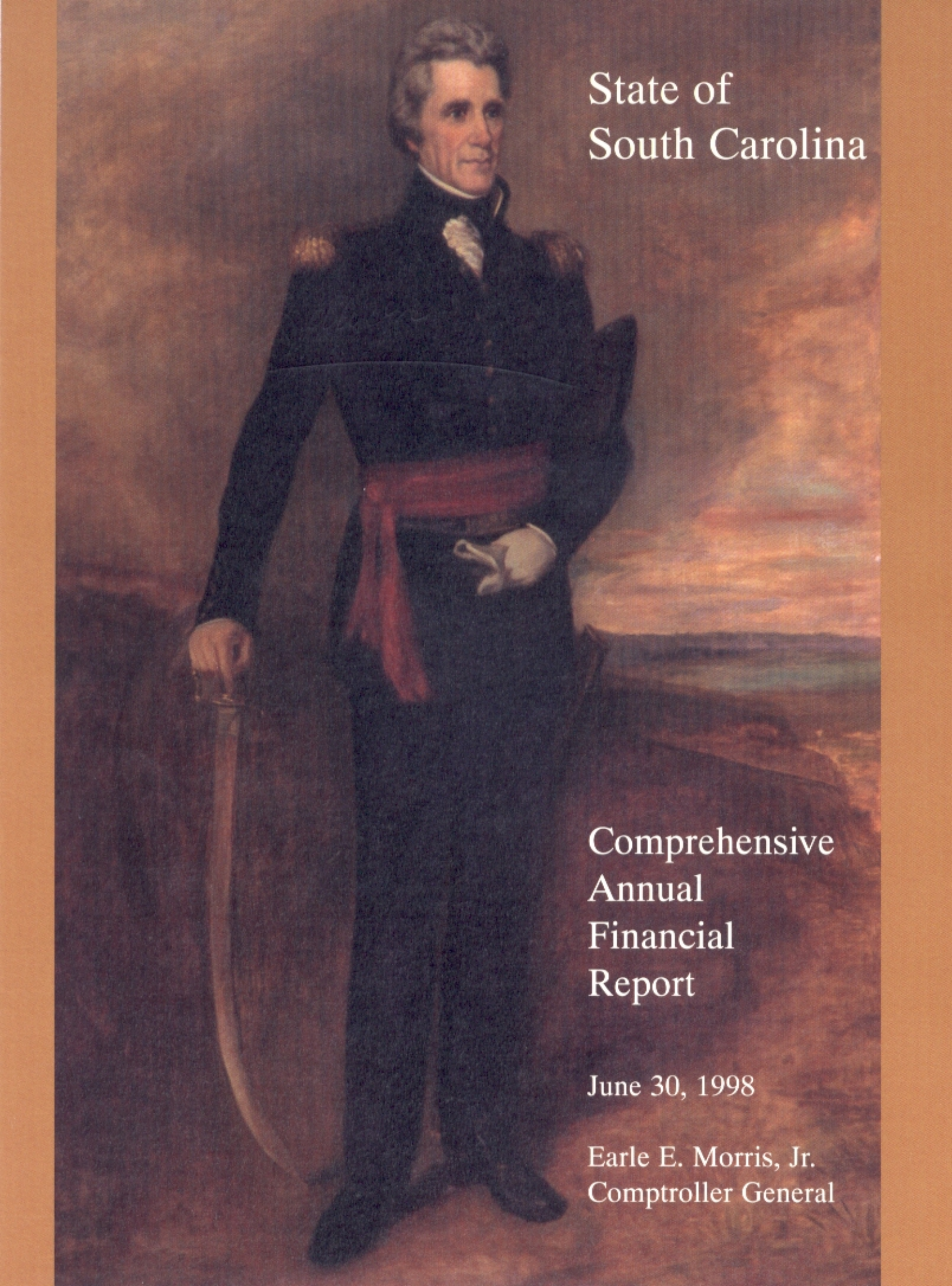


A full-length portrait of General Thomas M. Pickens, a man with grey hair, wearing a dark blue military uniform with a red sash and a white cravat. He is holding a sword in his right hand and stands on a rocky outcrop overlooking a body of water under a dramatic, cloudy sky.

State of South Carolina

Comprehensive Annual Financial Report

June 30, 1998

Earle E. Morris, Jr.
Comptroller General

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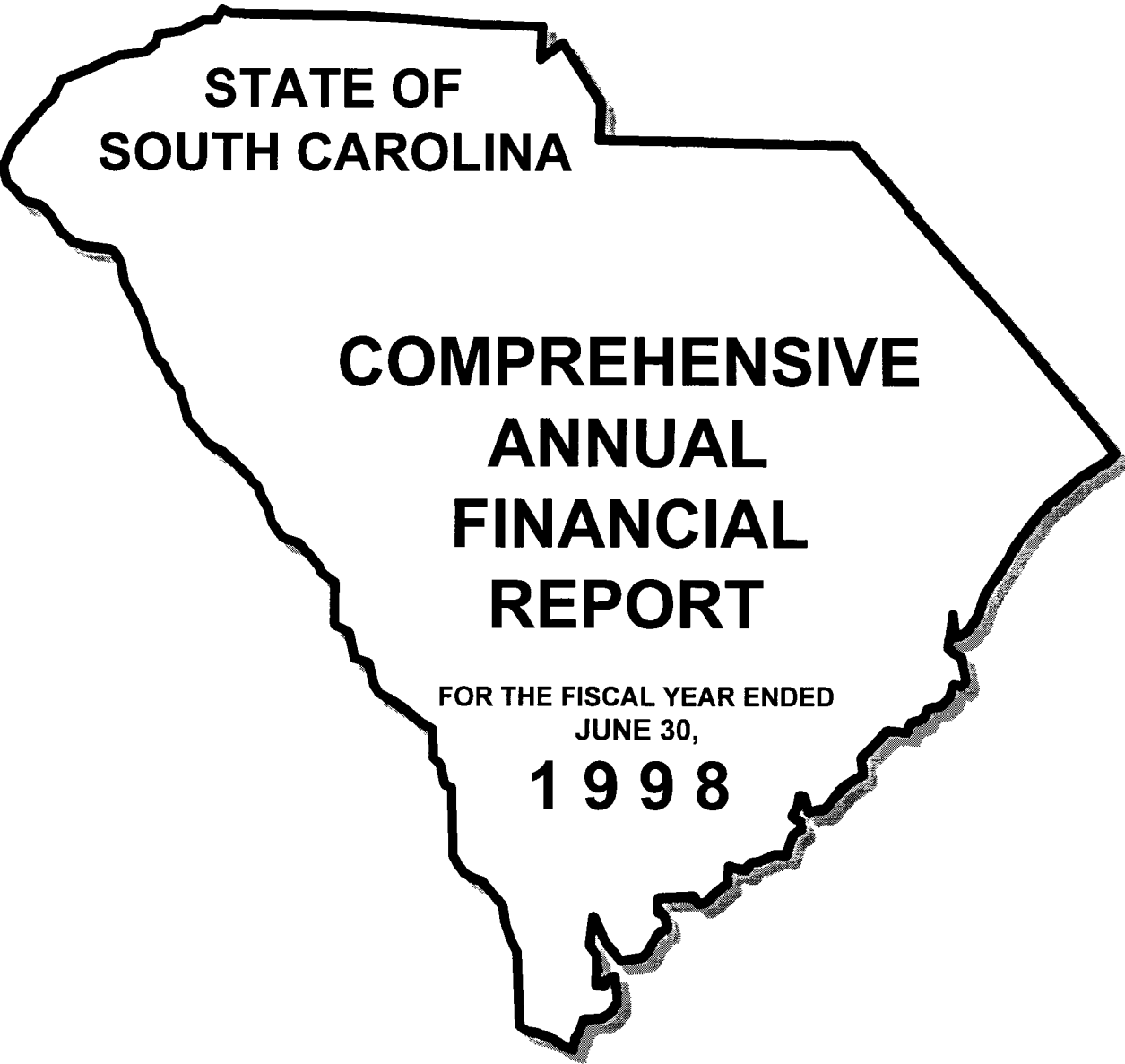
George Washington

It has been rightly claimed, originally by Henry Lee, that George Washington (1732-1799) was “first in war, first in peace, and first in the hearts of his countrymen.” President Washington visited Columbia in 1791 and addressed a large crowd from the portico of the old State House.

On the cover:

Andrew Jackson

Andrew Jackson (1767-1845) was the son of Scots-Irish immigrants who lived in Lancaster County. Following his heroic service in the War of 1812, Jackson embarked on a political career, which culminated in his election as President of the United States in 1832. Jackson was the only United States President born in South Carolina.



**STATE OF
SOUTH CAROLINA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

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

1 9 9 8

Prepared by the Comptroller General's Office

COMPTROLLER'S MESSAGE...

ACCOUNTABILITY TO THE TAXPAYERS

In 1976 when I was elected Comptroller General of South Carolina, the state had no modern accounting and financial reporting systems.

We had numbers in a computer. There was no valid year-end balance.

Shortly after my assumption as the state's Chief Financial Officer, one of the major bond rating firms stated that unless state and local governments had financial systems that met generally accepted accounting principles (GAAP), a negative bond rating might result.

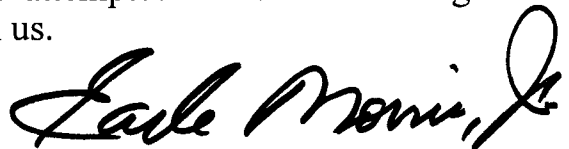
With the help of several Big 8 (6) (5) accounting and consulting firms and a highly professional staff, South Carolina now has state-of-the-art disclosures on all state accounts.

We have accomplished the following:

- (1) The Government Finance Officers Association has awarded its Certificate of Achievement for Excellence in Financial Reporting for the past ten years.
- (2) The Office of the Comptroller General has received an "unqualified opinion" from a Big 5 firm and the State Auditor for the past ten consecutive years.
- (3) The bond rating firms use our Comprehensive Annual Financial Report as the primary document in determining the state's bond ratings. At present, we have the highest ratings that can be awarded.
- (4) Credit should be given to the General Assembly for their efforts in regaining one of the Triple A ratings lost several years ago.

In public office, ethical integrity and personal credibility should be foremost in our stewardship.

The Office of the Comptroller General has attempted to follow these goals for the citizens and taxpayers who place their trust in us.



EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

A GALLERY OF HEROES

The land of South Carolina varies dramatically as one travels from the sandy beaches and marshes of the coast to the rugged and noble Blue Ridge Mountains which touch the northwest corner of the State. Between these two extremes lie a land and a people molded by bonds shared and differences celebrated.

The river which reaches the coast has been shaped since its beginning as a mountain spring—it has changed and taken on new qualities as it has passed through each succeeding geographic area. Likewise the South Carolinian will find in him or her the voices, traditions, and customs of peoples living and dead, African and European. He or she will be blessed and enriched by the numerous cultures that are known and experienced in the Palmetto State.

The first explorers came to the New World from Spain and entered the land now known as South Carolina in 1521. They soon encountered the multiplicity of Indian nations that populated the area at that time. Among these were the Cherokee, the Santee, the Wando, and the Catawba—the descendants of whom still live in upper South Carolina. The English made the first successful permanent settlement in the latter half of the seventeenth century. These early Carolinians were enticed by offers of land as well as some of the most tolerant religious policies in British North America. By the time of the American Revolution, the colony of South Carolina was home for English, French, German, Irish, Welsh, Dutch, Scotch, Swedish, and Jewish immigrants in measurable numbers. Additionally, within these groups themselves were numerous religious and cultural traditions. One group that contributed as much as any other to the fashioning of a South Carolina culture did not choose to come at all; they were the African slaves. Together these widely varying groups have achieved independence, equality, and prosperity over 300 years of history.

These achievements and cultures are celebrated in ways as various as the people themselves. In the State House, the seat of South Carolina government, are works of art depicting the proud heritage of the Palmetto State. Revolutionary War heroes Francis Marion and Thomas Sumter and civil rights leaders Mary McLeod Bethune and Benjamin Mays are some of the notable examples of the nearly one hundred paintings

and memorials honoring men and women who have helped make South Carolina a better place to live.

Within this report are both the pictures of the past and an economic picture of the present. Together they reveal the culture of South Carolina, which is mindful of its diverse history and well prepared for a challenging and exciting future.

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in web version of CAFR**

In May 1782, General Francis Marion received the surrender of Captain Butler, a notorious Tory, detested and threatened with death by Marion's men. At the risk of a mutiny, and despite threats against his own life, Marion intervened on Butler's behalf. Guided by humane principles, Marion knew that there would have to be forgiveness of enemies if the country were to be united after the war.

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in web version of CAFR**

Defense of Fort Moultrie

In one of the earliest engagements of the Revolutionary War, a British fleet attempted to attack Charleston on June 28, 1776. The heroic garrison at the fort on Sullivan's Island stopped them, however. The fort, because it had been constructed of sand and spongy palmetto logs, made the constant cannonade from the ships ineffective. The victory provided both a much needed morale boost for the Patriots as well as a new symbol for South Carolina—the palmetto tree.

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STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

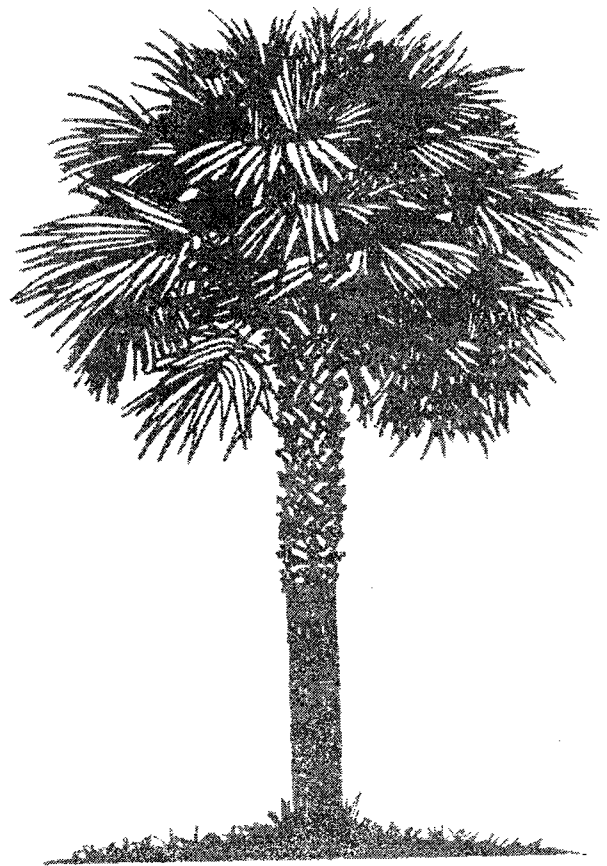
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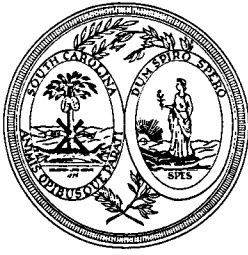
James F. Byrnes

James Francis Byrnes (1879-1972), a native of Charleston, was a respected political figure on both the state and national levels throughout the twentieth century. Byrnes was elected to the United States House of Representatives in 1911 and to the United States Senate in 1930. While in the Senate, Byrnes became a close confidante of President Franklin Roosevelt. In 1941 Roosevelt appointed Byrnes to the Supreme Court, a position which he left in 1942 in order to become wartime Director of the National Economy. Following Roosevelt's death he became Secretary of State, and in 1950 he was elected Governor of South Carolina. Byrnes also was named a United Nations delegate by President Eisenhower and was celebrated as *Time Magazine's* "Man of the Year" in 1946.

Introductory Section



Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organization Chart



STATE OF SOUTH CAROLINA

Office of Comptroller General

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

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

December 2, 1998

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, 1998. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

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

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

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

- The Introductory Section, containing this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 1997 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 aggressively reinforced its commitment to public education at every level during the 1998 session of the General Assembly.

Acknowledging the direct linkage between the State's ability to sustain economic growth and the quality of its education systems, the legislature concentrated much of its initiative into the Education Accountability Act of 1998, a comprehensive legislative package designed to establish academic standards and to monitor compliance and performance.

The Act requires the establishment of detailed grade-level standards in specific subjects and requires assessment of students' and schools' success in meeting the standards. Performances are measured and reported annually both in terms of meeting standards and also in improving performance year-to-year.

The legislature also launched programs to ease the cost burden of post-secondary education and to induce South Carolina's high school graduates to remain in the State for their college education. The Legislative Incentives for Future Excellence (LIFE) scholarship program offers direct academic scholarships to qualified students. A program of tuition tax credits is available for those not qualifying under the LIFE program.

The State continued its commitment to providing tax relief for homeowners. During 1997-98, \$276.973 million was returned to homeowners in the form of property tax exemptions. For the 1998-99 fiscal year, the General Assembly has provided for \$292.651 million in tax relief under the residential property tax relief and homestead exemption programs.

The General Assembly adopted several significant health care insurance provisions addressing access to emergency medical care, broadening of health care benefits, and privacy of genetic information. One major initiative provided an additional \$11 million in funding to be used for nursing home beds and for additional community long-term care services.

A further crackdown on driving under the influence of alcohol was adopted and directed toward youthful drivers. The new legislation takes a "zero tolerance" approach which makes it automatic that drivers under the age of 21 who test with a blood alcohol level of .02 or higher will have driving privileges suspended for three months. The legislature is also exploring modification of the State's current requirement that bars and restaurants use mini-bottles for the sale of alcoholic beverages. Such a change would require a Constitutional amendment and could be submitted for public vote in the year 2000.

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 \$59 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 4.2% 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 Grand Strand area, has grown at an extraordinary 10.4% per year over the last two decades and exceeds \$3 billion.

Since 1970, nearly 500,000 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 nearly ten-fold, one-fifth faster than growth in personal income in the United States. During the high inflationary 1970s personal income grew at an average annual compound rate at 11.8% compared to a much lower 10.7% nationwide. Even in the lower inflationary 1980s 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-fifth faster than in the United States as a whole.

Although South Carolina has been one of the poorer states in the nation since the War Between the States, the State is closing the gap in wealth between it and the rest of the country. In 1970, per capita income of South Carolina was only 74% of the national average, but has since increased to 81% of the national average.

The State's economy has begun fiscal year 1998-99 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 250,000 in July 1998 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%.

In recent years, the State passed economic development legislation to further enhance the attractiveness of businesses to locate in rural sections of the State by substantially increasing the tax incentives that companies may be eligible to take. Through September 1998, over 420 companies have taken advantage of the tax

incentive package offered by the State. Global companies such as BMW, Honda of America, Bridgestone/Firestone, Michelin, Hoffman-LaRoche, and Nucor Corporation have located corporate headquarters or have constructed multi-million-dollar manufacturing facilities within the State. 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 met on November 10, 1998, and reported that the State's Budgetary General Fund revenue collections at the end of the first four months of fiscal year 1998-99 were greater than anticipated. As a result, the Board of Economic Advisors raised the General Fund revenue estimate for 1998-99, anticipating a revenue excess of \$75 million in fiscal year 1998-99 over the Appropriation Act. The Income Tax and Sales Tax, the State's two leading sources of revenues, were both healthy, indicating that the State's economy was not showing signs of an economic slowdown.

FINANCIAL CONTROLS

Internal Controls

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 year-end forms 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 controls, designed by the management of the State, provide reasonable assurance that the following objectives are achieved:

- Reliability of financial reporting,
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

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 1997-98 covered all expenditures deemed applicable to that year and paid on or before July 20, 1998. 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 November 1997.

The General Assembly enacted a 1996-97 Supplemental Appropriations Act and authorized those unexpended appropriations to carry forward from the 1996-97 fiscal year into the 1997-98 fiscal year. However, the General Assembly did not enact any Supplemental Appropriations Acts that directly increased appropriations for the 1997-98 fiscal year.

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; Connector 2000 Association, Inc.; and Enterprise Development, Inc., of South Carolina. Note 1a in the Notes to the Financial Statements provides a more complete description of the State's reporting entity.

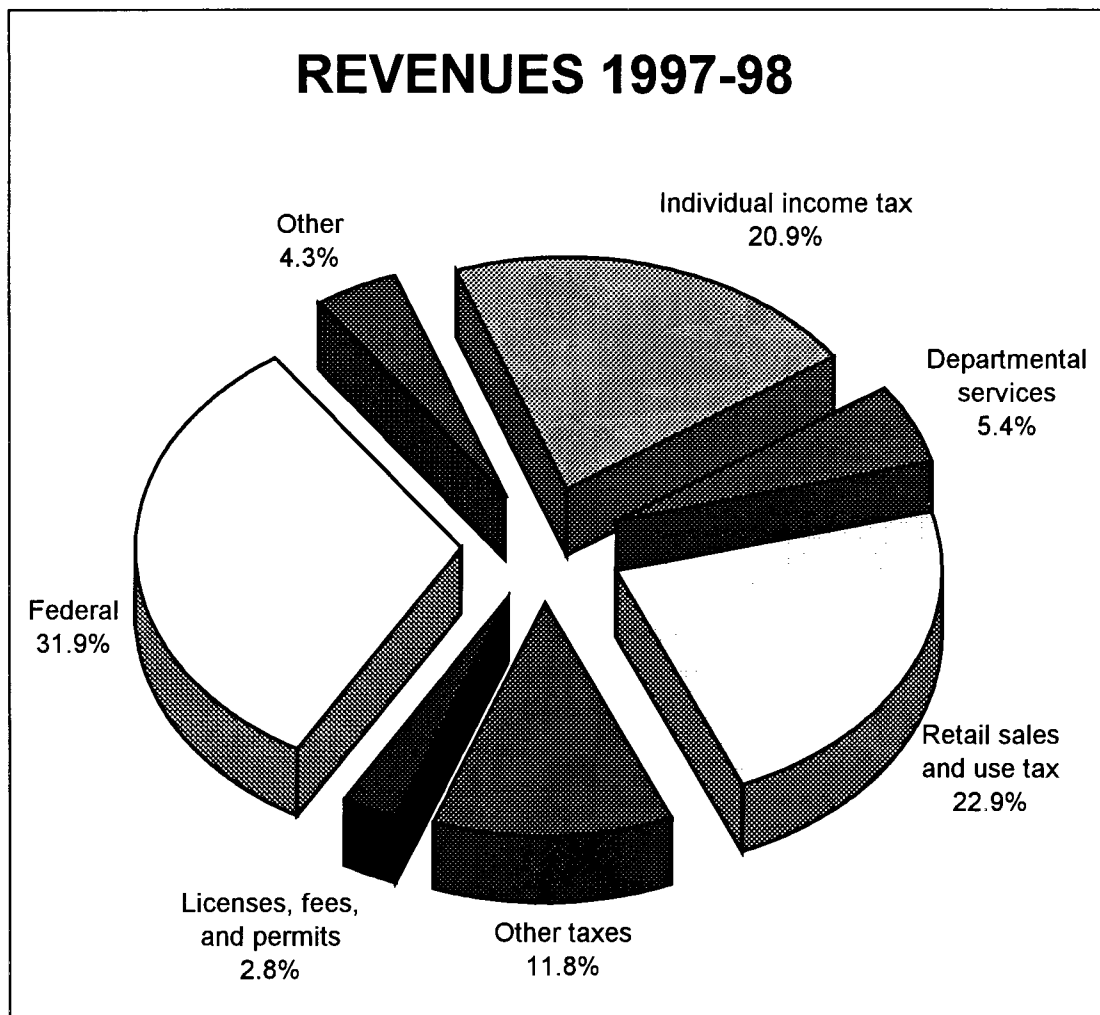
FINANCIAL OVERVIEW

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, 1998, other financing uses exceeded other financing sources for these funds by \$692.981 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, 1998 (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases in relation to prior year revenues:

Revenues	1997-98 Amount	Percent of Total	Increase from 1996-97	Percentage Increase
Individual income tax.....	\$ 2,103,799	20.9%	\$ 176,199	9.1%
Retail sales and use tax.....	2,304,004	22.9%	162,140	7.6%
Other taxes.....	1,190,605	11.8%	26,716	2.3%
Licenses, fees, and permits.....	281,242	2.8%	22,282	8.6%
Interest and other investment income....	130,155	1.3%	16,956	15.0%
Federal.....	3,213,004	31.9%	125,692	4.1%
Departmental services.....	540,047	5.4%	6,652	1.2%
Contributions.....	155,137	1.5%	39,398	34.0%
Fines and penalties.....	61,744	0.6%	3,574	6.1%
Other.....	81,067	0.9%	10,643	15.1%
Totals.....	\$ 10,060,804	100.0%	\$ 590,252	6.2%



Interest and other investment income were higher because the continued improvement in the State's financial position made more cash available for investment.

Contributions revenue increased as a result of the first year of operations of the South Carolina Transportation Infrastructure Bank. The Bank will use this revenue to fund major road projects.

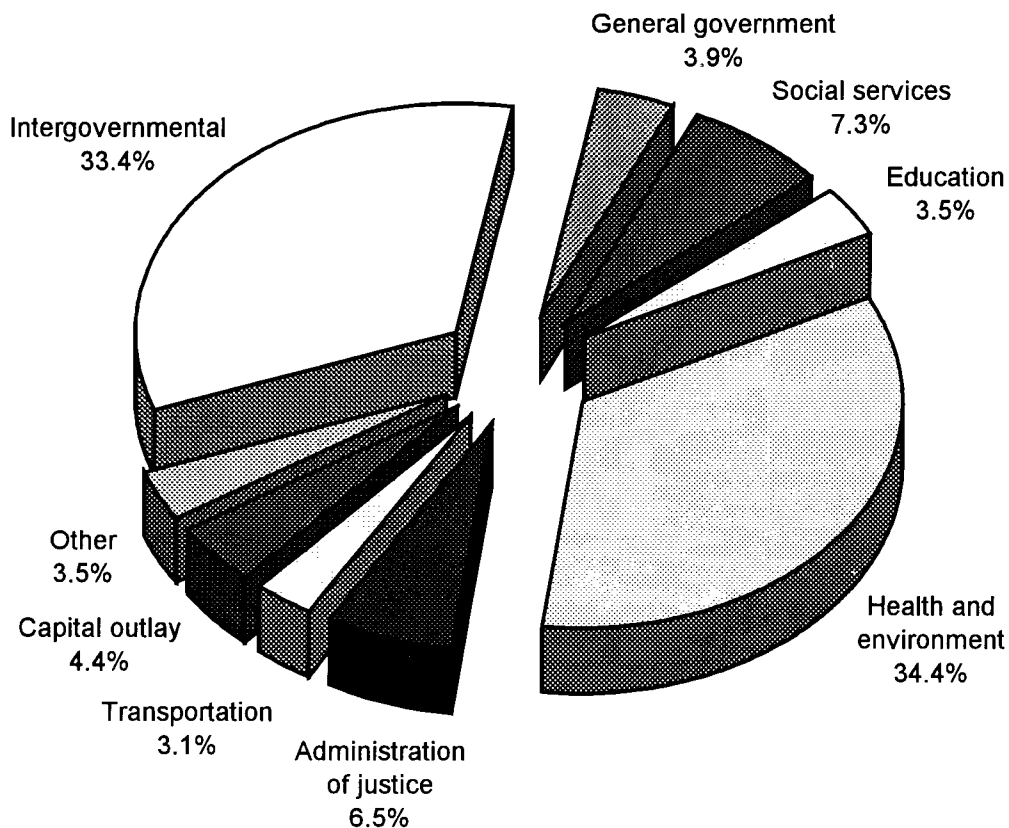
The increase in the Other category of revenues resulted from larger than normal refunds for prior-year Medicaid and other program expenditures being reported for the current fiscal year.

Expenditures

The following schedule presents a summary of General Fund and Special Revenue Funds expenditures for the fiscal year ended June 30, 1998 (expressed in thousands), and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year expenditures:

Expenditures	1997-98 Amount	Percent of Total	Increase (Decrease) from 1996-97	Percentage Increase (Decrease)
Current:				
General government.....	\$ 352,065	3.9%	\$ 909	0.3%
Education.....	318,558	3.5%	(7,545)	(2.3%)
Health and environment.....	3,121,887	34.4%	88,892	2.9%
Social services.....	662,912	7.3%	(37,530)	(5.4%)
Administration of justice.....	592,556	6.5%	49,100	9.0%
Resources and economic development	160,242	1.7%	10,111	6.7%
Transportation.....	281,021	3.1%	50,637	22.0%
Capital outlay.....	396,801	4.4%	(39,997)	(9.2%)
Debt service:				
Principal retirement.....	110,076	1.2%	12,348	12.6%
Interest and fiscal charges.....	51,132	0.6%	(2,361)	(4.4%)
Intergovernmental.....	3,032,018	33.4%	226,434	8.1%
Totals.....	\$ 9,079,268	100.0%	\$ 350,998	4.0%

EXPENDITURES 1997-98



Transportation expenditures increased during the fiscal year because of the renewed emphasis on infrastructure development. Much of the increase reflects the fact that the Department of Transportation is paying a portion of the costs associated with a major road project under the control of the South Carolina Transportation Infrastructure Bank.

The increase in debt service principal retirements resulted from an increase in State general obligation bonds, issued in prior years, that matured during the current fiscal year.

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:

	1998	1997	1996	1995	1994
General Fund					
Reserved.....	\$ 286,945	\$ 450,686	\$ 545,796	\$ 461,303	\$ 335,709
Unreserved.....	(109,468)	(294,233)	(261,065)	(202,981)	(303,628)
Total General Fund.....	\$ 177,477	\$ 156,453	\$ 284,731	\$ 258,322	\$ 32,081
Special Revenue Funds					
Reserved.....	\$ 204,427	\$ 205,377	\$ 202,628	\$ 172,487	\$ 126,482
Unreserved, designated.....	165,328	128,640	112,144	73,946	174,827
Unreserved, undesignated.....	775,557	541,769	386,726	383,955	292,657
Total Special Revenue Funds	\$ 1,145,312	\$ 875,786	\$ 701,498	\$ 630,388	\$ 593,966

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 though 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, 1998, are as follows:

	Housing Authority	Education Assistance Authority
Operating revenues.....	\$ 52,825	\$ 44,708
Net income.....	12,019	15,888
Total assets.....	654,060	483,813
Total fund equity.....	161,749	107,443

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 and wholesale water to individuals, businesses, electric cooperatives and municipal power departments. The Public Service Authority (Santee-Cooper) made payments to the State's General Fund of \$7.462 million during its fiscal year ended December 31, 1997. 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, 1998, follow:

	Public Service Authority (Santee- Cooper)	State Ports Authority
Operating revenues....	\$ 727,824	\$ 80,965
Net income.....	6,261	15,498
Total assets.....	3,355,148	381,545
Total fund equity.....	797,130	303,751

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 for those plans at June 30, 1998.

The South Carolina Adjutant General's Office administers the National Guard Pension System. The State recorded a \$5.122 million pension liability for that plan in the General Long-Term Obligations Account Group at June 30, 1998. 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," 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.

During the fiscal year ended June 30, 1998, South Carolina issued \$85.854 million and retired \$101.915 million in general obligation bonds payable by governmental funds. Of the bonds issued, \$47.500 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, 1998, the Higher Education Funds reported State institution general obligation bonds outstanding of \$84.465 million.

The State's available legal debt margin at June 30, 1998, was \$5.535 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, 1998, was \$48.316 million for highway bonds and \$93.895 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:

	1998	1997	1996
Net general obligation bonds/notes outstanding.....	\$952 million	\$967 million	\$965 million
Net general obligation bonds/notes outstanding per capita.....	\$249	\$257	\$260

The General Services Fund, an Internal Service Fund, had \$35.569 million of limited obligation lease revenue bonds outstanding at June 30, 1998.

The primary government's entities had revenue bonds, notes, and certificates of participation of \$1.256 billion outstanding on June 30, 1998. Revenue bonds, notes, and certificates of participation outstanding (expressed in thousands) by agency were:

South Carolina Housing Authority.....	\$ 471,181
South Carolina Education Assistance Authority.....	363,240
Various higher education institutions.....	418,590
Other State agencies.....	3,096
Total—primary government.....	\$ 1,256,107

During the fiscal year ended June 30, 1998, the Education Assistance Authority advance refunded \$46.300 million in revenue bonds to have bonds under the 1993 bond resolution instead of the 1979 bond resolution and obtained an economic gain of \$779 thousand. For additional details on this refunding as well as advance refundings in the Higher Education Funds, see Note 11 in the Notes to the Financial Statements.

In addition, discretely presented component units had the following amounts of bonds and notes outstanding (expressed in thousands) at June 30, 1998:

South Carolina Public Service Authority (Santee-Cooper).....	\$ 2,099,672
South Carolina State Ports Authority.....	57,467
Enterprise Development, Inc.....	345
Total—discretely presented component units.....	<u>\$ 2,157,484</u>

During its fiscal year ended December 31, 1997, the Public Service Authority (Santee-Cooper) advance refunded \$205.820 million in revenue bonds to reduce its total debt service payments over the next thirty-four years by approximately \$22.228 million and to obtain an economic gain of approximately \$11.885 million. For additional details on this refunding and other Authority debt transactions, 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 \$72.412 million for the fiscal year ended June 30, 1998. This income includes realized and unrealized gains and losses.

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. This year, the auditors have excluded Note 22, *The Year 2000 Issue*, from the scope of the audit and, accordingly, have discussed this in their report. Management of the State believes that Note 22 meets all requirements of the Governmental Accounting Standards Board for disclosure about the year 2000 issue and that it has supported such disclosures with sufficient competent evidential matter. However, the auditors have determined that, through no fault of the State or its management, Note 22 should be excluded from the scope of the audit because of the unprecedented nature of the year 2000 issue, and that the

effects of this issue and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.

The audit described above is not intended to meet the requirements of the Federal Single Audit Act as amended. 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, 1997. 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 ten consecutive years (1987-88 through 1996-97). 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, 1998, 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 Dr. Walter Edgar of the University of South Carolina and Mr. Wade Kolb, student at the University of South Carolina, for providing the photograph captions included in this report. In addition, thanks are due to Sam Holland, photographer, as well as 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,



EARLE E. MORRIS, JR.
Comptroller General

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

Andrew Pickens

Andrew Pickens (1739-1817) was a popular military and political leader in the Revolutionary period. A planter in the Waxhaws area of South Carolina, Pickens was a member of the South Carolina Senate and House as well as the United States Congress.

**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, 1997

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.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

Principal State Officials

June 30, 1998

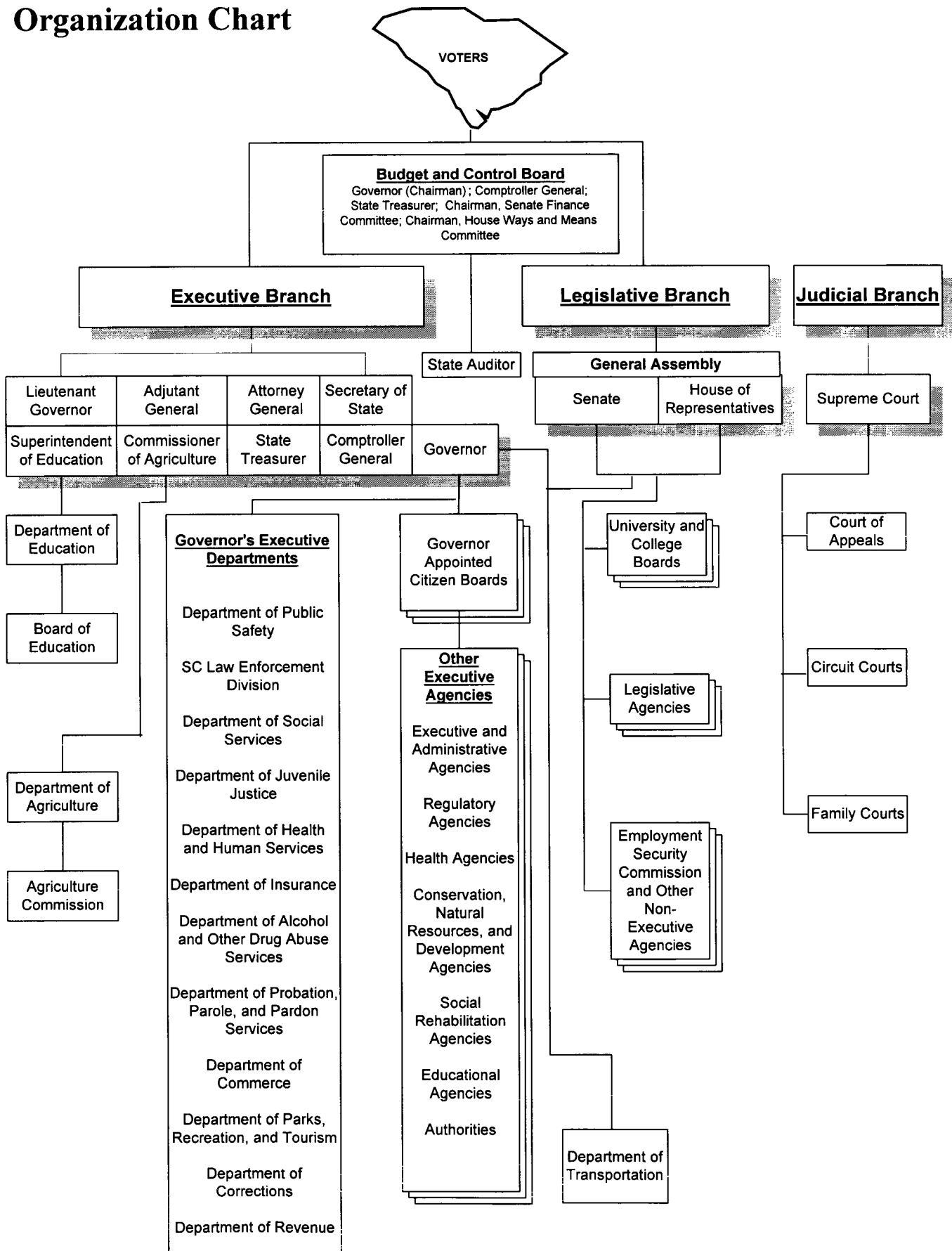
	Current Term of Office
LEGISLATIVE—THE GENERAL ASSEMBLY	
Robert L. Peeler, President of the Senate and Lieutenant Governor	1995-1999
John Drummond, President Pro Tempore of the Senate	1997-2001
David H. Wilkins, Speaker, House of Representatives	1997-1999
EXECUTIVE	
STATE BUDGET AND CONTROL BOARD	
David 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.

*The following officials were elected in the November 1998 general elections and will begin serving four-year terms after their inauguration in January 1999:

James H. Hodges, Governor and Chairman of the Budget and Control Board
James A. Lander, Comptroller General
Grady L. Patterson, Jr., State Treasurer
Inez Tenenbaum, State Superintendent of Education

Organization Chart



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

Bernard Mannes Baruch (Oswald Birley)

Born in Camden, Bernard Baruch (1870-1965) became a noted philanthropist, financier and Presidential advisor. Baruch was a millionaire by the age of 30 and was appointed to the War Industries Board by President Woodrow Wilson. His 17,000-acre estate of Hobcaw Barony on the South Carolina coast is now a research center and nature preserve.

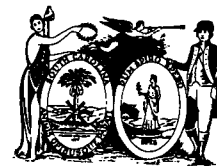
Financial Section



Independent Auditors' Report
General Purpose Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements; Schedules



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 accompanying general purpose financial statements of the State of South Carolina, as of and for the year ended June 30, 1998, 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 (21% and 14%), Enterprise (99% and 89%), Internal Service (73% and 86%), Pension Trust (100% and 100%), Investment Trust (100% and 100%), Higher Education (100% and 100%), and Agency (69% 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 (14% 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 and Deloitte & Touche LLP 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. Deloitte & Touche LLP acting separately has examined 100% and 100% of the total assets and other debits and total revenues, respectively, of the Investment Trust Fund. The Office of the State Auditor acting separately has examined 31% and 35% of the total assets and other debits and total revenues, respectively, of the Higher Education Funds.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The State of South Carolina has included such disclosures in Note 22 to the general purpose financial statements. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of South Carolina's disclosures with respect to the year 2000 issue made in Note 22. Further, we do not provide assurance that the State of South Carolina is or will be year 2000 ready, that the State of South Carolina's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of South Carolina does business will be year 2000 ready.

In our opinion, based on our audit and reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, 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, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3(a) to the general purpose financial statements, in fiscal year 1998, the State of South Carolina adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

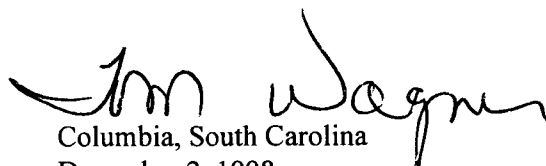
Our joint audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The required supplementary information and the combining financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of South Carolina. These financial statements and schedules are also the responsibility of the management of the State. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 1998 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.

Deloitte & Touche LLP

Columbia, South Carolina
December 2, 1998


Columbia, South Carolina
December 2, 1998

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

Dr. Wil Lou Gray (Michael del Priori)

Dr. Wil Lou Gray (1883-1984) was a crusading progressive and an advocate of adult education in South Carolina in the early twentieth century. She was appointed superintendent of the first state adult school program in 1919 and dramatically improved the lives of thousands of South Carolinians.

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

Combined Balance Sheet

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

June 30, 1998

(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	\$ 536,542	\$ 903,130	\$ 76,485	\$ 157,807	\$ 374,132	\$ 3,137,547
Cash on deposit with fiscal agents	—	—	—	—	—	733,586
Investments	—	372	—	8,517	204,592	17,568,138
Invested securities lending collateral.....	1,527	529	41	97	36,645	1,526,732
Receivables, net:						
Accounts	30,966	58,898	435	11,385	47,755	363,695
Taxes	355,508	114,721	—	—	—	40,413
Patient and student	—	—	—	—	—	—
Student loans	—	14,813	—	17	—	—
Loans and notes	802	165,817	—	350,657	—	30,303
Due from Federal government and other grantors ..	7,882	351,738	224	2,916	—	1,396
Due from other funds	19,723	44,707	837	—	24,247	9,776
Due from component units.....	3,800	—	—	—	—	—
Interfund receivables	1,970	1,774	—	—	2,378	—
Advances to other funds	9,623	5,467	—	—	21,457	—
Inventories	14,741	21,495	—	1,881	6,444	—
Prepaid long-term operating lease.....	—	—	—	—	—	—
Servicing rights, net.....	—	—	—	1,955	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	208,184	—	—
Investments	—	—	—	59,302	—	—
Loans receivable	—	—	—	456,865	—	—
Other	—	—	—	7,596	—	—
Other assets	—	82	—	850	2,401	5,574
Deferred charges	—	—	—	1,265	—	—
Investment in joint venture.....	—	—	—	—	—	—
Property, plant, and equipment, net	—	—	—	25,804	149,871	4,647
Amount to be provided for retirement of long-term obligations	—	—	—	—	—	—
Total assets and other debits	\$ 983,084	\$ 1,683,543	\$ 78,022	\$ 1,295,098	\$ 869,922	\$ 23,421,807

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

ACCOUNT GROUPS		HIGHER EDUCATION FUNDS	Totals Primary Government (Memorandum Only)	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only)
General Fixed Assets	General Long-Term Obligations				
\$ —	\$ —	\$ 588,031	\$ 5,773,674	\$ 87,176	\$ 5,860,850
—	—	—	733,586	—	733,586
—	—	118,653	17,900,272	39,440	17,939,712
—	—	14,612	1,580,183	1	1,580,184
—	—	16,782	529,916	83,335	613,251
—	—	—	510,642	—	510,642
—	—	106,123	106,123	—	106,123
—	—	46,704	61,534	—	61,534
—	—	114	547,693	144	547,837
—	—	54,867	419,023	—	419,023
—	—	21,233	120,523	—	120,523
—	—	—	3,800	—	3,800
—	—	—	6,122	—	6,122
—	—	—	36,547	—	36,547
—	—	24,364	68,925	88,187	157,112
—	—	17,673	17,673	—	17,673
—	—	—	1,955	—	1,955
—	—	—	208,184	160,510	368,694
—	—	—	59,302	143,623	202,925
—	—	—	456,865	—	456,865
—	—	—	7,596	—	7,596
—	—	37,215	46,122	5,241	51,363
—	—	—	1,265	479,905	481,170
—	—	3,675	3,675	4,231	7,906
2,356,905	—	2,987,674	5,524,901	2,646,720	8,171,621
—	1,169,942	—	1,169,942	—	1,169,942
<u>\$ 2,356,905</u>	<u>\$ 1,169,942</u>	<u>\$ 4,037,720</u>	<u>\$ 35,896,043</u>	<u>\$ 3,738,513</u>	<u>\$ 39,634,556</u>

Continued on Next Page

Combined Balance Sheet

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

June 30, 1998
(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	\$ 180,853	\$ 313,933	\$ 7,512	\$ 37,289	\$ 164,523	\$ 88,577
Tax refunds payable	350,306	872	—	—	—	2,977
Intergovernmental payables	59,999	95,352	—	—	—	130
Insurance claims incurred but not reported	—	—	—	9,251	159,575	—
Due to other funds	17,283	37,446	3,911	1,138	—	53,690
Interfund payables	3,252	322	—	201	1,648	5
Advances from other funds	12,189	264	—	14,416	8,174	—
Deferred revenues and deferred credits	163,281	63,824	60	4,834	58,441	841
Deposits	—	—	—	598	—	526
Amounts held in custody for others	—	—	—	—	—	559,090
Deferred compensation	—	—	—	—	—	1,165,438
Securities lending collateral	1,527	529	41	97	36,645	1,526,732
Liabilities payable from restricted assets	—	—	—	72,667	—	—
Notes payable	—	—	—	231	2,265	—
General obligation bonds payable	—	—	—	—	—	—
Revenue bonds payable	—	—	—	834,421	—	—
Limited obligation bonds payable	—	—	—	—	35,569	—
Certificates of participation payable	—	—	—	—	—	—
Capital lease and installment debt obligations payable	—	—	—	—	9,903	—
Commercial paper notes	—	—	—	—	—	—
Compensated absences payable	—	—	—	1,098	4,575	—
Other liabilities, including retainages payable	16,917	25,689	2,208	68	588	—
Total liabilities	805,607	538,231	13,732	976,309	481,906	3,398,006
Fund equity and other credits:						
Contributed capital	—	—	—	20,279	78,272	—
Investment in fixed assets	—	—	—	—	—	—
Retained earnings:						
Reserved	—	—	—	240,066	—	—
Unreserved	—	—	—	58,444	309,744	—
Fund balances (deficit):						
Reserved	286,945	204,427	—	—	—	19,914,503
Unreserved, Designated	—	165,328	64,290	—	—	—
Unreserved, Undesignated	(109,468)	775,557	—	—	—	109,298
Total fund equity and other credits	177,477	1,145,312	64,290	318,789	388,016	20,023,801
Total liabilities, fund equity, and other credits	\$ 983,084	\$ 1,683,543	\$ 78,022	\$ 1,295,098	\$ 869,922	\$ 23,421,807

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

ACCOUNT GROUPS		HIGHER EDUCATION FUNDS	Totals Primary Government (Memorandum Only)	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only)
General Fixed Assets	General Long-Term Obligations				
\$ —	\$ 2,367	\$ 111,376	\$ 906,430	\$ 103,035	\$ 1,009,465
—	—	—	354,155	—	354,155
—	8,675	—	164,156	—	164,156
—	2,765	—	171,591	—	171,591
—	—	7,055	120,523	—	120,523
—	—	694	6,122	—	6,122
—	—	1,704	36,747	—	36,747
—	—	39,722	331,003	51,479	382,482
—	—	3,597	4,721	—	4,721
—	—	7,070	566,160	—	566,160
—	—	—	1,165,438	—	1,165,438
—	—	14,612	1,580,183	1	1,580,184
—	—	—	72,667	—	72,667
—	600	152,442	155,538	345	155,883
—	951,577	84,465	1,036,042	—	1,036,042
—	—	244,682	1,079,103	2,157,139	3,236,242
—	—	—	35,569	—	35,569
—	—	21,466	21,466	—	21,466
—	7,856	22,993	40,752	39,296	80,048
—	—	—	—	241,650	241,650
—	175,937	86,158	267,768	12,405	280,173
—	20,165	7,501	73,136	31,290	104,426
—	1,169,942	805,537	8,189,270	2,636,640	10,825,910
—	—	—	98,551	209,524	308,075
2,356,905	—	2,498,484	4,855,389	—	4,855,389
—	—	—	240,066	—	240,066
—	—	—	368,188	892,349	1,260,537
—	—	306,367	20,712,242	—	20,712,242
—	—	149,447	379,065	—	379,065
—	—	277,885	1,053,272	—	1,053,272
2,356,905	—	3,232,183	27,706,773	1,101,873	28,808,646
\$ 2,356,905	\$ 1,169,942	\$ 4,037,720	\$ 35,896,043	\$ 3,738,513	\$ 39,634,556

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

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects
Revenues:			
Taxes:			
Individual income.....	\$ 2,103,799	\$ —	\$ —
Retail sales and use.....	1,718,410	585,594	—
Other.....	697,188	493,417	—
Licenses, fees, and permits.....	187,512	93,730	—
Interest and other investment income.....	72,412	57,743	230
Federal.....	67,492	3,145,512	13,585
Departmental services.....	305,348	234,699	1
Contributions.....	467	154,670	389
Fines and penalties.....	15,443	46,301	—
Other.....	10,423	70,644	682
Total revenues.....	5,178,494	4,882,310	14,887
Expenditures:			
Current:			
General government.....	241,634	110,431	—
Education.....	175,119	143,439	—
Health and environment.....	1,068,694	2,053,193	—
Social services.....	109,212	553,700	—
Administration of justice.....	523,360	69,196	—
Resources and economic development.....	67,588	92,654	—
Transportation.....	—	281,021	—
Capital outlay.....	—	396,801	64,352
Debt service:			
Principal retirement.....	107,069	3,007	—
Interest and fiscal charges.....	45,546	5,586	—
Intergovernmental.....	1,998,408	1,033,610	—
Total expenditures.....	4,336,630	4,742,638	64,352
Revenues over (under) expenditures.....	841,864	139,672	(49,465)
Other financing sources (uses):			
Proceeds from bonds and notes.....	300	47,872	38,353
Lease and installment debt proceeds.....	254	163	—
Operating transfers in.....	928	79,858	37,332
Transfers from component units.....	7,604	—	—
Operating transfers out.....	(829,915)	(45)	(37,804)
Total other financing sources (uses).....	(820,829)	127,848	37,881
Revenues and other sources over (under) expenditures and other uses.....	21,035	267,520	(11,584)
Fund balances at beginning of year (restated).....	156,323	876,473	78,429
Increases (decreases) in reserve for inventories.....	119	(556)	—
Residual equity transfers in.....	—	1,875	—
Residual equity transfers out.....	—	—	(2,555)
Fund balances at end of year.....	\$ 177,477	\$ 1,145,312	\$ 64,290

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

FIDUCIARY FUND TYPE	
Expendable Trust	Totals (Memorandum Only)
\$ —	\$ 2,103,799
—	2,304,004
177,069	1,367,674
677	281,919
54,701	185,086
7,499	3,234,088
—	540,048
319	155,845
—	61,744
1,707	83,456
241,972	10,317,663
175,167	527,232
2	318,560
20	3,121,907
19	662,931
34	592,590
6	160,248
—	281,021
—	461,153
—	110,076
—	51,132
4	3,032,022
175,252	9,318,872
66,720	998,791
—	86,525
—	417
46	118,164
—	7,604
(978)	(868,742)
(932)	(656,032)
65,788	342,759
820,920	1,932,145
—	(437)
—	1,875
—	(2,555)
\$ 886,708	\$ 2,273,787

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, 1998
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Admissions tax.....	\$ 3,000	\$ 7,020	\$ 4,020
Aircraft tax.....	3,375	3,334	(41)
Alcoholic liquors tax.....	47,526	45,076	(2,450)
Bank tax.....	16,524	14,902	(1,622)
Beer and wine tax.....	80,784	82,190	1,406
Business license tax.....	31,273	31,382	109
Coin-operated device tax.....	46,000	56,995	10,995
Commercial nuclear waste tax.....	—	—	—
Contractors' license tax.....	—	—	—
Corporation income tax.....	184,999	193,813	8,814
Corporation license tax.....	53,552	49,875	(3,677)
Department of Agriculture.....	—	—	—
Departmental revenue (primarily grant revenues and fees for services).....	43,779	47,182	3,403
Documentary tax.....	20,515	25,139	4,624
Earned on investments.....	62,000	70,863	8,863
Education Improvement Act—1% sales tax.....	—	—	—
Education Improvement Act—investment earnings.....	—	—	—
Education Improvement Act—other.....	—	—	—
Electric power tax.....	19,568	20,742	1,174
Estate tax.....	29,845	45,001	15,156
Excise tax—casual sales.....	15,410	15,437	27
Fertilizer inspection tax.....	205	184	(21)
Gift tax.....	—	85	85
Individual income tax.....	2,067,796	2,087,461	19,665
Insurance tax.....	94,892	89,744	(5,148)
Miscellaneous sources.....	66,576	73,123	6,547
Motor transport fees.....	210	3	(207)
Motor vehicle licenses.....	99,346	107,033	7,687
Nonrecurring (excess warrants for distraint).....	—	1,350	1,350
Petroleum inspection tax.....	7,403	7,012	(391)
Private car lines tax.....	1,800	2,237	437
Public service assessment.....	—	—	—
Public Service Authority.....	6,934	7,604	670
Retail sales tax (4%).....	1,705,126	1,726,364	21,238
Retailers' license tax.....	1,044	988	(56)
Savings and loan association tax.....	3,162	4,907	1,745
Soft drinks tax.....	18,022	19,295	1,273
Workers' compensation insurance tax.....	9,334	9,360	26
Total revenues.....	4,740,000	4,845,701	105,701

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)
\$ 33,380	\$ 27,214	\$ (6,166)	\$ 36,380	\$ 34,234	\$ (2,146)
—	—	—	3,375	3,334	(41)
—	—	—	47,526	45,076	(2,450)
—	—	—	16,524	14,902	(1,622)
—	—	—	80,784	82,190	1,406
—	—	—	31,273	31,382	109
—	250	250	46,000	57,245	11,245
25,786	56,360	30,574	25,786	56,360	30,574
1,104	1,929	825	1,104	1,929	825
—	—	—	184,999	193,813	8,814
—	—	—	53,552	49,875	(3,677)
3,298	2,639	(659)	3,298	2,639	(659)
6,587,242	6,300,731	(286,511)	6,631,021	6,347,913	(283,108)
1,909	1,055	(854)	22,424	26,194	3,770
20,718	50,826	30,108	82,718	121,689	38,971
430,134	433,972	3,838	430,134	433,972	3,838
3,000	2,749	(251)	3,000	2,749	(251)
3,887	1,430	(2,457)	3,887	1,430	(2,457)
—	—	—	19,568	20,742	1,174
—	—	—	29,845	45,001	15,156
—	—	—	15,410	15,437	27
—	—	—	205	184	(21)
—	—	—	—	85	85
—	—	—	2,067,796	2,087,461	19,665
3,126	3,220	94	98,018	92,964	(5,054)
183,301	60,179	(123,122)	249,877	133,302	(116,575)
—	2,572	2,572	210	2,575	2,365
9,506	7,266	(2,240)	108,852	114,299	5,447
—	—	—	—	1,350	1,350
—	—	—	7,403	7,012	(391)
—	—	—	1,800	2,237	437
5,595	5,878	283	5,595	5,878	283
—	—	—	6,934	7,604	670
400	659	259	1,705,526	1,727,023	21,497
—	—	—	1,044	988	(56)
—	—	—	3,162	4,907	1,745
—	—	—	18,022	19,295	1,273
—	—	—	9,334	9,360	26
7,312,386	6,958,929	(353,457)	12,052,386	11,804,630	(247,756)

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, 1998
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Legislative.....	\$ 33,103	\$ 28,500	\$ 4,603
Judicial.....	40,197	36,704	3,493
Executive and administrative.....	175,200	134,223	40,977
Educational.....	2,268,740	2,245,397	23,343
Health.....	817,744	805,797	11,947
Social rehabilitation services.....	141,036	135,420	5,616
Correctional and public safety.....	522,052	488,235	33,817
Conservation, natural resources, and development...	147,650	140,257	7,393
Regulatory.....	57,950	55,332	2,618
Transportation.....	583	583	—
Debt service.....	150,599	150,574	25
Miscellaneous.....	535,549	533,357	2,192
Total expenditures.....	4,890,403	4,754,379	136,024
Excess of revenues over (under) expenditures.....	(150,403)	91,322	241,725
Other financing sources (uses):			
Operating transfers in.....	—	—	—
Operating transfers out.....	(83,567)	(83,567)	—
Total financing sources (uses).....	(83,567)	(83,567)	—
Excess of revenues and other sources over (under) expenditures and other uses.....	(233,970)	7,755	241,725
Budgetary fund balance at beginning of year.....	508,707	508,707	—
Budgetary fund balance at end of year.....	\$ 274,737	\$ 516,462	\$ 241,725

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)
\$ 1,197	\$ 475	\$ 722	\$ 34,300	\$ 28,975	\$ 5,325
245	73	172	40,442	36,777	3,665
348,392	240,251	108,141	523,592	374,474	149,118
2,528,291	2,265,595	262,696	4,797,031	4,510,992	286,039
2,836,296	2,757,411	78,885	3,654,040	3,563,208	90,832
662,260	593,754	68,506	803,296	729,174	74,122
203,447	135,630	67,817	725,499	623,865	101,634
237,360	154,224	83,136	385,010	294,481	90,529
175,631	142,575	33,056	233,581	197,907	35,674
785,267	689,232	96,035	785,850	689,815	96,035
13,102	13,102	—	163,701	163,676	25
—	—	—	535,549	533,357	2,192
7,791,488	6,992,322	799,166	12,681,891	11,746,701	935,190
(479,102)	(33,393)	445,709	(629,505)	57,929	687,434
147,726	83,567	(64,159)	147,726	83,567	(64,159)
—	—	—	(83,567)	(83,567)	—
147,726	83,567	(64,159)	64,159	—	(64,159)
(331,376)	50,174	381,550	(565,346)	57,929	623,275
1,086,158	1,086,158	—	1,594,865	1,594,865	—
\$ 754,782	\$ 1,136,332	\$ 381,550	\$ 1,029,519	\$ 1,652,794	\$ 623,275

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, 1998
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Operating revenues:			
Charges for services.....	\$ 85,623	\$ 861,759	\$ —
Contributions.....	—	11,230	1
Interest and other investment income.....	59,617	37,833	14
Licenses, fees, and permits.....	—	—	102
Total operating revenues.....	145,240	910,822	117
Operating expenses:			
General operations and administration.....	43,628	270,183	—
Benefits and claims.....	22,367	608,975	—
Interest.....	53,904	—	—
Depreciation and amortization.....	1,384	12,664	—
Other operating expenses.....	2,779	610	3
Total operating expenses.....	124,062	892,432	3
Operating income.....	21,178	18,390	114
Nonoperating revenues (expenses):			
Interest income.....	1,820	5,404	—
Federal revenue.....	22,723	9	—
Costs to be recovered from future revenues.....	—	—	—
Interest expense.....	(1,149)	(4,728)	—
Other nonoperating revenues (expenses).....	(23,236)	498	—
Total nonoperating revenues (expenses).....	158	1,183	—
Income before operating transfers and extraordinary items.....	21,336	19,573	114
Operating transfers in.....	125	528	—
Operating transfers out.....	—	(5)	—
Transfers to primary government.....	—	—	—
Income before extraordinary items.....	21,461	20,096	114
Extraordinary loss on early extinguishment of debt.....	(277)	—	—
Net income.....	21,184	20,096	114
Retained earnings/fund balances at beginning of year (restated)	277,326	289,648	1,535
Net unrealized loss on investment securities available for sale.....	—	—	—
Retained earnings/fund balances at end of year.....	298,510	309,744	1,649
Contributed capital at beginning of year.....	16,870	76,537	—
Additions to contributed capital	3,450	4,122	—
Deductions from contributed capital.....	(41)	(2,387)	—
Fund equity at end of year.....	\$ 318,789	\$ 388,016	\$ 1,649

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

Totals Primary Government (Memorandum Only)	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only)
\$ 947,382	\$ 809,631	\$ 1,757,013
11,231	—	11,231
97,464	1	97,465
102	—	102
1,056,179	809,632	1,865,811
313,811	468,631	782,442
631,342	—	631,342
53,904	21	53,925
14,048	126,850	140,898
3,392	2,205	5,597
1,016,497	597,707	1,614,204
39,682	211,925	251,607
7,224	24,384	31,608
22,732	—	22,732
—	(40,749)	(40,749)
(5,877)	(172,397)	(178,274)
(22,738)	7,974	(14,764)
1,341	(180,788)	(179,447)
41,023	31,137	72,160
653	—	653
(5)	—	(5)
—	(7,462)	(7,462)
41,671	23,675	65,346
(277)	(3,438)	(3,715)
41,394	20,237	61,631
568,509	872,239	1,440,748
—	(127)	(127)
609,903	892,349	1,502,252
93,407	209,856	303,263
7,572	—	7,572
(2,428)	(332)	(2,760)
\$ 708,454	\$ 1,101,873	\$ 1,810,327

Combined Statement of Cash Flows

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

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
Cash flows from operating activities:			
Operating income	\$ 21,178	\$ 18,390	\$ 114
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,384	12,664	—
Provisions for loan losses and bad debts	281	311	—
Provisions for loss on development project	505	—	—
Amortization of deferred gain on sale of capital leaseback	—	(572)	—
Loss on disposition of property and equipment	8	23	—
Issuance of loans and notes	(97,403)	—	—
Collection of loans and notes	137,571	—	—
Interest payments	53,615	—	—
Interest on investments and interfund loans	(20,896)	(37,676)	(14)
Amounts received for payment of claims	61,768	—	—
Payment of claims	(59,412)	—	—
Deferred coal contract buy-out costs	—	—	—
Impact of transactions involving joint venture	—	—	—
Other nonoperating revenues	664	1,378	—
Other nonoperating expenses	(733)	(65)	—
Other	197	186	8
Change in assets--decreases (increases):			
Accounts receivable, net	(1,132)	14,095	—
Student loans receivable, net	2	—	—
Loans and notes receivable, net	678	—	—
Due from Federal government and other grantors	—	44	—
Due from other funds	(579)	(2,285)	—
Inventories	46	258	—
Other current assets	518	52	—
Other long-term assets	—	—	—
Deferred charges	—	—	—
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities	14,577	(4,660)	—
Insurance claims incurred but not reported	5,326	(7,901)	—
Due to other funds	293	(200)	—
Deferred revenues	1,807	(10,019)	—
Deposits	498	—	—
Liabilities payable from restricted assets	(76)	—	—
Compensated absences payable	108	330	—
Other liabilities, including retainages payable	(3,062)	318	—
Net cash provided by (used in) operating activities	117,731	(15,329)	108
Cash flows from noncapital financing activities:			
Principal payments received from other funds	—	11,591	—
Principal payments made to other funds	(297)	(6,213)	—
Receipt of interest from other funds	—	4,268	—
Interest payments made to other funds	—	(2,326)	—
Loans made to other funds	—	(1,139)	—
Proceeds from sale of notes payable	1,359	—	—
Principal payments on notes payable	(576)	—	—
Proceeds from sale of revenue bonds	69,776	—	—
Principal payments on revenue bonds	(115,540)	—	—
Interest payments	(56,033)	—	—
Payment of bond issuance costs	(865)	—	—
Federal revenue	22,723	9	—
Payments from Federal grants	(22,723)	—	—
Operating transfers in	125	528	—
Operating transfers out	—	(5)	—
Transfers to primary government	—	—	—
Net cash provided by (used in) noncapital financing activities	(102,051)	6,713	—

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

Totals Primary Government (Memorandum Only)	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only)
\$ 39,682	\$ 211,925	\$ 251,607
14,048	126,850	140,898
592	1,302	1,894
505	—	505
(572)	—	(572)
31	57	88
(97,403)	(1,000)	(98,403)
137,571	170	137,741
53,615	—	53,615
(58,586)	—	(58,586)
61,768	—	61,768
(59,412)	—	(59,412)
—	6,000	6,000
—	(3,322)	(3,322)
2,042	1,756	3,798
(798)	(29)	(827)
391	183	574
12,963	15	12,978
2	—	2
678	—	678
44	636	680
(2,864)	—	(2,864)
304	(11,463)	(11,159)
570	(1,651)	(1,081)
—	(6)	(6)
—	(1,532)	(1,532)
9,917	(4,813)	5,104
(2,575)	—	(2,575)
93	—	93
(8,212)	—	(8,212)
498	—	498
(76)	—	(76)
438	(16)	422
(2,744)	(9,733)	(12,477)
102,510	315,329	417,839
11,591	—	11,591
(6,510)	—	(6,510)
4,268	—	4,268
(2,326)	—	(2,326)
(1,139)	—	(1,139)
1,359	—	1,359
(576)	—	(576)
69,776	—	69,776
(115,540)	—	(115,540)
(56,033)	—	(56,033)
(865)	—	(865)
22,732	—	22,732
(22,723)	—	(22,723)
653	—	653
(5)	—	(5)
—	(7,462)	(7,462)
(95,338)	(7,462)	(102,800)

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, 1998
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE Nonexpendable Trust
	Enterprise	Internal Service	
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	\$ (1,519)	\$ (15,063)	\$ —
Proceeds from sale of notes payable	—	2,265	—
Principal payments on notes payable	(201)	—	—
Proceeds from sale and refundings of revenue bonds	—	—	—
Principal payments and refundings on revenue bonds	—	—	—
Proceeds from sale of limited obligation bonds	—	8,577	—
Principal payments on limited obligation bonds	—	(2,000)	—
Interest payments	(162)	(2,364)	—
Payment of bond issuance costs	—	—	—
Increase in commercial paper notes	—	—	—
Proceeds from the sale of capital assets	1,140	—	—
Principal payments on capital leases and installment debt obligations payable	—	(669)	—
Contributions of capital	940	—	—
Net cash provided by (used in) capital and related financing activities	198	(9,254)	—
Cash flows from investing activities:			
Proceeds from sale of investments	16,083	75,434	—
Purchase of investments	(7,001)	(57,833)	—
Interest on investments	26,557	35,643	11
Issuance of loans	(1,175)	—	—
Collection of loans	1,113	—	—
Net investment in joint venture	—	—	—
Net cash provided by investing activities	35,577	53,244	11
Net increase (decrease) in cash and cash equivalents	51,455	35,374	119
Cash and cash equivalents at beginning of year (restated)	314,536	338,758	1,507
Cash and cash equivalents at end of year	\$ 365,991	\$ 374,132	\$ 1,626
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and cash equivalents for Fiduciary Funds			\$ 3,137,547
Less: Cash and cash equivalents for Expendable Trust Funds, Pension Trust Funds, Investment Trust Fund, and Agency Funds			(3,135,921)
Cash and cash equivalents Nonexpendable Trust Fund			\$ 1,626
Noncash capital, investing, and financing activities:			
Equity losses related to interest in joint venture	\$ —	\$ —	\$ —
Net assets transferred to spun-off operations	—	—	—
Acquisition of property and equipment through:			
Accrual of liabilities	—	—	—
Transfers from other funds	—	2,688	—
Donations	—	20	—
Total noncash capital, investing, and financing activities	\$ —	\$ 2,708	\$ —

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

Totals Primary Government (Memorandum Only)	COMPONENT UNITS	Totals Reporting Entity (Memorandum Only)
\$ (16,582)	\$ (120,096)	\$ (136,678)
2,265	203	2,468
(201)	(32)	(233)
—	216,719	216,719
—	(387,062)	(387,062)
8,577	—	8,577
(2,000)	—	(2,000)
(2,526)	(159,053)	(161,579)
—	(9,586)	(9,586)
—	36,877	36,877
1,140	—	1,140
(669)	(3,767)	(4,436)
940	—	940
(9,056)	(425,797)	(434,853)
91,517	86,413	177,930
(64,834)	(5,522)	(70,356)
62,211	25,027	87,238
(1,175)	—	(1,175)
1,113	—	1,113
—	(3,467)	(3,467)
88,832	102,451	191,283
86,948	(15,479)	71,469
654,801	263,165	917,966
\$ 741,749	\$ 247,686	\$ 989,435

\$ —	\$ 2,558	\$ 2,558
—	75	75
—	3,020	3,020
2,688	—	2,688
20	—	20
\$ 2,708	\$ 5,653	\$ 8,361

Combining Statement of Changes in Plan Net Assets

PENSION TRUST FUNDS

Statement of Changes in Net Assets

INVESTMENT TRUST FUND

For the Fiscal Year Ended June 30, 1998

(Expressed in Thousands)

	PENSION		
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System
Additions:			
Retirement contributions:			
Employer.....	\$ 398,845	\$ 65,538	\$ 2,796
Employee.....	335,770	42,946	665
Transfers from other retirement systems.....	79	2,725	21
Total retirement contributions.....	734,694	111,209	3,482
Deposits, pool participants.....	—	—	—
Investment income.....	1,903,404	207,842	4,334
Net income from investing activities.....	1,903,404	207,842	4,334
Securities lending income.....	72,300	8,975	232
Securities lending expenses:			
Borrower rebates.....	70,074	8,714	227
Management fees.....	890	105	2
Total securities lending expenses.....	70,964	8,819	229
Net income from securities lending activities...	1,336	156	3
Total net investment income.....	1,904,740	207,998	4,337
Operating transfers in (for supplemental retirement benefits).....	4,880	132	—
Total additions.....	2,644,314	319,339	7,819
Deductions:			
Regular retirement benefits.....	662,825	71,161	3,771
Supplemental retirement benefits.....	4,880	132	—
Refunds of retirement contributions to members.....	61,629	8,482	63
Group life insurance claims.....	9,277	1,373	9
Accidental death benefits.....	—	638	—
Withdrawals, pool participants.....	—	—	—
Distributions to pool participants.....	—	—	—
Depreciation.....	107	11	—
Administrative expense.....	9,834	1,099	24
Transfers to other retirement systems.....	2,881	1	164
Total deductions.....	751,433	82,897	4,031
Net increase in plan and pool net assets.....	1,892,881	236,442	3,788
Net assets held in trust for pension benefits and pool participants:			
Beginning of year (restated).....	14,498,715	1,606,714	35,426
End of year.....	\$ 16,391,596	\$ 1,843,156	\$ 39,214

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

TRUST			INVESTMENT TRUST	
Judges' and Solicitors' Retirement System	National Guard Pension System	Eliminations	Totals (Memorandum Only)	Local Government Investment Pool
\$ 4,991	\$ 2,499	\$ —	\$ 474,669	\$ —
1,025	—	—	380,406	—
221	—	(3,046)	—	—
6,237	2,499	(3,046)	855,075	—
—	—	—	—	2,369,589
9,516	754	—	2,125,850	39,211
9,516	754	—	2,125,850	39,211
264	—	—	81,771	324
257	—	—	79,272	318
3	—	—	1,000	3
260	—	—	80,272	321
4	—	—	1,499	3
9,520	754	—	2,127,349	39,214
—	—	—	5,012	—
15,757	3,253	(3,046)	2,987,436	2,408,803
6,100	1,748	—	745,605	—
—	—	—	5,012	—
—	—	—	70,174	—
1	—	—	10,660	—
—	—	—	638	—
—	—	—	—	2,247,614
—	—	—	—	38,824
1	1	—	120	—
49	—	—	11,006	124
—	—	(3,046)	—	—
6,151	1,749	(3,046)	843,215	2,286,562
9,606	1,504	—	2,144,221	122,241
72,609	5,096	—	16,218,560	650,422
\$ 82,215	\$ 6,600	\$ —	\$ 18,362,781	\$ 772,663

Combined Statement of Changes in Fund Balances

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
Revenues and other additions:				
Unrestricted Current Fund revenues.....	\$ 1,221,948	\$ —	\$ —	\$ —
Restricted student tuition and fees.....	—	—	—	—
Federal grants and contracts—restricted.....	—	288,456	1,057	125
State and local grants—restricted.....	—	16,380	134	—
Private gifts, grants, and contracts—restricted.....	—	70,144	1	2,339
Investment income—restricted.....	—	7,039	477	5,767
Realized investment gains—restricted.....	—	—	—	432
Interest earned.....	—	—	1,055	—
Expended for plant facilities (including \$79,226 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness (including \$5,500 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness—defeased bonds.....	—	—	—	—
Proceeds of refunding bonds.....	—	—	—	—
Capitalization of interest cost.....	—	—	—	—
Insurance proceeds.....	—	—	—	—
Sale of property.....	—	—	—	1,728
Foundations and institutes.....	—	—	—	—
Other revenues and additions.....	—	1,334	233	25
Total revenues and other additions.....	1,221,948	383,353	2,957	10,416
Expenditures and other deductions:				
Educational and general.....	1,305,955	375,745	—	—
Auxiliary enterprises.....	186,844	2,400	—	—
Hospital.....	386,912	—	—	—
Foundations and institutes.....	—	—	—	—
Indirect costs recovered.....	—	29,012	—	—
Loan cancellation and bad debt write-offs.....	—	—	625	—
Administration and collection costs.....	—	13	717	—
Realized investment losses—restricted.....	—	—	—	3
Expended for plant facilities (including noncapitalized expenditures of \$22,167).....	—	—	—	—
Retirement of indebtedness.....	—	—	—	—
Interest on indebtedness.....	—	—	—	—
Disposal of plant facilities.....	—	—	—	—
Refunding bonds issued.....	—	—	—	—
Payment to refunded bond escrow agent.....	—	—	—	—
Refunds to grantors.....	—	167	50	10
Other expenditures and deductions.....	2,184	18	—	—
Total expenditures and other deductions.....	1,881,895	407,355	1,392	13
Transfers in (out):				
Transfers among Higher Education Funds:				
Mandatory transfers for:				
Principal and interest.....	(38,483)	—	—	—
Loan fund matching grants.....	(426)	—	426	—
Other.....	(64)	45	—	19
Nonmandatory transfers.....	(23,586)	(4,565)	165	6,472
Operating transfers in.....	734,561	32,841	180	—
Operating transfers out.....	(40,947)	(362)	—	—
Total transfers in (out).....	631,055	27,959	771	6,491
Net increase (decrease) in fund balances.....	(28,892)	3,957	2,336	16,894
Fund balances at beginning of year (restated).....	312,188	52,897	49,781	84,215
Fund balances at end of year.....	\$ 283,296	\$ 56,854	\$ 52,117	\$ 101,109

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

PLANT FUNDS				
Unexpended	Retirement of Indebtedness	Investment in Plant	Foundations and Institutes	Totals
\$ —	\$ —	\$ —	\$ —	\$ 1,221,948
4,284	20,617	—	—	24,901
16,958	1,332	207	—	308,135
—	—	—	—	16,514
5,272	24	21,207	—	98,987
8,843	2,790	—	—	24,916
—	—	—	—	432
—	—	—	—	1,055
—	—	186,292	—	186,292
1,006	—	44,038	—	45,044
—	—	38,735	—	38,735
—	50,511	—	—	50,511
89	—	169	—	258
2,344	—	—	—	2,344
—	—	—	—	1,728
—	—	—	221,795	221,795
3,004	1,389	1,384	—	7,369
41,800	76,663	292,032	221,795	2,250,964
—	—	—	—	1,681,700
—	—	—	—	189,244
—	—	—	—	386,912
—	—	—	223,167	223,167
—	—	—	—	29,012
—	—	—	—	625
—	—	—	—	730
—	—	—	—	3
129,233	—	—	—	129,233
—	39,544	—	—	39,544
—	21,897	—	—	21,897
—	—	38,398	—	38,398
—	—	50,409	—	50,409
—	41,484	—	—	41,484
—	—	—	—	227
161	318	310	—	2,991
129,394	103,243	89,117	223,167	2,835,576
(272)	38,755	—	—	—
—	—	—	—	—
30	(30)	—	—	—
83,225	(17,601)	(41,670)	(2,440)	—
18,926	—	—	—	786,508
(281)	—	—	—	(41,590)
101,628	21,124	(41,670)	(2,440)	744,918
14,034	(5,456)	161,245	(3,812)	160,306
150,614	38,932	2,337,239	46,011	3,071,877
\$ 164,648	\$ 33,476	\$ 2,498,484	\$ 42,199	\$ 3,232,183

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

HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Unrestricted	Restricted	Totals
Revenues:			
Tuition and fees.....	\$ 423,679	\$ —	\$ 423,679
Federal grants and contracts.....	35,736	262,144	297,880
State grants and contracts.....	—	15,700	15,700
Local grants and contracts.....	30,859	1,465	32,324
Private gifts, grants, and contracts.....	21,925	63,480	85,405
Endowment income.....	625	1,805	2,430
Sales and services of educational departments.....	31,492	—	31,492
Sales and services of auxiliary enterprises.....	203,567	—	203,567
Sales and services of hospitals.....	415,435	—	415,435
Other.....	58,630	1,027	59,657
Total current revenues.....	1,221,948	345,621	1,567,569
Expenditures, mandatory and operating transfers:			
Educational and general:			
Instruction.....	618,160	32,889	651,049
Research.....	74,794	121,591	196,385
Public service.....	81,096	48,004	129,100
Academic support.....	150,307	5,020	155,327
Student services.....	84,246	9,643	93,889
Institutional support.....	140,013	4,836	144,849
Operation and maintenance of plant.....	118,513	262	118,775
Scholarships and fellowships.....	38,826	153,500	192,326
Educational and general expenditures.....	1,305,955	375,745	1,681,700
Mandatory transfers for:			
Principal and interest.....	2,339	—	2,339
Loan fund matching grants.....	426	—	426
Other.....	64	(45)	19
Total educational and general.....	1,308,784	375,700	1,684,484
Auxiliary enterprises:			
Expenditures.....	186,844	2,400	189,244
Mandatory transfers for principal and interest.....	23,371	—	23,371
Total auxiliary enterprises.....	210,215	2,400	212,615
Hospitals:			
Expenditures.....	386,912	—	386,912
Mandatory transfers for principal and interest.....	12,773	—	12,773
Total hospitals.....	399,685	—	399,685
Operating transfers in.....	(734,561)	(32,841)	(767,402)
Operating transfers out.....	40,947	362	41,309
Total expenditures, mandatory and operating transfers.....	1,225,070	345,621	1,570,691
Other additions (deductions):			
Excess of restricted receipts over transfers to revenues.....	—	8,720	8,720
Refunds to grantors.....	—	(167)	(167)
Other deductions.....	(25,770)	(4,596)	(30,366)
Total additions (deductions).....	(25,770)	3,957	(21,813)
Net increase (decrease) in fund balances.....	\$ (28,892)	\$ 3,957	\$ (24,935)

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

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1998

(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.....	\$ 81,566	\$ 5,238	\$ 296	\$ 76	\$ 87,176
Investments.....	39,300	—	140	—	39,440
Invested securities lending collateral.....	—	1	—	—	1
Accounts receivable, net.....	71,538	11,492	—	305	83,335
Inventories.....	86,799	1,388	—	—	88,187
Restricted assets:					
Cash and cash equivalents.....	111,592	—	—	—	111,592
Other current assets.....	1,703	3,376	—	156	5,235
Total current assets.....	392,498	21,495	436	537	414,966
Long-term assets:					
Loans and notes receivable, net.....	—	—	—	144	144
Restricted assets:					
Cash and cash equivalents.....	45,021	3,897	—	—	48,918
Investments.....	139,546	4,077	—	—	143,623
Other long-term assets.....	—	—	—	6	6
Deferred charges.....	479,050	855	—	—	479,905
Investment in joint venture.....	4,231	—	—	—	4,231
Total long-term assets.....	667,848	8,829	—	150	676,827
Property, plant, and equipment:					
Land and improvements.....	—	246,681	—	207	246,888
Buildings and improvements.....	—	207,027	—	487	207,514
Utility plant.....	3,326,754	—	—	—	3,326,754
Machinery, equipment, and other.....	1,806	39,473	—	183	41,462
Construction in progress.....	75,704	38,596	—	—	114,300
Less: accumulated depreciation.....	(1,109,462)	(180,556)	—	(180)	(1,290,198)
Total property, plant, and equipment, net.....	2,294,802	351,221	—	697	2,646,720
Total assets.....	\$ 3,355,148	\$ 381,545	\$ 436	\$ 1,384	\$ 3,738,513

Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 1998

(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.....	\$ 85,595	\$ 16,957	\$ 5	\$ 478	\$ 103,035
Securities lending collateral.....	—	1	—	—	1
Notes payable.....	—	—	—	30	30
Revenue bonds payable.....	157,942	1,330	—	—	159,272
Capital lease and installment debt obligations payable.....	3,609	42	—	—	3,651
Commercial paper notes.....	241,650	—	—	—	241,650
Compensated absences payable.....	—	1,456	—	—	1,456
Other current liabilities, including retainages payable..	16,623	1,802	—	—	18,425
Total current liabilities.....	505,419	21,588	5	508	527,520
Long-term liabilities:					
Deferred revenues and deferred credits.....	51,479	—	—	—	51,479
Notes payable.....	—	—	—	315	315
Revenue bonds payable.....	1,941,730	56,137	—	—	1,997,867
Capital lease and installment debt obligations payable.....	35,576	69	—	—	35,645
Compensated absences payable.....	10,949	—	—	—	10,949
Other long-term liabilities.....	12,865	—	—	—	12,865
Total long-term liabilities.....	2,052,599	56,206	—	315	2,109,120
Total liabilities.....	2,558,018	77,794	5	823	2,636,640
Fund Equity:					
Contributed capital.....	34,438	174,066	1,020	—	209,524
Retained earnings (deficit).....	762,692	129,685	(589)	561	892,349
Total fund equity.....	797,130	303,751	431	561	1,101,873
Total liabilities and fund equity.....	\$ 3,355,148	\$ 381,545	\$ 436	\$ 1,384	\$ 3,738,513

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, 1998
(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.....	\$ 727,824	\$ 80,965	\$ 8	\$ 834	\$ 809,631
Interest and other investment income.....	—	—	1	—	1
Total operating revenues.....	727,824	80,965	9	834	809,632
Operating expenses:					
General operations and administration.....	419,970	46,366	939	1,356	468,631
Interest.....	—	—	—	21	21
Depreciation and amortization.....	111,034	15,773	—	43	126,850
Other operating expenses.....	2,203	—	2	—	2,205
Total operating expenses.....	533,207	62,139	941	1,420	597,707
Operating income (loss).....	194,617	18,826	(932)	(586)	211,925
Nonoperating revenues (expenses):					
Interest income.....	21,641	2,718	25	—	24,384
Costs to be recovered from future revenues.....	(40,749)	—	—	—	(40,749)
Interest expense.....	(168,072)	(4,325)	—	—	(172,397)
Other nonoperating revenues (expenses).....	6,286	1,717	—	(29)	7,974
Total nonoperating revenues (expenses).....	(180,894)	110	25	(29)	(180,788)
Income (loss) before operating transfers and extraordinary items.....	13,723	18,936	(907)	(615)	31,137
Transfers to primary government.....	(7,462)	—	—	—	(7,462)
Income (loss) before extraordinary items.....	6,261	18,936	(907)	(615)	23,675
Extraordinary loss on early extinguishment of debt....	—	(3,438)	—	—	(3,438)
Net income (loss).....	6,261	15,498	(907)	(615)	20,237
Retained earnings at beginning of year.....	756,558	114,187	318	1,176	872,239
Net unrealized loss on investment securities available for sale.....	(127)	—	—	—	(127)
Retained earnings (deficit) at end of year.....	762,692	129,685	(589)	561	892,349
Contributed capital at beginning of year.....	34,438	174,398	1,020	—	209,856
Deductions from contributed capital.....	—	(332)	—	—	(332)
Fund equity at end of year.....	\$ 797,130	\$ 303,751	\$ 431	\$ 561	\$ 1,101,873

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, 1998
(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)	\$ 194,617	\$ 18,826	\$ (932)	\$ (586)	\$ 211,925
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	111,034	15,773	—	43	126,850
Provision for loan losses and bad debts.....	—	—	931	371	1,302
Loss on disposition of property and equipment.....	—	45	—	12	57
Issuance of loans and notes.....	—	—	(1,000)	—	(1,000)
Collection of loans and notes.....	—	—	170	—	170
Deferred coal contract buy-out costs	6,000	—	—	—	6,000
Impact of transactions involving joint venture.....	(3,322)	—	—	—	(3,322)
Other nonoperating revenues.....	39	1,717	—	—	1,756
Other nonoperating expenses.....	—	—	—	(29)	(29)
Other.....	—	108	—	75	183
Change in assets--decreases (increases):					
Accounts receivable, net.....	(1,219)	1,299	—	(65)	15
Due from Federal government and other grantors.....	—	—	—	636	636
Inventories.....	(11,240)	(223)	—	—	(11,463)
Other current assets.....	(1,620)	110	—	(141)	(1,651)
Other long-term assets.....	—	—	—	(6)	(6)
Deferred charges.....	(1,532)	—	—	—	(1,532)
Change in liabilities--increases (decreases):					
Accounts payable and accrued liabilities.....	(3,785)	(661)	4	(371)	(4,813)
Compensated absences payable.....	—	—	—	(16)	(16)
Other liabilities, including retainages payable.....	(9,733)	—	—	—	(9,733)
Net cash provided by (used in) operating activities.....	279,239	36,994	(827)	(77)	315,329
Cash flows from noncapital financing activities:					
Transfers to primary government.....	(7,462)	—	—	—	(7,462)
Net cash used in noncapital financing activities....	(7,462)	—	—	—	(7,462)

Combining Statement of Cash Flows

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

For the Fiscal Year Ended June 30, 1998
(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.....	\$ (84,203)	\$ (35,870)	\$ —	\$ (23)	\$ (120,096)
Proceeds from sale of notes payable.....	—	—	—	203	203
Principal payments on notes payable.....	—	—	—	(32)	(32)
Proceeds from sale and refundings of revenue bonds.....	216,719	—	—	—	216,719
Principal payments and refundings on revenue bonds.....	(355,217)	(31,845)	—	—	(387,062)
Interest payments	(154,733)	(4,320)	—	—	(159,053)
Payment of bond issuance costs.....	(9,586)	—	—	—	(9,586)
Increase in commercial paper notes	36,877	—	—	—	36,877
Principal payments on capital leases and installment debt obligations payable	(3,527)	(240)	—	—	(3,767)
Net cash provided by (used in) capital and related financing activities.....	(353,670)	(72,275)	—	148	(425,797)
Cash flows from investing activities:					
Proceeds from sale of investments.....	79,123	7,290	—	—	86,413
Purchase of investments	—	(5,522)	—	—	(5,522)
Interest on investments.....	22,284	2,718	25	—	25,027
Net investment in joint venture.....	(3,467)	—	—	—	(3,467)
Net cash provided by investing activities.....	97,940	4,486	25	—	102,451
Net increase (decrease) in cash and cash equivalents.....	16,047	(30,795)	(802)	71	(15,479)
Cash and cash equivalents at beginning of year.....	222,132	39,930	1,098	5	263,165
Cash and cash equivalents at end of year.....	\$ 238,179	\$ 9,135	\$ 296	\$ 76	\$ 247,686
Noncash capital, investing, and financing activities:					
Equity losses related to interest in joint venture.....	\$ 2,558	\$ —	\$ —	\$ —	\$ 2,558
Net assets transferred to spun-off operations.....	—	—	—	75	75
Acquisition of property plant and equipment through:					
Accrual of liabilities.....	—	3,020	—	—	3,020
Total noncash capital, investing, and financing activities.....	\$ 2,558	\$ 3,020	\$ —	\$ 75	\$ 5,653

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 that it is legally separate 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, 1998:

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

Fiscal year ended December 31, 1997:

- 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

Blended Component Units

The State's financial statements include the Governor's School for the Arts Foundation, Inc., a blended component unit. The Foundation exists solely to support the South Carolina Governor's School for the Arts and Humanities. Complete financial statements for the Foundation may be obtained from its office as follows:

- Governor's School for the Arts Foundation, Inc.
- Post Office Box 2046
- Greenville, South Carolina 29602

Discretely Presented Component Units

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

Fiscal year ended June 30, 1998:

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

Fiscal year ended December 31, 1997:

- South Carolina Public Service Authority (Santee-Cooper)
- Connector 2000 Association, Inc.

Notes to the Financial Statements

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 and wholesale water to the people of South Carolina. The Governor appoints the Authority's Board of Directors. By law, the Authority must annually transfer to the State General Fund any net earnings not necessary for prudent business operations.

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

The Savannah Lakes Regional Loan Fund was 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. Effective September 30, 1997, the Corporation entered into an affiliation agreement with Concurrent Technologies Corporation (CTC). Although CTC now appoints a majority of the Corporation's Board of Directors, the Secretary of the South Carolina Department of Commerce has the power to abolish the Corporation.

Connector 2000 Association, Inc., was created in 1996 to assist the Department of Transportation in the financing, acquisition, construction, and operation of turnpikes, primarily the project known as the Southern Connector in Greenville County. The Department of Transportation initially set the toll rates for the Southern Connector and has the right, but not the obligation, to revise the rates as long as they are within 90% to 120% of the optimum toll rates as estimated by an independent traffic consultant retained by the Association. The rates also must be in compliance with revenue covenants of the Association's financing agreements. The Association issued no financial statements for its fiscal year ended December 31, 1997, because it did not have any assets or revenues. Therefore, except for data regarding the Association's issuance of debt subsequent to December 31, 1997, the State's financial statements for the fiscal year ended June 30, 1998, do not include financial data for the Association.

Complete financial statements for each of these individual component units may be obtained from 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

Additional financial information for the Connector 2000 Association, Inc., may be obtained as follows:

Connector 2000 Association, Inc.
c/o Sinkler & Boyd, P.A.
15 South Main Street, Suite 500
Greenville, South Carolina 29601

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 and the Gift of Life Trust Fund of South Carolina are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints all of their 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.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of two military facility redevelopment authorities. The State does not have an ongoing financial interest in these authorities. The Governor appoints one out of seven board members of the Charleston Naval Complex Redevelopment Authority and three out of nine board members of the Myrtle Beach Air Force Base Redevelopment Authority.

Notes to the Financial Statements

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.

Expendable Trust Funds have the same measurement focus as Governmental Funds.

Nonexpendable Trust, the Investment Trust Fund, 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, the State Ports Authority, and Enterprise Development, Inc., of South Carolina have elected to apply all FASB pronouncements that are not inconsistent with GASB pronouncements. The other discretely presented component unit has 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

Notes to the Financial Statements

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, Investment Trust Fund, 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 that uses accounting principles established by the Federal Energy Regulatory Commission.

Grant/Entitlement Revenues

The State recognizes grants, including non-cash support, as revenue when the State has incurred grant costs and has met all related grant requirements (such as matching requirements). Food commodities totaled \$13.852 million for the fiscal year ended June 30, 1998. 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, 1998, totaled \$268.192 million. In addition, the State has recorded \$82 thousand for food stamp coupons on hand at June 30, 1998, 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, 1998, assets totaling \$251 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 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

Notes to the Financial Statements

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. During the fiscal year ended June 30, 1998, State law created the State Retirement Systems Investment Panel, which may make limited investments in equity securities for the State's Pension Trust Funds. Each member of the State Budget and Control Board appoints one member of the five-member Panel. As of June 30, 1998, the Pension Trust Funds had not invested in equity securities.

Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service. In contrast, however, the State has presented at historical cost the investment securities and other instruments that the Chief Insurance Commissioner holds for insurance companies in lieu of surety bonds. These instruments are recorded in the State's Agency Funds and are not held for investment purposes.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported in the Fiduciary Funds as a separate Investment Trust Fund. The LGIP's separate financial report may be obtained by writing to the following address:

The State Treasurer's Office
Local Government Investment Pool
Post Office Drawer 11778
Columbia, South Carolina 29201

The Public Service Authority, a discretely presented component unit, 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. For its fiscal year ended December 31, 1997, the Authority carried its held-to-maturity investments at amortized cost. Beginning on January 1, 1998, however, the Authority will carry these investments at fair value.

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 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, the Investment Trust Fund, 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	3-60
Residential buildings	20-30
Office and other buildings	5-50
Naval museum exhibits	10-25
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	2-25

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

l. Restricted Assets and Liabilities Payable from Restricted Assets

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

Notes to the Financial Statements

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 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 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 and the discretely presented component units record an expense and a liability when employees earn vacation leave.

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.

Notes to the Financial Statements

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 institutions hold as custodians or fiscal agents for others.

Foundations and Institutes Funds account for certain component units of the State's colleges and universities. Most of these component units have fiscal years ended June 30, but some have fiscal years ended December 31. All 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

Notes to the Financial Statements

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.

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.

b. Budgetary Basis of Accounting

Current legislation states that the General Assembly intends to appropriate all monies to

operate State government for the current fiscal year. Agencies may carry forward up to 10% of unexpended Budgetary General Fund appropriations to the next fiscal year. Any remaining unexpended Budgetary General Fund appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

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

(i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 20.

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

(iii) 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, Sales Taxes (including the Education Improvement Act—1% Sales Tax, Excise Tax—Casual Sales, and Retail Sales Tax—4%), Soft Drinks Tax, and Commercial Nuclear Waste Tax.

(iv) 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 1997-98 Appropriation Act has approximately 2,920 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

Notes to the Financial Statements

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 1997-98 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 Budget and Control Board's approval. 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.

The General Assembly enacted a 1996-97 Supplemental Appropriations Act and authorized those unexpended appropriations to carry forward from the 1996-97 fiscal year into the 1997-98 fiscal year. However, the General Assembly did not enact any Supplemental Appropriations Acts that directly increased appropriations for the 1997-98 fiscal year.

d. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 1998, the Educational function within Other Budgeted Funds had \$14.197 million of expenditures in excess of appropriations at the level of legal control. These

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 1997-98 Appropriation Act included appropriations of \$5.840 billion for general, school, and highway purposes—\$1.100 billion less than 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, 1998, 38,466 employees were funded by the State's Budgetary General Fund—8,280 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, 1998, were:

Notes to the Financial Statements

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses

GAAP Fund Type	Budgetary Balances Classified Into GAAP Fund Structure			Timing Differences	Basis Differences	Entity Differences (Unbudgeted Funds)	GAAP Balances
	Budgetary General Fund	Other Budgeted Funds	Total Budgeted Funds				
General Fund.....	\$ 7,755	\$ 11,046	\$ 18,801	\$ —	\$ (7,029)	\$ 9,263	\$ 21,035
Special Revenue Funds.....	—	99,770	99,770	—	147,503	20,247	267,520
Capital Projects Fund.....	—	(585)	(585)	—	1,032	(12,031)	(11,584)
Enterprise Funds.....	—	1,767	1,767	—	11,010	8,407	21,184
Internal Service Funds.....	—	7,103	7,103	—	(7,323)	20,316	20,096
Expendable Trust Funds.....	—	44	44	—	—	65,744	65,788
Nonexpendable Trust Fund.....	—	103	103	—	2	9	114
Pension Trust Funds.....	—	11	11	—	—	2,144,210	2,144,221
Investment Trust Fund.....	—	—	—	—	—	122,241	122,241
Agency Funds.....	—	(10,390)	(10,390)	—	10,390	—	—
Higher Education Funds.....	—	(58,695)	(58,695)	2,623	40,354	176,024	160,306
Totals (Memorandum Only)....	\$ 7,755	\$ 50,174	\$ 57,929	\$ 2,623	\$ 195,939	\$ 2,554,430	\$ 2,810,921

NOTE 3: ACCOUNTING AND REPORTING CHANGES

a. Fair Value of Investments

Effective July 1, 1997, the State adopted the Governmental Accounting Standards Board's (GASB) Statement 31 entitled *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires the State to present investments of all funds at fair value rather than at amortized cost. Accordingly, the State has reported the cumulative effect of applying GASB 31 as a restatement of beginning fund equity for the fiscal year ended June 30, 1998. Assets also changed in an amount equal to the change in beginning fund equity.

In addition, GASB 31 requires all governmental entities that sponsor external investment pools to establish an Investment Trust Fund to report the

external portion of each investment pool. Accordingly, the Local Government Investment Pool, previously presented in the State's Agency Funds, is now presented as an Investment Trust Fund.

The investments of the State's Pension Trust Funds have been presented at fair value since July 1, 1995, when the State implemented GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

b. Effects on Beginning Fund Balances and Retained Earnings

The schedule below details changes made to beginning fund equity to give effect to the financial reporting change described above. The schedule (expressed in thousands) also gives retroactive effect to changes in capitalization thresholds for certain fixed assets.

Notes to the Financial Statements

	As Previously Reported	Effect of Implementing GASB 31	Effect of Changes in Capitalization Policy	As Restated
General Fund.....	\$ 156,453	\$ (130)	\$ —	\$ 156,323
Special Revenue Funds.....	875,786	687	—	876,473
Capital Projects Fund.....	78,479	(50)	—	78,429
Enterprise Funds—Retained Earnings.....	269,787	7,677	(138)	277,326
Internal Service Funds—Retained Earnings..	282,726	8,320	(1,398)	289,648
Expendable Trust Funds.....	820,668	252	—	820,920
Nonexpendable Trust Funds.....	1,519	16	—	1,535
Investment Trust Fund.....	—	650,422	—	650,422
Higher Education Funds:				
Unrestricted Current Funds.....	311,235	953	—	312,188
Restricted Current Funds.....	52,112	785	—	52,897
Loan Funds.....	49,759	22	—	49,781
Endowment and Similar Funds.....	76,390	7,825	—	84,215
Unexpended Plant Funds.....	150,449	165	—	150,614
Retirement of Indebtedness Plant Funds..	38,774	158	—	38,932
Investment in Plant Funds.....	2,407,867	—	(70,628)	2,337,239
Foundations and Institutes Fund.....	45,796	215	—	46,011

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, 1998 (expressed in thousands):

Combined Balance Sheet	
Cash and cash equivalents.....	\$ 5,860,850
Investments.....	17,939,712
Invested securities lending collateral.....	1,580,184
Restricted assets:	
Cash and cash equivalents.....	368,694
Investments.....	202,925
Total.....	\$ 25,952,365
Disclosure regarding deposits and investments plus reconciling items	
Carrying value of deposits.....	\$ 155,368
Reported amount of investments.....	25,795,854
Cash on hand.....	1,143
Total.....	\$ 25,952,365

Notes to the Financial Statements

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, 1998, 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 ...	\$ 303,013	\$ 14,819	\$ 53,798	\$ 371,630	\$ 153,863
Component					
Units.....	1,478	—	27	1,505	1,505
Totals	\$ 304,491	\$ 14,819	\$ 53,825	\$ 373,135	\$ 155,368

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.

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

For the fiscal year ended June 30, 1998, 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. Category 1 also includes investments for which a State 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, 1998, were:

Notes to the Financial Statements

	Category			Reported	Fair
	1	2	3	Amount	Value
Primary Government					
U.S. government securities.....	\$ 6,983,586	\$ 304,927	\$ 11,458	\$ 7,299,971	\$ 7,415,047
Corporate bonds.....	8,457,319	20,250	2,393	8,479,962	8,481,037
Repurchase agreements.....	2,161,553	1,573	12,870	2,175,996	2,175,996
Collateralized mortgage obligations.....	957,878	—	—	957,878	957,878
Asset-backed securities.....	54,578	—	—	54,578	54,578
Commercial paper.....	1,919,155	—	—	1,919,155	1,919,155
Securities lending program					
Investments from cash collateral					
U.S. government securities.....	—	—	43,714	43,714	43,714
Corporate bonds.....	—	—	688,440	688,440	688,440
Repurchase agreements.....	—	—	816,140	816,140	816,140
Commercial paper.....	—	—	31,889	31,889	31,889
Other.....	9,903	37,250	11,201	58,354	59,678
Subtotals.....				22,526,077	22,643,552
Not categorized:					
Deferred compensation plans--					
annuity contracts.....				1,132,237	1,132,237
Securities lending program					
U.S. government securities.....				1,432,797	1,432,797
Corporate bonds.....				84,515	84,515
Unsettled investment transactions.....				126,524	126,524
Mutual funds.....				64,460	64,460
Totals--primary government.....	\$ 20,543,972	\$ 364,000	\$ 1,618,105	25,366,610	25,484,085
Discretely Presented					
Component Units					
U.S. government securities.....	\$ 199,322	\$ —	\$ 4,077	203,399	193,999
Repurchase agreements.....	225,103	—	—	225,103	225,103
Subtotals.....				428,502	419,102
Not categorized:					
Investment in primary government's					
investment pool.....				726	726
Unsettled investment transactions.....				16	16
Totals—discretely presented					
component units.....	\$ 424,425	\$ —	\$ 4,077	429,244	419,844
Totals--reporting entity.....				\$ 25,795,854	\$ 25,903,929

At June 30, 1998, the State held collateralized mortgage obligations primarily in its Pension Trust Funds. These securities were purchased to protect the State's Pension Trust Funds from principal prepayment risk during an environment of declining interest rates and to provide incremental yield above that available on corporate securities with similar terms. These securities also provide diversification

in the Pension Trust Fund investment portfolios and maintain the high quality of government-sponsored instruments in the portfolios. It is estimated that these securities will provide future cash inflows on a time schedule that approximately matches the outflows associated with Pension Trust Fund liabilities. These highly marketable securities are rated AAA by the major rating agencies.

Notes to the Financial Statements

The asset-backed securities held by the State at June 30, 1998, 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 1995 and 1996 when short-term interest rates were approximately 5.00% 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, 1997, the Public Service Authority had held-to-maturity investments carried at amortized cost of \$111.592 million and available-for-sale investments carried at fair market value of \$314.825 million. The gross unrealized holding gains totaled \$12.519 million and gross unrealized holding losses totaled \$2 thousand on the available-for-sale securities. Included in the Public Service Authority's available-for-sale investments, carried at fair market value, are nuclear decommissioning funds of \$50.066 million with related unrealized holding losses of \$10.480 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, 1997, the Authority had proceeds of \$35.433 million from sales of available-for-sale securities and realized \$658 thousand in gains and \$34 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.

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, 1998. At June 30, 1998, 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, 1998, 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, 1998, 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, 1998, 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, 1998, 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, 1998, the fair value of the State's securities on loan was \$1.517 billion, and they are uncategorized as to custodial credit risk in the table in the investments subsection (Note 4b) above. For the State's cash collateral investments, the table includes the reported amount, fair value, and custodial credit risk by investment type.

NOTE 5: TAXES RECEIVABLE

Taxes receivable (expressed in thousands) at June 30, 1998, were:

	General Fund	Special Revenue Funds	Trust and Agency Funds
Retail sales and use.....	\$ 199,629	\$ 67,895	\$ —
Individual income.....	164,918	—	—
Corporate income.....	6,239	—	—
Unemployment.....	—	—	35,219
Gasoline and motor vehicle.....	696	33,159	5,393
Alcoholic beverages and tobacco.....	14,979	—	—
Other.....	12,736	18,441	—
Gross taxes receivable.....	399,197	119,495	40,612
Less: Allowance for uncollect- ible taxes.....	43,689	4,774	199
Net taxes receivable.....	\$ 355,508	\$ 114,721	\$ 40,413

A total of \$373.698 million in net taxes receivable pertaining to the General Fund and Special Revenue Funds were current receivables as of June 30, 1998, and were collected within thirty days after that date.

NOTE 6: FIXED ASSETS

Property, plant, and equipment (expressed in thousands) at June 30, 1998, consisted of:

Notes to the Financial Statements

	Primary Government					Com- ponent Units
	Enter- prise	Internal Service	Trust and Agency	General Fixed Assets	Higher Educa- tion	
Land and improvements.....	\$ 18,095	\$ 5,377	\$ 582	\$ 201,100	\$ 120,232	\$ 246,888
Buildings, improvements, and utility plant.....	3,739	145,017	4,749	1,077,044	1,918,483	3,534,268
Machinery, equipment, and other.....	14,299	125,351	4	1,020,937	798,945	41,462
Construction in progress.....	—	1,634	—	57,824	164,151	114,300
Property, plant and equipment before accumulated depreciation.....	36,133	277,379	5,335	2,356,905	3,001,811	3,936,918
Less: accumulated depreciation.....	10,329	127,508	688	—	14,137	1,290,198
Total property, plant and equipment, net.....	\$ 25,804	\$ 149,871	\$ 4,647	\$ 2,356,905	\$ 2,987,674	\$ 2,646,720

Changes in general fixed assets (expressed in thousands) for the fiscal year ended June 30, 1998, were:

	July 1, 1997 Balance as Previously Reported	Adjust- ments	Adjusted July 1, 1997 Balance	Additions	Retirements	June 30, 1998 Balance
Land and improvements...	\$ 185,222	\$ —	\$ 185,222	\$ 15,888	\$ 10	\$ 201,100
Buildings, improvements and utility plant.....	1,009,633	(321)	1,009,312	70,983	3,251	1,077,044
Machinery, equipment, and other.....	1,030,299	(25,286)	1,005,013	70,792	54,868	1,020,937
Construction in progress..	78,695	—	78,695	47,428	68,299	57,824
Total General Fixed Assets.....	\$ 2,303,849	\$ (25,607)	\$ 2,278,242	\$ 205,091	\$ 126,428	\$ 2,356,905

The "Adjustments" column in the table above reports amounts that changed as a result of changes in fixed asset capitalization policies.

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, 1998, totaled \$459.586 million for the primary government and \$23.458 million for the State Ports Authority, a discretely presented

Notes to the Financial Statements

component unit. The Public Service Authority, a discretely presented component unit, reported commitments for construction of fixed assets of \$15.188 million at December 31, 1997.

The primary government recorded capitalized construction period interest of \$258 thousand during the fiscal year ended June 30, 1998.

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 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. 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, 1998, was as follows:

	SCRS	PORS	GARS	JSRS
State and school.....	100	1	1	1
Other.....	505	259	—	—
Total participating employers.....	605	260	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.

Notes to the Financial Statements

By law, employee contribution requirements for the fiscal year ended June 30, 1998, 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, 1998, were as follows:

Plan	Rate
SCRS	7.70%
PORS	10.70%
JSRS	40.69%
GARS	72.08%

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, 1998, were \$1.231 million for SCRS and \$2.600 million for PORS.

c. Annual Pension Cost

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

	GARS	JSRS
Annual pension cost.....	\$2,796	\$4,991
Employer contributions made.....	\$2,796	\$4,991
Actuarial valuation date.....	July 1, 1997	July 1, 1997
Actuarial cost method.....	Entry age	Entry age
Amortization method.....	Level percent, open	Level percent, open
Remaining amortization period.....	27 years	25 years
Asset valuation method.....	5 year smoothed market	5 year smoothed market
Actuarial assumptions:		
Investment rate of return.....	7.25%	7.25%
Projected salary increases.....	2.00%	5.25%
Assumed inflation rate.....	4.25%	4.25%
Assumed cost-of-living adjustments.....	2.00%	4.25%

d. Trend Information

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

For the cost-sharing multiple-employer defined benefit pension plans in which the State participates, the State's required contributions in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows:

	Fiscal Year Ended					
	June 30, 1998		June 30, 1997		June 30, 1996	
	%		%		%	
	Required	Contributed	Required	Contributed	Required	Contributed
SCRS—State:						
Primary government.....	\$ 149,541	100.00%	\$ 142,607	100.00%	\$ 140,288	100.00%
Component units.....	7,397	100.00%	7,104	100.00%	6,924	100.00%
PORS—State:						
Primary government.....	\$ 29,674	100.00%	\$ 27,851	100.00%	\$ 25,651	100.00%
Component units.....	17	100.00%	16	100.00%	15	100.00%

The following table presents the Annual Pension Cost, percentage of Annual Pension Cost Contributed, and the Net Pension Obligation for the

three latest available years for the State's single-employer defined benefit plans (dollars expressed in thousands):

Notes to the Financial Statements

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%	—
	1998	2,796	100%	—
JSRS	1996	\$ 4,244	100%	\$ —
	1997	4,771	100%	—
	1998	4,991	100%	—

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 three latest available years:

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GARS	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%
	1997	33,627	60,052	26,425	56.0%	4,721	559.7%
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%
	1997	68,980	112,185	43,205	61.5%	11,221	385.0%

f. Receivables and Investments

June 30, 1998, for the four plans administered by the South Carolina Retirement Systems were as follows:

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

Notes to the Financial Statements

	SCRS	PORS	GARS	JSRS	Totals
Receivables:					
Contributions	\$ 75,085	\$ 10,620	\$ 45	\$ 291	\$ 86,041
Employer long-term	1,231	2,600	—	—	3,831
Accrued interest	188,987	21,705	472	960	212,124
Unsettled investment sales	54,987	—	—	—	54,987
Due from other funds	13,695	3,217	—	71	16,983
Total receivables	\$ 333,985	\$ 38,142	\$ 517	\$ 1,322	\$ 373,966
Investments:					
United States government securities	\$ 2,655,274	\$ 272,138	\$ 8,560	\$ 9,894	\$ 2,945,866
United States government agencies and government-insured securities	4,164,739	409,712	8,321	23,103	4,605,875
Corporate bonds	5,066,486	612,227	11,952	26,210	5,716,875
Financial and other	2,472,526	316,421	4,384	11,461	2,804,792
Invested securities lending collateral	1,324,477	187,096	6,051	8,634	1,526,258
Total investments	\$ 15,683,502	\$ 1,797,594	\$ 39,268	\$ 79,302	\$ 17,599,666

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. That office does not issue a separate financial report for the NGPS.

The NGPS, established by Section 25-1-3210 of the South Carolina Code of Laws, provides benefits to National Guard members who served in South Carolina prior to July 1, 1993. National Guard members are considered to be Federal government employees. The Federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members only if the Governor activates the National Guard for service to the State.

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

The following table shows the number of employees by type of membership as of June 30, 1998.

	NGPS
Retirees and beneficiaries receiving benefits	1,801
Terminated employees entitled to benefits but not yet receiving them	2,064
Active employees	9,604
Total participants	13,469
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.

Receivables and Investments

The assets of the NGPS are comprised of Cash and Cash Equivalents and Accounts Receivable. At June 30, 1998, all of the \$87 thousand in Accounts Receivable consisted of accrued interest.

Contributions and Reserves

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

Notes to the Financial Statements

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

In accordance with State law, the State Adjutant General's Office administers the plan. Administrative charges are financed through investment earnings. 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, 1998, was \$6.600 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.....	\$3,087
Employer contributions made.....	\$2,499
Actuarial valuation date.....	June 30, 1998
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

The following represents the components of the net pension obligation (NPO) for the NGPS, at June 30, 1998 (expressed in thousands):

	NGPS
Actuarially required contribution (ARC).....	\$ 3,200
Interest on the NPO.....	329
Adjustment to the ARC.....	(442)
Annual pension cost.....	3,087
Contributions made.....	2,499
Increase in NPO.....	588
NPO beginning of year.....	4,534
NPO end of year.....	\$ 5,122

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:

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)
7/1/94	\$ 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%
6/30/98	8,640	41,478	32,838	20.8%	40,333	81.4%

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):

Notes to the Financial Statements

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1996	\$ 2,982	83.8%	\$ 4,064
1997	2,968	84.2%	4,534
1998	3,087	81.0%	5,122

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, 1998, the State's General Fund transferred \$5.012 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 \$10.4 million and \$8.2 million, respectively, for the fiscal year ended June 30, 1998.

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 19,170 retirees meet these eligibility requirements.

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

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

To comply with changes in federal law, certain benefit provisions for the Economy Plan and the Standard Plan changed during the fiscal year ended June 30, 1998. Effective January 1, 1998, both plans' pre-existing conditions limitations were weakened to comply with the federal Health Insurance Portability and Accountability Act of 1996, and the annual and lifetime maximums for mental health services were removed to comply with the federal Mental Health Parity Act of 1996. These changes in benefit provisions are expected to significantly increase future claims costs. The expected increase in claims cost is not measurable at this time because the increase is expected to result primarily from changes in behavior of participants seeking services because they are now covered by insurance. These changes in behavior cannot be predicted with accuracy.

Both health plans and the dental plan are financed on a pay-as-you-go basis. During the fiscal year ended June 30, 1998, the State recognized expenses (net of participant contributions) of \$68.322 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

Notes to the Financial Statements

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 \$691.397 million assets in the Section 457 plan at December 31, 1997, \$378.063 million was applicable to the State while the remaining \$313.334 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. On July 24, 1998, South Carolina changed its plan to comply. After that date, therefore, the assets and income of South Carolina's plan 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			Component Units	Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds		
1999	\$ 1,457	\$ 2,776	\$ 3,632	\$ 5,240	\$ 13,105
2000	1,466	2,659	3,366	4,845	12,336
2001	1,490	2,042	2,835	4,151	10,518
2002	1,524	1,448	2,371	3,825	9,168
2003	1,567	41	2,167	3,818	7,593
2004 and after	6,294	—	22,718	29,832	58,844
Total minimum payments.....	13,798	8,966	37,089	51,711	111,564
Less: interest and executory costs.....	3,895	1,110	14,096	12,415	31,516
Present value of net minimum payments.....	\$ 9,903	\$ 7,856	\$ 22,993	\$ 39,296	\$ 80,048

Assets under capital leases at June 30, 1998, were as follows (expressed in thousands):

Notes to the Financial Statements

	Primary Government				Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	
Assets Acquired Under Capital Leases					
Land and improvements.....	\$ —	\$ —	\$ 3,296	\$ —	\$ 3,296
Buildings, improvements, and utility plant.....	14,405	—	35,428	97,473	147,306
Machinery, equipment, and other.....	—	14,975	9,119	207	24,301
Assets acquired under capital leases before accumulated amortization.....	14,405	14,975	47,843	97,680	174,903
Less: accumulated amortization.....	3,206	—	2,884	65,935	72,025
Assets acquired under capital leases, net.....	\$ 11,199	\$ 14,975	\$ 44,959	\$ 31,745	\$ 102,878

Operating lease payments during the fiscal year ended June 30, 1998, totaled \$57.296 million. At June 30, 1998, future minimum payments under operating leases (expressed in thousands) were as follows:

Fiscal Year Ending June 30	Operating Leases		
	Primary Government	Component Units	Totals
1999	\$ 29,175	\$ 118	\$ 29,293
2000	26,764	103	26,867
2001	19,429	97	19,526
2002	14,614	87	14,701
2003	7,937	43	7,980
2004 and after	13,611	—	13,611
Total minimum payments....	\$ 111,530	\$ 448	\$ 111,978

Fiscal Year Ending June 30	Enterprise Funds	Component Unit
1999	\$ 325	\$ 3,822
2000	325	2,804
2001	325	411
2002	325	411
2003	322	308
2004 and after	13,170	1,539
Total.....	\$ 14,792	\$ 9,295

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, 1998, the State Ports Authority had leased to others certain land and facilities having a cost of approximately \$262.352 million and \$75.978 million of related accumulated depreciation. At June 30, 1998, the total cost of land and improvements leased to others by the Enterprise Funds was \$9.269 million, with \$746 thousand of related accumulated depreciation. Future minimum rental payments to be received at June 30, 1998, under these operating leases (expressed in thousands) were:

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, 1998, were:

Notes to the Financial Statements

General Long-Term Obligations Account Group

Capital improvement bonds, 3.50% to 6.80%.....	\$	813,712
State highway bonds, 3.50% to 6.50%.....		137,865
Subtotal-General Long-Term Obligations		
Account Group.....		951,577

Higher Education Funds

State institution bonds, 4.10% to 7.00%.....		84,465
Total-general obligation bonds payable.....	\$	1,036,042

Of the \$813.712 million in outstanding capital improvement bonds, \$18.910 million is capital appreciation (deep-discount) bonds.

At June 30, 1998, \$244.243 million of capital improvement bonds were authorized but unissued.

At June 30, 1998, future debt service requirements (expressed in thousands) for general obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1999	\$ 93,925	\$ 51,252	\$ 145,177
2000	95,230	45,895	141,125
2001	111,398	40,462	151,860
2002	90,205	35,255	125,460
2003	106,872	30,704	137,576
2004 and after	547,298	123,198	670,496
Total debt service requirements.....	1,044,928	\$ 326,766	\$ 1,371,694
Unamortized discounts....	(8,886)		
Total principal outstanding.....	\$ 1,036,042		

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, 1998, was \$5.535 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, 1998, was \$48.316 million for highway bonds and \$93.895 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, 1998, were:

Internal Service Funds

Lease revenue bonds, 4.00% to 6.75%.....	\$	35,569
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At June 30, 1998, 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 certain State agencies. 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, 1998, future debt service requirements (expressed in thousands) for limited obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
1999	\$ 2,170	\$ 1,743	\$ 3,913
2000	2,655	1,667	4,322
2001	2,780	1,533	4,313
2002	2,900	1,374	4,274
2003	3,035	1,220	4,255
2004 and after	22,225	5,263	27,488
Total debt service requirements.....	35,765	\$ 12,800	\$ 48,565
Unamortized discounts.....	(196)		
Total principal outstanding.....	\$ 35,569		

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, 1998, were:

Notes to the Financial Statements

	Bonds	Notes	Certificates of Participation
Primary Government:			
Enterprise Funds			
Housing Authority bonds, 3.50% to 9.38%.....	\$ 471,181	\$ —	\$ —
Education Assistance Authority bonds, 3.50% to 7.13%.....	363,240	—	—
Jobs—Economic Development Authority notes, 9.00%.....	—	204	—
Other Enterprise notes, 6.00%.....	—	27	—
Totals--Enterprise Funds.....	834,421	231	—
Internal Service Funds			
Budget and Control Board notes, 4.52% to 4.91%.....	—	2,265	—
General Long-Term Obligations Account Group			
Deaf and Blind School note, 4.59%.....	—	600	—
Higher Education Funds			
Various bonds and notes, 3.00% to 10.95%.....	244,682	57,442	—
Direct note obligations, 7.09% to 8.79%....	—	95,000	—
Certificates of participation, 6.25% to 7.35%.....	—	—	21,466
Totals--Higher Education Funds.....	244,682	152,442	21,466
Totals--Primary Government.....	1,079,103	155,538	21,466
Discretely Presented Component Units			
Public Service Authority bonds, 3.80% to 7.00%.....	2,099,672	—	—
State Ports Authority bonds, 3.75% to 6.75%.....	57,467	—	—
Enterprise Development, Inc., notes, 8.00% to 9.50%.....	—	345	—
Totals--Discretely Presented Component Units.....	2,157,139	345	—
Totals--revenue bonds, notes, and certificates of participation payable.....	\$ 3,236,242	\$ 155,883	\$ 21,466

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, 1998.

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. During December 1997, UMA issued an additional \$40.000 million in Direct Note Obligations, Select Auction Variable Rate Securities. The variable rate of interest is set every 35 days. UMA entered into thirty-year interest rate swap agreements for these obligations. Based on the swap agreements, UMA owes interest calculated at a fixed rate of 8.79% on the \$55.000 million issue and

7.09% on the \$40.000 million issue. If the actual floating variable interest rates exceed these rates, the counterparty pays the differential to UMA. If the actual floating variable rates are less than these rates, UMA pays the counterparty. Only the net difference in interest payments is actually exchanged with the counterparties. The \$55.000 million and \$40.000 million in note principal are not exchanged; they are 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 agreements, UMA effectively pays fixed rates on the debt. The debt service requirements to maturity included in this note are based on those fixed rates. UMA will be exposed to variable rates if the counterparties to the swaps default or if the swaps are terminated. For the year ended June 30, 1998, total interest costs incurred were \$6.386 million.

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

Internal Service Funds

Budget and Control Board notes: rental payments for vehicles and office space

General Long-Term Obligations Account Group

Deaf and Blind School notes: client service revenues

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, 1998, 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
1999	\$ 71,665	\$ 74,825	\$ 146,490
2000	81,852	71,198	153,050
2001	67,950	67,334	135,284
2002	65,702	62,630	128,332
2003	65,493	58,655	124,148
2004 and after	914,228	559,982	1,474,210
Total debt service requirements.....	1,266,890	\$ 894,624	\$ 2,161,514
Unamortized discounts.....	(10,183)		
Deferred amount on refunding...	(600)		
Total principal outstanding...	\$ 1,256,107		

Notes to the Financial Statements

Discretely Presented Component Units:

Year Ending June 30	Principal	Interest	Totals
1999	\$ 58,845	\$ 132,107	\$ 190,952
2000	73,532	132,451	205,983
2001	74,562	128,038	202,600
2002	51,086	124,187	175,273
2003	44,230	120,971	165,201
2004 and after	2,189,932	1,697,446	3,887,378
Total debt service requirements	2,492,187	\$ 2,335,200	\$ 4,827,387
Unamortized discounts	(49,199)		
Deferred amount on refunding	(285,504)		
Total principal outstanding	\$ 2,157,484		

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, 1997, the carrying value of the Public Service Authority's debt was \$2.373 billion while the fair value was approximately \$2.780 billion. At June 30, 1998, the carrying value of the State Ports Authority debt was \$58.036 million while the fair value was approximately \$60.322 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 \$277 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.

The \$3.438 million of Extraordinary Loss on the Early Extinguishment of Debt in the Discretely Presented Component Units represented a loss on State Ports Authority debt extinguishments that resulted from an in-substance defeasance using existing cash reserves.

e. Defeased Bonds

During October 1997, the Citadel, an institution reported in the State's Higher Education Funds, issued \$24.350 million in Revenue Bonds with an average interest rate of 5.05%. Of the \$24.350 million, \$13.289 million was to advance refund all of The Citadel's outstanding revenue bonds totaling \$14.150 million with average interest rates of 5.72% to 6.86%. The proceeds applicable to the advance refunding plus an additional \$1.502 million in funds on hand were used to purchase United States government securities. The Citadel advance refunded these bonds to reduce its debt service and to gain flexibilities provided by the new bond resolution. As a result of the refunding, The Citadel's total debt service payments over the next nineteen years will decrease by approximately \$3.412 million and The Citadel will obtain an economic gain (difference between the present values of the old and new debt service payments) of \$262 thousand.

During January 1998, Clemson University, an institution reported in the State's Higher Education Funds, issued \$30.135 million in Revenue Bonds

with an average interest rate of 4.63%. Of the \$30.135 million, \$19.177 million was to advance refund \$18.105 million in Revenue Bonds with an average interest rate of 6.52%. The proceeds applicable to the advance refunding plus an additional \$341 thousand in funds on hand were used to purchase United States government securities. The University advance refunded the bonds to reduce its debt service and to remove itself from certain restrictive covenants associated with the refunded bonds. As a result of the refunding, the University's total debt service payments over the next fifteen years will decrease by approximately \$2.025 million and the University will obtain an economic gain of \$1.622 million.

During March 1998, Clemson University also issued \$6.985 million in Revenue Bonds with an average interest rate of 4.25%. Of the \$6.985 million, \$6.950 million was to advance refund \$6.480 million in Revenue Bonds with an average interest rate of 6.28%. The proceeds applicable to the advance refunding plus an additional \$225 thousand in funds on hand were used to purchase United States government securities. The University advance refunded the bonds to reduce its debt service and to remove itself from certain restrictive covenants associated with the refunded bonds. As a result of the refunding, the University's total debt service payments over the next thirteen years will decrease by approximately \$888 thousand and the University will obtain an economic gain of \$677 thousand.

During June 1998, the Education Assistance Authority, an entity reported in the Enterprise Funds, issued \$49.850 million in Guaranteed Student Loan Revenue and Refunding Bonds with an auction interest rate varying up to 12.00% to advance refund \$46.300 million in Student Loan Revenue Bonds with an average interest rate of 6.00% and to provide financing for student loans. The net proceeds of \$46.300 million (after payment of \$3.500 million for a bond premium as well as insurance and other issuance costs) were used to purchase United States government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$512 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2002 using the straight-line basis. The Authority completed the advance refunding to have bonds under the 1993 bond resolution instead of the 1979 bond resolution. The refunding increases the Authority's total debt payments over the next nineteen years by \$11.352 million and results in an economic gain of \$779 thousand.

During June 1998, the State Ports Authority, a discretely presented component unit, deposited \$30.443 million in an irrevocable escrow account to effect an in-substance defeasance to maturity of \$27.970 million in revenue bonds.

During its fiscal year ended December 31, 1997, the Public Service Authority, a discretely presented component unit, issued \$214.555 million in refunding revenue bonds with an average interest rate of 5.00% to advance refund \$205.820 million in revenue bonds with an average interest rate of 6.03%. The net proceeds of \$201.015 million (after payment of \$5.698 million in original issue discount

Notes to the Financial Statements

and \$7.842 million in issuance costs and reserve requirements) plus an additional \$13.275 million were used to purchase United States government securities. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$16.990 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the effective-interest method. The Authority refunded these bonds to reduce its total debt service payments over the next thirty-four years by \$22.228 million and to obtain an economic gain of \$11.885 million. The Authority also deposited \$25.201 million in an irrevocable escrow to effect an in-substance defeasance to maturity of \$29.035 million in revenue bonds. Additionally, the Authority issued \$58.933 million in commercial paper notes with an estimated effective interest rate of 3.75% to refund \$59.885 million in revenue bonds with an average interest rate of 7.34%. The refunding is expected to result in cash flow savings of approximately \$32.500 million over the next nine years and result in an economic gain of approximately \$12.550 million.

In addition, during 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, 1998, the following outstanding bonds (expressed in thousands) are considered defeased:

	Primary Government			
	Enterprise Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units
Capital improvement bonds.....	\$ —	\$ 141,000	\$ —	\$ —
Education Assistance Authority bonds.....	46,300	—	—	—
Public Service Authority bonds.....	—	—	—	678,030
Other.....	—	—	53,433	—
Totals.....	\$ 46,300	\$ 141,000	\$ 53,433	\$ 678,030

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, 1998, 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 \$199.967 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, 1998, the outstanding balance of bonds issued was \$185.354 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, 1998, the outstanding balance of bonds issued was \$95.296 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, 1998, was \$43.920 million. Effective October 1994, the General Assembly enacted legislation that prohibits the Authority from issuing bonds except to refund bonds previously issued.

Beginning in fiscal year 1993-94, one local governmental entity has been 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, 1998, the system was partially operating and producing some revenue but construction had not been completed. The State paid a total of \$1.307 million in the fiscal years 1993-94 through 1996-97, and \$420 thousand in 1997-98 to the Authority to offset the loss of revenues from the delinquent local entity. The State has appropriated \$400 thousand in fiscal year 1998-99 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, has recorded a \$241.650 million liability for Commercial Paper Notes at its fiscal year ended December 31, 1997.

Notes to the Financial Statements

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, 1997. Effective January 16, 1998, the Authority executed a new revolving credit agreement for \$500.000 million.

i. Subsequent Events

Since June 30, 1998, the State's primary government has issued \$75.000 million of general obligation bonds and \$381.975 million of revenue bonds. Of the revenue bonds, \$106.975 million were issued to refund prior bond issues. The Public Service Authority, a discretely presented component unit, has issued \$243.980 million of commercial paper notes and \$127.700 million in revenue bonds to refund prior bond issues. The Ports Authority, a discretely presented component unit, has issued \$125.000 million of revenue bonds. The Connector 2000 Association, Inc., a discretely presented component unit, has issued \$200.178 million of revenue bonds.

On July 28, 1998, the State's Joint Bond Review Committee authorized the Transportation Infrastructure Bank to issue up to \$1.483 billion in revenue and/or general obligation bonds. Issuance of general obligation bonds, however, would require the additional approval of the Budget and Control Board.

During 1998, the General Assembly increased the State institution bond limitation to \$120.000 million.

NOTE 12: CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations (expressed in thousands) for the fiscal year ended June 30, 1998, were:

	Balances at July 1, 1997	Increases	Decreases	Balances at June 30, 1998
Accounts payable and accrued liabilities.....	\$ 2,416	\$ 2,920	\$ (2,969)	\$ 2,367
Intergovernmental payables.....	21,850	—	(13,175)	8,675
Insurance claims incurred but not reported.....	3,376	—	(611)	2,765
Notes payable.....	—	600	—	600
General obligation bonds payable.....	966,808	86,684	(101,915)	951,577
Capital lease and installment debt obligations payable.....	15,494	417	(8,055)	7,856
Compensated absences payable.....	166,740	91,040	(81,843)	175,937
Other liabilities.....	25,424	2,612	(7,871)	20,165
Totals.....	\$ 1,202,108	\$ 184,273	\$ (216,439)	\$ 1,169,942

The Accounts Payable and Accrued Liabilities, the Insurance Claims Incurred but not Reported, and \$5.95 million of the Other Liabilities consist of claims and judgments payable. The majority of Other Liabilities consists of claims and judgments payable and the National Guard Pension System Net Pension Obligation. The increase of \$86.684 million for General Obligation Bonds Payable includes \$830 thousand in accretion of interest on capital appreciation (deep-discount) bonds.

NOTE 13: INTERFUND BALANCES

a. Interfund Assets and Liabilities Within the Primary Government

Interfund assets and liabilities (expressed in thousands) for each individual fund within the primary government at June 30, 1998, were:

Notes to the Financial Statements

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
General						
General Fund.....	\$ 55,028	\$ 52,588	\$ 4,070	\$ 5,352	\$ 9,623	\$ 12,189
Less: eliminations.....	(35,305)	(35,305)	(2,100)	(2,100)	—	—
Adjusted General Fund.....	19,723	17,283	1,970	3,252	9,623	12,189
Special Revenue						
Departmental General Operating Fund.....	14,116	54,935	155	552	—	264
Education Improvement Act Fund.....	4,337	1,994	400	100	—	—
Children's Education Endowment Fund.....	—	7	—	—	—	—
Repair, Maintenance, and Renovation Fund.....	678	70	—	—	—	—
Waste Management Fund.....	1,239	398	—	—	—	—
Department of Transportation Special Revenue Fund.....	45,587	5,498	1,358	—	4,867	—
Local Government Infrastructure Fund.....	4,145	302	200	—	400	—
Accommodations and Local Option Sales Tax Fund..	38	68	—	—	—	—
Energy Settlement Fund.....	—	13	—	—	—	—
Omibus Crime Fund.....	42	425	—	—	—	—
Medicaid Expansion Fund.....	—	23	—	—	—	—
Other Special Revenue Funds.....	1,372	560	61	70	200	—
Less: eliminations.....	(26,847)	(26,847)	(400)	(400)	—	—
Adjusted Special Revenue Funds.....	44,707	37,446	1,774	322	5,467	264
Capital Projects						
Capital Projects Fund.....	1,120	4,194	—	—	—	—
Less: eliminations.....	(283)	(283)	—	—	—	—
Adjusted Capital Projects Fund.....	837	3,911	—	—	—	—
Enterprise						
Housing Authority.....	—	14	—	—	—	—
Education Assistance Authority.....	—	269	—	—	—	—
Second Injury Fund.....	—	157	—	—	—	—
Patriots Point Development Authority.....	—	209	—	—	—	—
Other Enterprise Funds.....	—	489	—	201	—	14,416
Enterprise Funds.....	—	1,138	—	201	—	14,416
Internal Service						
Insurance Reserve Fund.....	928	17	3,881	—	30,636	—
Health and Disability Insurance Fund.....	13,858	111	—	—	—	—
State Accident Fund.....	2,049	42	—	—	—	—
General Services Fund.....	4,946	620	—	2,150	—	17,910
Central Supplies and Equipment Fund.....	1,024	79	—	1,000	—	—
Motor Pool Fund.....	1,709	98	—	—	—	—
Pension Administration Fund.....	37	403	—	—	—	—
Prison Industries Fund.....	1,856	224	—	—	—	—
Other Internal Service Funds.....	79	645	2,824	2,825	15,002	14,445
Less: eliminations.....	(2,239)	(2,239)	(4,327)	(4,327)	(24,181)	(24,181)
Adjusted Internal Service Funds.....	24,247	—	2,378	1,648	21,457	8,174

Notes to the Financial Statements

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
Trust and Agency						
Expendable Trust:						
Unemployment Compensation Benefits Fund.....	\$ 7	\$ 167	\$ —	\$ —	\$ —	\$ —
Pension Trust:						
South Carolina Retirement System.....	13,695	14,262	—	—	—	—
Police Officers' Retirement System.....	3,217	473	—	—	—	—
General Assembly Retirement System.....	—	58	—	—	—	—
Judges' and Solicitors' Retirement System.....	71	—	—	—	—	—
Agency Funds:						
Federal Interfund Activity Fund.....	5	136	—	—	—	—
Payroll Clearing Fund.....	43,982	9,432	—	5	—	—
Other Agency Funds.....	5,242	85,605	—	—	—	—
Less: eliminations.....	(56,443)	(56,443)	—	—	—	—
Adjusted Trust and Agency Funds.....	9,776	53,690	—	5	—	—
Higher Education						
Unrestricted Current Funds.....	13,624	6,992	2,101	2,101	—	—
Restricted Current Funds.....	7,078	173	—	—	—	—
Endowment and Similar Funds.....	—	—	—	—	855	—
Unexpended Plant Funds.....	545	—	—	—	—	510
Retirement of Indebtedness Funds.....	—	—	—	—	510	—
Investment in Plant Funds.....	—	—	—	694	—	34,237
Agency Funds.....	96	—	—	—	—	—
Foundations and Institutes.....	—	—	—	—	31,678	—
Less: eliminations.....	(110)	(110)	(2,101)	(2,101)	(33,043)	(33,043)
Adjusted Higher Education Funds.....	21,233	7,055	—	694	—	1,704
Totals—Primary Government.....	\$ 120,523	\$ 120,523	\$ 6,122	\$ 6,122	\$ 36,547	\$ 36,747

b. Inequality of Due from Component Units and Due To Primary Government

Due From Component Units was \$3.800 million, but there was no corresponding Due To Primary Government. This situation arose because the Public Service Authority, a discretely presented component unit, reports using a fiscal year ending December 31. At June 30, 1998, the Authority owed the General Fund its semi-annual cash distribution, which is based primarily on operating cash flows and mandatory reserve requirements.

c. 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 fiscal year ending December 31, while the Local Government

Infrastructure Fund's fiscal year ends June 30. The Division of Public Railways' \$200 thousand June 1998 loan payment was not reflected in its Advances From Other Funds at December 31, 1997, but that payment reduced the Local Government Infrastructure Fund's Advances To Other Funds as of June 30, 1998.

d. Inequality of Transfers From Component Units and Transfers To Primary Government

Transfers From Component Units exceed Transfers To Primary Government by \$142 thousand because the Public Service Authority, a discretely presented component unit, reports using a fiscal year ending December 31. The \$142 thousand difference represents Transfers From Component Units to the General Fund for the fiscal year ended June 30, 1998, less Transfers To Primary Government from the Public Service Authority for its fiscal year ended December 31, 1997.

Notes to the Financial Statements

e. Inequality of Residual Equity Transfers In and Out

Residual Equity Transfers Out of \$680 thousand 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.

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, 1998, the unreserved component was negative because the reserve requirements exceeded total fund balance.

a. Primary Government—Reserved Retained Earnings

At June 30, 1998, the \$240.066 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, 1998, the following amounts of fund balance (expressed in thousands) were reserved or designated:

	General	Special Revenue	Trust and Agency	Higher Education
Fund balances reserved for:				
Pension and other benefits	\$ —	\$ —	\$ 19,140,308	\$ —
External investment pool participants	—	—	772,663	—
Restricted fund balance	—	—	—	186,027
Federal government grants refundable	—	—	—	45,267
General fund reserve	130,380	—	—	—
Inventories	14,741	21,495	—	—
Advances to other funds	9,623	5,467	—	—
Appropriations to be carried forward	131,227	—	—	—
Endowment and similar funds	—	—	1,466	54,334
Long-term loans and notes receivable	772	161,190	66	—
Debt requirements	—	—	—	12,219
School building aid	202	16,275	—	—
Encumbrances	—	—	—	2,623
Other special purposes	—	—	—	5,897
Total reserved fund balances.....	\$ 286,945	\$ 204,427	\$ 19,914,503	\$ 306,367

Notes to the Financial Statements

	Special Revenue	Capital Projects	Higher Education
Unreserved fund balances designated for:			
Future years' expenditures.....	\$ 102,193	\$ —	\$ 1,870
Capital expenditures	46,605	64,290	—
Loan funds.....	—	—	645
Scholarships.....	16,530	—	—
Endowment and similar funds.....	—	—	46,775
Plant funds.....	—	—	86,469
Special purposes	—	—	13,688
Total unreserved, designated fund balances.....	\$ 165,328	\$ 64,290	\$ 149,447

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 \$18.363 billion reserved for pension, group life, and accidental death benefits. It also includes \$777.527 million of reserves to recognize the restricted nature of the fund balances in the Unemployment Compensation Benefits Fund.

Reserved for External Investment Pool Participants

Amounts reserved for external investment pool participants consist of public monies deposited with the State Treasurer by local governmental units and other political subdivision of the State. The State Treasurer invests these monies on the participants' behalf in an investment portfolio.

Reserves in the Higher Education Funds

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

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

General Fund Reserve

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

If the State withdraws funds from the reserve to cover a year-end deficit, it must replace the funds within three years. The Constitution requires that at

least one percent of the Budgetary General Fund 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, 1997, the Reserve was fully funded at \$130.380 million. During the fiscal year ended June 30, 1998, the Reserve remained at \$130.380 million. At June 30, 1998, the reserve was \$7.270 million below the full-funding amount of \$137.650 million. On September 1, 1998, however, \$7.270 million of budgetary surplus from 1997-98 was added to the reserve to bring its balance to \$137.650 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

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

Notes to the Financial Statements

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 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 and new road construction. State Highway Bonds will finance these projects. 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, \$16.375 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 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 \$155 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 Endowment and Similar Funds

The Designated for Endowment and Similar Funds 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 South Carolina Research Institute; 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 Real Estate Foundation; the Clemson University Research Foundation; the Clemson Advancement 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 Citadel Alumni Association; 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

Notes to the Financial Statements

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 \$560.483 million. During the fiscal year ended June 30, 1998, the State entered into various transactions with these organizations. Approximate amounts within the State's Higher Education Funds that represented transactions with these related parties include: receivable from foundations—\$3.723 million; donations of cash and other assets from foundations—\$27.668 million; expenditures (rental of foundation-owned property)—\$3.650 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations—\$9.331 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, 1998, EAA entered into various transactions with SLC. Approximate amounts within the State's Enterprise Funds that represent these transactions include: accounts receivable from SLC—\$6.129 million; notes receivable from SLC—\$327.340 million; program revenue from SLC—\$39.191 million; accounts payable to SLC—\$5.717 million; and reimbursements to SLC for administrative costs—\$5.469 million.

During the fiscal year ended June 30, 1998, the Educational Television Endowment of South Carolina, Inc., disbursed \$8.879 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. During the fiscal year ended June 30, 1998, the State provided funds to retire the remaining \$5.525 million capital lease liability. No capital lease obligation remains at June 30, 1998.

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, 1998, JEDA paid CCIC \$249 thousand for management and administrative expenses and incurred payables to CCIC of \$41 thousand.

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, the Jobs—Economic Development Authority, and the Patients' Compensation Fund. In addition, the Patriots Point Development Authority, 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. The Patients' Compensation Fund provides for the payment of that portion of any medical malpractice claim, settlement or judgment against a health care provider that is in excess of \$100 thousand per incident or in excess of \$300 thousand in the aggregate for one year. All providers licensed in South Carolina are eligible to participate in the Fund upon remitting the annual assessment fees in amounts determined by the governing board of the Fund.

Financial information (expressed in thousands) for these segments for the fiscal year ended June 30, 1998, follows:

Notes to the Financial Statements

	Housing Authority	Education Assistance Authority	Jobs—Economic Development Authority	Patients' Compen- sation	Other	Totals
Operating revenues.....	\$ 52,825	\$ 44,708	\$ 2,921	\$ 15,226	\$ 29,560	\$ 145,240
Depreciation and amortization expense.....	292	140	—	3	949	1,384
Operating income (loss).....	12,296	16,041	(252)	(7,435)	528	21,178
Federal revenue.....	22,723	—	—	—	—	22,723
Operating transfers in.....	—	—	125	—	—	125
Extraordinary loss.....	(277)	—	—	—	—	(277)
Net income (loss).....	12,019	15,888	(158)	(7,435)	870	21,184
Current capital contributions and transfers, net.....	—	—	260	—	3,149	3,409
Property, plant, and equipment:						
Additions.....	232	—	—	2	3,759	3,993
Retirements.....	(462)	—	—	—	(2,196)	(2,658)
Net working capital.....	116,492	182,866	10,815	15,806	17,334	343,313
Total assets.....	654,060	483,813	16,686	20,467	120,072	1,295,098
Bonds and other long-term liabilities payable from operating revenues.....	452,841	361,970	176	25,249	15,991	856,227
Total fund equity (deficit).....	161,749	107,443	15,735	(9,435)	43,297	318,789

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 sells electric power and wholesale water. 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, 1998, follows:

	Public Service Authority	State Ports Authority	Other	Totals
Operating revenues.....	\$ 727,824	\$ 80,965	\$ 843	\$ 809,632
Depreciation and amortization expense.....	111,034	15,773	43	126,850
Operating income (loss).....	194,617	18,826	(1,518)	211,925
Transfers to primary government.....	(7,462)	—	—	(7,462)
Extraordinary loss.....	—	(3,438)	—	(3,438)
Net income (loss).....	6,261	15,498	(1,522)	20,237
Current capital contributions and transfers, net.....	—	(332)	—	(332)
Property, plant, and equipment:				
Additions.....	93,760	35,599	23	129,382
Retirements.....	(28,788)	(673)	(44)	(29,505)
Net working capital.....	(112,921)	(93)	460	(112,554)
Total assets.....	3,355,148	381,545	1,820	3,738,513
Bonds and other long-term liabilities payable from operating revenues.....	2,052,599	56,206	315	2,109,120
Total fund equity.....	797,130	303,751	992	1,101,873

Notes to the Financial Statements

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, 1997, 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.....	\$ 328,000	45.07%	\$ 31,766	44.40%
Alumax of South Carolina, Inc.....	85,000	11.68%	7,187	10.05%

During the fiscal year ended June 30, 1998, two customers accounted for approximately 10% and 12% 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 \$9.435 million at June 30, 1998. This deficit resulted from losses that the Fund has experienced over the last three years. The Fund has increased premiums in recent years, and it increased them significantly again in June 1998. The Fund also imposed a deficit assessment on the members during April 1998.

The Patriots Point Development Authority, reported in the Enterprise Funds, had a deficit retained earnings balance of \$1.700 million at June 30, 1998. This deficit resulted primarily from an interrupted development project and the related bankruptcy proceedings in the past. The interrupted project left the Authority with an unfinished hotel and marina. During the fiscal year ended June 30, 1997, 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.

At June 30, 1998, the Savannah Lakes Regional Loan Fund, a discretely presented component unit, reported a deficit retained earnings balance of \$589 thousand. This deficit resulted from the default of a loan that is related to the Lake Russell development project. The Fund hopes to eliminate this deficit when a developer is found to take over the Lake Russell project.

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 \$146.778 million at June 30, 1998, 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):

Fiscal Year Ended June 30	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1997	\$ 153,040	\$ 51,370	\$ (47,104)	\$ 157,306
1998	157,306	23,970	(34,498)	146,778

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

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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 \$5.000 million and \$4.700 million as of June 30, 1998, and 1997, 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 \$101.644 million at June 30, 1998, 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 1998 and 1997, compounded annually. Of the total claims liability reported for the Health and Disability Insurance Fund at June 30, 1998, \$24.626 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
1997	\$ 88,065	\$ 513,584	\$ (504,089)	\$ 97,560
1998	97,560	553,566	(549,482)	101,644

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 based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. 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. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates. Adjustments to claims expenditures are charged or credited to expense in the period in which they are made. At June 30, 1998, the claims liability for the Fund was \$51.326 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

Notes to the Financial Statements

claims liability does not necessarily result in an exact amount.

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

Fiscal Year Ended June 30	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1997	\$ 59,791	\$ 25,563	\$ (26,911)	\$ 58,443
1998	58,443	25,227	(32,344)	51,326

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, 1998, or at June 30, 1997.

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, 1998, the claims liability for the PCF was \$25.249 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 \$850 thousand with the exception of named storm losses which carry deductibles up to \$3,000 million. 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 that do not arise out of an insured event. Automotive exposure is up to \$2,000 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have not been any third-party claims for environmental damages for 1996 or 1997.

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, 1997, the amount of these liabilities was \$1.293 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
1996	\$ 1,634	\$ 984	\$ (969)	\$ 1,649
1997	1,649	402	(758)	1,293

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NOTE 19: JOINT VENTURES AND JOINT OPERATION

a. Joint Ventures

In May 1997, the Public Service Authority (the Authority), a discretely presented component unit, along with two unrelated publicly owned electric utilities formed a wholesale power marketing joint venture (the Venture). The Authority has a one-third ownership interest, which it records as an equity investment. The Venture provides services to its three member organizations, as well as to certain non-member organizations, and allocates transaction savings and operating expenses to its member organizations pursuant to a Settlement Agreement.

During its fiscal year ended December 31, 1997, the Authority made net capital contributions of \$3.467 million to the Venture and recognized \$3.322 million in reductions to power costs, partially offset by \$2.558 million in equity losses, primarily attributable to the Venture's start-up activities. Regulatory accounting practices allow the Authority to decrease or increase power costs for rate-making purposes rather than record net income or loss from the Venture's activities.

In addition, the Authority provides certain guarantees and has pledged certain collateral to support the Venture's transactions. The Authority's Board of Directors has approved the use of \$10.000 million to support the Venture's trading activities. Of this \$10.000 million pledge, the Authority has provided a \$5.000 million guarantee to secure Venture trade obligations and has pledged \$2.000 million to secure a letter of credit agreement, which the Venture had entered into with a bank as of December 31, 1997.

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

The Energy Authority
76 South Laura Street
Jacksonville, Florida 32202

In May 1998, a blended component unit of the Medical University of South Carolina entered into a joint venture with several physicians and medical practices by purchasing a 35 percent interest in the Lowcountry Medical Group, LLC. The State's Higher Education Funds record the investment using the equity method. At June 30, 1998, the State's Higher Education Funds had invested \$3.675 million in the joint venture. The Lowcountry Medical Group, LLC, recorded no income for the period from its inception in May 1998 through June 30, 1998, and consequently did not issue financial statements for that period.

b. 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 design, construction, 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 \$505.000 million and expenses of \$45.712 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.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has on-site spent fuel storage capability until at least 2009 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant. In addition, there is sufficient on-site storage capacity over the life of Summer Nuclear Station to permit storage of the entire reactor core in the event that complete unloading should become desirable or necessary for any reason.

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 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 \$50.066 million (adjusted to market) at December 31, 1997, 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 approximately \$200.000 million per site, with potential retrospective assessments of up

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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 that the Authority must maintain to comply with the NRC.

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 \$2.500 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, 1998, were several that challenge the legality of certain taxes. The challenged revenues include license tax 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 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 \$14.000 million. This estimate does not include the impact on future revenues.

The State may incur a liability for attorneys' fees in the suit that challenged the single gender education policy at The Citadel. The issue of attorney fees is presently on appeal to the United States Court of Appeals for the Fourth Circuit. Another case in which the State may incur a liability revolves around a contractual agreement. The case relates to the State's decision not to renew for a second year a contract to operate a juvenile

correctional facility for the State and not to oversee the creation and operation of a number of camp programs. In the event of an unfavorable outcome for these cases, the ultimate uninsured liability is not expected to exceed \$17.000 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. The State moved to dismiss this case, and the Circuit Court granted that motion. The plaintiffs have appealed, and an oral argument was held before the State Supreme Court. A decision is pending from that court.

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.

The South Carolina Supreme Court has concluded that the statutory government liability cap provided in the South Carolina Tort Claims Act does not apply to tort cases filed against the State prior to July 1, 1994. During 1997, the General Assembly reenacted the government liability caps and made the reenactment applicable to all claims or actions that had not been reduced to final judgment. Most State agencies now purchase enough liability insurance to fully cover cases covered by the South Carolina Tort Claims Act. The State has recorded a \$950 thousand liability in the Department of Transportation Special Revenue Fund and a \$4.400 million liability in its General Long-Term Obligations Account Group at June 30, 1998, for judgments against the State in cases filed prior to July 1, 1994.

On November 4, 1998, a class action lawsuit was filed against the State. The lawsuit challenges the taxation of federal retirees' income. Management estimates that the State's ultimate liability would exceed \$170.000 million plus interest in the event of an unfavorable outcome. This estimate does not include the impact on future year revenues. Because the case is in the preliminary

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stages, an estimate of the range of loss is not presently determinable. While the State is uncertain as to the ultimate outcome of this case, it is vigorously defending its position.

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, 1998, 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, 1998, these loans totaled \$1.081 billion. 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 during the fiscal year ended June 30, 1998, was approximately 1.0%.

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, 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, 1998, \$8.675 million remained outstanding on the Lexington County loan. The payment terms require the State to repay this amount in six years at 8% interest. Accordingly, the State has recorded an Intergovernmental Payable liability in the General Long-Term Obligations Group for the amount it owes HUD on this loan to be paid from federal CDBG funds.

During the fiscal year ended June 30, 1998, the State received title to real and personal property from the bankrupt Berkeley County project. The State sold the assets and used the net proceeds after expenses, along with current year federal CDBG funds allocated to the State, to pay off the Berkeley County loan. Therefore, the liability for the Berkeley County loan has been removed from the General Long-Term Obligations Group.

e. Purchase Commitments

At December 31, 1997, the Public Service Authority, a discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$485.008 million for coal and approximately \$97.000 million for power. The term of the power contract is 37 years. The Authority has commitments for nuclear fuel enrichment and fabrication contracts which are contingent upon the operating life of its nuclear unit. As of December 31, 1997, these commitments totaled approximately \$72.300 million over the next eight to twelve years.

f. Transportation Infrastructure Bank Loan Commitment

On April 30, 1998, the South Carolina Transportation Infrastructure Bank entered into an intergovernmental agreement with Horry County to fund an interest-bearing loan for \$199.416 million for road and bridge construction projects. As of June 30, 1998, the State had not yet advanced any funds to Horry County for these projects.

g. 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 are now final, and costs have been quantified, other regulatory actions pending under Title I of the Clean Air Act relating to ozone transport and non-attainment are not yet final. Therefore, complete compliance costs

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cannot yet be determined. The Authority has installed continuous emissions monitoring equipment at a cost of \$5.200 million and estimates that it will spend approximately \$8.200 million more to complete necessary combustion upgrades.

h. Deregulation of Electric Utilities

The Public Service Authority, a discretely presented component unit, currently is a regulated electric utility. The electric industry is increasingly competitive due to regulatory changes and market developments. As utilities move to a deregulated environment where rates are based on market forces, there may be costs that cannot be recovered by charging the market rate. Some proposed deregulation measures allow for recovery of some portion of these costs, but the ultimate regulatory treatment of such costs cannot be predicted.

Bills have been introduced in the United States Congress and the South Carolina General Assembly to provide for retail customer choice. The outcome of these initiatives and the impact on the Authority cannot be determined at this time.

The Authority is implementing a long-term strategic plan designed to position it to compete effectively in the changing competitive environment. Although the Authority is preparing for a deregulated market, the effects of increased competition on the Authority's operations and financial condition cannot be predicted.

i. Medical University Proposed Sale/Lease

In October 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. During 1996, MUSC's Board of Trustees, the State's General Assembly, and the State Budget and Control Board approved the terms of the proposed agreement.

In July 1996, a third party filed a suit in Circuit Court questioning (a) whether the proposed transaction is a constitutionally illegal joint venture and (b) the reasonableness of the compensation to be paid to the State. In February 1998, the Circuit Court ruled that the State statute authorizing MUSC to enter into this affiliation was invalid. MUSC has appealed the ruling to the South Carolina Supreme Court, and a decision is expected by the end of 1998.

j. Lake Russell Project

The Department of Commerce's Division of Savannah Valley Development (the SVD) is involved in a project to develop a resort and retirement community at Lake Russell in Abbeville County, South Carolina. At June 30, 1998, the developer was in default on its contract with SVD, and subcontractors had filed mechanics liens totaling \$5.222 million against property at the project. In September 1998, the subcontractors allowed their liens to expire without bringing foreclosure actions.

The subcontractors may have allowed their liens to expire as part of an agreement with the SVD wherein the subcontractors would be deeded some or all of the project property if a new developer cannot be found. It is uncertain if such an agreement exists and/or if it can be consummated. Further, it is uncertain whether a new developer will be found. Accordingly, no estimate of loss to the State can be made.

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	
1999	\$ 2,005	\$ 33	\$ 2,038
2000	10	12	22
2001	—	1	1
2002	—	1	1
2003	—	1	1
Thereafter	20,319	1,628	21,947
Totals	\$ 22,334	\$ 1,676	\$ 24,010

It is not practicable to estimate the net realizable value of such pledges; accordingly, they are not recorded as pledges receivable at June 30, 1998, in the accompanying financial statements.

NOTE 22: THE YEAR 2000 ISSUE

The year 2000 issue arises because most computer software programs allocate two digits to the *year* date field on the assumption that the first two digits will be 19. Without reprogramming, such programs will interpret, for example, the year 2000 as the year 1900. Also, some programs may be unable to recognize that the year 2000 is a leap year.

The year 2000 issue may affect electronic equipment containing computer chips that have date recognition features—such as environmental systems, elevators, and vehicles—as well as computer software programs. In addition, the year 2000 issue affects not only computer applications and equipment under the State's direct control but also the systems of other entities with which the State transacts business. Some of the State's systems/equipment affected by the year 2000 issue are critical to the continued and uninterrupted operations of State government.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related

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remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

In 1997, the South Carolina General Assembly charged the State's Budget and Control Board with the responsibility of coordinating a continuing assessment of the year 2000 issue and its effects on the operations of State government. While the Budget and Control Board has assumed a leadership role, individual State agencies are wholly responsible for making programming changes needed to address the year 2000 issue with respect to systems under their control. On a quarterly basis, the Budget and Control Board is monitoring the need for, and progress of, agency remediation efforts and the status of agency-developed contingency plans to address the possibility that year 2000 failures might adversely affect systems critical to agency operations.

State employees have performed substantially all of the work that has been undertaken to date toward addressing the State's year 2000 issue. Although the State contracted during the fiscal year ended June 30, 1998, with external vendors for assistance in addressing such issues, there were no substantial unpaid commitments associated with these contracts as of June 30, 1998. Subsequent to June 30, 1998, however, the State entered into some new vendor contracts for year 2000 assistance.

In September 1998, State agencies were asked to submit to the Budget and Control Board certain data regarding systems they deemed critical to their agency operations. Agencies identified and described 514 such systems. Management believes that 259 of these systems are critical to conducting the State's operations. Some of these systems affect most State agencies ("central State government") whereas others (especially those related to colleges and universities) affect only a single agency. Systems critical to conducting the State's operations include, but are not necessarily limited to, those that would affect the State's ability to provide primary government services, meet its obligations, and generally carry on other essential operations.

At any given time, work to address the year 2000 issue with respect to each system deemed mission-critical (i.e., critical to conducting the State's operations) falls predominantly within one of the following stages of work:

- (i) *Awareness stage*—Establishing a budget and project plan for dealing with the year 2000 issue.
- (ii) *Assessment stage*—Identifying the systems and components for which year 2000 work is needed.
- (iii) *Remediation stage*—Making changes to systems/equipment.
- (iv) *Validation/testing stage*—Validating and testing changes that were made during the remediation stage.

The following paragraphs summarize year 2000 stage-of-work data for the State's mission-critical systems/equipment as of June 30, 1998. Systems

having similar functions that are in the same stage of work have been combined for purposes of this disclosure.

At June 30, 1998, the State was in the awareness stage with respect to mission-critical systems/equipment relating to the following: Winthrop University operations; tracking of student transfers among technical colleges; appellate case management and county docketing; and attendance and grade tracking, School for the Deaf and Blind. For these systems/equipment, the assessment, remediation, and validation/testing stages have not yet been addressed.

The State had completed the awareness stage and was performing work in the assessment stage at June 30, 1998, for mission-critical systems and equipment relating to the following: offender management for juveniles and for adult prison inmates; vital records—births, deaths, adoptions, marriages, divorces; tracking of health department patients and handlers of controlled substances; fire marshal, pyrotechnic, and elevator inspections; food service establishment health certifications; home health care and long-term personal care programs; licenses of nurses and engineers; pyrotechnic and environmental certification licenses; the Local Government Investment Pool; Federal surplus property; business filings managed by the Secretary of State; Medicare billing, Medicaid issuance premium, and child support payments managed by the Department of Social Services; billing, Departments of Agriculture and Health and Environmental Control; Department of Insurance licensing, taxation, and complaints; vocational rehabilitation centers; opinions and trusts/foundations data managed by the Attorney General's Office; union mediation; human resources and energy monitoring, College of Charleston; physical facilities, University of South Carolina; Denmark Technical College operations; accounting, Horry-Georgetown Technical College; student registration/billing, Tri-County Technical College; telephones, Lowcountry and Trident Technical Colleges; and energy management, Lowcountry Technical College. For these systems/equipment, the remediation and validation/testing stages have not yet been addressed.

At June 30, 1998, the State had completed the awareness and assessment stages and was performing remediation work for mission-critical systems and equipment relating to the following: investment management, tax accounting, tax records management, and telephone switching for central State government; Medicaid—processing, payments, and eligibility; client history for Temporary Assistance for Needy Families (TANF) and Food Stamp programs; unemployment claims/benefits processing and tax collection; individual income and property taxes; alcoholic beverage and residential home builders' licenses; video poker monitoring; inspection of amusement rides; Department of Transportation project and shop management; job availability information; work support case tracking managed by the Department of Social Services; disability claims processing of the Commission for the Blind; high school equivalency certification; case management for the Attorney General's Office; billing and procurement contract management of the Governor's Office; generation of reapportionment

Notes to the Financial Statements

data; operations of Francis Marion University; operations other than radiology information for the Medical University of South Carolina; accounting for Clemson University, the University of South Carolina, Florence-Darlington Technical College, and Piedmont Technical College; student information for The Citadel, Central Carolina Technical College, Florence-Darlington Technical College, Horry-Georgetown Technical College, Midlands Technical College, and Piedmont Technical College; payroll for all sixteen technical colleges; and human resources management for The Citadel and all sixteen technical colleges. For these systems/equipment, the validation/testing stage has not yet been addressed.

The State had completed the awareness, assessment, and remediation stages and was performing, or had completed, validation/testing work at June 30, 1998, for mission-critical systems and equipment relating to the following: accounting, payroll, budgeting, employee retirement benefits and records, tax receivables/collections, debt management, human resource management, and risk management for central State government; reimbursement payments to local governments; driver and vehicle registration; statewide voter registration; State grand jury selection; offender management for probation, parole, and pardon; electronic issuance of food stamp benefits; sales taxes; business taxpayer registration; work support benefits managed by the Department of Social Services; forest fire management; State Department of Education operations, except for high school equivalency programs; child care voucher

processing and payment; client information, Commission for the Blind; vocational rehabilitation client services; Department of Social Services child welfare, except for child support payments; Department of Social Services day care meals; foster care and victim assistance client information managed by the Governor's Office; employer-filed claims and check reconciliation information managed by the Employment Security Commission; licenses and/or violations relating to hunting, fishing, boats, motors, and real estate; professional and occupational licenses not listed above; operations, Workers' Compensation Commission; transmission of reapportionment data; student information, School for the Deaf and Blind; operations of Aiken, Chesterfield-Marlboro, Greenville, Orangeburg-Calhoun, Williamsburg, and York Technical Colleges; operations, except for accounting and physical facilities, of the University of South Carolina; operations, except telephones, of Trident Technical College; operations, except student registration/billing, of Tri-County Technical College; accounting for the College of Charleston, Central Carolina Technical College, Lowcountry Technical College, and Midlands Technical College; payroll for Clemson University; purchasing and budgeting for The Citadel; student information for Clemson University, the College of Charleston, and Lowcountry Technical College; human resources management for Clemson University and Lowcountry Technical College; radiology information, Medical University of South Carolina; and library management, Midlands Technical College.

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in web version of CAFR**

Thomas Sumter

A daring brigadier general during the Revolutionary War, Thomas Sumter (1734-1832) followed a brilliant military career with an equally distinguished career in public service. He was a member of both the South Carolina House and Senate, and he also served in the United States House and Senate.

**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)
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%
1998	June 30, 1998 ^b	8,640	41,478	32,838	20.8%	40,333	81.4%

^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
1993	\$ 2,499	46.8%
1994	2,499	100.0%
1995	2,499	100.0%
1996 ^a	3,085	81.0%
1997 ^a	3,085	81.0%
1998 ^a	3,200	78.1%

^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, 1998
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

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I. DeQuincey Newman

Born on a Darlington County farm, young “I. D.” Newman (1911-1985) would become one of the most important civil rights leaders in South Carolina. An ordained minister, Newman was also instrumental in establishing the NAACP. He retired from the leadership of the NAACP in 1969 and returned to ministerial duties as well as numerous volunteer and state positions. Later, Newman was elected to the South Carolina Senate, the first black man to serve there since Reconstruction.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS
AND
SCHEDULES**

(See Accompanying Independent Auditors' Report)

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John Laurens

Colonel John Laurens (1754-1782) was born in America and educated in England. Upon his return to America, Laurens was an outspoken patriot and received a colonel's commission. He joined George Washington's staff as aide-de-camp in 1777 and also served as a liaison officer between French and Patriot forces in 1778. The progressive and audacious Laurens was an early advocate of emancipation.

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, including academic loans for future teachers.

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 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.

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in web version of CAFR**

Battle of Kings Mountain (Robert Windsor Wilson)

The Battle of Kings Mountain, on October 7, 1780, is perhaps the most famous Revolutionary War military engagement in South Carolina. A large force comprised primarily of farmers surrounded the British troops. The Americans won a tremendous victory as the British suffered over 1,000 casualties.

Combining Balance Sheet

SPECIAL REVENUE FUNDS

June 30, 1998

(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.....	\$ 174,178	\$ 59,472	\$ 79,330	\$ 20,941	\$ 75,378	\$ 181,058
Investments.....	372	—	—	—	—	—
Invested securities lending collateral.....	8	9	69	2	63	172
Receivables, net:						
Accounts.....	46,416	1,903	902	23	960	5,819
Taxes.....	2,364	46,433	14,651	—	—	32,835
Student loans.....	—	14,813	—	—	—	—
Loans and notes.....	256	—	—	—	—	—
Due from Federal government and other grantors.....	312,378	—	—	146	—	37,174
Due from other funds.....	14,116	4,337	—	678	1,239	45,587
Interfund receivables.....	155	400	—	—	—	1,358
Advances to other funds.....	—	—	—	—	—	4,867
Inventories.....	10,813	—	—	—	46	10,636
Other assets.....	82	—	—	—	—	—
Total assets.....	\$ 561,138	\$ 127,367	\$ 94,952	\$ 21,790	\$ 77,686	\$ 319,506
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities.....	\$ 217,464	\$ 2,333	\$ 2,188	\$ 2,645	\$ 5,426	\$ 72,858
Tax refunds payable.....	2	243	—	—	—	441
Intergovernmental payables.....	66,816	2,918	—	—	809	—
Due to other funds.....	54,935	1,994	7	70	398	5,498
Interfund payables.....	552	100	—	—	—	—
Advances from other funds.....	264	—	—	—	—	—
Deferred revenues.....	35,395	5,211	—	127	—	21,241
Securities lending collateral.....	8	9	69	2	63	172
Other liabilities, including retainages payable.....	4	9	—	1,473	3	24,197
Total liabilities.....	375,440	12,817	2,264	4,317	6,699	124,407
Fund balances:						
Reserved for:						
Inventories.....	10,813	—	—	—	46	10,636
Advances to other funds.....	—	—	—	—	—	4,867
Long-term loans and notes receivable.....	255	10,958	—	—	—	—
School building aid.....	—	16,275	—	—	—	—
Unreserved:						
Designated for future years' expenditures.....	—	—	—	—	—	102,193
Designated for capital expenditures.....	—	—	—	—	—	46,605
Designated for scholarships.....	—	16,375	—	—	155	—
Undesignated.....	174,630	70,942	92,688	17,473	70,786	30,798
Total fund balances.....	185,698	114,550	92,688	17,473	70,987	195,099
Total liabilities and fund balances.....	\$ 561,138	\$ 127,367	\$ 94,952	\$ 21,790	\$ 77,686	\$ 319,506

Local Government Infrastructure	Accommoda- tions and Local Option Sales Tax	Energy Settlement	Omnibus Crime	Medicaid Expansion	Other Special Revenue	Elimina- tions	Totals
\$ 197,030	\$ 25,820	\$ 19,276	\$ 2,018	\$ 6,410	\$ 62,219	\$ —	\$ 903,130
—	—	—	—	—	—	—	372
170	—	17	—	2	17	—	529
2,445	—	177	—	45	208	—	58,898
—	16,767	—	—	—	1,671	—	114,721
—	—	—	—	—	—	—	14,813
163,064	—	—	—	—	2,497	—	165,817
2,040	—	—	—	—	—	—	351,738
4,145	38	—	42	—	1,372	(26,847)	44,707
200	—	—	—	—	61	(400)	1,774
400	—	—	—	—	200	—	5,467
—	—	—	—	—	—	—	21,495
—	—	—	—	—	—	—	82
\$ 369,494	\$ 42,625	\$ 19,470	\$ 2,060	\$ 6,457	\$ 68,245	\$ (27,247)	\$ 1,683,543
\$ 5,401	\$ 1	\$ 659	\$ 660	\$ 72	\$ 4,226	\$ —	\$ 313,933
—	185	—	—	—	1	—	872
—	24,178	—	—	—	631	—	95,352
302	68	13	425	23	560	(26,847)	37,446
—	—	—	—	—	70	(400)	322
—	—	—	—	—	—	—	264
—	1,831	—	—	—	19	—	63,824
170	—	17	—	2	17	—	529
—	—	—	—	—	3	—	25,689
5,873	26,263	689	1,085	97	5,527	(27,247)	538,231
—	—	—	—	—	—	—	21,495
400	—	—	—	—	200	—	5,467
147,528	—	—	—	—	2,449	—	161,190
—	—	—	—	—	—	—	16,275
—	—	—	—	—	—	—	102,193
—	—	—	—	—	—	—	46,605
—	—	—	—	—	—	—	16,530
215,693	16,362	18,781	975	6,360	60,069	—	775,557
363,621	16,362	18,781	975	6,360	62,718	—	1,145,312
\$ 369,494	\$ 42,625	\$ 19,470	\$ 2,060	\$ 6,457	\$ 68,245	\$ (27,247)	\$ 1,683,543

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

SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1998
(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.....	\$ 651	\$ 433,972	\$ —	\$ —	\$ 1,769
Other.....	42,642	—	56,355	—	—
Licenses, fees, and permits.....	61,415	—	—	—	24,552
Interest and other investment income.....	854	6,432	6,296	138	2,964
Federal.....	2,863,117	74	—	739	—
Departmental services.....	166,151	—	—	384	268
Contributions.....	116,279	—	—	231	—
Fines and penalties.....	21,230	—	—	1,250	46
Other.....	62,152	825	1	39	3,551
Total revenues.....	3,334,491	441,303	62,652	2,781	33,150
Expenditures:					
Current:					
General government.....	61,034	12,086	—	18,278	4
Education.....	120,507	18,637	3,092	1,203	—
Health and environment.....	1,993,817	898	—	6,591	22,643
Social services.....	547,269	4,315	—	21	—
Administration of justice.....	50,570	1,555	—	3,481	—
Resources and economic development.....	87,751	—	—	2,293	—
Transportation.....	—	—	—	—	—
Capital outlay.....	—	—	—	—	—
Debt service:					
Principal retirement.....	484	—	—	—	—
Interest and fiscal charges.....	59	—	—	—	—
Intergovernmental.....	416,266	390,636	47,956	—	5,898
Total expenditures.....	3,277,757	428,127	51,048	31,867	28,545
Revenues over (under) expenditures.....	56,734	13,176	11,604	(29,086)	4,605
Other financing sources (uses):					
Proceeds from bonds and notes.....	300	—	—	—	—
Lease and installment debt proceeds.....	99	—	—	—	—
Operating transfers in.....	100,043	164	400	26,161	22
Operating transfers out.....	(28,958)	(5,689)	(13,969)	(1,248)	(409)
Total other financing sources (uses).....	71,484	(5,525)	(13,569)	24,913	(387)
Revenues and other sources over (under) expenditures and other uses.....	128,218	7,651	(1,965)	(4,173)	4,218
Fund balances at beginning of year (restated).....	56,456	106,899	94,653	19,771	66,748
Increases (decreases) in reserve for inventories.....	1,024	—	—	—	21
Residual equity transfers in.....	—	—	—	1,875	—
Fund balances at end of year.....	\$ 185,698	\$ 114,550	\$ 92,688	\$ 17,473	\$ 70,987

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
\$ —	\$ —	\$ 149,202	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 585,594
339,694	18,000	—	—	—	22,188	14,538	—	493,417
—	—	—	—	—	—	7,763	—	93,730
22,022	15,548	—	1,230	—	327	1,932	—	57,743
243,757	37,825	—	—	—	—	—	—	3,145,512
67,404	163	—	304	—	—	25	—	234,699
—	29,749	—	—	—	7,505	906	—	154,670
—	—	—	—	13,107	—	10,668	—	46,301
3,942	—	—	43	7	—	84	—	70,644
676,819	101,285	149,202	1,577	13,114	30,020	35,916	—	4,882,310
—	423	23	834	—	—	17,749	—	110,431
—	—	—	—	—	—	—	—	143,439
—	—	—	—	—	29,071	173	—	2,053,193
—	—	—	—	—	—	2,095	—	553,700
—	—	—	—	13,402	—	188	—	69,196
—	40	—	—	—	—	2,570	—	92,654
281,021	—	—	—	—	—	—	—	281,021
396,801	—	—	—	—	—	—	—	396,801
2,405	—	—	—	—	—	118	—	3,007
5,526	—	—	—	—	—	1	—	5,586
9,500	11,999	146,491	126	—	—	4,738	—	1,033,610
695,253	12,462	146,514	960	13,402	29,071	27,632	—	4,742,638
(18,434)	88,823	2,688	617	(288)	949	8,284	—	139,672
47,572	—	—	—	—	—	—	—	47,872
—	—	—	—	—	—	64	—	163
945	11,119	—	—	—	—	3,187	(62,183)	79,858
(5,836)	(363)	(1,079)	(57)	—	—	(4,620)	62,183	(45)
42,681	10,756	(1,079)	(57)	—	—	(1,369)	—	127,848
24,247	99,579	1,609	560	(288)	949	6,915	—	267,520
172,453	264,042	14,753	18,221	1,263	5,411	55,803	—	876,473
(1,601)	—	—	—	—	—	—	—	(556)
—	—	—	—	—	—	—	—	1,875
\$ 195,099	\$ 363,621	\$ 16,362	\$ 18,781	\$ 975	\$ 6,360	\$ 62,718	\$ —	\$ 1,145,312

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

Wade Hampton

A native of Charleston, Wade Hampton (1818-1902) had a long and distinguished career. He was a member of the General Assembly from 1852-1861 until he resigned to accept a colonel's commission in the Confederate Army. He eventually rose to the rank of a lieutenant general by the war's end. Following his military service, Hampton became Governor of South Carolina and a United States Senator.

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.

The Angel of Marye's Heights

Sergeant Richard Kirkland (1843-1863) of the Second South Carolina Regiment became one of the most revered soldiers of the Civil War for his actions at the Battle of Fredericksburg on December 14, 1862. Thousands of Union soldiers lay dead or wounded below Marye's Heights as their cries for water went unanswered. In a selfless act of courage, Kirkland went out into the fierce battlefield time after time taking the soldiers water. For his efforts he was termed the "Angel of Marye's Heights" and was awarded the Confederate Medal of Honor by the Sons of Confederate Veterans.

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

Combining Balance Sheet

ENTERPRISE FUNDS

June 30, 1998

(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.....	\$ 2,805	\$ 104,831	\$ 11,490	\$ 20,050
Investments.....	—	—	—	—
Invested securities lending collateral.....	—	25	—	17
Receivables, net:				
Accounts.....	173	7,937	71	392
Student loans.....	—	4	—	—
Loans and notes.....	402	63,000	29	—
Due from Federal government and other grantors.....	1,302	1,614	—	—
Inventories.....	—	—	—	—
Restricted assets:				
Cash and cash equivalents.....	134,569	19,650	—	—
Loans receivable.....	10,711	—	—	—
Other.....	6,000	—	—	—
Other current assets.....	—	205	—	—
Total current assets.....	<u>155,962</u>	<u>197,266</u>	<u>11,590</u>	<u>20,459</u>
Long-term assets:				
Investments.....	—	6,758	867	—
Receivables, net:				
Student loans.....	—	13	—	—
Loans and notes.....	5,141	264,340	3,929	—
Servicing rights, net.....	—	—	—	—
Restricted assets:				
Investments.....	45,131	14,171	—	—
Loans receivable.....	446,154	—	—	—
Other.....	921	—	—	—
Other long-term assets.....	—	—	300	—
Deferred charges.....	—	1,265	—	—
Total long-term assets.....	<u>497,347</u>	<u>286,547</u>	<u>5,096</u>	<u>—</u>
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	1,055	—	—	31
Less: accumulated depreciation.....	(304)	—	—	(23)
Total property, plant, and equipment, net.....	<u>751</u>	<u>—</u>	<u>—</u>	<u>8</u>
Total assets.....	<u>\$ 654,060</u>	<u>\$ 483,813</u>	<u>\$ 16,686</u>	<u>\$ 20,467</u>

<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Totals</u>
\$ 1,653	\$ 1,313	\$ 15,665	\$ 157,807
—	—	74	74
47	—	8	97
—	638	2,174	11,385
—	—	—	4
—	—	—	63,431
—	—	—	2,916
—	328	1,553	1,881
50,991	142	2,832	208,184
—	—	—	10,711
675	—	—	6,675
—	9	16	230
<u>53,366</u>	<u>2,430</u>	<u>22,322</u>	<u>463,395</u>
—	—	818	8,443
—	—	—	13
—	—	13,816	287,226
—	—	1,955	1,955
—	—	—	59,302
—	—	—	446,154
—	—	—	921
—	—	320	620
—	—	—	1,265
<u>—</u>	<u>—</u>	<u>16,909</u>	<u>805,899</u>
—	5,845	12,250	18,095
—	1,629	2,110	3,739
216	7,957	5,040	14,299
(131)	(6,363)	(3,508)	(10,329)
<u>85</u>	<u>9,068</u>	<u>15,892</u>	<u>25,804</u>
<u>\$ 53,451</u>	<u>\$ 11,498</u>	<u>\$ 55,123</u>	<u>\$ 1,295,098</u>

Continued on Next Page

Combining Balance Sheet**ENTERPRISE FUNDS (Continued)****June 30, 1998****(Expressed in Thousands)**

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority	Patients' Compensation
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities.....	\$ 491	\$ 12,776	\$ 132	\$ 558
Due to other funds.....	14	269	—	—
Interfund payables.....	—	—	—	—
Deferred revenues.....	—	—	—	4,050
Deposits.....	—	—	598	—
Securities lending collateral.....	—	25	—	17
Liabilities payable from restricted assets.....	20,264	—	—	—
Notes payable.....	—	—	28	—
Revenue bonds payable.....	18,340	1,270	—	—
Compensated absences payable.....	361	60	17	28
Other current liabilities, including retainages payable.....	—	—	—	—
Total current liabilities.....	39,470	14,400	775	4,653
Long-term liabilities:				
Accrued liabilities.....	—	—	—	15,998
Insurance claims incurred but not reported.....	—	—	—	9,251
Advances from other funds.....	—	—	—	—
Notes payable.....	—	—	176	—
Revenue bonds payable.....	452,841	361,970	—	—
Total long-term liabilities.....	452,841	361,970	176	25,249
Total liabilities.....	492,311	376,370	951	29,902
Fund Equity (Deficit):				
Contributed capital.....	—	—	260	—
Retained earnings (deficit):				
Reserved for debt requirements.....	152,041	86,035	—	—
Unreserved.....	9,708	21,403	15,475	(9,435)
Total fund equity (deficit).....	161,749	107,443	15,735	(9,435)
Total liabilities and fund equity.....	\$ 654,060	\$ 483,813	\$ 16,686	\$ 20,467

<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Totals</u>
\$ 1,577	\$ 271	\$ 3,937	\$ 19,742
157	209	489	1,138
—	—	201	201
—	748	36	4,834
—	—	—	598
47	—	8	97
51,512	—	891	72,667
—	—	1	29
—	—	—	19,610
74	161	397	1,098
—	—	68	68
<u>53,367</u>	<u>1,389</u>	<u>6,028</u>	<u>120,082</u>
—	—	1,549	17,547
—	—	—	9,251
—	—	14,416	14,416
—	—	26	202
—	—	—	814,811
<u>—</u>	<u>—</u>	<u>15,991</u>	<u>856,227</u>
<u>53,367</u>	<u>1,389</u>	<u>22,019</u>	<u>976,309</u>
—	11,809	8,210	20,279
—	—	1,990	240,066
84	(1,700)	22,904	58,444
<u>84</u>	<u>10,109</u>	<u>33,104</u>	<u>318,789</u>
<u>\$ 53,451</u>	<u>\$ 11,498</u>	<u>\$ 55,123</u>	<u>\$ 1,295,098</u>

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

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority	Patients' Compensation
Operating revenues:				
Charges for services.....	\$ 3,888	\$ 35,764	\$ 2,158	\$ 14,253
Interest and other investment income.....	48,937	8,944	763	973
Total operating revenues.....	52,825	44,708	2,921	15,226
Operating expenses:				
General operations and administration.....	5,099	7,320	2,972	291
Benefits and claims.....	—	—	—	22,367
Interest.....	33,629	20,275	—	—
Depreciation and amortization.....	292	140	—	3
Other operating expenses.....	1,509	932	201	—
Total operating expenses.....	40,529	28,667	3,173	22,661
Operating income (loss).....	12,296	16,041	(252)	(7,435)
Nonoperating revenues (expenses):				
Interest income.....	—	—	65	—
Federal revenue.....	22,723	—	—	—
Interest expense.....	—	—	(12)	—
Other nonoperating expenses.....	(22,723)	(153)	(84)	—
Total nonoperating revenues (expenses).....	—	(153)	(31)	—
Income (loss) before operating transfers and extraordinary items.....	12,296	15,888	(283)	(7,435)
Operating transfers in.....	—	—	125	—
Income (loss) before extraordinary items.....	12,296	15,888	(158)	(7,435)
Extraordinary loss on early extinguishment of debt.....	(277)	—	—	—
Net income (loss).....	12,019	15,888	(158)	(7,435)
Retained earnings (deficit) at beginning of year (restated).....	149,730	91,555	15,633	(2,000)
Retained earnings (deficit) at end of year.....	161,749	107,443	15,475	(9,435)
Contributed capital at beginning of year.....	—	—	—	—
Additions to contributed capital.....	—	—	260	—
Deductions from contributed capital.....	—	—	—	—
Fund equity (deficit) at end of year.....	\$ 161,749	\$ 107,443	\$ 15,735	\$ (9,435)

Second Injury	Patriots Point Develop- ment Authority	Other Enterprise	Totals
\$ 1,232	\$ 5,223	\$ 23,105	\$ 85,623
—	—	—	59,617
1,232	5,223	23,105	145,240
1,166	4,746	22,034	43,628
—	—	—	22,367
—	—	—	53,904
26	424	499	1,384
52	83	2	2,779
1,244	5,253	22,535	124,062
(12)	(30)	570	21,178
—	7	1,748	1,820
—	—	—	22,723
—	—	(1,137)	(1,149)
—	—	(276)	(23,236)
—	7	335	158
(12)	(23)	905	21,336
—	—	—	125
(12)	(23)	905	21,461
—	—	—	(277)
(12)	(23)	905	21,184
96	(1,677)	23,989	277,326
84	(1,700)	24,894	298,510
—	11,809	5,061	16,870
—	—	3,190	3,450
—	—	(41)	(41)
\$ 84	\$ 10,109	\$ 33,104	\$ 318,789

Combining Statement of Cash Flows

ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority
Cash flows from operating activities:			
Operating income (loss).....	\$ 12,296	\$ 16,041	\$ (252)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	292	140	—
Provisions for loan losses and bad debts.....	—	—	182
Provisions for loss on development project.....	—	—	—
Loss on disposition of property and equipment.....	—	—	—
Issuance of loans and notes.....	(50,696)	(46,417)	(290)
Collection of loans and notes	62,732	73,239	1,600
Interest payments.....	33,340	20,275	—
Interest on investments.....	(11,592)	(7,871)	(460)
Amounts received for payment of claims.....	—	—	—
Payment of claims.....	—	—	—
Other nonoperating revenues.....	—	—	—
Other nonoperating expenses.....	—	—	(55)
Other.....	(183)	403	5
Change in assets--decreases (increases):			
Accounts receivable, net.....	(898)	1,124	87
Student loans receivable, net.....	—	2	—
Loans and notes receivable, net.....	678	—	—
Due from other funds.....	5	(580)	—
Inventories.....	—	—	—
Other current assets	659	(205)	38
Change in liabilities--increases (decreases):			
Accounts payable and accrued liabilities.....	4,095	2,012	67
Insurance claims incurred but not reported.....	—	—	—
Due to other funds.....	—	59	—
Deferred revenues	(141)	(92)	—
Deposits.....	—	—	498
Liabilities payable from restricted assets.....	—	—	—
Compensated absences payable	25	18	(2)
Other liabilities, including retainages payable.....	(3,027)	—	—
Net cash provided by operating activities.....	47,585	58,148	1,418
Cash flows from noncapital financing activities:			
Principal payments made to other funds.....	—	—	—
Proceeds from sale of notes payable.....	—	—	220
Principal payments on notes payable.....	—	—	(16)
Proceeds from sale of revenue bonds.....	19,926	49,850	—
Principal payments on revenue bonds.....	(37,375)	(78,165)	—
Interest payments.....	(33,601)	(21,361)	(12)
Payment of bond issuance costs.....	(158)	(707)	—
Federal revenue.....	22,723	—	—
Payments from Federal grants.....	(22,723)	—	—
Operating transfers in	—	—	125
Net cash provided by (used in) noncapital financing activities.....	(51,208)	(50,383)	317

Patients' Compensation	Second Injury	Patriots Point Development Authority	Other Enterprise	Elimina- tions	Totals
\$ (7,435)	\$ (12)	\$ (30)	\$ 570	\$ —	\$ 21,178
3	26	424	499	—	1,384
—	—	—	99	—	281
—	—	—	505	—	505
—	—	8	—	—	8
—	—	—	—	—	(97,403)
—	—	—	—	—	137,571
—	—	—	—	—	53,615
(973)	—	—	—	—	(20,896)
—	61,768	—	—	—	61,768
—	(59,412)	—	—	—	(59,412)
—	—	—	664	—	664
—	—	—	(678)	—	(733)
—	(3)	—	(25)	—	197
(249)	5	(542)	(659)	—	(1,132)
—	—	—	—	—	2
—	—	—	—	—	678
—	—	—	—	(4)	(579)
—	—	(119)	165	—	46
—	—	—	26	—	518
7,387	526	(261)	751	—	14,577
5,326	—	—	—	—	5,326
(2)	—	201	31	4	293
1,350	—	690	—	—	1,807
—	—	—	—	—	498
—	—	—	(76)	—	(76)
6	(1)	17	45	—	108
—	—	—	(35)	—	(3,062)
5,413	2,897	388	1,882	—	117,731
—	—	(20)	(277)	—	(297)
—	—	—	1,139	—	1,359
—	—	—	(560)	—	(576)
—	—	—	—	—	69,776
—	—	—	—	—	(115,540)
—	—	—	(1,059)	—	(56,033)
—	—	—	—	—	(865)
—	—	—	—	—	22,723
—	—	—	—	—	(22,723)
—	—	—	—	—	125
—	—	(20)	(757)	—	(102,051)

Continued on Next Page

Combining Statement of Cash Flows

ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1998

(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.....	\$ (232)	\$ —	\$ —
Principal payments on notes payable	—	—	—
Interest payments	—	—	—
Proceeds from the sale of capital assets.....	—	—	—
Contributions of capital.....	—	—	260
Net cash provided by (used in) capital and related financing activities.....	(232)	—	260
Cash flows from investing activities:			
Proceeds from sale of investments.....	790	15,293	—
Purchase of investments	—	(6,011)	—
Interest on investments.....	10,543	8,269	520
Issuance of loans	—	—	—
Collection of loans	—	—	553
Net cash provided by investing activities.....	11,333	17,551	1,073
Net increase in cash and cash equivalents.....	7,478	25,316	3,068
Cash and cash equivalents at beginning of year (restated).....	129,896	99,165	8,422
Cash and cash equivalents at end of year.....	\$ 137,374	\$ 124,481	\$ 11,490

Patients' Compensation	Second Injury	Patriots Point Development Authority	Other Enterprise	Elimina- tions	Totals
\$ (2)	\$ (14)	\$ (293)	\$ (978)	\$ —	\$ (1,519)
—	—	—	(201)	—	(201)
—	—	—	(162)	—	(162)
—	—	—	1,140	—	1,140
—	—	—	680	—	940
(2)	(14)	(293)	479	—	198
—	—	—	—	—	16,083
—	—	—	(990)	—	(7,001)
994	4,515	7	1,709	—	26,557
—	—	—	(1,175)	—	(1,175)
—	—	—	560	—	1,113
994	4,515	7	104	—	35,577
6,405	7,398	82	1,708	—	51,455
13,645	45,246	1,373	16,789	—	314,536
<u>\$ 20,050</u>	<u>\$ 52,644</u>	<u>\$ 1,455</u>	<u>\$ 18,497</u>	<u>\$ —</u>	<u>\$ 365,991</u>

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

John Rutledge (Charles Mason Crowson)

John Rutledge (1739-1800) was the first and only President of South Carolina following the ratification of the South Carolina Constitution of 1776. He was elected Governor of South Carolina in 1779 and also served as the first Chief Justice of the South Carolina Supreme Court.

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. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Health and Disability Insurance Fund. This is a risk management fund that 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 that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

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

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

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

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, work activity centers of the Vocational Rehabilitation Department, and the Governor's School for the Arts Foundation, Inc., a blended component unit.

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

Francis Marion, the Swamp Fox (D. L. Eklund)

Colonel Francis Marion (1732-1795) gained lasting fame in South Carolina lore through his use of guerrilla tactics and daring cavalry raids during the Revolutionary War. He was given the nickname "Swamp Fox" because his cunning battle strategies kept British troops constantly on guard.

Combining Balance Sheet

INTERNAL SERVICE FUNDS

June 30, 1998

(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.....	\$ 94,051	\$ 151,921	\$ 51,768	\$ 48,038	\$ 1,054	\$ 4,292
Invested securities lending collateral.....	36,461	130	45	8	—	—
Accounts receivable, net.....	18,816	2,523	18,901	357	6	78
Due from other funds.....	928	13,858	2,049	4,946	1,024	1,709
Interfund receivables.....	3,881	—	—	—	—	—
Inventories.....	—	—	—	1,629	2,293	11
Other current assets.....	2,394	2	—	—	—	—
Total current assets.....	156,531	168,434	72,763	54,978	4,377	6,090
Long-term assets:						
Investments.....	176,141	22,861	—	—	—	—
Advances to other funds.....	30,636	—	—	—	—	—
Total long-term assets.....	206,777	22,861	—	—	—	—
Property, plant, and equipment:						
Land and improvements.....	—	—	—	5,048	—	329
Buildings and improvements.....	—	—	—	143,890	—	1,127
Machinery, equipment, and other.....	865	1,133	9,607	66,536	—	25,049
Construction in progress.....	—	—	—	1,634	—	—
Less: accumulated depreciation.....	(441)	(545)	(1,176)	(97,364)	—	(15,040)
Total property, plant, and equipment, net.....	424	588	8,431	119,744	—	11,465
Total assets.....	\$ 363,732	\$ 191,883	\$ 81,194	\$ 174,722	\$ 4,377	\$ 17,555
LIABILITIES AND FUND EQUITY						
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities.....	\$ 98,938	\$ 29,681	\$ 14,012	\$ 7,656	\$ 718	\$ 545
Insurance claims incurred but not reported.....	53,233	76,280	14,632	—	—	—
Due to other funds.....	17	111	42	620	79	98
Interfund payables.....	—	—	—	2,150	1,000	—
Deferred revenues.....	38,494	2,185	17,762	—	—	—
Securities lending collateral.....	36,461	130	45	8	—	—
Notes payable.....	—	—	—	94	—	254
Limited obligation bonds payable.....	—	—	—	2,170	—	—
Capital lease and installment debt obligations payable.....	—	—	—	722	—	—
Compensated absences payable.....	248	251	305	2,387	—	114
Other current liabilities, including retainages payable.....	—	—	545	43	—	—
Total current liabilities.....	227,391	108,638	47,343	15,850	1,797	1,011
Long-term liabilities:						
Accrued liabilities.....	—	—	10,718	—	—	—
Insurance claims incurred but not reported.....	—	—	15,430	—	—	—
Advances from other funds.....	—	—	—	17,910	—	—
Notes payable.....	—	—	—	671	—	1,246
Limited obligation bonds payable.....	—	—	—	33,399	—	—
Capital lease and installment debt obligations payable.....	—	—	—	9,181	—	—
Total long-term liabilities.....	—	—	26,148	61,161	—	1,246
Total liabilities.....	227,391	108,638	73,491	77,011	1,797	2,257
Fund Equity:						
Contributed capital.....	—	46	—	62,536	—	305
Retained earnings.....	136,341	83,199	7,703	35,175	2,580	14,993
Total fund equity.....	136,341	83,245	7,703	97,711	2,580	15,298
Total liabilities and fund equity.....	\$ 363,732	\$ 191,883	\$ 81,194	\$ 174,722	\$ 4,377	\$ 17,555

Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 17,476	\$ 982	\$ 2,722	\$ 1,828	\$ —	\$ 374,132
—	1	—	—	—	36,645
—	16	1,148	5,910	—	47,755
—	37	1,856	79	(2,239)	24,247
—	—	—	2,824	(4,327)	2,378
—	—	2,511	—	—	6,444
—	—	—	5	—	2,401
17,476	1,036	8,237	10,646	(6,566)	494,002
—	—	—	5,590	—	204,592
—	—	—	15,002	(24,181)	21,457
—	—	—	20,592	(24,181)	226,049
—	—	—	—	—	5,377
—	—	—	—	—	145,017
10,041	2,935	9,093	92	—	125,351
—	—	—	—	—	1,634
(5,834)	(1,280)	(5,779)	(49)	—	(127,508)
4,207	1,655	3,314	43	—	149,871
\$ 21,683	\$ 2,691	\$ 11,551	\$ 31,281	\$ (30,747)	\$ 869,922
\$ —	\$ 729	\$ 1,448	\$ 78	\$ —	\$ 153,805
—	—	—	—	—	144,145
—	403	224	645	(2,239)	—
—	—	—	2,825	(4,327)	1,648
—	—	—	—	—	58,441
—	1	—	—	—	36,645
—	—	—	—	—	348
—	—	—	—	—	2,170
—	—	—	—	—	722
—	794	458	18	—	4,575
—	—	—	—	—	588
—	1,927	2,130	3,566	(6,566)	403,087
—	—	—	—	—	10,718
—	—	—	—	—	15,430
—	—	—	14,445	(24,181)	8,174
—	—	—	—	—	1,917
—	—	—	—	—	33,399
—	—	—	—	—	9,181
—	—	—	14,445	(24,181)	78,819
—	1,927	2,130	18,011	(30,747)	481,906
10,041	—	5,211	133	—	78,272
11,642	764	4,210	13,137	—	309,744
21,683	764	9,421	13,270	—	388,016
\$ 21,683	\$ 2,691	\$ 11,551	\$ 31,281	\$ (30,747)	\$ 869,922

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

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment
Operating revenues:					
Charges for services.....	\$ 66,498	\$ 624,628	\$ 39,283	\$ 74,316	\$ 10,905
Contributions.....	—	—	—	—	—
Interest and other investment income.....	22,890	14,786	—	—	—
Total operating revenues.....	89,388	639,414	39,283	74,316	10,905
Operating expenses:					
General operations and administration.....	37,121	119,573	5,306	59,628	11,077
Benefits and claims.....	23,971	553,566	31,438	—	—
Depreciation.....	147	121	638	6,529	—
Other operating expenses.....	—	—	137	338	—
Total operating expenses.....	61,239	673,260	37,519	66,495	11,077
Operating income (loss).....	28,149	(33,846)	1,764	7,821	(172)
Nonoperating revenues (expenses):					
Interest income.....	—	—	3,257	305	—
Federal revenue.....	—	—	—	9	—
Interest expense.....	—	—	—	(3,326)	—
Other nonoperating revenues (expenses).....	(39)	(64)	—	(430)	12
Total nonoperating revenues (expenses).....	(39)	(64)	3,257	(3,442)	12
Income (loss) before operating transfers.....	28,110	(33,910)	5,021	4,379	(160)
Operating transfers in.....	—	—	7	3,166	—
Operating transfers out.....	(393)	(252)	—	(1,342)	—
Net income (loss).....	27,717	(34,162)	5,028	6,203	(160)
Retained earnings at beginning of year (restated).....	108,624	117,361	2,675	28,972	2,740
Retained earnings at end of year.....	136,341	83,199	7,703	35,175	2,580
Contributed capital at beginning of year.....	—	7	—	62,553	—
Additions to contributed capital.....	—	39	—	8	—
Deductions from contributed capital.....	—	—	—	(25)	—
Fund equity at end of year.....	\$ 136,341	\$ 83,245	\$ 7,703	\$ 97,711	\$ 2,580

Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 12,030	\$ 2,427	\$ 11,041	\$ 19,336	\$ 1,295	\$ —	\$ 861,759
—	—	93	—	11,137	—	11,230
—	—	—	—	157	—	37,833
12,030	2,427	11,134	19,336	12,589	—	910,822
6,485	876	11,067	17,430	1,620	—	270,183
—	—	—	—	—	—	608,975
4,130	70	497	521	11	—	12,664
5	2	111	11	6	—	610
10,620	948	11,675	17,962	1,637	—	892,432
1,410	1,479	(541)	1,374	10,952	—	18,390
22	—	117	—	1,703	—	5,404
—	—	—	—	—	—	9
(23)	—	—	—	(1,379)	—	(4,728)
(92)	—	(144)	(18)	1,273	—	498
(93)	—	(27)	(18)	1,597	—	1,183
1,317	1,479	(568)	1,356	12,549	—	19,573
9	—	—	—	—	(2,654)	528
(237)	—	(150)	—	(285)	2,654	(5)
1,089	1,479	(718)	1,356	12,264	—	20,096
13,904	10,163	1,482	2,854	873	—	289,648
14,993	11,642	764	4,210	13,137	—	309,744
327	9,652	8	3,857	133	—	76,537
33	2,688	—	1,354	—	—	4,122
(55)	(2,299)	(8)	—	—	—	(2,387)
\$ 15,298	\$ 21,683	\$ 764	\$ 9,421	\$ 13,270	\$ —	\$ 388,016

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
Cash flows from operating activities:				
Operating income (loss).....	\$ 28,149	\$ (33,846)	\$ 1,764	\$ 7,821
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	147	121	638	6,529
Provision for loan losses and bad debts.....	—	—	—	—
Amortization of deferred gain on sale of capital leaseback.....	—	—	—	(572)
Loss on disposition of property and equipment.....	—	—	23	—
Interest on investments and interfund loans.....	(22,890)	(14,786)	—	—
Other nonoperating revenues.....	—	—	—	59
Other nonoperating expenses.....	(39)	—	—	(2)
Other.....	256	9	—	(32)
Change in assets--decreases (increases):				
Accounts receivable, net.....	2,390	620	16,935	1
Due from Federal government and other grantors	—	—	—	44
Due from other funds	(478)	(794)	654	(1,246)
Inventories.....	—	—	—	(60)
Other current assets.....	57	—	—	—
Change in liabilities--increases (decreases):				
Accounts payable and accrued liabilities.....	(1,257)	(5,325)	352	1,715
Insurance claims incurred but not reported.....	(9,263)	9,600	(8,238)	—
Due to other funds.....	(5)	(59)	(68)	(238)
Deferred revenues	4,992	1,567	(16,578)	—
Compensated absences payable.....	7	(31)	39	220
Other liabilities, including retainages payable.....	—	—	316	2
Net cash provided by (used in) operating activities.....	2,066	(42,924)	(4,163)	14,241
Cash flows from noncapital financing activities:				
Principal payments received from other funds.....	6,470	—	—	420
Principal payments made to other funds.....	—	—	—	(1,494)
Receipt of interest from other funds.....	2,557	—	—	8
Interest payments made to other funds.....	—	—	—	(947)
Loans made to other funds.....	(1,139)	—	—	—
Federal revenue.....	—	—	—	9
Operating transfers in.....	—	—	7	3,166
Operating transfers out.....	(393)	(252)	—	(1,342)
Net cash provided by (used in) noncapital financing activities.....	7,495	(252)	7	(180)

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ (172)	\$ 1,410	\$ 1,479	\$ (541)	\$ 1,374	\$ 10,952	\$ —	\$ 18,390
—	4,130	70	497	521	11	—	12,664
—	—	—	—	—	311	—	311
—	—	—	—	—	—	—	(572)
—	—	—	—	—	—	—	23
—	—	—	—	—	—	—	(37,676)
12	4	—	18	—	1,285	—	1,378
—	—	—	—	(12)	(12)	—	(65)
—	(1)	1	(8)	(39)	—	—	186
30	13	—	(16)	23	(5,901)	—	14,095
—	—	—	—	—	—	—	44
(164)	334	—	(37)	(945)	72	319	(2,285)
349	(1)	—	—	(30)	—	—	258
—	—	—	—	—	(5)	—	52
(193)	(85)	—	(295)	535	(107)	—	(4,660)
—	—	—	—	—	—	—	(7,901)
55	(8)	—	292	5	145	(319)	(200)
—	—	—	—	—	—	—	(10,019)
—	3	—	78	51	(37)	—	330
—	—	—	—	—	—	—	318
(83)	5,799	1,550	(12)	1,483	6,714	—	(15,329)
—	—	—	—	—	4,701	—	11,591
—	—	—	—	—	(4,719)	—	(6,213)
—	—	—	—	—	1,703	—	4,268
—	—	—	—	—	(1,379)	—	(2,326)
—	—	—	—	—	—	—	(1,139)
—	—	—	—	—	—	—	9
—	9	—	—	—	—	(2,654)	528
—	(237)	—	(150)	—	(285)	2,654	(5)
—	(228)	—	(150)	—	21	—	6,713

Continued on Next Page

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1998
(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.....	\$ (28)	\$ (48)	\$ (4,520)	\$ (4,270)
Proceeds from sale of notes payable.....	—	—	—	765
Proceeds from sale of limited obligation bonds.....	—	—	—	8,577
Principal payments on limited obligation bonds.....	—	—	—	(2,000)
Interest payments.....	—	—	—	(2,364)
Principal payments on capital leases and installment debt obligations payable.....	—	—	—	(669)
Net cash provided by (used in) capital and related financing activities.....	(28)	(48)	(4,520)	39
Cash flows from investing activities:				
Proceeds from sale of investments.....	75,119	315	—	—
Purchase of investments.....	(51,642)	(601)	—	—
Interest on investments.....	17,916	14,289	3,024	297
Net cash provided by (used in) investing activities.....	41,393	14,003	3,024	297
Net increase (decrease) in cash and cash equivalents.....	50,926	(29,221)	(5,652)	14,397
Cash and cash equivalents at beginning of year	43,125	181,142	57,420	33,641
Cash and cash equivalents at end of year.....	\$ 94,051	\$ 151,921	\$ 51,768	\$ 48,038
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
\$ —	\$ (5,601)	\$ —	\$ (329)	\$ (259)	\$ (8)	\$ —	\$ (15,063)
—	1,500	—	—	—	—	—	2,265
—	—	—	—	—	—	—	8,577
—	—	—	—	—	—	—	(2,000)
—	—	—	—	—	—	—	(2,364)
—	—	—	—	—	—	—	(669)
—	(4,101)	—	(329)	(259)	(8)	—	(9,254)
—	—	—	—	—	—	—	75,434
—	—	—	—	—	(5,590)	—	(57,833)
—	—	—	117	—	—	—	35,643
—	—	—	117	—	(5,590)	—	53,244
(83)	1,470	1,550	(374)	1,224	1,137	—	35,374
1,137	2,822	15,926	1,356	1,498	691	—	338,758
<u>\$ 1,054</u>	<u>\$ 4,292</u>	<u>\$ 17,476</u>	<u>\$ 982</u>	<u>\$ 2,722</u>	<u>\$ 1,828</u>	<u>\$ —</u>	<u>\$ 374,132</u>
\$ —	\$ —	\$ 2,688	\$ —	\$ —	\$ —	\$ —	\$ 2,688
—	20	—	—	—	—	—	20
<u>\$ —</u>	<u>\$ 20</u>	<u>\$ 2,688</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,708</u>

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

Archibald Rutledge

Archibald Rutledge (1883-1973), a native of Charleston, was the first person to be designated Poet Laureate of South Carolina.

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 members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

INVESTMENT TRUST FUND

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.

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.

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, 1998

(Expressed in Thousands)

	EXPENDABLE TRUST			
	Radioactive Waste Contingency	Unemployment Compensation Benefits	Other Expendable Trust	NONEXPENDABLE TRUST
ASSETS				
Cash and cash equivalents.....	\$ 90,293	\$ 17,318	\$ 20,639	\$ 1,626
Cash on deposit with fiscal agents.....	—	733,586	—	—
Investments.....	—	—	—	—
Invested securities lending collateral	79	13	269	—
Receivables, net:				
Accounts.....	850	723	256	23
Taxes.....	—	35,040	—	—
Loans and notes.....	—	—	66	—
Due from Federal government.....	—	1,191	—	—
Due from other funds.....	—	7	—	—
Other assets.....	—	—	—	—
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	—	—	—	—
Less: accumulated depreciation.....	—	—	—	—
Total assets.....	\$ 91,222	\$ 787,878	\$ 21,230	\$ 1,649
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 2,492	\$ 6,511	\$ 431	\$ —
Tax refunds payable.....	—	2,819	—	—
Intergovernmental payables.....	—	—	—	—
Due to other funds.....	—	167	—	—
Interfund payables.....	—	—	—	—
Deferred revenues.....	—	841	—	—
Deposits.....	—	—	—	—
Amounts held in custody for others.....	—	—	—	—
Deferred compensation.....	—	—	—	—
Securities lending collateral.....	79	13	269	—
Total liabilities.....	2,571	10,351	700	—
Fund Balances:				
Reserved for:				
Pension and other benefits.....	—	777,527	—	—
External investment pool participants.....	—	—	—	—
Endowment and similar funds.....	—	—	—	1,466
Long-term loans and notes receivable.....	—	—	66	—
Unreserved, undesignated.....	88,651	—	20,464	183
Total fund balances.....	88,651	777,527	20,530	1,649
Total liabilities and fund balances.....	\$ 91,222	\$ 787,878	\$ 21,230	\$ 1,649

PENSION TRUST

South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Pension System
\$ 1,767,912	\$ 195,403	\$ 5,527	\$ 10,211	\$ 6,512
—	—	—	—	—
14,359,025	1,610,498	33,217	70,668	—
1,324,477	187,096	6,051	8,634	—
320,290	34,925	517	1,251	87
—	—	—	—	—
—	—	—	—	—
13,695	3,217	—	71	—
—	—	—	—	—
524	54	1	3	—
4,279	437	13	20	—
—	—	—	—	4
(617)	(63)	(2)	(3)	(3)
<u>\$ 17,789,585</u>	<u>\$ 2,031,567</u>	<u>\$ 45,324</u>	<u>\$ 90,855</u>	<u>\$ 6,600</u>
\$ 59,250	\$ 842	\$ 1	\$ 6	\$ —
—	—	—	—	—
14,262	473	58	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
1,324,477	187,096	6,051	8,634	—
<u>1,397,989</u>	<u>188,411</u>	<u>6,110</u>	<u>8,640</u>	<u>—</u>
16,391,596	1,843,156	39,214	82,215	6,600
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>16,391,596</u>	<u>1,843,156</u>	<u>39,214</u>	<u>82,215</u>	<u>6,600</u>
<u>\$ 17,789,585</u>	<u>\$ 2,031,567</u>	<u>\$ 45,324</u>	<u>\$ 90,855</u>	<u>\$ 6,600</u>

Continued on Next Page

Combining Balance Sheet

FIDUCIARY FUNDS (Continued)

June 30, 1998

(Expressed in Thousands)

INVESTMENT TRUST

Local Government Investment Pool

Deferred Compensation Plans

ASSETS

Cash and cash equivalents.....	\$ 786,806	\$ —
Cash on deposit with fiscal agents.....	—	—
Investments.....	—	1,127,905
Invested securities lending collateral	—	—
Receivables, net:		
Accounts.....	270	1,817
Taxes.....	—	—
Loans and notes.....	—	30,142
Due from Federal government.....	—	—
Due from other funds.....	—	—
Other assets.....	—	5,574
Property, plant, and equipment:		
Land and improvements.....	—	—
Buildings and improvements.....	—	—
Machinery, equipment, and other.....	—	—
Less: accumulated depreciation.....	—	—
Total assets.....	\$ 787,076	\$ 1,165,438

LIABILITIES AND FUND BALANCES**Liabilities:**

Accounts payable and accrued liabilities.....	\$ 14,413	\$ —
Tax refunds payable.....	—	—
Intergovernmental payables.....	—	—
Due to other funds.....	—	—
Interfund payables.....	—	—
Deferred revenues.....	—	—
Deposits.....	—	—
Amounts held in custody for others.....	—	—
Deferred compensation.....	—	1,165,438
Securities lending collateral.....	—	—
Total liabilities.....	14,413	1,165,438

Fund Balances:

Reserved for:		
Pension and other benefits.....	—	—
External investment pool participants.....	772,663	—
Endowment and similar funds.....	—	—
Long-term loans and notes receivable.....	—	—
Unreserved, undesignated.....	—	—
Total fund balances.....	772,663	—
Total liabilities and fund balances.....	\$ 787,076	\$ 1,165,438

AGENCY

Insurance Company Deposits	Federal Interfund Activity	Payroll Clearing	Other Agency	Eliminations	Totals
\$ —	\$ 41	\$ 9,525	\$ 225,734	\$ —	\$ 3,137,547
—	—	—	—	—	733,586
347,561	—	—	19,264	—	17,568,138
—	—	—	113	—	1,526,732
—	—	—	2,686	—	363,695
—	—	—	5,373	—	40,413
—	—	—	95	—	30,303
—	205	—	—	—	1,396
—	5	43,982	5,242	(56,443)	9,776
—	—	—	—	—	5,574
—	—	—	—	—	582
—	—	—	—	—	4,749
—	—	—	—	—	4
—	—	—	—	—	(688)
<u>\$ 347,561</u>	<u>\$ 251</u>	<u>\$ 53,507</u>	<u>\$ 258,507</u>	<u>\$ (56,443)</u>	<u>\$ 23,421,807</u>
\$ —	\$ —	\$ 221	\$ 4,410	\$ —	\$ 88,577
—	—	—	158	—	2,977
—	—	—	130	—	130
—	136	9,432	85,605	(56,443)	53,690
—	—	5	—	—	5
—	—	—	—	—	841
—	—	—	526	—	526
347,561	115	43,849	167,565	—	559,090
—	—	—	—	—	1,165,438
—	—	—	113	—	1,526,732
<u>347,561</u>	<u>251</u>	<u>53,507</u>	<u>258,507</u>	<u>(56,443)</u>	<u>3,398,006</u>
—	—	—	—	—	19,140,308
—	—	—	—	—	772,663
—	—	—	—	—	1,466
—	—	—	—	—	66
—	—	—	—	—	109,298
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,023,801</u>
<u>\$ 347,561</u>	<u>\$ 251</u>	<u>\$ 53,507</u>	<u>\$ 258,507</u>	<u>\$ (56,443)</u>	<u>\$ 23,421,807</u>

Combining Statement of Plan Net Assets

PENSION TRUST FUNDS

June 30, 1998

(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.....	\$ 1,767,912	\$ 195,403	\$ 5,527	\$ 10,211	\$ 6,512	\$ 1,985,565
Receivables:						
Contributions.....	75,085	10,620	45	291	—	86,041
Employer long-term.....	1,231	2,600	—	—	—	3,831
Accrued interest.....	188,987	21,705	472	960	87	212,211
Unsettled investment sales	54,987	—	—	—	—	54,987
Due from other funds.....	13,695	3,217	—	71	—	16,983
Total receivables.....	333,985	38,142	517	1,322	87	374,053
Investments, at fair value:						
United States government securities.....	2,655,274	272,138	8,560	9,894	—	2,945,866
United States government agencies and government-insured securities.....	4,164,739	409,712	8,321	23,103	—	4,605,875
Corporate bonds.....	5,066,486	612,227	11,952	26,210	—	5,716,875
Financial and other.....	2,472,526	316,421	4,384	11,461	—	2,804,792
Total investments.....	14,359,025	1,610,498	33,217	70,668	—	16,073,408
Invested securities lending collateral.....	1,324,477	187,096	6,051	8,634	—	1,526,258
Property and equipment, net of accumulated depreciation.....	4,186	428	12	20	1	4,647
Total assets.....	17,789,585	2,031,567	45,324	90,855	6,600	19,963,931
LIABILITIES						
Accounts payable—unsettled investment purchases.....	56,279	—	—	—	—	56,279
Due to other funds.....	14,262	473	58	—	—	14,793
Accounts payable and accrued liabilities.....	2,971	842	1	6	—	3,820
Securities lending collateral.....	1,324,477	187,096	6,051	8,634	—	1,526,258
Total liabilities.....	1,397,989	188,411	6,110	8,640	—	1,601,150
Net assets held in trust for pension benefits.....	\$ 16,391,596	\$ 1,843,156	\$ 39,214	\$ 82,215	\$ 6,600	\$ 18,362,781

Statement of Net Assets

INVESTMENT TRUST FUND

June 30, 1998

(Expressed in Thousands)

	<u>Local Government Investment Pool</u>
ASSETS	
Cash and cash equivalents.....	\$ 786,806
Accrued interest receivable.....	<u>270</u>
Total assets.....	<u>787,076</u>
LIABILITIES	
Accounts payable and accrued liabilities.....	<u>14,413</u>
Total liabilities.....	<u>14,413</u>
Net assets held in trust for pool participants.....	<u><u>\$ 772,663</u></u>

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

EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Radioactive Waste Contingency	Unemployment Compensation Benefits	Other Expendable Trust	Totals
Revenues:				
Taxes, other.....	\$ —	\$ 177,069	\$ —	\$ 177,069
Licenses, fees, and permits.....	627	—	50	677
Interest and other investment income.....	5,687	47,687	1,327	54,701
Federal.....	—	7,499	—	7,499
Contributions.....	—	—	319	319
Other.....	—	1,508	199	1,707
Total revenues.....	6,314	233,763	1,895	241,972
Expenditures:				
Current:				
General government.....	—	174,017	1,150	175,167
Education.....	—	—	2	2
Health and environment.....	—	—	20	20
Social services.....	—	—	19	19
Administration of justice.....	—	—	34	34
Resources and economic development.....	—	—	6	6
Intergovernmental.....	—	—	4	4
Total expenditures.....	—	174,017	1,235	175,252
Revenues over expenditures.....	6,314	59,746	660	66,720
Other financing sources (uses):				
Operating transfers in.....	—	—	46	46
Operating transfers out.....	—	(928)	(50)	(978)
Total other financing uses.....	—	(928)	(4)	(932)
Revenues and other sources over expenditures and other uses.....	6,314	58,818	656	65,788
Fund balances at beginning of year (restated)	82,337	718,709	19,874	820,920
Fund balances at end of year.....	\$ 88,651	\$ 777,527	\$ 20,530	\$ 886,708

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
DEFERRED COMPENSATION PLANS				
Assets:				
Investments.....	\$ 986,719	\$ 169,187	\$ 28,001	\$ 1,127,905
Accounts receivable.....	3,207	92,106	93,496	1,817
Loans and notes receivable.....	25,069	5,073	—	30,142
Other assets.....	5,306	18,012	17,744	5,574
Total assets.....	\$ 1,020,301	\$ 284,378	\$ 139,241	\$ 1,165,438
Liabilities:				
Deferred compensation.....	\$ 1,020,301	\$ 191,188	\$ 46,051	\$ 1,165,438
Total liabilities.....	\$ 1,020,301	\$ 191,188	\$ 46,051	\$ 1,165,438
INSURANCE COMPANY DEPOSITS				
Assets:				
Cash and cash equivalents.....	\$ 22,924	\$ 58,154	\$ 81,078	\$ —
Investments.....	314,168	157,243	123,850	347,561
Total assets.....	\$ 337,092	\$ 215,397	\$ 204,928	\$ 347,561
Liabilities:				
Amounts held in custody for others.....	\$ 337,092	\$ 134,319	\$ 123,850	\$ 347,561
Total liabilities.....	\$ 337,092	\$ 134,319	\$ 123,850	\$ 347,561
FEDERAL INTERFUND ACTIVITY				
Assets:				
Cash and cash equivalents.....	\$ —	\$ 17,570	\$ 17,529	\$ 41
Due from Federal government.....	645	205	645	205
Due from other funds.....	—	5	—	5
Total assets.....	\$ 645	\$ 17,780	\$ 18,174	\$ 251
Liabilities:				
Intergovernmental payables.....	\$ 10	\$ 27	\$ 37	\$ —
Due to other funds.....	262	164	290	136
Interfund payables.....	343	—	343	—
Amounts held in custody for others.....	30	16,183	16,098	115
Total liabilities.....	\$ 645	\$ 16,374	\$ 16,768	\$ 251

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
PAYROLL CLEARING				
Assets:				
Cash and cash equivalents.....	\$ 9,296	\$ 939,845	\$ 939,616	\$ 9,525
Due from other funds.....	41,495	43,982	41,495	43,982
Total assets.....	\$ 50,791	\$ 983,827	\$ 981,111	\$ 53,507
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 192	\$ 221	\$ 192	\$ 221
Due to other funds.....	9,175	9,437	9,180	9,432
Interfund payables.....	5	5	5	5
Amounts held in custody for others.....	41,419	803,426	800,996	43,849
Total liabilities.....	\$ 50,791	\$ 813,089	\$ 810,373	\$ 53,507
OTHER AGENCY				
Assets:				
Cash and cash equivalents.....	\$ 229,811	\$ 1,720,185	\$ 1,724,262	\$ 225,734
Investments.....	16,507	2,794	37	19,264
Invested securities lending collateral.....	3,150	113	3,150	113
Accounts receivable.....	2,424	3,091	2,829	2,686
Taxes receivable.....	—	5,373	—	5,373
Loans and notes receivable.....	78	95	78	95
Due from other funds.....	4,257	5,795	4,810	5,242
Other assets.....	4	—	4	—
Total assets.....	\$ 256,231	\$ 1,737,446	\$ 1,735,170	\$ 258,507
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 4,447	\$ 4,948	\$ 4,985	\$ 4,410
Tax refunds payable.....	—	158	—	158
Intergovernmental payables.....	525	130	525	130
Due to other funds.....	85,081	90,185	89,661	85,605
Deposits.....	526	526	526	526
Amounts held in custody for others.....	162,502	1,323,080	1,318,017	167,565
Securities lending collateral.....	3,150	113	3,150	113
Total liabilities.....	\$ 256,231	\$ 1,419,140	\$ 1,416,864	\$ 258,507

Continued on Next Page

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1998

(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
TOTALS--ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents.....	\$ 262,031	\$ 2,735,754	\$ 2,762,485	\$ 235,300
Investments.....	1,317,394	329,224	151,888	1,494,730
Invested securities lending collateral.....	3,150	113	3,150	113
Accounts receivable.....	5,631	95,197	96,325	4,503
Taxes receivable.....	—	5,373	—	5,373
Loans and notes receivable.....	25,147	5,168	78	30,237
Due from Federal government.....	645	205	645	205
Due from other funds.....	45,752	49,782	46,305	49,229
Other assets.....	5,310	18,012	17,748	5,574
Total assets.....	\$ 1,665,060	\$ 3,238,828	\$ 3,078,624	\$ 1,825,264
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 4,639	\$ 5,169	\$ 5,177	\$ 4,631
Tax refunds payable.....	—	158	—	158
Intergovernmental payables.....	535	157	562	130
Due to other funds.....	94,518	99,786	99,131	95,173
Interfund payables.....	348	5	348	5
Deposits.....	526	526	526	526
Amounts held in custody for others.....	541,043	2,277,008	2,258,961	559,090
Deferred compensation.....	1,020,301	191,188	46,051	1,165,438
Securities lending collateral.....	3,150	113	3,150	113
Total liabilities.....	\$ 1,665,060	\$ 2,574,110	\$ 2,413,906	\$ 1,825,264

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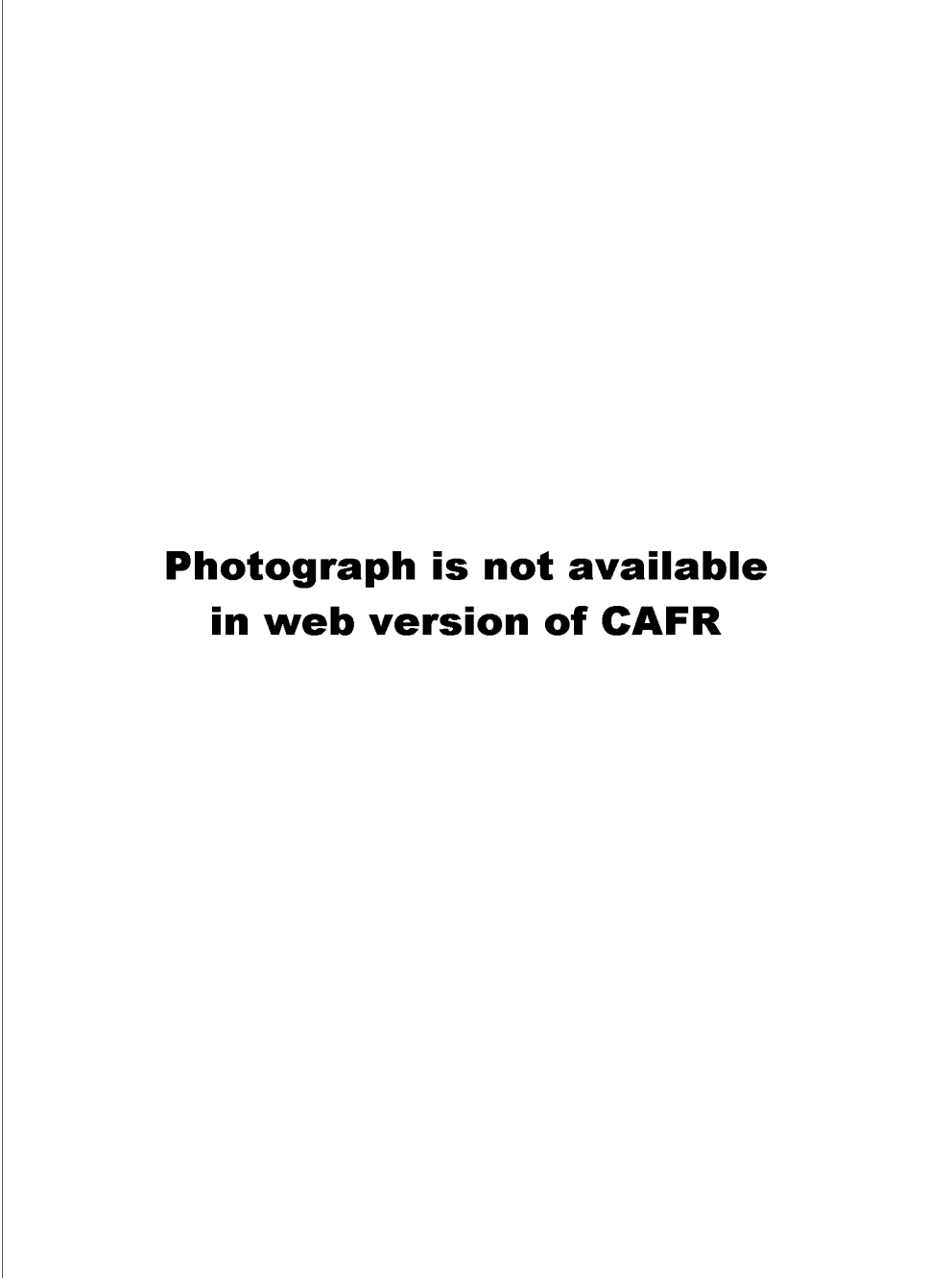
Edgar Allan Brown

Born in Aiken, Edgar Allan Brown (1888-1975) began a career of more than 50 years in the General Assembly in 1921. In 1942 Brown was elected President *Pro Tempore* of the Senate and Chairman of the Finance Committee, positions he held until 1971. Brown was noted for fiscal responsibility in state expenditures as well as for establishing a modern highway system and the educational television network.

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all fixed

assets except those accounted for in the Proprietary Funds, Discretely Presented Component Units, Fiduciary Funds, and Higher Education Funds.



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Solomon Blatt (Charles Mason Crowson)

The son of poor Jewish immigrants, Sol Blatt (1896-1986) became one of the most powerful South Carolina lawmakers of his generation. A native of Barnwell, Blatt served in the South Carolina House of Representatives for 56 years and was speaker of the House for over three decades from 1937-1946 and from 1951-1973.

Schedule of General Fixed Assets by Function

June 30, 1998
(Expressed in Thousands)

Function	Land and Improvements	Buildings, Improvements, and Utility Plant	Machinery, Equipment, and Other	Totals
General government.....	\$ 12,146	\$ 153,984	\$ 83,665	\$ 249,795
Education.....	5,570	111,152	338,058	454,780
Health and environment.....	13,103	206,974	136,427	356,504
Social services.....	813	15,256	43,937	60,006
Administration of justice.....	6,275	457,499	119,646	583,420
Resources and economic development....	159,857	69,167	91,981	321,005
Transportation.....	3,336	63,012	207,223	273,571
Total general fixed assets allocated to functions.....	\$ 201,100	\$ 1,077,044	\$ 1,020,937	2,299,081
Construction in progress.....				57,824
Total general fixed assets.....				\$ 2,356,905

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Henry Timrod

A member of the "Charleston School" of antebellum intellectuals, Henry Timrod's (1828-1867) nationalistic and sentimental verse concerning the Civil War and its aftermath garnered for Timrod the title of Poet Laureate of the Confederacy.

Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

Function	July 1, 1997 Balance as Previously Reported	Adjust- ments ^a	Adjusted July 1, 1997 Balance	Additions	Retirements	June 30, 1998 Balance
General government.....	\$ 224,293	\$ (5,179)	\$ 219,114	\$ 39,938	\$ 9,257	\$ 249,795
Education.....	439,738	(3,091)	436,647	22,357	4,224	454,780
Health and environment.....	354,104	(6,476)	347,628	25,058	16,182	356,504
Social services.....	57,798	(2,959)	54,839	7,396	2,229	60,006
Administration of justice.....	577,581	(3,362)	574,219	18,525	9,324	583,420
Resources and economic development.....	303,188	(4,540)	298,648	27,023	4,666	321,005
Transportation.....	268,452	—	268,452	17,366	12,247	273,571
Construction in progress.....	78,695	—	78,695	47,428	68,299	57,824
Total general fixed assets...	\$ 2,303,849	\$ (25,607)	\$ 2,278,242	\$ 205,091	\$ 126,428	\$ 2,356,905

^aThe adjustments resulted from changes in fixed asset capitalization policies.

Ann Pamela Cuninghame

Born in Laurens, Ann Cuninghame (1816-1875) founded the Mt. Vernon Ladies Association of the Union in 1853. Largely through her lobbying and fundraising efforts, Mt. Vernon was preserved as a national shrine to George and Martha Washington.

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Modjeska Simkins

Modjeska Simkins (1899-1992), a native of Columbia, fought a lifelong battle to protect the civil liberties of all people. After beginning a career in education, Mrs. Simkins took on a major leadership role in the state NAACP where she served as Secretary for 15 years and saw the number of branches increase from 10 to 110.

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 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.

Combining Balance Sheet

HIGHER EDUCATION FUNDS

June 30, 1998

(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
ASSETS				
Cash and cash equivalents.....	\$ 265,333	\$ 11,831	\$ 4,560	\$ 51,086
Investments.....	15,802	5,159	714	48,001
Invested securities lending collateral.....	98	18	5	15
Receivables, net:				
Accounts.....	10,505	942	102	104
Patient and student.....	81,776	—	—	—
Student loans.....	—	—	46,690	—
Loans and notes.....	—	114	—	—
Due from Federal government and other grantors.....	849	51,560	112	—
Due from other Higher Education Funds.....	67,211	11,937	49	7
Due from other funds.....	13,624	7,078	—	—
Interfund receivables.....	2,101	—	—	—
Advances to other funds.....	—	—	—	855
Inventories.....	23,962	—	—	—
Prepaid long-term operating lease.....	—	—	—	—
Other assets.....	19,735	369	107	1,784
Investment in joint venture.....	—	—	—	—
Property, plant, and equipment, net.....	—	—	—	—
Total assets.....	\$ 500,996	\$ 89,008	\$ 52,339	\$ 101,852
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 65,394	\$ 7,227	\$ 216	\$ 482
Due to other Higher Education Funds.....	20,115	24,289	1	228
Due to other funds.....	6,992	173	—	—
Interfund payables.....	2,101	—	—	—
Advances from other funds.....	—	—	—	—
Deferred revenues.....	36,786	432	—	—
Deposits.....	3,597	—	—	—
Amounts held in custody for others.....	—	—	—	—
Securities lending collateral.....	98	18	5	15
Notes payable.....	195	—	—	—
General obligation bonds payable.....	—	—	—	—
Revenue bonds payable.....	—	—	—	—
Certificates of participation payable.....	—	—	—	—
Capital lease and installment debt obligations payable.....	—	—	—	—
Compensated absences payable.....	81,547	15	—	—
Other liabilities, including retainages payable.....	875	—	—	18
Total liabilities.....	217,700	32,154	222	743
Fund Balances:				
Investment in plant.....	—	—	—	—
Reserved for:				
Restricted fund balance.....	—	56,854	6,205	—
Federal government grants refundable.....	—	—	45,267	—
Endowment and similar funds.....	—	—	—	54,334
Debt requirements.....	—	—	—	—
Encumbrances.....	2,623	—	—	—
Other special purposes.....	5,116	—	—	—
Unreserved:				
Designated for future years' expenditures.....	—	—	—	—
Designated for loan funds.....	—	—	645	—
Designated for endowment and similar funds.....	—	—	—	46,775
Designated for plant funds.....	—	—	—	—
Designated for special purposes.....	7,744	—	—	—
Undesignated.....	267,813	—	—	—
Total fund balances.....	283,296	56,854	52,117	101,109
Total liabilities and fund balances.....	\$ 500,996	\$ 89,008	\$ 52,339	\$ 101,852

PLANT FUNDS			AGENCY FUNDS	FOUNDATIONS AND INSTITUTES		Eliminations	Totals
Unexpended	Retirement of Indebtedness	Investment in Plant					
\$ 152,822	\$ 45,135	\$ —	\$ 3,523	\$ 53,741	\$ —	\$ 588,031	
4,794	—	—	4,332	39,851	—	118,653	
77	14,393	—	6	—	—	14,612	
2,749	427	—	601	1,352	—	16,782	
—	—	—	—	24,347	—	106,123	
—	—	—	—	14	—	46,704	
—	—	—	—	—	—	114	
1,489	—	—	—	857	—	54,867	
17,164	689	—	1,588	4,208	(102,853)	—	
545	—	—	96	—	(110)	21,233	
—	—	—	—	—	(2,101)	—	
—	510	—	—	31,678	(33,043)	—	
—	—	—	—	402	—	24,364	
—	—	—	—	17,673	—	17,673	
477	199	—	—	14,544	—	37,215	
—	—	—	—	3,675	—	3,675	
40,082	—	2,877,627	—	69,965	—	2,987,674	
\$ 220,199	\$ 61,353	\$ 2,877,627	\$ 10,146	\$ 262,307	\$ (138,107)	\$ 4,037,720	
\$ 17,237	\$ 6,139	\$ —	\$ 3,024	\$ 11,657	\$ —	\$ 111,376	
3,420	6,453	—	38	48,309	(102,853)	—	
—	—	—	—	—	(110)	7,055	
—	—	694	—	—	(2,101)	694	
510	—	34,237	—	—	(33,043)	1,704	
412	873	—	—	1,219	—	39,722	
—	—	—	—	—	—	3,597	
—	—	—	7,070	—	—	7,070	
77	14,393	—	6	—	—	14,612	
3,826	—	33,099	—	115,322	—	152,442	
15,428	—	69,037	—	—	—	84,465	
9,571	19	221,425	—	13,667	—	244,682	
—	—	—	—	21,466	—	21,466	
—	—	20,420	—	2,573	—	22,993	
—	—	—	—	4,596	—	86,158	
5,070	—	231	8	1,299	—	7,501	
55,551	27,877	379,143	10,146	220,108	(138,107)	805,537	
—	—	2,498,484	—	—	—	2,498,484	
87,700	23,174	—	—	12,094	—	186,027	
—	—	—	—	—	—	45,267	
—	—	—	—	—	—	54,334	
—	—	—	—	12,219	—	12,219	
—	—	—	—	—	—	2,623	
781	—	—	—	—	—	5,897	
—	—	—	—	1,870	—	1,870	
—	—	—	—	—	—	645	
—	—	—	—	—	—	46,775	
76,167	10,302	—	—	—	—	86,469	
—	—	—	—	5,944	—	13,688	
—	—	—	—	10,072	—	277,885	
164,648	33,476	2,498,484	—	42,199	—	3,232,183	
\$ 220,199	\$ 61,353	\$ 2,877,627	\$ 10,146	\$ 262,307	\$ (138,107)	\$ 4,037,720	

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Arthur Middleton

A wealthy planter, Arthur Middleton (1742-1787) was elected in 1776 to the Continental Congress, where he signed the Declaration of Independence. Middleton also helped to draft the South Carolina Constitution of 1776 and was a member of the South Carolina Senate.

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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Battle of Cowpens (William Ranney)

The Battle of Cowpens, on January 17, 1781, was a major victory over the British in the southern campaign of the Revolutionary War. Colonel Daniel Morgan defeated a much larger British force under Banastre Tarleton by the use of innovative battlefield tactics amidst the cow pens of a Spartan district farmer.

Appropriation Activity

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

Function	Original Appropriations	Adjustments ^a
Legislative.....	\$ 28,729	\$ 4,374
Judicial.....	36,811	3,386
Executive and administrative.....	155,372	19,828
Educational.....	2,185,075	83,665
Health.....	777,572	40,172
Social rehabilitation services.....	119,009	22,027
Correctional and public safety.....	477,739	44,313
Conservation, natural resources, and development.....	113,685	33,965
Regulatory.....	54,684	3,266
Transportation.....	586	(3)
Debt service.....	149,892	707
Miscellaneous.....	487,834	47,715
Totals--appropriations for expenditures.....	4,586,988	303,415
Transfer to designation for capital and nonrecurring.....	86,920	—
Totals--appropriations for expenditures and intrafund transfers.....	\$ 4,673,908	\$ 303,415

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 1996-97.....	\$ 294,761
Open-ended appropriations.....	8,654
Total adjustments.....	\$ 303,415

<u>Adjusted Appropriations</u>	<u>Expenditures</u>	<u>Intrafund Transfer</u>	<u>Appropriations To Be Carried Forward</u>	<u>Lapsed Appropriations</u>
\$ 33,103	\$ 28,500	\$ —	\$ 4,588	\$ 15
40,197	36,704	—	3,476	17
175,200	134,223	—	38,851	2,126
2,268,740	2,245,397	—	22,944	399
817,744	805,797	—	11,947	—
141,036	135,420	—	5,616	—
522,052	488,235	—	33,817	—
147,650	140,257	—	7,370	23
57,950	55,332	—	2,618	—
583	583	—	—	—
150,599	150,574	—	—	25
535,549	533,357	—	—	2,192
4,890,403	4,754,379	—	131,227	4,797
86,920	—	86,920	—	—
<u>\$ 4,977,323</u>	<u>\$ 4,754,379</u>	<u>\$ 86,920</u>	<u>\$ 131,227</u>	<u>\$ 4,797</u>

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Mary McLeod Bethune (Simmie L. Knox)

From humble beginnings in rural South Carolina, Mary McLeod Bethune (1875-1955) became one of the foremost black educators and leaders of her time. In 1904 she founded what would later become Bethune-Cookman College in Florida, and in 1935 she was appointed to the Advisory Board of the National Youth Administration. She later became head of the Administration's Negro Division.

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
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%
1998	130,380	—	—	130,380	137,650	95% ^c

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

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

^cAs required by Part III of the 1998-99 Supplemental Appropriations Act, \$7,269,750 was transferred to the Reserve on September 1, 1998, to provide full funding.

Funds Earmarked for Public Education

BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1998

(Expressed in Thousands)

Part I, Section 1, of the 1997-98 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 expenditures from Budgetary General Funds and Capital Reserve Funds 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.....	\$ 1,741,801
Alcoholic liquors tax--60% portion.....	20,400
Beer and wine tax--penalties and fines.....	293
Soft drinks tax.....	19,295

Budgetary-basis revenues available for appropriation.....	1,781,789
--	------------------

Total budgetary-basis revenues earmarked for public education (95.5% of budgetary-basis revenues available for appropriation).....

1,701,608 ^a

Budgetary-basis expenditures:

Department of Education.....	1,479,274
State Board of Technical and Comprehensive Education.....	158,117
Educational Television Commission.....	21,343
Wil Lou Gray Opportunity School.....	2,898
School for the Deaf and Blind.....	12,507
John De La Howe School.....	3,832
Debt service on capital improvement bonds applicable to above agencies.....	23,853
Other school purposes.....	12,487 ^b

Total budgetary-basis expenditures for public education.....	1,714,311
---	------------------

Excess of budgetary-basis expenditures over revenues earmarked for public education.....

\$ 12,703

^aTitle 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.

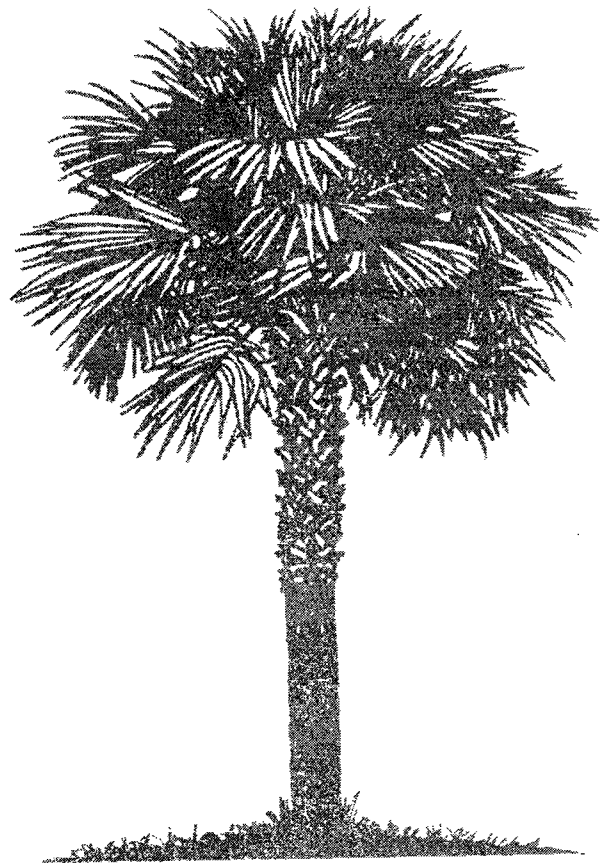
^bThe Other School Purposes expenditure category includes: (1) a State supplement to school districts to help pay the district contribution toward public school employee benefits, (2) State expenditures for the Palmetto Unified School District, (3) State expenditures for the Department of Juvenile Justice's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

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L. Mendel Rivers (Diane Roberts)

L. Mendel Rivers (1905-1970), a native of Gumville, served South Carolina on both the state and national levels, including 29 years in the United States House of Representatives.

Statistical Section



This section presents certain economic and social data and financial trends over a ten-year period.

Expenditures by Function

GENERAL GOVERNMENTAL FUND TYPES^a

Last Ten Fiscal Years
(Expressed in Thousands)

Function	1989	1990	1991	1992
General government ^b	\$ 261,929	\$ 314,764	\$ 251,692	\$ 234,092
Education	240,491	270,237	262,697	241,230
Individual and family services ^c	1,417,641	1,811,417	2,097,614	2,489,321
Health and environment ^{c, d}	—	—	—	—
Social services ^c	—	—	—	—
Administration of justice.....	256,358	282,580	300,250	304,488
Resources and economic development.....	113,672	128,101	132,970	128,059
Transportation.....	249,285	265,443	274,895	274,957
Miscellaneous.....	70	30	—	—
Capital outlay ^e	38,634	25,854	25,166	22,819
Debt service:				
Principal retirement.....	84,680	62,482	66,715	94,538
Interest and fiscal charges.....	46,077	47,902	50,825	53,911
Intergovernmental.....	1,746,987	1,969,425	2,007,557	2,033,486
Total expenditures.....	\$ 4,455,824	\$ 5,178,235	\$ 5,470,381	\$ 5,876,901

^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

1993	1994	1995	1996	1997	1998
\$ 247,452	\$ 399,456	\$ 352,015	\$ 330,519	\$ 351,156	\$ 352,065
254,464	293,158	322,219	379,984	326,103	318,558
2,682,162	—	—	—	—	—
—	2,166,088	2,320,642	2,946,457	3,032,995	3,121,887
—	678,772	697,958	709,747	700,442	662,912
312,961	405,503	457,008	488,425	543,456	592,556
131,021	138,937	139,635	155,302	150,131	160,242
290,740	214,574	203,837	218,366	230,384	281,021
—	—	—	—	—	—
24,572	391,848	385,698	398,776	436,798	396,801
104,316	82,602	88,765	82,997	97,728	110,076
53,316	49,107	48,796	50,574	53,493	51,132
2,096,679	2,157,866	2,358,823	2,636,440	2,805,584	3,032,018
<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>	<u>\$ 9,079,268</u>

Revenues by Source

GENERAL GOVERNMENTAL FUND TYPES^a

Last Ten Fiscal Years
(Expressed in Thousands)

Sources	1989	1990	1991	1992
Taxes:				
Individual income.....	\$ 1,225,648	\$ 1,361,839	\$ 1,377,825	\$ 1,386,724
Retail sales and use.....	1,359,200	1,464,989	1,463,941	1,515,223
Other.....	958,058	918,270	914,729	911,036
Licenses, fees, and permits.....	150,859	163,202	198,235	218,726
Interest and other investment				
income.....	75,535	82,954	77,602	55,634
Federal.....	1,202,502	1,650,917	1,821,552	2,140,272
Departmental services ^b	105,484	111,985	118,209	137,112
Contributions	30,316	31,812	54,337	81,232
Fines and penalties.....	24,235	31,034	31,643	43,610
Other.....	44,971	37,775	32,045	43,552
Total revenues.....	\$ 5,176,808	\$ 5,854,777	\$ 6,090,118	\$ 6,533,121

^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

1993	1994	1995	1996	1997	1998
\$ 1,481,592	\$ 1,519,030	\$ 1,646,375	\$ 1,809,287	\$ 1,927,600	\$ 2,103,799
1,628,766	1,756,157	1,892,801	2,034,484	2,141,864	2,304,004
983,546	999,077	1,059,846	1,149,342	1,163,889	1,190,605
300,699	307,939	255,570	243,502	258,960	281,242
44,702	48,596	82,412	98,728	113,199	130,155
2,228,180	2,582,498	2,787,132	2,907,661	3,087,312	3,213,004
153,781	161,375	215,485	535,117	533,395	540,047
101,242	82,507	89,797	106,606	115,739	155,137
44,182	51,926	54,881	55,340	58,170	61,744
52,796	53,195	59,716	73,639	70,424	81,067
\$ 7,019,486	\$ 7,562,300	\$ 8,144,015	\$ 9,013,706	\$ 9,470,552	\$ 10,060,804

Income and Sales Tax Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30	Individual Income Tax	Corporate Income Tax	Retail Sales Tax^a
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%
1998	2.50 - 7%	5%	5%

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

Source: The Department of Revenue.

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Joseph Brevard Kershaw

Born in Camden and educated at home, Joseph Kershaw (1822-1894) practiced law and became a judge. His military service began in the Mexican War in 1846 and reached its zenith during the Civil War when Kershaw attained the rank of major general in the Confederate Army. He also served in the South Carolina House and Senate.

Net General Obligation Bonds and Notes Per Capita

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population^a (Thousands)	Gross Bonded Debt^b (Thousands)	Debt Payable From Higher Education Funds (Thousands)	Net General Bonded Debt^c (Thousands)	Net General Bonded Debt Per Capita
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	3,625	884,025	43,230	840,795	231.94
1994	3,654	929,571	40,420	889,151	243.34
1995	3,683	898,047	44,345	853,702	231.80
1996	3,717	1,007,394	41,900	965,494	259.75
1997	3,760	1,052,173	85,365	966,808	257.13
1998	3,822	1,036,642	84,465	952,177	249.13

^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, 1998

(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, 1998.....	84,465
Legal debt margin at June 30, 1998—institution bonds.....	\$ 5,535
1996-97 revenues derived from use of public highways	\$ 509,031
Less: revenues designated for specific purposes ^a	100,592
1996-1997 revenues pledged for highway bonds.....	\$ 408,439
1996-1997 Budgetary General Fund revenues pledged for highway bonds.....	\$ 101,704
1996-1997 other revenues pledged for highway bonds.....	306,735
1996-1997 revenues pledged for highway bonds.....	408,439
15% of 1996-1997 revenues pledged for highway bonds.....	61,266
Less: maximum annual debt service for highway bonds ^b	12,950
Legal debt service margin at June 30, 1998—highway bonds.....	\$ 48,316
1996-1997 Budgetary General Fund revenues	\$ 4,588,316
Less: 1996-1997 Budgetary General Fund revenues pledged for highway bonds.....	101,704
Less: 1996-1997 transfers for institution bond debt service recorded as Budgetary General Fund revenues.....	8,669
1996-1997 net Budgetary General Fund revenues.....	4,477,943
5% of 1996-1997 net Budgetary General Fund revenues.....	223,897
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds ^b	130,002
Legal debt service margin at June 30, 1998—general obligation bonds excluding institution and highway bonds.....	\$ 93,895

^a These revenues, which include taxes allocated by law to the State General Fund, to other State agencies and funds, and to County Transportation Committees, are not available to the Department of Transportation.

^b As of June 30, 1998, 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, 2001, 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
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%
1998	110,076	51,132	161,208	9,079,268	1.78%

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

Benjamin Mays

Distinguished educator and early civil rights leader Benjamin Mays (1894-1984) was born in Greenwood County. From 1940 until 1967 Mays served as President of Morehouse College in Atlanta, where he taught many students, including Dr. Martin Luther King, Jr.

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Revenue Bond Coverage—Enterprise Funds ^a

Last Ten Fiscal Years
(Dollars in Thousands)

SOUTH CAROLINA HOUSING FINANCE AND DEVELOPMENT AUTHORITY ^c

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses ^b	Net Revenue Available for Debt Service
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
1998	52,825	62,732	6,608	108,949

SOUTH CAROLINA EDUCATION ASSISTANCE AUTHORITY ^{c d}

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses ^b	Net Revenue Available for Debt Service
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
1998	44,708	43,402	8,252	79,858

^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 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.

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

Debt Service Requirements

Principal	Interest	Total	Coverage Ratio
\$ 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
11,645	33,629	45,274	2.41

Debt Service Requirements

Principal	Interest	Total	Coverage Ratio
\$ 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
47,515	20,275	67,790	1.18

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Benjamin Ryan Tillman

Benjamin Ryan “Pitchfork Ben” Tillman (1847-1918) was a popular governor and senator whose legacy to South Carolina was the founding of Winthrop and Clemson Universities.

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>
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	3,624,570	17,242	32.9	688,513	7.3%
1994	3,653,615	18,072	33.3	692,515	5.2%
1995	3,683,395	19,073	33.7	701,140	5.5%
1996	3,716,645	19,898	34.1	699,058	5.8%
1997	3,760,181	20,755	34.5	708,751	3.7%
1998	3,821,900	^d	35.0	718,969	^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
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	46,864	60,977
1997	31,397	27,984	2,430	23,515	d	d
1998	c	c	c	c	d	d

^a The residential construction statistics exclude mobile home permits.

^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 1997 nor 1998 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, 1997

<u>Name</u>	<u>Number of Plants in South Carolina</u>	<u>Number of Employees in South Carolina</u>
Westinghouse Electric Corporation.....	3	13,036
Springs Industries, Incorporated.....	20	9,301
Milliken & Company.....	30	7,639
Michelin Tire Corporation.....	7	6,346
WestPoint Stevens.....	6	4,677
Robert Bosch GmbH.....	5	3,748
Hoechst AG.....	4	3,529
AB Electrolux Sweden.....	2	3,100
Ingersoll-Rand Company.....	5	3,080
Greenwood Mills, Incorporated.....	9	2,939
W. R. Grace & Company.....	5	2,938
AlliedSignal, Incorporated.....	6	2,696
KEMET Corporation.....	4	2,631
JPS Textile Group.....	5	2,535
E. I. du Pont de Nemours.....	4	2,495
Ryobi North America, Incorporated.....	3	2,467
Gold Kist Incorporated	1	2,353
General Electric Company.....	2	2,325
Spartan Mills	8	2,284
Sonoco Products Company.....	5	2,276
Avondale Mills.....	8	2,227
Owens-Corning Fiberglas Corporation.....	4	2,225

^aBased on number of employees. This list includes all companies with 2,200 or more employees.

Source: 1998-99 South Carolina Industrial Directory.

Miscellaneous Statistics

December 31, 1997 (Except as Noted)

Date of ratification--U. S. Constitution.....	1788 ^a
Form of government.....	Legislative-Executive-Judicial
Miles of State highways.....	64,774 ^b
Land area (square miles).....	30,111 ^c
State police protection:	
Police and sheriff agencies.....	295 ^d
Total number of sworn officers.....	9,116 ^d
Higher education (universities, colleges, and technical education centers):	
Number of campuses.....	61 ^e
Number of students.....	185,081 ^e
Recreation:	
Number of State parks and historical sites.....	56 ^f
Area of State parks.....	81,799 acres ^f
Area of State forests.....	71,922 acres ^g
State employees--all funds (at June 30, 1998).....	68,872 ^h

Sources:

^a1998 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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John C. Calhoun

Born in Abbeville, John C. Calhoun's (1782-1850) lengthy political career included service as Secretary of State, Secretary of War, and Vice-President under Andrew Jackson and John Quincy Adams. He achieved lasting fame in the United States Senate, where he was well known for his rhetorical skills and advocacy of states' rights.

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