(28,513)
—	—	—	—	—	—	—	9,523
14	(59)	—	(35)	(45)	274	(571)	—
—	—	—	—	—	—	—	27,965
—	(2)	—	76	44	(3)	—	551
—	—	—	—	—	—	—	140
<u>(430)</u>	<u>5,325</u>	<u>1,350</u>	<u>671</u>	<u>(316)</u>	<u>(702)</u>	<u>—</u>	<u>(40,092)</u>
—	—	—	—	—	3,572	—	9,561
—	—	—	—	—	4,368	—	4,368
(75)	—	—	—	—	(3,610)	—	(5,926)
—	—	—	—	—	1,690	—	4,374
—	—	—	—	—	(1,374)	—	(3,019)
—	—	—	—	—	(4,368)	—	(10,866)
—	—	—	—	—	—	—	620
—	376	—	—	—	39	(2,832)	3,874
—	(345)	—	—	(1,311)	(182)	2,832	(1,361)
<u>(75)</u>	<u>31</u>	<u>—</u>	<u>—</u>	<u>(1,311)</u>	<u>135</u>	<u>—</u>	<u>1,625</u>

Continued on Next Page

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1997
(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.....	\$ (145)	\$ (399)	\$ (3,839)	\$ (9,449)
Proceeds from sale of limited obligation bonds.....	—	—	—	22,512
Principal payments on limited obligation bonds.....	—	—	—	(215)
Interest payments.....	—	—	—	(2,744)
Principal payments on capital leases and installment debt obligations payable.....	—	—	—	(21,919)
Net cash used in capital and related financing activities.....	(145)	(399)	(3,839)	(11,815)
Cash flows from investing activities:				
Proceeds from sale of investments.....	52,150	1,719	—	—
Purchase of investments.....	(82,487)	(6,792)	—	—
Interest on investments.....	17,159	14,719	3,736	101
Net cash provided by (used in) investing activities.....	(13,178)	9,646	3,736	101
Net increase (decrease) in cash and cash equivalents.....	(44,458)	(20,152)	(3,282)	8,854
Cash and cash equivalents at beginning of year (restated).....	87,583	201,294	60,702	24,787
Cash and cash equivalents at end of year.....	\$ 43,125	\$ 181,142	\$ 57,420	\$ 33,641
Noncash capital and financing activities:				
Acquisition of property and equipment through:				
Transfers from other funds.....	\$ —	\$ —	\$ —	\$ —
Donations.....	—	—	—	—
Total noncash capital and financing activities.....	\$ —	\$ —	\$ —	\$ —

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ —	\$ (4,482)	\$ —	\$ (680)	\$ (715)	\$ (6)	\$ —	\$ (19,715)
—	—	—	—	—	—	—	22,512
—	—	—	—	—	—	—	(215)
—	—	—	—	—	—	—	(2,744)
—	—	—	—	—	—	—	(21,919)
—	(4,482)	—	(680)	(715)	(6)	—	(22,081)
—	—	—	—	—	—	—	53,869
—	—	—	—	—	—	—	(89,279)
—	—	—	—	—	—	—	35,715
—	—	—	—	—	—	—	305
(505)	874	1,350	(9)	(2,342)	(573)	—	(60,243)
1,642	1,948	14,576	1,365	3,840	1,264	—	399,001
<u>\$ 1,137</u>	<u>\$ 2,822</u>	<u>\$ 15,926</u>	<u>\$ 1,356</u>	<u>\$ 1,498</u>	<u>\$ 691</u>	<u>\$ —</u>	<u>\$ 338,758</u>
\$ —	\$ —	\$ 3,260	\$ —	\$ —	\$ —	\$ —	\$ 3,260
—	20	—	—	—	—	—	20
<u>\$ —</u>	<u>\$ 20</u>	<u>\$ 3,260</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,280</u>

**Photograph is not available
in web version of CAFR**

John R. Niernsee, the original architect of the present State House, died in 1885. He was followed briefly by his partner, J. Crawford Neilson, who was succeeded in 1889 by Niernsee's son. Frank Niernsee designed much of the interior metal work and tried to make the building fireproof as his father had planned.

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, miscellaneous clearing accounts, and other deposits.

Combining Balance Sheet

FIDUCIARY FUNDS

June 30, 1997

(Expressed in Thousands)

	EXPENDABLE TRUST			
	Radioactive Waste Contingency	Unemployment Compensation Benefits	Other Expendable Trust	NONEXPENDABLE TRUST
ASSETS				
Cash and cash equivalents.....	\$ 83,064	\$ 12,025	\$ 19,337	\$ 1,491
Cash on deposit with fiscal agents.....	—	664,540	—	—
Investments.....	—	—	—	—
Securities lending investments.....	1,536	197	42	—
Receivables, net:				
Accounts.....	995	128	342	28
Taxes.....	—	44,976	—	—
Loans and notes.....	—	—	66	—
Due from Federal government.....	—	1,069	—	—
Due from other funds.....	—	—	5	—
Other assets.....	—	—	—	—
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	—	—	—	—
Less: accumulated depreciation.....	—	—	—	—
Total assets.....	\$ 85,595	\$ 722,935	\$ 19,792	\$ 1,519
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 1,755	\$ 1,778	\$ 52	\$ —
Tax refunds payable.....	—	1,577	—	—
Intergovernmental payables.....	—	—	—	—
Due to other funds.....	—	202	39	—
Interfund payables.....	—	—	—	—
Deferred revenues.....	—	476	—	—
Deposits.....	—	—	—	—
Amounts held in custody for others.....	—	—	—	—
Deferred compensation.....	—	—	—	—
Obligations under securities lending.....	1,536	197	42	—
Other liabilities.....	—	—	—	—
Total liabilities.....	3,291	4,230	133	—
Fund Balances:				
Reserved for:				
Pension and other benefits.....	—	718,705	—	—
Endowment and similar funds.....	—	—	—	1,361
Long-term loans and notes receivable.....	—	—	66	—
Unreserved, undesignated.....	82,304	—	19,593	158
Total fund balances.....	82,304	718,705	19,659	1,519
Total liabilities and fund balances.....	\$ 85,595	\$ 722,935	\$ 19,792	\$ 1,519

PENSION TRUST

South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Pension System
\$ 531,367	\$ 61,093	\$ 2,213	\$ 3,082	\$ 5,006
—	—	—	—	—
13,714,009	1,507,792	32,712	68,242	—
1,257,149	133,958	2,445	2,444	—
259,292	34,965	515	1,169	88
—	—	—	—	—
—	—	—	—	—
12,705	3,118	2	104	—
—	—	—	—	—
524	54	2	2	—
4,279	437	13	20	—
—	—	—	—	4
(510)	(52)	(2)	(2)	(2)
<u>\$ 15,778,815</u>	<u>\$ 1,741,365</u>	<u>\$ 37,900</u>	<u>\$ 75,061</u>	<u>\$ 5,096</u>
\$ 9,338	\$ 231	\$ 29	\$ 8	\$ —
—	—	—	—	—
—	—	—	—	—
13,613	462	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
1,257,149	133,958	2,445	2,444	—
—	—	—	—	—
<u>1,280,100</u>	<u>134,651</u>	<u>2,474</u>	<u>2,452</u>	<u>—</u>
14,498,715	1,606,714	35,426	72,609	5,096
—	—	—	—	—
—	—	—	—	—
<u>14,498,715</u>	<u>1,606,714</u>	<u>35,426</u>	<u>72,609</u>	<u>5,096</u>
<u>\$ 15,778,815</u>	<u>\$ 1,741,365</u>	<u>\$ 37,900</u>	<u>\$ 75,061</u>	<u>\$ 5,096</u>

Continued on Next Page

Combining Balance Sheet

FIDUCIARY FUNDS (Continued)

June 30, 1997

(Expressed in Thousands)

ASSETS

Cash and cash equivalents.....	
Cash on deposit with fiscal agents.....	
Investments.....	
Securities lending investments.....	
Receivables, net:	
Accounts.....	
Taxes.....	
Loans and notes.....	
Due from Federal government.....	
Due from other funds.....	
Other assets.....	
Property, plant, and equipment:	
Land and improvements.....	
Buildings and improvements.....	
Machinery, equipment, and other.....	
Less: accumulated depreciation.....	
Total assets.....	

Deferred Compensation Plans

\$ —
—
986,719
—
3,207
—
25,069
—
—
5,306
—
—
—
—
\$ 1,020,301

Insurance Company Deposits

\$ 22,924
—
314,168
—
—
—
—
—
—
—
—
—
—
\$ 337,092

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities.....	
Tax refunds payable.....	
Intergovernmental payables.....	
Due to other funds.....	
Interfund payables.....	
Deferred revenues.....	
Deposits.....	
Amounts held in custody for others.....	
Deferred compensation.....	
Obligations under securities lending.....	
Other liabilities.....	
Total liabilities.....	

\$ —
—
—
—
—
—
—
—
1,020,301
—
—
1,020,301

\$ —
—
—
—
—
—
—
337,092
—
—
337,092

Fund Balances:

Reserved for:	
Pension and other benefits.....	
Endowment and similar funds.....	
Long-term loans and notes receivable.....	
Unreserved, undesignated.....	
Total fund balances.....	
Total liabilities and fund balances.....	

—
—
—
—
—
—
\$ 1,020,301

—
—
—
—
—
\$ 337,092

AGENCY

Local Government Investment Pool	Federal Interfund Activity	Payroll Clearing	Other Agency	Eliminations	Totals
\$ 10,005	\$ —	\$ 9,296	\$ 229,811	\$ —	\$ 990,714
—	—	—	—	—	664,540
653,817	—	—	16,507	—	17,293,966
—	—	—	3,150	—	1,400,921
386	—	—	2,424	—	303,539
—	—	—	—	—	44,976
—	—	—	78	—	25,213
—	645	—	—	—	1,714
—	—	41,495	4,257	(53,895)	7,791
—	—	—	4	—	5,310
—	—	—	—	—	582
—	—	—	—	—	4,749
—	—	—	—	—	4
—	—	—	—	—	(568)
\$ 664,208	\$ 645	\$ 50,791	\$ 256,231	\$ (53,895)	\$ 20,743,451
\$ 10,000	\$ —	\$ 192	\$ 4,447	\$ —	\$ 27,830
—	—	—	—	—	1,577
—	10	—	525	—	535
—	262	9,175	85,081	(53,895)	54,939
—	343	5	—	—	348
—	—	—	—	—	476
—	—	—	526	—	526
654,203	30	41,419	162,502	—	1,195,246
—	—	—	—	—	1,020,301
—	—	—	3,150	—	1,400,921
5	—	—	—	—	5
664,208	645	50,791	256,231	(53,895)	3,702,704
—	—	—	—	—	16,937,265
—	—	—	—	—	1,361
—	—	—	—	—	66
—	—	—	—	—	102,055
—	—	—	—	—	17,040,747
\$ 664,208	\$ 645	\$ 50,791	\$ 256,231	\$ (53,895)	\$ 20,743,451

Combining Statement of Plan Net Assets

PENSION TRUST FUNDS

June 30, 1997

(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.....	\$ 531,367	\$ 61,093	\$ 2,213	\$ 3,082	\$ 5,006	\$ 602,761
Receivables:						
Contributions.....	78,471	8,832	7	170	—	87,480
Employer long-term.....	1,351	4,224	—	—	—	5,575
Accrued interest.....	179,470	21,909	508	999	88	202,974
Due from other funds.....	12,705	3,118	2	104	—	15,929
Total receivables.....	271,997	38,083	517	1,273	88	311,958
Investments, at fair value:						
United States government securities.....	3,124,253	269,013	8,478	9,915	—	3,411,659
United States government agencies and government-insured securities.....	4,287,428	416,047	8,776	22,382	—	4,734,633
Corporate bonds.....	4,135,763	576,414	10,932	24,974	—	4,748,083
Financial and other.....	2,166,565	246,318	4,526	10,971	—	2,428,380
Securities lending.....	1,257,149	133,958	2,445	2,444	—	1,395,996
Total investments.....	14,971,158	1,641,750	35,157	70,686	—	16,718,751
Property and equipment, net of accumulated depreciation.....	4,293	439	13	20	2	4,767
Total assets.....	15,778,815	1,741,365	37,900	75,061	5,096	17,638,237
LIABILITIES						
Accounts payable—unsettled investment purchases.....	5,000	—	—	—	—	5,000
Due to other funds.....	13,613	462	—	—	—	14,075
Accounts payable and accrued liabilities.....	4,338	231	29	8	—	4,606
Obligations under securities lending.....	1,257,149	133,958	2,445	2,444	—	1,395,996
Total liabilities.....	1,280,100	134,651	2,474	2,452	—	1,419,677
Net assets held in trust for pension benefits.....	\$ 14,498,715	\$ 1,606,714	\$ 35,426	\$ 72,609	\$ 5,096	\$ 16,218,560

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

EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>Radioactive Waste Contingency</u>	<u>Unemployment Compensation Benefits</u>	<u>Other Expendable Trust</u>	<u>Eliminations</u>	<u>Totals</u>
Revenues:					
Taxes, other.....	\$ —	\$ 214,848	\$ —	\$ —	\$ 214,848
Licenses, fees, and permits.....	899	—	1,333	—	2,232
Interest and other investment income.....	4,885	42,048	1,286	—	48,219
Federal.....	—	12,179	—	—	12,179
Contributions.....	—	—	142	—	142
Other.....	—	1,335	33	—	1,368
Total revenues.....	5,784	270,410	2,794	—	278,988
Expenditures:					
Current:					
General government.....	—	196,519	3,099	—	199,618
Education.....	—	—	199	—	199
Health and environment.....	—	—	29	—	29
Social services.....	—	—	33	—	33
Administration of justice.....	—	—	1	—	1
Intergovernmental.....	—	—	4	—	4
Total expenditures.....	—	196,519	3,365	—	199,884
Revenues over (under) expenditures.....	5,784	73,891	(571)	—	79,104
Other financing sources (uses):					
Operating transfers in.....	—	—	1,013	(630)	383
Operating transfers out.....	—	(1,245)	(630)	630	(1,245)
Total other financing sources (uses)	—	(1,245)	383	—	(862)
Revenues and other sources over (under) expenditures and other uses.....	5,784	72,646	(188)	—	78,242
Fund balances, July 1, 1996 (restated)...	76,520	646,059	19,847	—	742,426
Fund balances, June 30, 1997.....	\$ 82,304	\$ 718,705	\$ 19,659	\$ —	\$ 820,668

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Balance July 1, 1996 (Restated)	Additions	Deductions	Balance June 30, 1997
DEFERRED COMPENSATION PLANS				
Assets:				
Investments.....	\$ 874,011	\$ 144,279	\$ 31,571	\$ 986,719
Accounts receivable.....	2,583	80,760	80,136	3,207
Loans and notes receivable.....	20,830	4,239	—	25,069
Other assets.....	4,974	4,227	3,895	5,306
Total assets.....	\$ 902,398	\$ 233,505	\$ 115,602	\$ 1,020,301
Liabilities:				
Deferred compensation.....	\$ 902,398	\$ 153,383	\$ 35,480	\$ 1,020,301
Total liabilities.....	\$ 902,398	\$ 153,383	\$ 35,480	\$ 1,020,301
INSURANCE COMPANY DEPOSITS				
Assets:				
Cash and cash equivalents.....	\$ —	\$ 45,955	\$ 23,031	\$ 22,924
Investments.....	314,061	95,056	94,949	314,168
Total assets.....	\$ 314,061	\$ 141,011	\$ 117,980	\$ 337,092
Liabilities:				
Amounts held in custody for others.....	\$ 314,061	\$ 95,056	\$ 72,025	\$ 337,092
Total liabilities.....	\$ 314,061	\$ 95,056	\$ 72,025	\$ 337,092
LOCAL GOVERNMENT INVESTMENT POOL				
Assets:				
Cash and cash equivalents.....	\$ 20,000	\$ 55,272,695	\$ 55,282,690	\$ 10,005
Investments.....	595,480	50,609,772	50,551,435	653,817
Securities lending investments.....	30,790	—	30,790	—
Accounts receivable.....	927	14,894	15,435	386
Total assets.....	\$ 647,197	\$ 105,897,361	\$ 105,880,350	\$ 664,208
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 20,000	\$ 10,000	\$ 20,000	\$ 10,000
Amounts held in custody for others.....	596,406	1,981,347	1,923,550	654,203
Obligations under securities lending.....	30,790	—	30,790	—
Other liabilities.....	1	18	14	5
Total liabilities.....	\$ 647,197	\$ 1,991,365	\$ 1,974,354	\$ 664,208

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Balance July 1, 1996 (Restated)	Additions	Deductions	Balance June 30, 1997
FEDERAL INTERFUND ACTIVITY				
Assets:				
Cash and cash equivalents.....	\$ —	\$ 13,775	\$ 13,775	\$ —
Due from Federal government.....	—	645	—	645
Due from other funds.....	860	—	860	—
Total assets.....	\$ 860	\$ 14,420	\$ 14,635	\$ 645
Liabilities:				
Intergovernmental payables.....	\$ 1	\$ 63	\$ 54	\$ 10
Due to other funds.....	53	290	81	262
Interfund payables.....	755	343	755	343
Amounts held in custody for others.....	51	1,032,903	1,032,924	30
Total liabilities.....	\$ 860	\$ 1,033,599	\$ 1,033,814	\$ 645
PAYROLL CLEARING				
Assets:				
Cash and cash equivalents.....	\$ 8,763	\$ 913,717	\$ 913,184	\$ 9,296
Due from other funds.....	39,666	41,495	39,666	41,495
Total assets.....	\$ 48,429	\$ 955,212	\$ 952,850	\$ 50,791
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 219	\$ 192	\$ 219	\$ 192
Due to other funds.....	8,766	9,229	8,820	9,175
Interfund payables.....	30	5	30	5
Amounts held in custody for others.....	39,414	783,889	781,884	41,419
Total liabilities.....	\$ 48,429	\$ 793,315	\$ 790,953	\$ 50,791

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

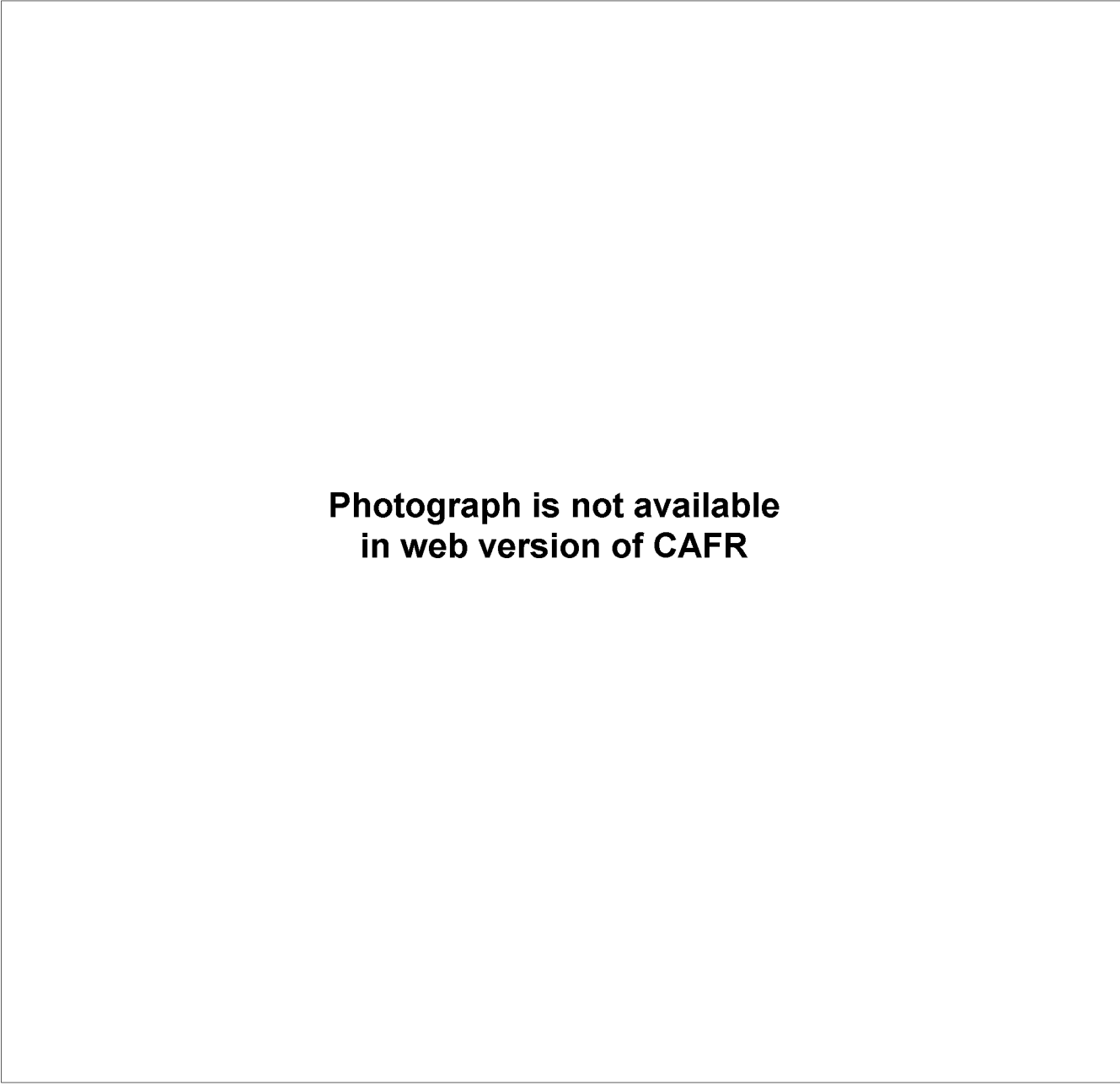
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Balance July 1, 1996 (Restated)	Additions	Deductions	Balance June 30, 1997
OTHER AGENCY				
Assets:				
Cash and cash equivalents.....	\$ 253,409	\$ 1,705,705	\$ 1,729,303	\$ 229,811
Investments.....	16,507	—	—	16,507
Securities lending investments.....	26,159	3,150	26,159	3,150
Accounts receivable.....	930	2,767	1,273	2,424
Loans and notes receivable.....	—	78	—	78
Due from other funds.....	5,490	4,811	6,044	4,257
Interfund receivables.....	20	—	20	—
Advances to other funds.....	20	20	40	—
Other assets.....	—	4	—	4
Total assets.....	\$ 302,535	\$ 1,716,535	\$ 1,762,839	\$ 256,231
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 16,397	\$ 4,856	\$ 16,806	\$ 4,447
Intergovernmental payables.....	—	525	—	525
Due to other funds.....	74,399	89,956	79,274	85,081
Advances from other funds.....	1,100	—	1,100	—
Deposits.....	700	526	700	526
Amounts held in custody for others.....	183,615	846,999	868,112	162,502
Obligations under securities lending.....	26,159	3,150	26,159	3,150
Other liabilities.....	165	—	165	—
Total liabilities.....	\$ 302,535	\$ 946,012	\$ 992,316	\$ 256,231
TOTALS--ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents.....	\$ 282,172	\$ 57,951,847	\$ 57,961,983	\$ 272,036
Investments.....	1,800,059	50,849,107	50,677,955	1,971,211
Securities lending investments.....	56,949	3,150	56,949	3,150
Accounts receivable.....	4,440	98,421	96,844	6,017
Loans and notes receivable.....	20,830	4,317	—	25,147
Due from Federal government.....	—	645	—	645
Due from other funds.....	46,016	46,306	46,570	45,752
Interfund receivables.....	20	—	20	—
Advances to other funds.....	20	20	40	—
Other assets.....	4,974	4,231	3,895	5,310
Total assets.....	\$ 2,215,480	\$ 108,958,044	\$ 108,844,256	\$ 2,329,268
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 36,616	\$ 15,048	\$ 37,025	\$ 14,639
Intergovernmental payables.....	1	588	54	535
Due to other funds.....	83,218	99,475	88,175	94,518
Interfund payables.....	785	348	785	348
Advances from other funds.....	1,100	—	1,100	—
Deposits.....	700	526	700	526
Amounts held in custody for others.....	1,133,547	4,740,194	4,678,495	1,195,246
Deferred compensation.....	902,398	153,383	35,480	1,020,301
Obligations under securities lending.....	56,949	3,150	56,949	3,150
Other liabilities.....	166	18	179	5
Total liabilities.....	\$ 2,215,480	\$ 5,012,730	\$ 4,898,942	\$ 2,329,268

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.



**Photograph is not available
in web version of CAFR**

The dome as initially proposed by Milburn is shown here. It had to be simplified and made smaller to fit the budget.

Schedule of General Fixed Assets by Function

June 30, 1997
(Expressed in Thousands)

Function	Land and Improvements	Buildings, Improvements, and Utility Plant	Machinery, Equipment, and Other	Totals
General government.....	\$ 12,155	\$ 126,588	\$ 85,550	\$ 224,293
Education.....	5,575	87,200	346,963	439,738
Health and environment.....	12,929	199,687	141,488	354,104
Social services.....	813	14,604	42,381	57,798
Administration of justice.....	5,970	450,879	120,732	577,581
Resources and economic development....	144,444	68,824	89,920	303,188
Transportation.....	3,336	61,851	203,265	268,452
Total general fixed assets allocated to functions.....	\$ 185,222	\$ 1,009,633	\$ 1,030,299	2,225,154
Construction in progress.....				78,695
Total general fixed assets.....				\$ 2,303,849

**Photograph is not available
in web version of CAFR**

The piles of rubble in the foreground are the remains of the first State House.
The tower of Trinity Church is in the background.

Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

Function	Balance July 1, 1996	Additions	Retirements	Balance June 30, 1997
General government.....	\$ 218,120	\$ 12,791	\$ 6,618	\$ 224,293
Education.....	446,487	15,977	22,726	439,738
Health and environment.....	330,914	30,260	7,070	354,104
Social services.....	44,246	13,735	183	57,798
Administration of justice.....	527,900	57,940	8,259	577,581
Resources and economic development	287,919	19,760	4,491	303,188
Transportation.....	250,789	24,354	6,691	268,452
Construction in progress.....	86,043	51,107	58,455	78,695
Total general fixed assets.....	\$ 2,192,418	\$ 225,924	\$ 114,493	\$ 2,303,849

**Photograph is not available
in web version of CAFR**

The first State House was built facing East on Richardson (later called Main) Street.

**Photograph is not available
in web version of CAFR**

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, 1997

(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
ASSETS				
Cash and cash equivalents.....	\$ 311,977	\$ 21,853	\$ 4,125	\$ 42,058
Investments.....	10,988	3,588	688	31,957
Securities lending investments.....	3,311	444	81	186
Receivables, net:				
Accounts.....	9,970	1,748	129	67
Patient and student.....	68,069	—	—	—
Student loans.....	—	—	44,807	—
Loans and notes.....	—	114	—	—
Due from Federal government and other grantors.....	5,252	46,917	55	—
Due from other Higher Education Funds.....	51,248	67	45	935
Due from other funds.....	17,978	2,975	3	—
Advances to other funds.....	—	—	—	—
Inventories.....	21,201	—	—	—
Prepaid long-term operating lease.....	—	—	—	—
Other assets.....	18,268	469	108	1,751
Property, plant, and equipment, net.....	—	—	—	—
Total assets.....	\$ 518,262	\$ 78,175	\$ 50,041	\$ 76,954
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 65,239	\$ 5,525	\$ 190	\$ 216
Due to other Higher Education Funds.....	16,211	19,126	11	152
Due to other funds.....	6,381	366	—	—
Interfund payables.....	400	—	—	—
Advances from other funds.....	—	—	—	—
Deferred revenues.....	34,546	576	—	—
Deposits.....	3,339	—	—	—
Amounts held in custody for others.....	—	—	—	—
Obligations under securities lending.....	3,311	444	81	186
Notes payable.....	—	—	—	—
General obligation bonds payable.....	—	—	—	—
Revenue bonds payable.....	—	—	—	—
Certificates of participation payable.....	—	—	—	—
Capital lease and installment debt obligations payable.....	—	—	—	—
Compensated absences payable.....	77,286	14	—	—
Other liabilities including retainages payable.....	314	12	—	10
Total liabilities.....	207,027	26,063	282	564
Fund Balances:				
Investment in plant.....	—	—	—	—
Reserved for:				
Restricted fund balance.....	—	52,112	5,541	—
Federal government grants refundable.....	—	—	44,046	—
Endowment and similar funds.....	—	—	—	42,445
Debt requirements.....	—	—	—	—
Encumbrances.....	3,880	—	—	—
Other special purposes.....	5,905	—	—	—
Unreserved:				
Designated for future years' expenditures.....	—	—	—	—
Designated for loan funds.....	—	—	172	—
Designated for quasi-endowments.....	—	—	—	33,945
Designated for plant funds.....	—	—	—	—
Designated for special purposes.....	6,809	—	—	—
Undesignated.....	294,641	—	—	—
Total fund balances.....	311,235	52,112	49,759	76,390
Total liabilities and fund balances.....	\$ 518,262	\$ 78,175	\$ 50,041	\$ 76,954

PLANT FUNDS			AGENCY FUNDS	FOUNDATIONS AND INSTITUTES	Eliminations	Totals
Unexpended	Retirement of Indebtedness	Investment in Plant				
\$ 166,707	\$ 45,205	\$ —	\$ 4,731	\$ 41,129	\$ —	\$ 637,785
7,959	—	—	2,606	32,876	—	90,662
1,649	16,797	—	100	—	—	22,568
1,450	545	—	409	1,239	—	15,557
—	—	—	—	24,190	—	92,259
—	—	—	—	20	—	44,827
—	—	—	—	—	—	114
905	—	—	—	1,656	—	54,785
13,708	432	—	82	2,257	(68,774)	—
270	—	—	240	—	(527)	20,939
—	520	—	—	32,640	(33,160)	—
—	—	—	—	415	—	21,616
—	—	—	—	18,353	—	18,353
1	36	—	—	12,755	—	33,388
26,760	—	2,775,422	—	39,381	—	2,841,563
\$ 219,409	\$ 63,535	\$ 2,775,422	\$ 8,168	\$ 206,911	\$ (102,461)	\$ 3,894,416
\$ 12,265	\$ 6,292	\$ —	\$ 778	\$ 8,341	\$ —	\$ 98,846
2,151	777	—	38	30,308	(68,774)	—
12	—	—	—	—	(527)	6,232
326	—	1,634	—	—	—	2,360
520	—	35,178	—	—	(33,160)	2,538
—	879	—	—	3,909	—	39,910
—	—	—	—	—	—	3,339
—	—	—	7,249	—	—	7,249
1,649	16,797	—	100	—	—	22,568
3,587	—	32,191	—	74,983	—	110,761
40,289	—	45,076	—	—	—	85,365
4,925	8	228,748	—	14,014	—	247,695
—	—	—	—	22,191	—	22,191
—	—	24,488	—	902	—	25,390
—	—	—	—	4,079	—	81,379
3,236	8	240	3	2,388	—	6,211
68,960	24,761	367,555	8,168	161,115	(102,461)	762,034
—	—	2,407,867	—	—	—	2,407,867
78,595	23,279	—	—	9,602	—	169,129
—	—	—	—	—	—	44,046
—	—	—	—	—	—	42,445
—	—	—	—	8,027	—	8,027
—	—	—	—	—	—	3,880
154	—	—	—	—	—	6,059
—	—	—	—	4,260	—	4,260
—	—	—	—	—	—	172
—	—	—	—	—	—	33,945
71,700	15,495	—	—	—	—	87,195
—	—	—	—	4,864	—	11,673
—	—	—	—	19,043	—	313,684
150,449	38,774	2,407,867	—	45,796	—	3,132,382
\$ 219,409	\$ 63,535	\$ 2,775,422	\$ 8,168	\$ 206,911	\$ (102,461)	\$ 3,894,416

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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.

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Appropriation Activity

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

Function	Original Appropriations	Adjustments ^a
Legislative.....	\$ 27,714	\$ 3,894
Judicial.....	34,645	3,225
Executive and administrative.....	160,001	65,100
Educational.....	2,062,862	115,842
Health.....	719,497	48,871
Social rehabilitation services.....	129,267	30,760
Correctional and public safety.....	439,140	77,541
Conservation, natural resources, and development.....	110,253	41,328
Regulatory.....	55,894	2,665
Department of Transportation.....	586	4
Debt service.....	157,460	—
Miscellaneous.....	395,472	154,195
Totals--appropriations for expenditures.....	4,292,791	543,425
Transfer to designation for capital and nonrecurring.....	84,671	(1,104)
Totals--appropriations for expenditures and intrafund transfers.....	\$ 4,377,462	\$ 542,321

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

^aThe adjustments shown above (expressed in thousands) may be summarized as follows:

Appropriations brought forward from 1995-96.....	\$ 391,382
Governor vetoes of 1996-97 capital reserve appropriations ..	(1,104)
Open-ended appropriations.....	6,720
Supplemental appropriations.....	145,323
Total adjustments.....	\$ 542,321

<u>Adjusted Appropriations</u>	<u>Expenditures</u>	<u>Intrafund Transfer</u>	<u>Appropriations To Be Carried Forward</u>	<u>Lapsed Appropriations</u>
\$ 31,608	\$ 27,507	\$ —	\$ 4,101	\$ —
37,870	35,034	—	2,823	13
225,101	164,236	—	58,904	1,961
2,178,704	2,111,951	—	62,393	4,360
768,368	742,824	—	25,544	—
160,027	132,595	—	27,432	—
516,681	478,064	—	38,617	—
151,581	118,945	—	32,636	—
58,559	56,088	—	2,470	1
590	586	—	4	—
157,460	156,809	—	—	651
549,667	507,854	—	39,837	1,976
4,836,216	4,532,493	—	294,761	8,962
83,567	—	83,567	—	—
\$ 4,919,783	\$ 4,532,493	\$ 83,567	\$ 294,761	\$ 8,962

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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 that 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 ^a	Actual End-of- Year % Funded ^b
1988	\$ 75,381	\$ 25,093	\$ (14,382)	\$ 86,092	\$ 80,783	107%
1989	86,092	7,217	(5,310)	87,999	87,999	100%
1990	87,999	—	—	87,999	94,114	94%
1991	87,999	6,115	(60,687)	33,427	98,843	34%
1992	33,427	4,729	(38,156)	—	99,163	0%
1993	—	66,832	—	66,832	100,248	67%
1994	66,832	43,346	—	110,178	110,178	100%
1995	110,178	10,557	—	120,735	120,735	100%
1996	120,735	6,271	—	127,006	127,006	100%
1997	127,006	3,374	—	130,380	130,380	100%

^aEquals 3% of the Budgetary General Fund revenues for the latest completed fiscal year.

^bEquals (End-of-Year Balance/Full Funding Amount) x 100.

Funds Earmarked for Public Education

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

Part I, Section 1, of the 1996-97 Appropriation Act and Sections 12-21-1130, 12-33-30, 12-33-50, 61-4-250, 61-6-4260, and 61-6-4270 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.....	\$ 1,634,622
Alcoholic liquors tax--60% portion.....	20,014
Beer and wine tax--penalties and fines.....	278
Soft drinks tax.....	22,622
Gross budgetary-basis revenues.....	1,677,536
Less: Applicable portion of Act 162 of 1993 Spending Limitation.....	(19,396) ^a
Budgetary-basis revenues available for appropriation.....	1,658,140
Total budgetary-basis revenues earmarked for public education (95.5% of budgetary-basis revenues available for appropriation).....	1,583,524 ^b
Budgetary-basis expenditures:	
Department of Education.....	1,367,235
State Board of Technical and Comprehensive Education.....	144,654
Educational Television Commission.....	19,946
Wil Lou Gray Opportunity School.....	2,902
School for the Deaf and Blind.....	11,339
John De La Howe School.....	3,502
Debt service on Capital Improvement Bonds applicable to above agencies.....	22,167
Other school purposes.....	12,459 ^c
Total budgetary-basis expenditures for public education.....	1,584,204
Excess of budgetary-basis expenditures over revenues earmarked for public education.....	\$ 680

^aAct 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.

^bTitle 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.

^cThe Other School Purposes expenditure category includes: (1) a State supplement to school districts to help pay the district contribution toward public school employee benefits, (2) State expenditures for the Palmetto Unified School District, (3) State expenditures for the Department of Juvenile Justice's education program, and (4) State expenditures for the Governor's Office Division of Education.

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Statistical Section

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Expenditures by Function

GENERAL GOVERNMENTAL FUND TYPES^a

Last Ten Fiscal Years
(Expressed in Thousands)

Function	1988	1989	1990	1991
General government ^b	\$ 232,243	\$ 261,929	\$ 314,764	\$ 251,692
Education	223,623	240,491	270,237	262,697
Individual and family services ^c	1,316,828	1,417,641	1,811,417	2,097,614
Health and environment ^{c, d}	—	—	—	—
Social services ^c	—	—	—	—
Administration of justice.....	217,125	256,358	282,580	300,250
Resources and economic development.....	101,041	113,672	128,101	132,970
Transportation.....	190,345	249,285	265,443	274,895
Miscellaneous.....	50	70	30	—
Capital outlay ^e	29,252	38,634	25,854	25,166
Debt service:				
Principal retirement.....	77,521	84,680	62,482	66,715
Interest and fiscal charges.....	44,684	46,077	47,902	50,825
Intergovernmental.....	1,641,939	1,746,987	1,969,425	2,007,557
Total expenditures.....	\$ 4,074,651	\$ 4,455,824	\$ 5,178,235	\$ 5,470,381

^a General Governmental Fund Types include General and Special Revenue Funds.

^b 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.

^c 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.

^d Before July 1, 1995, the State used an Agency Fund to account for Medicaid assistance that the South Carolina Department of Health and Human Services paid to other State agency providers. Effective July 1, 1995, the State began classifying these transactions as quasi-external transactions in the Governmental Fund Types. Prior years were not restated for this change.

^e Until July 1, 1993, all highway construction projects were included as Capital Project expenditures. Since July 1, 1993, these projects have been recorded in the Special Revenue Funds.

For the Fiscal Year Ended June 30

1992	1993	1994	1995	1996	1997
\$ 234,092	\$ 247,452	\$ 399,456	\$ 352,015	\$ 330,519	\$ 351,156
241,230	254,464	293,158	322,219	379,984	326,103
2,489,321	2,682,162	—	—	—	—
—	—	2,166,088	2,320,642	2,946,457	3,032,995
—	—	678,772	697,958	709,747	700,442
304,488	312,961	405,503	457,008	488,425	543,456
128,059	131,021	138,937	139,635	155,302	150,131
274,957	290,740	214,574	203,837	218,366	230,384
—	—	—	—	—	—
22,819	24,572	391,848	385,698	398,776	436,798
94,538	104,316	82,602	88,765	82,997	97,728
53,911	53,316	49,107	48,796	50,574	53,493
2,033,486	2,096,679	2,157,866	2,358,823	2,636,440	2,805,584
<u>\$ 5,876,901</u>	<u>\$ 6,197,683</u>	<u>\$ 6,977,911</u>	<u>\$ 7,375,396</u>	<u>\$ 8,397,587</u>	<u>\$ 8,728,270</u>

Revenues by Source

GENERAL GOVERNMENTAL FUND TYPES^a

Last Ten Fiscal Years
(Expressed in Thousands)

Sources	1988	1989	1990	1991
Taxes:				
Individual income.....	\$ 1,130,898	\$ 1,225,648	\$ 1,361,839	\$ 1,377,825
Retail sales and use.....	1,277,447	1,359,200	1,464,989	1,463,941
Other.....	904,198	958,058	918,270	914,729
Licenses, fees, and permits.....	134,083	150,859	163,202	198,235
Interest and other investment				
income.....	67,586	75,535	82,954	77,602
Federal.....	1,127,213	1,202,502	1,650,917	1,821,552
Departmental services ^b	102,910	105,484	111,985	118,209
Contributions	26,125	30,316	31,812	54,337
Fines and penalties.....	22,777	24,235	31,034	31,643
Other.....	26,713	44,971	37,775	32,045
Total revenues.....	\$ 4,819,950	\$ 5,176,808	\$ 5,854,777	\$ 6,090,118

^a General Governmental Fund Types include General and Special Revenue Funds.

^b Before July 1, 1995, the State used an Agency Fund to account for Medicaid assistance that the South Carolina Department of Health and Human Services paid to other State agency providers. Effective July 1, 1995, the State began classifying these transactions as quasi-external transactions in the Governmental Fund Types. Prior years were not restated for this change.

For the Fiscal Year Ended June 30

<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
\$ 1,386,724	\$ 1,481,592	\$ 1,519,030	\$ 1,646,375	\$ 1,809,287	\$ 1,927,600
1,515,223	1,628,766	1,756,157	1,892,801	2,034,484	2,141,864
911,036	983,546	999,077	1,059,846	1,149,342	1,163,889
218,726	300,699	307,939	255,570	243,502	258,960
55,634	44,702	48,596	82,412	98,728	113,199
2,140,272	2,228,180	2,582,498	2,787,132	2,907,661	3,087,312
137,112	153,781	161,375	215,485	535,117	533,395
81,232	101,242	82,507	89,797	106,606	115,739
43,610	44,182	51,926	54,881	55,340	58,170
43,552	52,796	53,195	59,716	73,639	70,424
<u>\$ 6,533,121</u>	<u>\$ 7,019,486</u>	<u>\$ 7,562,300</u>	<u>\$ 8,144,015</u>	<u>\$ 9,013,706</u>	<u>\$ 9,470,552</u>

Income and Sales Tax Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30	Individual Income Tax	Corporate Income Tax	Retail Sales Tax^a
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%
1997	2.50 - 7%	5%	5%

^aExcludes the 2% accommodations tax and the local option sales tax.

Source: The Department of Revenue and Taxation

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Artifacts unearthed during the current renovation are being preserved by the State Archaeologist and the State Museum.

Net General Obligation Bonds and Notes Per Capita

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population^a (Thousands)</u>	<u>Gross Bonded Debt^b (Thousands)</u>	<u>Debt Payable From Higher Education Funds (Thousands)</u>	<u>Net General Bonded Debt^c (Thousands)</u>	<u>Net General Bonded Debt Per Capita</u>
1988	3,400	\$ 681,425	\$ 28,185	\$ 653,240	\$ 192.13
1989	3,444	709,165	25,925	683,240	198.39
1990	3,486	807,911	28,071	779,840	223.71
1991	3,556	828,650	28,560	800,090	225.00
1992	3,595	876,305	44,570	831,735	231.36
1993	3,629	884,025	43,230	840,795	231.69
1994	3,643	929,571	40,420	889,151	244.07
1995	3,667	898,047	44,345	853,702	232.81
1996	3,699	1,007,394	41,900	965,494	261.01
1997	3,776	1,052,173	85,365	966,808	256.04

^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 (e.g., 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, 1997

(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, 1997.....		85,365
Legal debt margin at June 30, 1997--institution bonds.....	\$	4,635
1995-1996 Budgetary General Fund revenues pledged for highway bonds.....	\$	102,645
1995-1996 other revenues pledged for highway bonds.....		299,386
1995-1996 revenues pledged for highway bonds.....		402,031
15% of 1995-1996 revenues pledged for highway bonds.....		60,305
Less: maximum annual debt service for highway bonds ^a		8,850
Legal debt service margin at June 30, 1997--highway bonds.....	\$	51,455
1995-1996 Budgetary General Fund revenues	\$	4,345,991
Less: 1995-1996 Budgetary General Fund revenues pledged for highway bonds.....		102,645
Less: 1995-1996 transfers for institution bond debt service recorded as Budgetary General Fund revenues.....		6,938
1995-1996 net Budgetary General Fund revenues.....		4,236,408
5% of 1995-1996 net Budgetary General Fund revenues.....		211,820
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds ^a		143,544
Legal debt service margin at June 30, 1997--general obligation bonds excluding institution and highway bonds.....	\$	68,276

^aAs of June 30, 1997, the maximum annual debt service will occur in the fiscal year ending June 30, 2011, for highway bonds and in the fiscal year ending June 30, 1998, 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 Ten Fiscal Years
(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	\$ 4,074,651	3.00%
1989	84,680	46,077	130,757	4,455,824	2.93%
1990	62,482	47,902	110,384	5,178,235	2.13%
1991	66,715	50,825	117,540	5,470,381	2.15%
1992	94,538	53,911	148,449	5,876,901	2.53%
1993	104,316	53,316	157,632	6,197,683	2.54%
1994	82,602	49,107	131,709	6,977,911	1.89%
1995	88,765	48,796	137,561	7,375,396	1.87%
1996	82,997	50,574	133,571	8,397,587	1.59%
1997	97,728	53,493	151,221	8,728,270	1.73%

^a General Governmental Expenditures include the General and Special Revenue Funds.

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Bearing evidence of fire and found on the site of the first State House, this lock was probably from one of the principal entries.

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
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	51,109	55,527	6,093	100,543
1997	50,520	47,254	6,273	91,501

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
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	7,108	85,224
1997	45,130	43,907	7,479	81,558

^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, amortization, 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 the 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			Coverage Ratio
Principal	Interest	Total	
\$ 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
11,070	33,588	44,658	2.05

Debt Service Requirements			Coverage Ratio
Principal	Interest	Total	
\$ 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
29,395	21,971	51,366	1.59

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The Palmetto Monument, Jet Lowe, 1995

The cast iron monument was designed and fabricated by Christopher Werner of Charleston in 1852; it was purchased by the State as a memorial to the Palmetto Regiment which fought in the Mexican War.

Demographic Statistics

Last Ten Years

<u>Year</u>	<u>Population^a at June 30</u>	<u>Per Capita Income^a Year Ended December 31</u>	<u>Median Age^a (Years) at June 30</u>	<u>School Enrollment^b at June 30</u>	<u>Unemployment Rate^c at December 31</u>
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	3,486,310	15,106	31.7	677,356	5.2%
1991	3,556,000	15,482	32.2	681,717	6.5%
1992	3,595,000	16,467	32.6	685,744	6.7%
1993	3,629,000	17,136	32.9	688,513	7.4%
1994	3,643,000	18,044	33.3	692,515	5.3%
1995	3,667,000	19,031	33.7	701,140	5.5%
1996	3,699,000	19,755	34.1	699,058	6.1%
1997	3,776,000	^d	34.5	708,751	^d

Sources:

^aOffice of Research and Statistics, State Budget and Control Board

^bSouth Carolina Department of Education

^cSouth Carolina Employment Security Commission

^dNot yet available.

Property Value, Construction, and Bank Deposits

Last Ten Years

(Dollars in Millions)

Year	Nonresidential Construction	Residential Construction ^a		Bank Deposits at December 31	Property Value ^b	
	Thousands of Square Feet at December 31	Number of Units at December 31	Value at December 31		Nonresidential at June 30	Residential at June 30
1986	21,684	40,390	\$ 1,581	\$ 22,907	\$ 25,915	\$ 27,149
1987	26,085	26,991	1,489	23,612	28,364	29,114
1988	24,598	25,563	1,438	26,022	34,127	31,241
1989	20,263	20,530	1,252	27,849	34,936	33,869
1990	20,866	22,454	1,475	29,091	37,079	38,852
1991	18,504	19,309	1,372	29,528	39,089	41,220
1992	16,747	20,853	1,585	30,224	41,104	45,926
1993	18,139	21,186	1,662	31,005	43,084	50,963
1994	19,566	23,670	1,898	30,475	44,204	54,118
1995	23,618	22,400	1,826	33,035	45,334	57,987
1996	26,381	28,281	2,402	30,032	d	d
1997	c	c	c	c	d	d

^a The residential construction statistics for 1986 include mobile home permits; later years do not.

^b Property taxes do not represent a source of revenue for the State.

^c Not yet available.

^d Due to legislation requiring that tax assessments be based on the prior year's property value, neither the 1996 nor 1997 information is yet available.

Sources: Board of Economic Advisors, State Budget and Control Board; Department of Revenue; University of South Carolina, College of Business Administration, Division of Research.

Largest Manufacturing Companies^a

December 31, 1996

<u>Name</u>	<u>Number of Plants in South Carolina</u>	<u>Number of Employees in South Carolina</u>
Westinghouse Electric Corporation.....	3	11,861
Springs Industries, Incorporated.....	18	9,097
Michelin Tire Corporation.....	9	7,033
Milliken & Company.....	26	6,813
Robert Bosch GmbH.....	6	4,401
Hoechst AG.....	5	3,833
WestPoint Stevens.....	6	3,099
Ingersoll-Rand Company.....	5	3,045
W. R. Grace & Company.....	5	2,938
Greenwood Mills, Incorporated.....	9	2,874
AB Electrolux Sweden.....	2	2,800
KEMET Corporation.....	4	2,736
AlliedSignal, Incorporated.....	5	2,669
Avondale Mills.....	7	2,487
E. I. du Pont de Nemours.....	4	2,442
General Electric Company.....	2	2,400
Ryobi North America, Incorporated.....	3	2,345
Sonoco Products Company.....	2	2,341
Owens-Corning Fiberglas Corporation.....	4	2,244
Koninklijke Ahold NV.....	1	2,100
International Paper.....	5	2,037

^aBased on number of employees. This list includes all companies with 2,000 or more employees.

Source: 1997-98 South Carolina Industrial Directory.

Miscellaneous Statistics

December 31, 1996 (Except as Noted)

Date of ratification--U. S. Constitution.....	1788 ^a
Form of government.....	Legislative-Executive-Judicial
Miles of State highways.....	64,356 ^b
Land area (square miles).....	30,111 ^c
State police protection:	
Police and sheriff agencies.....	292 ^d
Total number of sworn officers.....	8,871 ^d
Higher education (universities, colleges, and technical education centers):	
Number of campuses.....	61 ^e
Number of students.....	201,291 ^e
Recreation:	
Number of State parks and historical sites.....	56 ^f
Area of State parks.....	81,589 acres ^f
Area of State forests.....	68,188 acres ^g
State employees--all funds (at June 30, 1997).....	68,292 ^h

Sources:

^a1997 Legislative Manual

^bDepartment of Transportation

^cOffice of Research and Statistics, State Budget and Control Board

^dState Law Enforcement Division

^eCommission on Higher Education

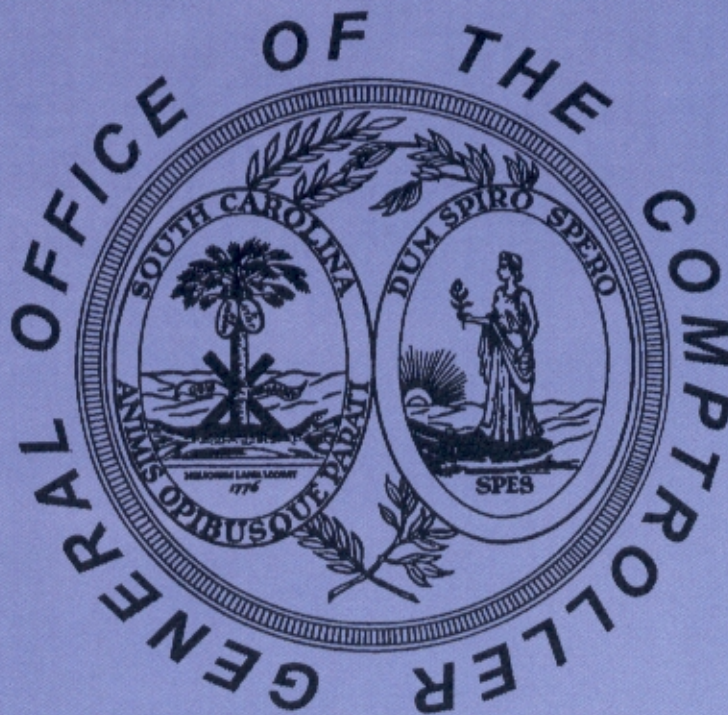
^fDepartment of Parks, Recreation, and Tourism

^gForestry Commission

^hOffice of State Budget, State Budget and Control Board

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