

# State of South Carolina

*Comprehensive Annual Financial Report*

*June 30, 1999*



**James A. Lander**  
**Comptroller General**

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On the cover:  
**Marion County Courthouse**



**STATE OF  
SOUTH CAROLINA**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

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

**1 9 9 9**

**Prepared by the Comptroller General's Office**

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## COMPTROLLER'S MESSAGE...

# SOUTH CAROLINA TRADITIONS

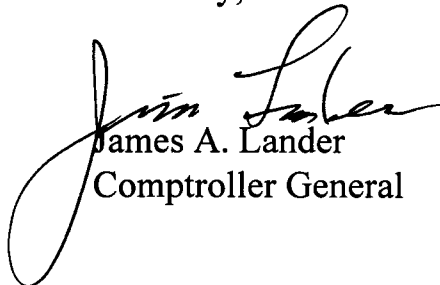
South Carolina is a place where tradition provides a conspicuous daily influence on the lives, values, and culture of its people. As one of the original thirteen colonies, the State traces its settlement back more than 325 years and treasures the historic role it has played in the founding and strengthening of the American nation.

In recent years, the faithful management of public moneys and the rigorous process of financial accountability have become South Carolina traditions of the highest order. The State treasures its AAA bond rating as symbolic of that historic fiscal integrity. The pages of this report offer detailed insight into the financial activities of the 1998-1999 fiscal year.

Interspersed with the financial information are glimpses of another South Carolina tradition—the fair-minded dispensing of justice through the court system. Pictures of South Carolina's courthouses are thoughtful reminders of the State's past and living indicators of how the State is adapting to meet its current and future needs.

Thank you for taking a few minutes to learn about our State, its traditions, and its financial record for the most recently completed fiscal year.

Sincerely,



James A. Lander  
Comptroller General



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## **COURTHOUSES, THE ESSENCE OF A STATE'S PAST**

South Carolina's history is stored in many places. It is contained on bookshelves and battlefields, and it resides in school buildings and quiet country churches.

It also occupies the chambers and corridors of the State's remarkably eclectic collection of county courthouses, the structures whose grace has symbolized the solemnity with which South Carolinians treat their judicial activities. Courthouses are the places where democracies dispense justice. They are the places where the fragile balance between the orderliness of society and the unfettered rights of the individual citizen is constantly being defined and redefined by the outcomes of adversarial proceedings. In courthouses, Americans come face to face with the realities of their delicately tooled process of self-government.

Courthouses have also been meeting places. In the days when South Carolina was largely a state of rural interests, courthouse squares were places where farmers gathered on Saturdays, sold crops, bought provisions, and exchanged the news of the day. The political regulars of every county became known as "courthouse gangs," and their members became identified in an uncomplimentary way with insiders and the manipulation of influence and favors.

In the days before office buildings and shopping malls dominated the landscape, courthouses were places of architectural nobility and community pride. No less a figure than Robert Mills, the nineteenth century South Carolinian who designed the Washington Monument and the United States Treasury Building in Washington, drew up plans for as many as seventeen county courthouses in South Carolina, as well as many other public buildings in the State.

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Courthouses designed by Mills were built between 1821 and 1828 at a time when there were twenty-nine counties, known as “districts.” Their construction was authorized and funded by the State’s Public Works Commission. The State’s second major courthouse construction era came between 1878 and 1919, when the General Assembly authorized the formation of fourteen counties.

Most of South Carolina’s older courthouses survive today, and some are still used for their original purpose. The buildings, many bearing characteristics of Greek Revival or Georgian Revival styles, have undergone renovation and modernization to meet the growing and changing needs of an expanding state. In other counties—Richland, Dorchester, Kershaw, Florence, Greenwood, and Pickens among them—courthouses have been erected in the latter half of the twentieth century, and some of them reflect more contemporary design styles and features.

Whatever their age or design, South Carolina’s courthouses represent an important link between the State’s traditional past and its restless present. As South Carolina enters the new millennium, its values—like its courthouses—reflect both a reverence for its storied past and energy for its ambitious future.

Throughout the pages of this report, you will see photographs of South Carolina’s county courthouses. Descriptions and histories of these courthouses are found beginning on page 181.

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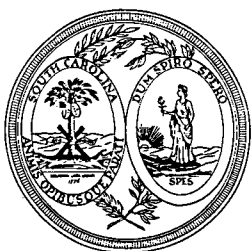
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# **Introductory Section**

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STATE OF SOUTH CAROLINA

## Office of Comptroller General

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December 2, 1999

### **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, 1999. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

The report includes information for the use of all parties who are interested in the State's finances. This includes the State's taxpayers, members of the General Assembly, and directors of State agencies as well as the State's investors and creditors.

Management is responsible for the accuracy of the data in this report as well as the completeness and fairness of the presentation. To the best of our knowledge and belief, this information is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups, and component units of the State of South Carolina. The report includes all disclosures that readers need to gain an understanding of the State of South Carolina's activities.

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, 1998 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**

### **Legislative Initiatives**

The South Carolina General Assembly made two major down payments on the new millennium during its 1998-1999 session: it increased annual funding of the State's public school system by more than \$180.000 million, and it authorized \$1.000 billion in general obligation bonds, most of which will be allocated to educational needs.

Two major educational initiatives received priority attention. One of them, known as the First Steps to School Readiness program, provided first-year funding of \$20.000 million to support—through statewide grants for early childhood education—efforts to strengthen children's readiness for first grade. The initiative creates county partnerships to provide support to local communities.

Education-related legislation also targeted alternative school programs. Additional funds amounting to \$5.600 million were designated to support programs that will offer separate instruction for students whose behavior disrupts the learning of others or who, for other reasons, need attention and assistance beyond the traditional classroom experience.

In its capital bond legislation, the General Assembly provided that \$750.000 million (\$250.000 million in 1999-2000) in general obligation State school facilities bonds be issued for permanent school facilities and school equipment. Additionally, \$250.000 million in general obligation capital improvement bonds was authorized primarily to fund projects at State universities and other educational institutions and to pay for school buses and maintenance vehicles.

The legislature continued its efforts to provide tax relief, increasing the senior citizen income tax exemption from \$11,500 to \$15,000 and offering voters the opportunity to approve through referendum a phased-in reduction of the assessment rate on automobiles and other vehicles from 10.5% to 6.0% over a six-year period.

In other actions, the General Assembly increased Interstate highway speed limits to 70 miles per hour, established uniformity in the manner by which municipalities charge telecommunications companies for use of public rights-of-way, and set limitations on business licenses that municipalities impose on telecommunications companies.

The General Assembly also approved a November 2000 vote to determine whether the State should be permitted to establish a lottery to generate revenue for public education purposes. A public vote scheduled for November 1999 to decide the

fate of video poker cash payouts was ruled unconstitutional by the South Carolina Supreme Court in a decision which also banned video poker gambling in the State as of July 1, 2000.

### **Projects to Implement New Accounting and Financial Reporting Requirements**

The Governmental Accounting Standards Board (GASB) issued Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*, in December 1998 and Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in June 1999. To comply with generally accepted accounting principles for governments, the State of South Carolina must implement Statement 33, except for the accrual-basis revenue recognition provisions of that Statement, beginning July 1, 2000. Beginning July 1, 2001, the State must implement the accrual-basis revenue recognition provisions of Statement 33 as well as Statement 34, except for the provisions of Statement 34 that relate to retroactive reporting of major general infrastructure assets. Beginning July 1, 2005, the State must implement the provisions of Statement 34 that relate to retroactive reporting of major general infrastructure assets. Management intends to implement these statements no later than the dates specified by the GASB.

Management anticipates that compliance with GASB Statements 33 and 34 will significantly affect the content and format of the State of South Carolina's Comprehensive Annual Financial Reports (CAFRs) for fiscal years ending after the implementation dates described above. However, the State's management has not yet determined the extent of those effects on specific account balances, financial statements, notes to the financial statements, or other presentations within the CAFR.

### **ECONOMIC CONDITION AND OUTLOOK**

Over the last three 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 \$65 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 three 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 \$7 billion.

The State's coastal areas have emerged as one of the leading recreation centers on the east coast, providing even more stimulus to South Carolina's growing economy. Personal income in Horry County, which includes the Myrtle Beach area,

has grown at an extraordinary 10.2% per year over the last two decades and exceeds \$3.5 billion.

Since 1970, over 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 over ten-fold, one-fifth faster than growth in personal income in the United States. During the high inflationary 1970's, personal income grew at an average annual compound rate of 11.8% compared to a much lower 10.7% nationwide. Even in the lower inflationary 1980's, personal income in South Carolina grew a healthy 8.5% per year, compared to a lesser 7.6% 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 1999-2000 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 300,000 in September 1999 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 1999, over 500 companies have taken advantage of the tax incentive package offered by the State. Global companies such as BMW, Honda of America, Bridgestone/Firestone, Michelin, and Hoffman-LaRoche 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 (BEA) met on November 10, 1999, and reported that the State's Budgetary General Fund revenue collections at the end of the first four months of fiscal year 1999-2000 were greater than anticipated. As a result, the BEA raised the General Fund revenue estimate for fiscal year 1999-2000, anticipating a revenue excess of \$233 million in fiscal year 1999-2000 over the estimated revenue amounts included in 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 1981-1982, 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.

The Comptroller General's Office maintains an automated annual financial reporting system as well as an automated interface between STARS and that system. The Comptroller General's Office uses these automated systems to prepare this report in accordance with generally accepted accounting principles (GAAP). State agencies that use STARS prepare year-end forms to report amounts needed to adjust their budgetary-basis balances to conform with GAAP. The Comptroller General's Office then enters into its GAAP financial reporting system the data from these forms as well as data 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.

The Comptroller General's Office has completed the remediation and testing work needed to allow all statewide accounting and financial reporting systems under its supervision to operate properly after January 1, 2000.

### **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 1998-1999 covered all expenditures deemed applicable to that year and paid on or before July 20, 1999. Agencies may carry forward up to 10.0% 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 (except for some higher education institutions) does not record encumbrances. 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 verifies 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 (BEA) may approve revisions of estimated revenues of the Budgetary General Fund during the year. The BEA approved such upward revisions on November 10, 1998, and June 18, 1999.

During 1997-1998, the General Assembly approved a Supplemental Appropriation Act that added \$86.158 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1999. Of this amount, \$7.270 million was used to fund the General Reserve, and the remaining \$78.888 million was appropriated to various state agencies on September 1, 1998. Late in 1998-1999, the General Assembly approved \$82.122 million of additional supplemental appropriations. Of this amount, \$16.000 million was expended during 1998-1999, and the remaining \$66.122 million was appropriated and reserved as Appropriations to be Carried Forward to 1999-2000.

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 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; Connector 2000 Association, Inc.; and the Savannah Lakes Regional

Loan Fund. Note 1a in the Notes to the Financial Statements provides a more complete description of the State's reporting entity.

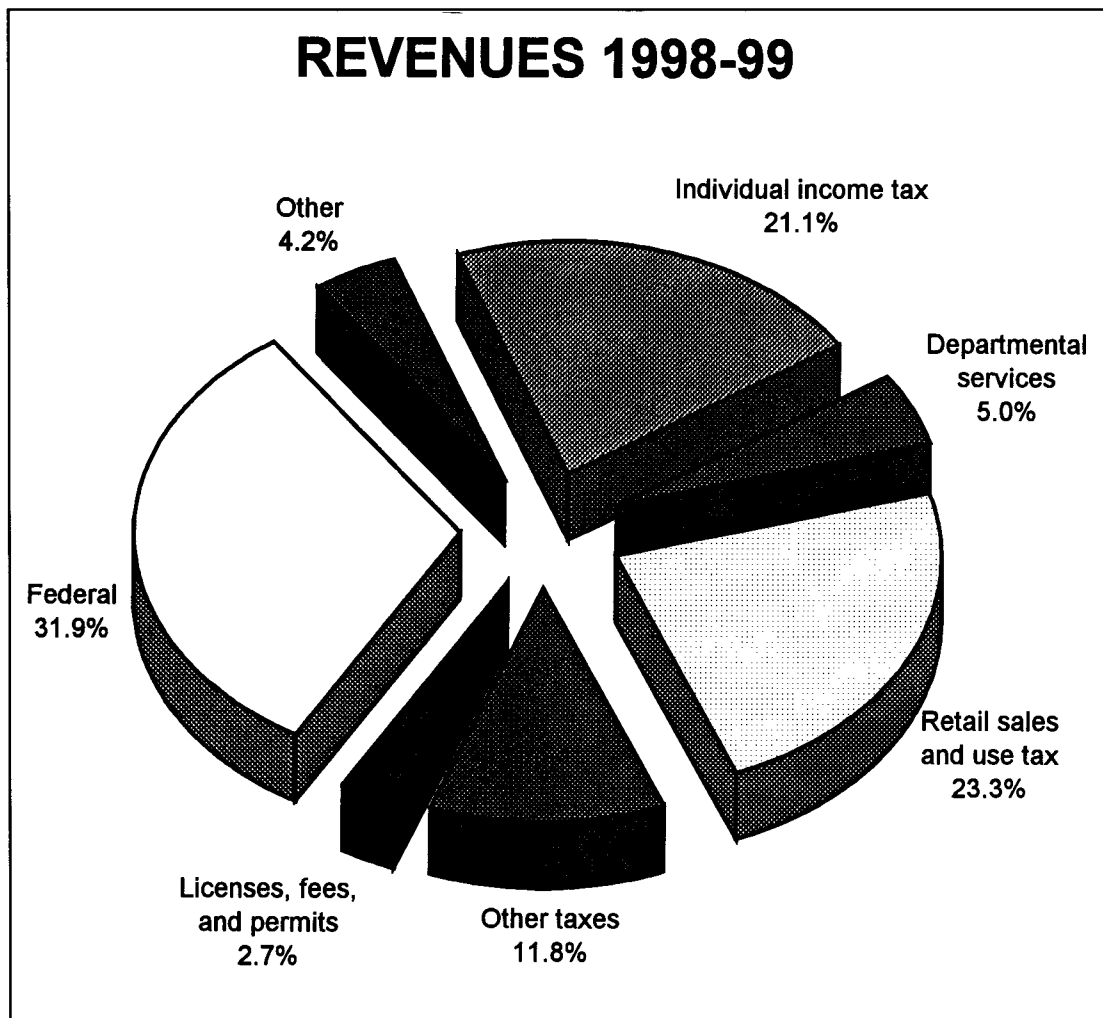
## FINANCIAL OVERVIEW

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, 1999, other financing uses exceeded other financing sources for these funds by \$304.207 million.

### Revenues

The State's most significant sources of revenue are its 5.0% 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, 1999 (expressed in thousands) and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year revenues:

Revenues	1998-1999 Amount	Percent of Total	Increase (Decrease) from 1997-98	Percentage Increase (Decrease)
Individual income tax.....	\$ 2,282,509	21.1%	\$ 178,710	8.5%
Retail sales and use tax.....	2,521,264	23.3%	217,260	9.4%
Other taxes.....	1,274,366	11.8%	83,761	7.0%
Licenses, fees, and permits.....	290,530	2.7%	9,288	3.3%
Interest and other investment income....	122,002	1.1%	(8,153)	(6.3%)
Federal.....	3,445,858	31.9%	232,854	7.2%
Departmental services.....	539,863	5.0%	(184)	0.0%
Contributions.....	192,852	1.8%	37,715	24.3%
Fines and penalties.....	69,862	0.6%	8,118	13.1%
Other.....	80,220	0.7%	(847)	(1.0%)
<b>Totals .....</b>	<b>\$ 10,819,326</b>	<b>100.0%</b>	<b>\$ 758,522</b>	<b>7.5%</b>



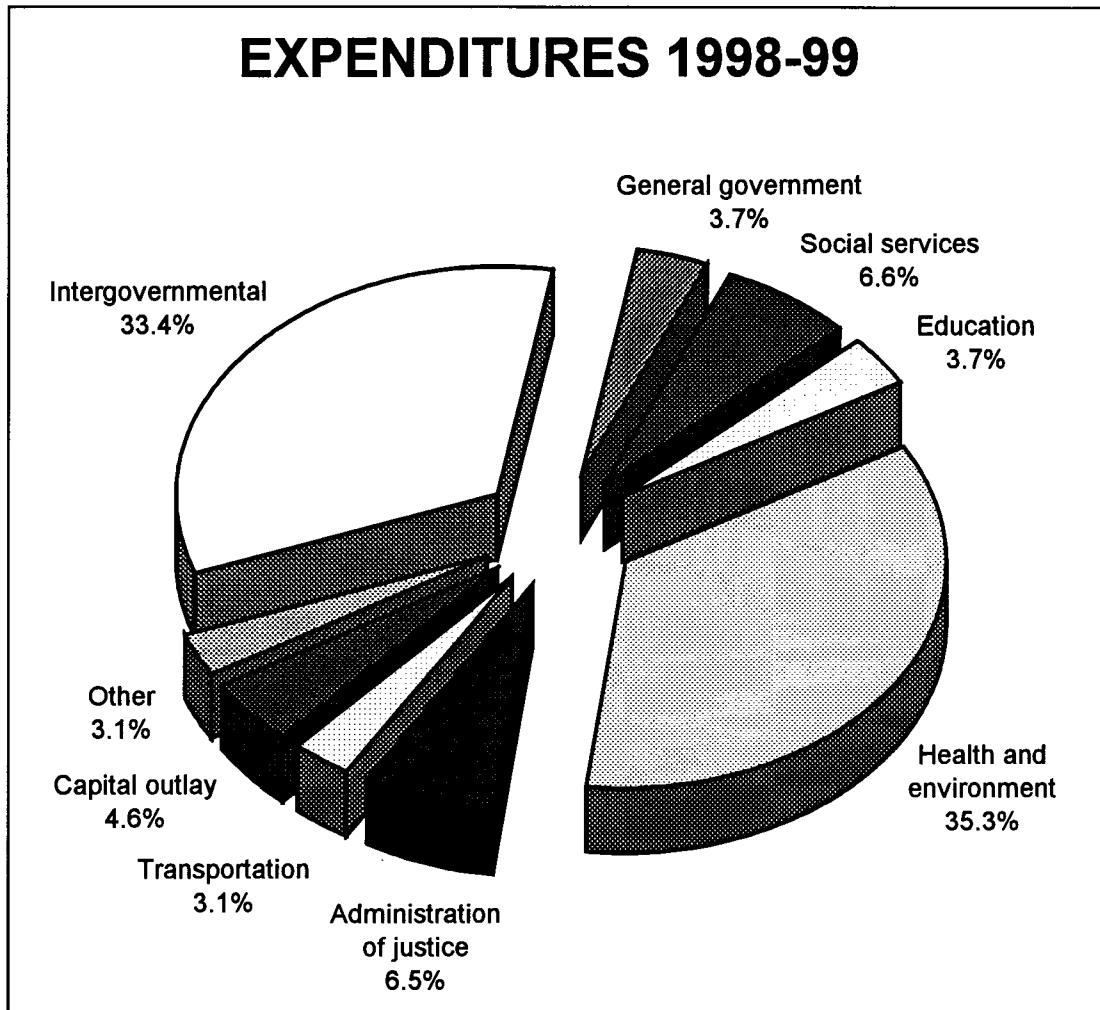
Revenue in the Contributions category increased as a result of the activities of the South Carolina Transportation Infrastructure Bank. The amount of Contributions revenue that the Bank received during 1998-1999 increased in response to an increase in the Bank's road-building activities.

The increase in Fines and Penalties revenue primarily resulted from a situation whereby several companies agreed to provide more than \$8.000 million to the State for environmental clean-up.

### Expenditures

The following schedule presents a summary of General Fund and Special Revenue Funds expenditures for the fiscal year ended June 30, 1999 (expressed in thousands), and the amounts (expressed in thousands) and percentages of increases (decreases) in relation to prior year expenditures:

Expenditures	1998-1999 Amount	Percent of Total	Increase (Decrease) from 1997-1998	Percentage Increase (Decrease)
Current:				
General government.....	\$ 355,558	3.7%	\$ 3,493	1.0%
Education.....	355,927	3.7%	37,369	11.7%
Health and environment.....	3,443,809	35.3%	321,922	10.3%
Social services.....	648,689	6.6%	(14,223)	(2.1%)
Administration of justice.....	632,872	6.5%	40,316	6.8%
Resources and economic development	159,546	1.6%	(696)	(0.4%)
Transportation.....	303,824	3.1%	22,803	8.1%
Capital outlay.....	453,708	4.6%	56,907	14.3%
Debt service:				
Principal retirement.....	90,786	0.9%	(19,290)	(17.5%)
Interest and fiscal charges.....	55,193	0.6%	4,061	7.9%
Intergovernmental.....	3,262,640	33.4%	230,622	7.6%
<b>Totals.....</b>	<b>\$ 9,762,552</b>	<b>100.0%</b>	<b>\$ 683,284</b>	<b>7.5%</b>



Expenditures in the Education category increased as a result of the the State's commitment to improving education through State-supported scholarship programs and aid to school districts to reduce class size.

The increase in the Health and Environment category resulted primarily from increases in the quantity of pharmaceuticals used by Medicaid clients and increases in the cost of such pharmaceuticals.

An increase in State road and bridge construction projects led to an increase in expenditures for Capital Outlay.

Debt service expenditures for retirement of principal decreased during the 1998-1999 fiscal year because the State paid off an unusually large amount of bonds during the preceding 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:

	1999	1998	1997	1996	1995
<b>General Fund</b>					
Reserved.....	\$ 335,038	\$ 286,945	\$ 450,686	\$ 545,796	\$ 461,303
Unreserved, Designated.....	31,360	—	—	—	—
Unreserved, Undesignated.....	—	(109,468)	(294,233)	(261,065)	(202,981)
<b>Total General Fund.....</b>	<b>\$ 366,398</b>	<b>\$ 177,477</b>	<b>\$ 156,453</b>	<b>\$ 284,731</b>	<b>\$ 258,322</b>
<b>Special Revenue Funds</b>					
Reserved.....	\$ 350,722	\$ 204,427	\$ 205,377	\$ 202,628	\$ 172,487
Unreserved, designated.....	336,826	165,328	128,640	112,144	73,946
Unreserved, undesignated.....	1,015,125	775,557	541,769	386,726	383,955
<b>Total Special Revenue Funds.....</b>	<b>\$ 1,702,673</b>	<b>\$ 1,145,312</b>	<b>\$ 875,786</b>	<b>\$ 701,498</b>	<b>\$ 630,388</b>

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.

The designated portion of unreserved fund balance reflects tentative plans for future use of available financial resources. At June 30, 1999, the State had tentative plans to use \$91.766 million of the fund balance in its Budgetary General Fund to pay for selected recurring and nonrecurring items. Of that amount, only \$31.360 million in net financial resources was available in the General Fund at June 30, 1999, to finance those tentative plans.

For 1995 through 1998, the General Fund's reserve requirements exceeded its total fund balance. This created a negative unreserved component of fund balance in the General Fund, even though the total fund balance was positive in those years. In those years, the General Fund did not have an unreserved designated fund balance

because it had no net financial resources to finance any tentative future spending plans.

## **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, 1999, are as follows:

	<b>Housing Authority</b>	<b>Education Assistance Authority</b>
Operating revenues....	\$ 47,643	\$ 45,159
Net income.....	15,436	15,698
Total assets.....	664,579	526,384
Total fund equity.....	177,185	123,141

### **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 \$7.605 million during its fiscal year ended December 31, 1998. 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, 1999, follow:



	Public Service Authority (Santee- Cooper)	State Ports Authority
Operating revenues....	\$ 775,639	\$ 84,801
Net income.....	31,740	16,072
Total assets.....	3,322,310	520,502
Total fund equity.....	828,870	322,096

## 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 has funded all four of these plans in accordance with recommendations of the consulting actuaries, both in the current period and in past periods. The State has no pension liability for those plans at June 30, 1999.

The South Carolina Adjutant General's Office administers the National Guard Pension System. The State recorded a \$4.202 million pension liability for that plan in the General Long-Term Obligations Account Group at June 30, 1999. 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 that these services award. 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, 1999, South Carolina issued \$275.000 million and retired \$87.765 million in general obligation bonds payable by governmental funds. Of the bonds issued, \$200.000 million were State highway bonds. The State budgets and pays principal and interest on capital improvement

bonds from current resources of the Budgetary General Fund. The Department of Transportation Special Revenue Fund pays the debt service on highway bonds. At June 30, 1999, the Higher Education Funds reported State institution general obligation bonds outstanding of \$78.305 million.

State law limits annual debt service expenditures rather than directly limiting the amount of outstanding debt for general obligation bond and notes. The annual debt service margin at June 30, 1999, was \$138.765 million in total for all institution bonds, \$38.325 million for highway bonds and \$100.554 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 an indicator of the State's debt position that citizens, investors, and management may find useful. The following table shows this amount at June 30 for the last three years:

	1999	1998	1997
Net general obligation bonds/notes outstanding.....	\$1.141 billion	\$952 million	\$967 million
Net general obligation bonds/notes outstanding per capita.....	\$293	\$248	\$255

The General Services Fund, an Internal Service Fund, had \$38.206 million of limited obligation lease revenue bonds outstanding at June 30, 1999.

The primary government's entities had revenue and Infrastructure Bank bonds, notes, and certificates of participation of \$1.566 billion outstanding on June 30, 1999. Revenue and Infrastructure Bank bonds, notes, and certificates of participation outstanding (expressed in thousands) by agency were:

South Carolina Housing Authority.....	\$ 467,531
South Carolina Education Assistance Authority.....	385,448
Transportation Infrastructure Bank bonds.....	275,000
Various higher education institutions.....	435,187
Other State agencies.....	2,529
<b>Total—primary government.....</b>	<b>\$ 1,565,695</b>

During the fiscal year ended June 30, 1999, the Education Assistance Authority advance refunded \$43.570 million in revenue bonds to gain flexibilities provided by the 1993 bond resolution and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$685 thousand. For additional details on this refunding as well as advance refundings in the Higher Education Funds, see Note 10 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, 1999:

South Carolina Public Service Authority (Santee-Cooper).....	\$ 1,801,660
South Carolina State Ports Authority.....	182,434
Connector 2000 Association, Inc.....	204,701
<b>Total—discretely presented component units.....</b>	<b><u>\$ 2,188,795</u></b>

During its fiscal year ended December 31, 1998, the Public Service Authority (Santee-Cooper) advance refunded \$117.378 million in revenue bonds to reduce its total debt service payments over the next twenty-six years by approximately \$62.548 million and to obtain an economic gain of approximately \$16.846 million. For additional details on this refunding and other discretely presented component unit debt transactions, see Note 10 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. Under State law, the State Retirement Systems Investment Panel may make limited investments in equity securities for the State's Pension Trust Funds. 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 \$68.730 million for the fiscal year ended June 30, 1999. 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 aircraft and ocean marine insurance, areas in which the IRF has limited expertise. Further, 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 report for the fiscal year ended June 30, 1999, includes an unqualified opinion, the best possible result of the audit process.

The audit described above is not intended to meet the requirements of the Federal Single Audit Act 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, 1998. 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.

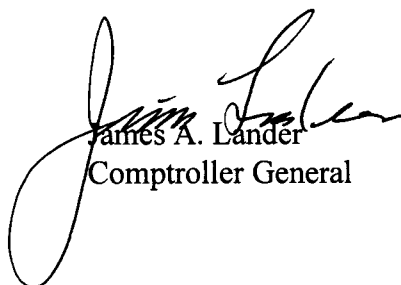
The State of South Carolina has received a Certificate of Achievement for the last eleven consecutive years (1987-1988 through 1997-1998). Again this year, the State will submit its CAFR to the Certificate of Achievement for Excellence in Financial Reporting program of the GFOA. I firmly believe that South Carolina's report for the fiscal year ended June 30, 1999, 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 that 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.

We extend special thanks to the staff of the South Carolina Association of Counties and to the county managers, supervisors, and administrators for providing photographs and information regarding the county courthouses. We also extend our appreciation to Dr. William C. Gillespie, Chief Economist of the State of South Carolina, and to Philip G. Grose, Jr., Director of the State Budget and Control Board's Executive Institute, for providing invaluable assistance in producing the report.

Sincerely,



James A. Lander  
Comptroller General

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**CERTIFICATE  
OF ACHIEVEMENT**

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# Certificate of Achievement for Excellence in Financial Reporting

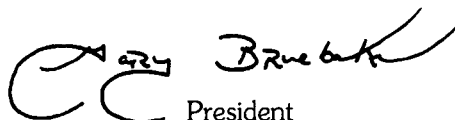
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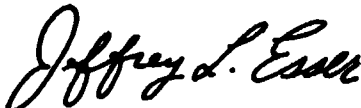
State of  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1998

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.



  
Cary Brueckner  
President

  
Jeffrey L. Esser  
Executive Director

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## Principal State Officials

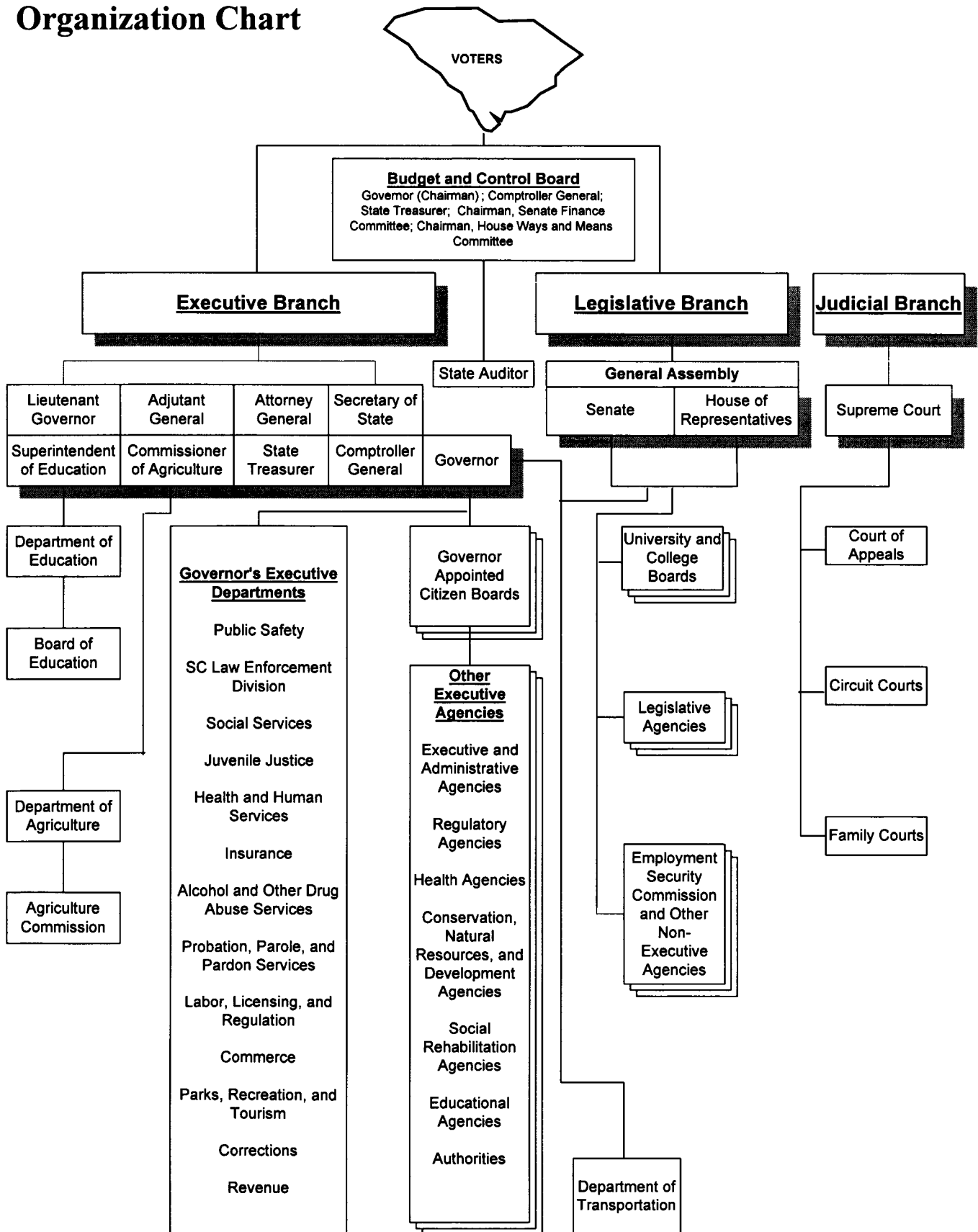
	Term of Office
<b>LEGISLATIVE—THE GENERAL ASSEMBLY</b>	
Robert L. Peeler, President of the Senate and Lieutenant Governor	1999-2003
John Drummond, President Pro Tempore of the Senate	1997-2001
David H. Wilkins, Speaker, House of Representatives	1999-2001
<b>EXECUTIVE</b>	
<b>STATE BUDGET AND CONTROL BOARD</b>	
James H. Hodges, Chairman, Governor	1999-2003
James A. Lander, Comptroller General	1999-2003
Grady L. Patterson, State Treasurer	1999-2003
John Drummond, Chairman, Senate Finance Committee	1997-2001
Robert W. Harrell, Jr.,* Chairman, House Ways and Means Committee	1999-2001
James M. Miles, Secretary of State	1999-2003
Charles M. Condon, Attorney General	1999-2003
Inez Tenenbaum, State Superintendent of Education	1999-2003
Major General Stanhope S. Spears, Adjutant General	1999-2003
D. Leslie Tindal, Commissioner of Agriculture	1999-2003
<b>JUDICIAL</b>	
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.

\*Representative Robert W. Harrell, Jr., became Chairman, House Ways and Means Committee, in September 1999 after Representative Henry E. Brown, Jr., stepped down from that position.

\*\*Jean H. Toal, Chief Justice-Elect, South Carolina Supreme Court, will become Chief Justice in March 2000 when the Honorable Ernest A. Finney, Jr., retires from that position.

# Organization Chart

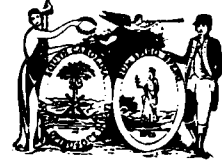


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# **Financial Section**

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**INDEPENDENT AUDITORS' REPORT**

The Honorable James H. Hodges, 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, 1999, 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 (56% and 18%), Enterprise (99% and 92%), Internal Service (74% and 87%), Pension Trust (100% and 100%), Investment Trust (100% and 100%), Higher Education (100% and 100%), and Agency (13% 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 (38% 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% of the total assets and other debits and total revenues of the Investment Trust Fund. The Office of the State Auditor, acting separately, has examined 30% and 34% of the total assets and other debits and total revenues, respectively, of the Higher Education Funds.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units identified in Note 1(a) 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.



In our opinion, based on our audit and reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of South Carolina, as of June 30, 1999, 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.

The year 2000 supplementary information is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the State of South Carolina is or will become year 2000 compliant, 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 are or will become year 2000 compliant.

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 pertaining to the National Guard Pension System 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 of South Carolina. Except as described above, 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 our report dated December 2, 1999 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

Columbia, South Carolina  
December 2, 1999

*Tom Wagner*  
Columbia, South Carolina  
December 2, 1999

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**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

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**Combined Balance Sheet**

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

June 30, 1999

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency
<b>ASSETS AND OTHER DEBITS</b>						
Cash and cash equivalents .....	\$ 730,872	\$ 1,334,764	\$ 93,577	\$ 163,101	\$ 291,761	\$ 2,142,341
Cash on deposit with fiscal agents .....	28,638	—	—	—	—	763,293
Investments .....	6,168	384	—	4,970	242,871	17,946,870
Invested securities lending collateral.....	7,160	2,155	286	966	30,509	1,439,254
Receivables, net:						
Accounts .....	51,674	109,542	1,807	18,558	44,157	310,763
Taxes .....	375,635	129,173	—	—	—	42,779
Patient and student .....	—	—	—	—	—	—
Student loans .....	—	15,510	—	13	—	—
Loans and notes .....	182	250,709	—	394,130	—	95
Due from Federal government and other grantors ..	6,153	403,356	1,212	499	—	2,161
Due from other funds .....	12,584	33,183	1,147	—	33,214	6,519
Due from component units.....	4,114	—	—	—	—	—
Interfund receivables .....	4,778	1,622	—	—	423	—
Advances to other funds .....	8,221	4,245	—	—	16,444	—
Inventories .....	13,704	17,584	—	2,214	6,643	—
Prepaid long-term operating lease.....	—	—	—	—	—	—
Servicing rights, net.....	—	—	—	1,840	—	—
Interest in license agreement.....	—	—	—	—	—	—
Restricted assets:						
Cash and cash equivalents .....	—	—	—	279,871	—	—
Investments .....	—	—	—	29,173	—	—
Loans receivable .....	—	—	—	421,575	—	—
Other .....	—	—	—	8,279	—	—
Other assets .....	—	1,124	—	809	2,280	—
Deferred charges .....	—	—	—	1,059	—	—
Investment in joint venture.....	—	—	—	—	—	—
Property, plant, and equipment, net .....	—	—	—	26,415	162,280	4,528
Amount to be provided for retirement of long-term obligations .....	—	—	—	—	—	—
<b>Total assets and other debits .....</b>	<b>\$ 1,249,883</b>	<b>\$ 2,303,351</b>	<b>\$ 98,029</b>	<b>\$ 1,353,472</b>	<b>\$ 830,582</b>	<b>\$ 22,658,603</b>

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				
\$ —	\$ —	\$ 453,898	\$ 5,210,314	\$ 76,011	\$ 5,286,325
—	—	—	791,931	—	791,931
—	—	108,785	18,310,048	192,864	18,502,912
—	—	2,981	1,483,311	—	1,483,311
—	—	14,023	550,524	103,856	654,380
—	—	—	547,587	—	547,587
—	—	118,200	118,200	—	118,200
—	—	47,434	62,957	—	62,957
—	—	52,573	697,689	—	697,689
—	—	53,835	467,216	—	467,216
—	—	17,221	103,868	—	103,868
—	—	—	4,114	—	4,114
—	—	—	6,823	—	6,823
—	—	—	28,910	—	28,910
—	—	24,949	65,094	96,107	161,201
—	—	16,314	16,314	—	16,314
—	—	—	1,840	—	1,840
—	—	—	—	34,678	34,678
—	—	—	279,871	270,329	550,200
—	—	—	29,173	218,185	247,358
—	—	—	421,575	—	421,575
—	—	—	8,279	—	8,279
—	—	34,383	38,596	3,027	41,623
—	—	—	1,059	438,680	439,739
—	—	3,936	3,936	6,328	10,264
2,406,819	—	3,113,667	5,713,709	2,614,531	8,328,240
—	1,644,608	—	1,644,608	—	1,644,608
<u>\$ 2,406,819</u>	<u>\$ 1,644,608</u>	<u>\$ 4,062,199</u>	<u>\$ 36,607,546</u>	<u>\$ 4,054,596</u>	<u>\$ 40,662,142</u>

Continued on Next Page

# Combined Balance Sheet

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

June 30, 1999  
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities .....	\$ 212,291	\$ 371,480	\$ 3,968	\$ 44,070	\$ 171,047	\$ 62,598
Retainages payable .....	—	16,253	949	—	344	—
Tax refunds payable .....	378,152	556	—	—	—	3,182
Intergovernmental payables .....	66,100	120,769	—	—	—	243
Insurance claims incurred but not reported .....	—	—	—	9,440	171,489	—
Due to other funds .....	19,007	21,643	1,269	1,798	866	52,195
Interfund payables .....	1,603	3,227	—	200	1,555	—
Advances from other funds .....	3,573	102	—	16,639	6,930	—
Deferred revenues and deferred credits .....	181,888	63,671	50	6,663	52,542	656
Deposits .....	—	—	—	1,564	—	728
Amounts held in custody for others .....	—	—	—	—	—	489,232
Securities lending collateral .....	7,160	2,155	286	966	30,509	1,439,254
Liabilities payable from restricted assets .....	—	—	—	70,746	—	—
Notes payable .....	—	—	—	230	1,514	—
General obligation bonds payable .....	—	—	—	—	—	—
Infrastructure bank bonds payable .....	—	—	—	—	—	—
Revenue bonds payable .....	—	—	—	852,979	—	—
Limited obligation bonds payable .....	—	—	—	—	38,206	—
Certificates of participation payable .....	—	—	—	—	—	—
Capital lease and installment debt obligations payable .....	—	—	—	—	3,111	—
Commercial paper notes .....	—	—	—	—	—	—
Compensated absences payable .....	—	—	—	1,204	5,030	—
Other liabilities .....	13,711	822	—	1,123	768	—
<b>Total liabilities .....</b>	<b>883,485</b>	<b>600,678</b>	<b>6,522</b>	<b>1,007,622</b>	<b>483,911</b>	<b>2,048,088</b>
<b>Fund equity and other credits:</b>						
Contributed capital .....	—	—	—	20,310	81,961	—
Investment in fixed assets .....	—	—	—	—	—	—
Retained earnings:						
Reserved .....	—	—	—	257,925	—	—
Unreserved, accumulated deficit— development stage .....	—	—	—	—	—	—
Unreserved .....	—	—	—	67,615	264,710	—
Fund balances:						
Reserved .....	335,038	350,722	—	—	—	20,487,098
Unreserved, Designated .....	31,360	336,826	91,507	—	—	—
Unreserved, Undesignated .....	—	1,015,125	—	—	—	123,417
<b>Total fund equity and other credits .....</b>	<b>366,398</b>	<b>1,702,673</b>	<b>91,507</b>	<b>345,850</b>	<b>346,671</b>	<b>20,610,515</b>
<b>Total liabilities, fund equity, and other credits .....</b>	<b>\$ 1,249,883</b>	<b>\$ 2,303,351</b>	<b>\$ 98,029</b>	<b>\$ 1,353,472</b>	<b>\$ 830,582</b>	<b>\$ 22,658,603</b>

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				
\$ —	\$ 1,392	\$ 98,765	\$ 965,611	\$ 107,773	\$ 1,073,384
—	—	6,734	24,280	3,877	28,157
—	—	—	381,890	—	381,890
—	7,430	—	194,542	—	194,542
—	3,056	—	183,985	—	183,985
—	—	7,090	103,868	—	103,868
—	—	238	6,823	—	6,823
—	—	1,866	29,110	—	29,110
—	—	41,428	346,898	60,987	407,885
—	—	3,675	5,967	—	5,967
—	—	4,069	493,301	—	493,301
—	—	2,981	1,483,311	—	1,483,311
—	—	—	70,746	—	70,746
—	785	166,782	169,311	—	169,311
—	1,139,782	78,305	1,218,087	—	1,218,087
—	275,000	—	275,000	—	275,000
—	—	247,707	1,100,686	2,188,795	3,289,481
—	—	—	38,206	—	38,206
—	—	20,698	20,698	—	20,698
—	12,482	33,201	48,794	35,692	84,486
—	—	—	—	456,100	456,100
—	180,637	91,828	278,699	12,735	291,434
—	24,044	6,731	47,199	37,342	84,541
—	<b>1,644,608</b>	<b>812,098</b>	<b>7,487,012</b>	<b>2,903,301</b>	<b>10,390,313</b>
—	—	—	102,271	211,797	314,068
2,406,819	—	2,612,636	5,019,455	—	5,019,455
—	—	—	257,925	—	257,925
—	—	—	—	(127)	(127)
—	—	—	332,325	939,625	1,271,950
—	—	326,096	21,498,954	—	21,498,954
—	—	124,430	584,123	—	584,123
—	—	186,939	1,325,481	—	1,325,481
<b>2,406,819</b>	<b>—</b>	<b>3,250,101</b>	<b>29,120,534</b>	<b>1,151,295</b>	<b>30,271,829</b>
<b>\$ 2,406,819</b>	<b>\$ 1,644,608</b>	<b>\$ 4,062,199</b>	<b>\$ 36,607,546</b>	<b>\$ 4,054,596</b>	<b>\$ 40,662,142</b>

# 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, 1999

(Expressed in Thousands)

## GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects
<b>Revenues:</b>			
Taxes:			
Individual income.....	\$ 2,282,249	\$ 260	\$ —
Retail sales and use.....	1,864,756	656,508	—
Other.....	750,710	523,656	—
Licenses, fees, and permits.....	178,634	111,896	—
Interest and other investment income.....	68,730	53,272	312
Federal.....	84,630	3,361,228	24,210
Departmental services.....	323,330	216,533	1
Contributions.....	374	192,478	7,534
Fines and penalties.....	16,581	53,281	6,650
Other.....	20,674	59,546	466
<b>Total revenues.....</b>	<b>5,590,668</b>	<b>5,228,658</b>	<b>39,173</b>
<b>Expenditures:</b>			
Current:			
General government.....	246,506	109,052	—
Education.....	210,486	145,441	—
Health and environment.....	1,111,940	2,331,869	—
Social services.....	108,964	539,725	—
Administration of justice.....	548,978	83,894	—
Resources and economic development.....	71,223	88,323	—
Transportation.....	—	303,824	—
Capital outlay.....	—	453,708	51,106
Debt service:			
Principal retirement.....	85,622	5,164	—
Interest and fiscal charges.....	42,065	13,128	—
Intergovernmental.....	2,106,860	1,155,780	—
<b>Total expenditures.....</b>	<b>4,532,644</b>	<b>5,229,908</b>	<b>51,106</b>
<b>Revenues over (under) expenditures.....</b>	<b>1,058,024</b>	<b>(1,250)</b>	<b>(11,933)</b>
<b>Other financing sources (uses):</b>			
Proceeds from bonds and notes.....	419	484,076	76,332
Lease and installment debt proceeds.....	7,412	36	—
Operating transfers in.....	15,215	78,900	13,325
Transfers from component units.....	7,886	—	—
Operating transfers out.....	(881,661)	(490)	(47,294)
Transfers to component units.....	(16,000)	—	(3,182)
<b>Total other financing sources (uses).....</b>	<b>(866,729)</b>	<b>562,522</b>	<b>39,181</b>
<b>Revenues and other sources over expenditures and other uses.....</b>	<b>191,295</b>	<b>561,272</b>	<b>27,248</b>
<b>Fund balances at beginning of year.....</b>	<b>177,477</b>	<b>1,145,312</b>	<b>64,290</b>
<b>Decreases in reserve for inventories.....</b>	<b>(1,038)</b>	<b>(3,911)</b>	<b>—</b>
<b>Residual equity transfers out.....</b>	<b>(1,336)</b>	<b>—</b>	<b>(31)</b>
<b>Fund balances at end of year.....</b>	<b>\$ 366,398</b>	<b>\$ 1,702,673</b>	<b>\$ 91,507</b>

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



<b>FIDUCIARY FUND TYPE</b>		<b>Totals (Memorandum Only)</b>
<b>Expendable Trust</b>		
\$ —	\$ 2,282,509	
—	2,521,264	
171,854	1,446,220	
487	291,017	
56,166	178,480	
7,467	3,477,535	
—	539,864	
8,710	209,096	
—	76,512	
1,547	82,233	
<b>246,231</b>	<b>11,104,730</b>	
195,887	551,445	
—	355,927	
141	3,443,950	
7	648,696	
11	632,883	
—	159,546	
—	303,824	
—	504,814	
—	90,786	
—	55,193	
4	3,262,644	
<b>196,050</b>	<b>10,009,708</b>	
<b>50,181</b>	<b>1,095,022</b>	
—	560,827	
—	7,448	
1	107,441	
—	7,886	
(12,714)	(942,159)	
—	(19,182)	
<b>(12,713)</b>	<b>(277,739)</b>	
37,468	817,283	
886,708	2,273,787	
—	(4,949)	
—	(1,367)	
<b>\$ 924,176</b>	<b>\$ 3,084,754</b>	

## 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, 1999  
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Admissions tax.....	\$ 7,500	\$ 6,469	\$ (1,031)
Aircraft tax.....	3,434	3,064	(370)
Alcoholic liquors tax.....	47,677	47,170	(507)
Bank tax.....	10,879	13,062	2,183
Beer and wine tax.....	84,574	84,834	260
Business license tax.....	30,754	30,151	(603)
Coin-operated device tax.....	45,000	63,093	18,093
Commercial nuclear waste tax.....	—	—	—
Contractors' license tax.....	—	—	—
Corporation income tax.....	208,050	215,275	7,225
Corporation license tax.....	40,897	38,111	(2,786)
Department of Agriculture.....	—	—	—
Departmental revenue (primarily grant revenues and fees for services).....	49,043	63,930	14,887
Documentary tax.....	30,166	30,272	106
Earned on investments.....	70,000	73,062	3,062
Education Improvement Act—1% sales tax.....	—	—	—
Education Improvement Act—investment earnings.....	—	—	—
Education Improvement Act—other.....	—	—	—
Electric power tax.....	21,261	20,856	(405)
Estate tax.....	52,000	57,077	5,077
Excise tax—casual sales.....	14,202	16,089	1,887
Fertilizer inspection tax.....	205	232	27
Gift tax.....	—	113	113
Individual income tax.....	1,937,928	1,986,165	48,237
Insurance tax.....	98,621	99,100	479
Miscellaneous sources.....	78,775	78,916	141
Motor transport fees.....	6	10	4
Motor vehicle licenses.....	88,458	83,142	(5,316)
Petroleum inspection tax.....	7,559	7,554	(5)
Private car lines tax.....	2,447	2,451	4
Public service assessment.....	—	50	50
Public Service Authority.....	7,794	7,886	92
Retail sales tax (4%).....	1,861,021	1,873,526	12,505
Retailers' license tax.....	1,042	1,103	61
Savings and loan association tax.....	4,024	3,484	(540)
Soft drinks tax.....	14,695	15,508	813
Workers' compensation insurance tax.....	8,272	8,792	520
<b>Total revenues.....</b>	<b>4,826,284</b>	<b>4,930,547</b>	<b>104,263</b>

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)
\$ 28,295	\$ 28,621	\$ 326	\$ 35,795	\$ 35,090	\$ (705)
—	—	—	3,434	3,064	(370)
—	—	—	47,677	47,170	(507)
—	—	—	10,879	13,062	2,183
—	—	—	84,574	84,834	260
—	—	—	30,754	30,151	(603)
—	7,262	7,262	45,000	70,355	25,355
26,604	51,841	25,237	26,604	51,841	25,237
1,677	2,554	877	1,677	2,554	877
—	—	—	208,050	215,275	7,225
—	—	—	40,897	38,111	(2,786)
3,310	2,620	(690)	3,310	2,620	(690)
7,185,072	6,907,030	(278,042)	7,234,115	6,970,960	(263,155)
407	216	(191)	30,573	30,488	(85)
63,303	52,131	(11,172)	133,303	125,193	(8,110)
468,806	472,220	3,414	468,806	472,220	3,414
2,500	2,572	72	2,500	2,572	72
6,266	623	(5,643)	6,266	623	(5,643)
—	—	—	21,261	20,856	(405)
—	—	—	52,000	57,077	5,077
—	—	—	14,202	16,089	1,887
—	—	—	205	232	27
—	—	—	—	113	113
—	260	260	1,937,928	1,986,425	48,497
3,455	608	(2,847)	102,076	99,708	(2,368)
173,283	74,381	(98,902)	252,058	153,297	(98,761)
—	2,608	2,608	6	2,618	2,612
26,273	31,943	5,670	114,731	115,085	354
—	—	—	7,559	7,554	(5)
—	—	—	2,447	2,451	4
5,830	5,509	(321)	5,830	5,559	(271)
—	—	—	7,794	7,886	92
600	640	40	1,861,621	1,874,166	12,545
—	—	—	1,042	1,103	61
—	—	—	4,024	3,484	(540)
—	—	—	14,695	15,508	813
—	—	—	8,272	8,792	520
<b>7,995,681</b>	<b>7,643,639</b>	<b>(352,042)</b>	<b>12,821,965</b>	<b>12,574,186</b>	<b>(247,779)</b>

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, 1999  
(Expressed in Thousands)

	BUDGETARY GENERAL FUND		
	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures:</b>			
Legislative.....	\$ 33,657	\$ 29,823	\$ 3,834
Judicial.....	44,434	39,532	4,902
Executive and administrative.....	175,550	140,334	35,216
Educational.....	2,412,228	2,371,366	40,862
Health.....	880,106	846,468	33,638
Social rehabilitation services.....	132,676	124,930	7,746
Correctional and public safety.....	543,014	510,513	32,501
Conservation, natural resources, and development...	137,523	121,143	16,380
Regulatory.....	58,763	56,245	2,518
Transportation.....	579	571	8
Debt service.....	152,392	147,283	5,109
Miscellaneous.....	233,204	233,004	200
Enterprise agencies.....	16,000	16,000	—
<b>Total expenditures.....</b>	<b>4,820,126</b>	<b>4,637,212</b>	<b>182,914</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>6,158</b>	<b>293,335</b>	<b>287,177</b>
<b>Other financing sources (uses):</b>			
Operating transfers in.....	—	—	—
Operating transfers out.....	(86,920)	(86,920)	—
<b>Total financing sources (uses).....</b>	<b>(86,920)</b>	<b>(86,920)</b>	<b>—</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b>(80,762)</b>	<b>206,415</b>	<b>287,177</b>
<b>Budgetary fund balance at beginning of year.....</b>	<b>516,462</b>	<b>516,462</b>	<b>—</b>
<b>Budgetary fund balance at end of year.....</b>	<b>\$ 435,700</b>	<b>\$ 722,877</b>	<b>\$ 287,177</b>

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)
\$ 1,660	\$ 1,258	\$ 402	\$ 35,317	\$ 31,081	\$ 4,236
875	306	569	45,309	39,838	5,471
400,039	289,634	110,405	575,589	429,968	145,621
2,669,643	2,507,705	161,938	5,081,871	4,879,071	202,800
2,990,630	2,912,150	78,480	3,870,736	3,758,618	112,118
638,079	585,196	52,883	770,755	710,126	60,629
211,945	167,905	44,040	754,959	678,418	76,541
213,802	165,655	48,147	351,325	286,798	64,527
179,050	158,218	20,832	237,813	214,463	23,350
1,025,604	906,162	119,442	1,026,183	906,733	119,450
—	—	—	152,392	147,283	5,109
—	—	—	233,204	233,004	200
19,182	7,282	11,900	35,182	23,282	11,900
<b>8,350,509</b>	<b>7,701,471</b>	<b>649,038</b>	<b>13,170,635</b>	<b>12,338,683</b>	<b>831,952</b>
<b>(354,828)</b>	<b>(57,832)</b>	<b>296,996</b>	<b>(348,670)</b>	<b>235,503</b>	<b>584,173</b>
86,920	86,920	—	86,920	86,920	—
—	—	—	(86,920)	(86,920)	—
<b>86,920</b>	<b>86,920</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>(267,908)</b>	<b>29,088</b>	<b>296,996</b>	<b>(348,670)</b>	<b>235,503</b>	<b>584,173</b>
<b>1,136,332</b>	<b>1,136,332</b>	<b>—</b>	<b>1,652,794</b>	<b>1,652,794</b>	<b>—</b>
<b>\$ 868,424</b>	<b>\$ 1,165,420</b>	<b>\$ 296,996</b>	<b>\$ 1,304,124</b>	<b>\$ 1,888,297</b>	<b>\$ 584,173</b>

# 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, 1999

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
<b>Operating revenues:</b>			
Charges for services.....	\$ 76,296	\$ 936,418	\$ —
Contributions.....	—	2,974	—
Interest and other investment income.....	52,880	26,326	(22)
Licenses, fees, and permits.....	—	1	99
<b>Total operating revenues.....</b>	<b>129,176</b>	<b>965,719</b>	<b>77</b>
<b>Operating expenses:</b>			
General operations and administration.....	43,714	284,935	2
Benefits and claims.....	11,972	700,880	—
Interest.....	49,608	—	—
Depreciation and amortization.....	1,402	14,785	—
Other operating expenses.....	3,195	4,022	—
<b>Total operating expenses.....</b>	<b>109,891</b>	<b>1,004,622</b>	<b>2</b>
<b>Operating income (loss).....</b>	<b>19,285</b>	<b>(38,903)</b>	<b>75</b>
<b>Nonoperating revenues (expenses):</b>			
Interest income.....	2,061	4,933	—
Federal revenue.....	23,776	—	—
Costs to be recovered from future revenues.....	—	—	—
Interest expense.....	(1,248)	(4,908)	—
Other nonoperating expenses.....	(16,574)	(1,556)	—
<b>Total nonoperating revenues (expenses).....</b>	<b>8,015</b>	<b>(1,531)</b>	<b>—</b>
<b>Income (loss) before operating transfers and extraordinary items.....</b>	<b>27,300</b>	<b>(40,434)</b>	<b>75</b>
Operating transfers in.....	478	425	—
Transfers from primary government.....	—	—	—
Operating transfers out.....	—	(5,025)	—
Transfers to primary government.....	—	—	—
<b>Income (loss) before extraordinary items.....</b>	<b>27,778</b>	<b>(45,034)</b>	<b>75</b>
Extraordinary loss on early extinguishment of debt.....	(748)	—	—
<b>Net income (loss).....</b>	<b>27,030</b>	<b>(45,034)</b>	<b>75</b>
<b>Retained earnings/fund balances at beginning of year.....</b>	<b>298,510</b>	<b>309,744</b>	<b>1,649</b>
<b>Retained earnings/fund balances at end of year.....</b>	<b>325,540</b>	<b>264,710</b>	<b>1,724</b>
<b>Contributed capital at beginning of year.....</b>	<b>20,279</b>	<b>78,272</b>	<b>—</b>
<b>Additions to contributed capital.....</b>	<b>31</b>	<b>6,561</b>	<b>—</b>
<b>Deductions from contributed capital.....</b>	<b>—</b>	<b>(2,872)</b>	<b>—</b>
<b>Fund equity at end of year.....</b>	<b>\$ 345,850</b>	<b>\$ 346,671</b>	<b>\$ 1,724</b>

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

<b>Totals Primary Government (Memorandum Only)</b>	<b>COMPONENT UNITS</b>	<b>Totals Reporting Entity (Memorandum Only)</b>
\$ 1,012,714	\$ 860,455	\$ 1,873,169
2,974	—	2,974
79,184	—	79,184
100	—	100
<b>1,094,972</b>	<b>860,455</b>	<b>1,955,427</b>
328,651	488,542	817,193
712,852	—	712,852
49,608	—	49,608
16,187	133,255	149,442
7,217	2,134	9,351
<b>1,114,515</b>	<b>623,931</b>	<b>1,738,446</b>
<b>(19,543)</b>	<b>236,524</b>	<b>216,981</b>
6,994	22,181	29,175
23,776	—	23,776
—	(46,216)	(46,216)
(6,156)	(159,530)	(165,686)
(18,130)	(16,826)	(34,956)
<b>6,484</b>	<b>(200,391)</b>	<b>(193,907)</b>
(13,059)	36,133	23,074
903	—	903
—	19,182	19,182
(5,025)	—	(5,025)
—	(7,605)	(7,605)
<b>(17,181)</b>	<b>47,710</b>	<b>30,529</b>
<b>(748)</b>	<b>—</b>	<b>(748)</b>
<b>(17,929)</b>	<b>47,710</b>	<b>29,781</b>
<b>609,903</b>	<b>891,788</b>	<b>1,501,691</b>
<b>591,974</b>	<b>939,498</b>	<b>1,531,472</b>
98,551	209,524	308,075
6,592	2,273	8,865
(2,872)	—	(2,872)
<b>\$ 694,245</b>	<b>\$ 1,151,295</b>	<b>\$ 1,845,540</b>

# Combined Statement of Cash Flows

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

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
<b>Cash flows from operating activities:</b>			
Operating income (loss) .....	\$ 19,285	\$ (38,903)	\$ 75
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	1,402	14,785	—
Change in the fair value of investments .....	1,516	5,325	—
Provisions for loan losses and bad debts .....	—	247	—
Amortization of deferred gain on sale of capital leaseback .....	—	(163)	—
Issuance of loans and notes .....	(161,688)	—	—
Collection of loans and notes .....	158,857	—	—
Interest payments .....	49,468	—	—
Interest on investments and interfund loans .....	(20,675)	(25,943)	22
Amounts received for payment of claims .....	55,994	—	—
Payment of claims .....	(58,359)	—	—
Deferred coal contract buy-out costs .....	—	—	—
Impact of transactions involving joint venture .....	—	—	—
Other nonoperating revenues .....	710	165	—
Other nonoperating expenses .....	—	(12)	—
Other .....	(232)	(72)	(30)
<b>Change in assets—decreases (increases):</b>			
Accounts receivable, net .....	83	3,361	1
Due from Federal government and other grantors .....	(341)	—	—
Due from other funds .....	3	(8,967)	—
Inventories .....	(333)	(199)	—
Other current assets .....	(59)	121	—
Deferred charges .....	—	—	—
<b>Change in liabilities—increases (decreases):</b>			
Accounts payable and accrued liabilities .....	5,590	6,524	—
Insurance claims incurred but not reported .....	189	11,914	—
Due to other funds .....	(186)	866	—
Deferred revenues .....	1,828	(5,899)	—
Deposits .....	966	—	—
Liabilities payable from restricted assets .....	(619)	—	—
Compensated absences payable .....	62	455	—
Other current liabilities .....	(15)	180	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>53,446</b>	<b>(36,215)</b>	<b>68</b>
<b>Cash flows from noncapital financing activities:</b>			
Proceeds from loans made by other funds .....	2,424	—	—
Principal payments received from other funds .....	—	20,564	—
Principal payments made to other funds .....	(201)	(11,174)	—
Receipt of interest from other funds .....	—	4,327	—
Interest payments made to other funds .....	—	(2,337)	—
Loans made to other funds .....	—	(2,423)	—
Proceeds from sale of notes payable .....	26	—	—
Principal payments on notes payable .....	(26)	—	—
Proceeds from sale of revenue bonds .....	242,335	—	—
Principal payments on revenue bonds .....	(224,420)	—	—
Interest payments .....	(52,266)	—	—
Payment of bond issuance costs .....	(2,399)	—	—
Federal revenue .....	23,776	—	—
Payments from Federal grants .....	(21,397)	—	—
Operating transfers in .....	478	425	—
Operating transfers out .....	—	(5,025)	—
Transfers from primary government .....	—	—	—
Transfers to primary government .....	—	—	—
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>(31,670)</b>	<b>4,357</b>	<b>—</b>

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)
\$ (19,543)	\$ 236,524	\$ 216,981
16,187	133,255	149,442
6,841	—	6,841
247	—	247
(163)	—	(163)
(161,688)	—	(161,688)
158,857	—	158,857
49,468	—	49,468
(46,596)	—	(46,596)
55,994	—	55,994
(58,359)	—	(58,359)
—	6,300	6,300
—	(2,268)	(2,268)
875	218	1,093
(12)	(19,215)	(19,227)
(334)	128	(206)
3,445	(17,105)	(13,660)
(341)	—	(341)
(8,964)	—	(8,964)
(532)	(6,556)	(7,088)
62	2,052	2,114
—	(5,049)	(5,049)
12,114	10,056	22,170
12,103	—	12,103
680	—	680
(4,071)	—	(4,071)
966	—	966
(619)	—	(619)
517	—	517
165	12,596	12,761
<u>17,299</u>	<u>350,936</u>	<u>368,235</u>
2,424	—	2,424
20,564	—	20,564
(11,375)	—	(11,375)
4,327	—	4,327
(2,337)	—	(2,337)
(2,423)	—	(2,423)
26	—	26
(26)	—	(26)
242,335	—	242,335
(224,420)	—	(224,420)
(52,266)	—	(52,266)
(2,399)	—	(2,399)
23,776	—	23,776
(21,397)	—	(21,397)
903	—	903
(5,025)	—	(5,025)
—	19,182	19,182
—	(7,605)	(7,605)
<u>(27,313)</u>	<u>11,577</u>	<u>(15,736)</u>

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, 1999  
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE
	Enterprise	Internal Service	Nonexpendable Trust
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of property, plant, and equipment .....	\$ (1,694)	\$ (26,006)	\$ —
Principal payments on notes payable .....	—	(751)	—
Proceeds from sale and refundings of revenue bonds.....	—	—	—
Principal payments and refundings on revenue bonds.....	—	—	—
Proceeds from sale of limited obligation bonds.....	—	4,789	—
Principal payments on limited obligation bonds.....	—	(2,170)	—
Interest payments .....	—	(2,553)	—
Payment of bond issuance costs.....	—	—	—
Increase in commercial paper notes.....	—	—	—
Proceeds from the sale of capital assets.....	7	12	—
Principal payments on capital leases and installment debt obligations payable .....	—	(6,792)	—
Contributions of capital .....	—	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(1,687)</b>	<b>(33,471)</b>	<b>—</b>
<b>Cash flows from investing activities:</b>			
Payment for interest in license agreement.....	\$ —	\$ —	\$ —
Proceeds from sale of investments .....	41,781	67,764	—
Purchase of investments .....	(9,086)	(111,405)	—
Interest on investments.....	26,337	26,599	8
Issuance of loans .....	(2,354)	—	—
Collection of loans .....	214	—	—
<b>Net cash provided by (used in) investing activities.....</b>	<b>56,892</b>	<b>(17,042)</b>	<b>8</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>76,981</b>	<b>(82,371)</b>	<b>76</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>365,991</b>	<b>374,132</b>	<b>1,626</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 442,972</b>	<b>\$ 291,761</b>	<b>\$ 1,702</b>
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>			
Cash and cash equivalents for Fiduciary Funds.....			\$ 2,142,341
Less: Cash and cash equivalents for Expendable Trust Funds, Pension Trust Funds, Investment Trust Fund, and Agency Funds.....			(2,140,639)
<b>Cash and cash equivalents Nonexpendable Trust Fund.....</b>			<b>\$ 1,702</b>
<b>Noncash capital, investing, and financing activities:</b>			
Equity losses related to interest in joint venture.....	\$ —	\$ —	\$ —
Acquisition of property and equipment through:			
Accrual of liabilities.....	—	—	—
Transfers from other funds.....	—	2,168	—
Long-term interfund loan payments forgiven.....	—	1,336	—
<b>Total noncash capital, investing, and financing activities.....</b>	<b>\$ —</b>	<b>\$ 3,504</b>	<b>\$ —</b>

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)
\$ (27,700)	\$ (103,460)	\$ (131,160)
(751)	—	(751)
—	476,899	476,899
—	(468,436)	(468,436)
4,789	—	4,789
(2,170)	—	(2,170)
(2,553)	(151,262)	(153,815)
—	(9,487)	(9,487)
—	214,450	214,450
19	—	19
(6,792)	(3,655)	(10,447)
—	2,273	2,273
<b>(35,158)</b>	<b>(42,678)</b>	<b>(77,836)</b>
\$ —	\$ (28,041)	\$ (28,041)
109,545	58,193	167,738
(120,491)	(275,287)	(395,778)
52,944	24,030	76,974
(2,354)	—	(2,354)
214	—	214
<b>39,858</b>	<b>(221,105)</b>	<b>(181,247)</b>
<b>(5,314)</b>	<b>98,730</b>	<b>93,416</b>
<b>741,749</b>	<b>247,610</b>	<b>989,359</b>
<b>\$ 736,435</b>	<b>\$ 346,340</b>	<b>\$ 1,082,775</b>
\$ —	\$ 171	\$ 171
—	223	223
2,168	—	2,168
1,336	—	1,336
<b>\$ 3,504</b>	<b>\$ 394</b>	<b>\$ 3,898</b>

# 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, 1999

(Expressed in Thousands)

	PENSION		
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System
<b>Additions:</b>			
Retirement contributions:			
Employer.....	\$ 419,918	\$ 69,541	\$ 2,768
Employee.....	353,119	45,146	772
Transfers from other retirement systems.....	—	1,721	11
Total retirement contributions.....	773,037	116,408	3,551
Deposits, pool participants.....	—	—	—
Investment income.....	391,954	52,990	1,178
Investment expense.....	816	134	1
Net income from investing activities.....	391,138	52,856	1,177
Securities lending income.....	70,232	8,278	125
Securities lending expenses:			
Borrower rebates.....	67,514	7,830	122
Management fees.....	—	—	—
Total securities lending expenses.....	67,514	7,830	122
Net income from securities lending activities...	2,718	448	3
Total net investment income.....	393,856	53,304	1,180
Operating transfers in (for supplemental retirement benefits).....	4,356	124	—
Total additions.....	1,171,249	169,836	4,731
<b>Deductions:</b>			
Regular retirement benefits.....	715,878	77,654	3,941
Supplemental retirement benefits.....	4,356	124	—
Refunds of retirement contributions to members.....	84,536	10,940	49
Group life insurance claims.....	7,873	644	9
Accidental death benefits.....	—	699	—
Withdrawals, pool participants.....	—	—	—
Distributions to pool participants.....	—	—	—
Depreciation.....	107	11	—
Administrative expense.....	11,746	1,321	28
Transfers to other retirement systems.....	1,806	—	37
Total deductions.....	826,302	91,393	4,064
Net increase in plan and pool net assets.....	344,947	78,443	667
<b>Net assets held in trust for pension benefits and pool participants:</b>			
Beginning of year.....	16,391,596	1,843,156	39,214
End of year.....	\$ 16,736,543	\$ 1,921,599	\$ 39,881

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

<b>TRUST</b>				<b>INVESTMENT TRUST</b>
<b>Judges' and Solicitors' Retirement System</b>	<b>National Guard Pension System</b>	<b>Eliminations</b>	<b>Totals</b>	<b>Local Government Investment Pool</b>
\$ 5,485	\$ 2,499	\$ —	\$ 500,211	\$ —
1,253	—	—	400,290	—
111	—	(1,843)	—	—
6,849	2,499	(1,843)	900,501	—
—	—	—	—	2,978,389
2,344	253	—	448,719	43,583
3	—	—	954	—
2,341	253	—	447,765	43,583
316	—	—	78,951	37
305	—	—	75,771	33
—	—	—	—	1
305	—	—	75,771	34
11	—	—	3,180	3
2,352	253	—	450,945	43,586
—	—	—	4,480	—
9,201	2,752	(1,843)	1,355,926	3,021,975
6,813	1,858	—	806,144	—
—	—	—	4,480	—
51	—	—	95,576	—
6	—	—	8,532	—
—	—	—	699	—
—	—	—	—	2,856,969
—	—	—	—	42,944
1	1	—	120	—
59	—	—	13,154	112
—	—	(1,843)	—	—
6,930	1,859	(1,843)	928,705	2,900,025
2,271	893	—	427,221	121,950
82,215	6,600	—	18,362,781	772,663
\$ 84,486	\$ 7,493	\$ —	\$ 18,790,002	\$ 894,613

# Combined Statement of Changes in Fund Balances

## HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	Unrestricted	Restricted		
<b>Revenues and other additions:</b>				
Unrestricted Current Fund revenues.....	\$ 1,293,104	\$ —	\$ —	\$ —
Restricted student tuition and fees.....	—	—	—	—
Federal grants and contracts—restricted.....	—	329,374	775	—
State and local grants—restricted.....	—	7,759	73	—
Private gifts, grants, and contracts—restricted.....	—	80,526	—	2,348
Investment income—restricted.....	—	6,094	267	3,322
Realized investment gains—restricted.....	—	—	—	74
Interest earned.....	—	—	1,119	—
Expended for plant facilities (including \$64,256 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness (including \$2,615 charged to current funds expenditures).....	—	—	—	—
Retirement of indebtedness—defeased bonds.....	—	—	—	—
Proceeds of refunding bonds.....	—	—	—	—
Capitalization of interest cost.....	—	—	—	—
Sale of property.....	—	—	—	—
Foundations and institutes.....	—	—	—	—
Other revenues and additions.....	—	1,061	229	10
<b>Total revenues and other additions.....</b>	<b>1,293,104</b>	<b>424,814</b>	<b>2,463</b>	<b>5,754</b>
<b>Expenditures and other deductions:</b>				
Educational and general.....	1,410,298	442,242	—	—
Auxiliary enterprises.....	194,461	2,962	—	—
Hospital.....	399,187	—	—	—
Foundations and institutes.....	—	—	—	—
Indirect costs recovered.....	—	34,711	—	—
Loan cancellation and bad debt write-offs.....	—	—	1,191	—
Administration and collection costs.....	—	97	252	—
Expended for plant facilities (including noncapitalized expenditures of \$22,865).....	—	—	—	—
Retirement of indebtedness.....	—	—	—	—
Interest on indebtedness.....	—	—	—	—
Disposal of plant facilities.....	—	—	—	—
Refunding bonds issued.....	—	—	—	—
Payment to refunded bond escrow agent.....	—	—	—	—
Refunds to grantors.....	—	434	24	26
Other expenditures and deductions.....	2,283	33	67	—
<b>Total expenditures and other deductions.....</b>	<b>2,006,229</b>	<b>480,479</b>	<b>1,534</b>	<b>26</b>
<b>Transfers in (out):</b>				
Transfers among Higher Education Funds:				
Mandatory transfers for:				
Principal and interest.....	(39,011)	—	—	—
Renewals and replacements.....	—	—	—	—
Loan fund matching grants.....	(344)	—	344	—
Other.....	(58)	41	—	17
Nonmandatory transfers.....	(59,029)	(4,280)	68	2,093
Operating transfers in.....	770,546	56,331	207	—
Operating transfers out.....	(39,581)	(81)	—	—
<b>Total transfers in (out).....</b>	<b>632,523</b>	<b>52,011</b>	<b>619</b>	<b>2,110</b>
<b>Net increase (decrease) in fund balances.....</b>	<b>(80,602)</b>	<b>(3,654)</b>	<b>1,548</b>	<b>7,838</b>
<b>Fund balances at beginning of year (restated).....</b>	<b>283,296</b>	<b>56,854</b>	<b>52,117</b>	<b>101,109</b>
<b>Fund balances at end of year.....</b>	<b>\$ 202,694</b>	<b>\$ 53,200</b>	<b>\$ 53,665</b>	<b>\$ 108,947</b>

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

**PLANT FUNDS**

<b>Unexpended</b>	<b>Retirement of Indebtedness</b>	<b>Investment in Plant</b>	<b>Foundations and Institutes</b>	<b>Totals</b>
\$ —	\$ —	\$ —	\$ —	\$ 1,293,104
5,070	20,777	—	—	25,847
13,385	270	—	—	343,804
—	—	15	—	7,847
7,836	40	7,493	—	98,243
4,631	2,006	—	—	16,320
—	—	—	—	74
—	—	—	—	1,119
—	—	225,918	—	225,918
595	—	31,375	—	31,970
—	—	15,575	—	15,575
—	15,959	—	—	15,959
149	—	1,389	—	1,538
33	—	—	—	33
—	—	—	252,314	252,314
995	791	293	—	3,379
<b>32,694</b>	<b>39,843</b>	<b>282,058</b>	<b>252,314</b>	<b>2,333,044</b>
—	—	—	—	1,852,540
—	—	—	—	197,423
—	—	—	—	399,187
—	—	—	260,186	260,186
—	—	—	—	34,711
—	—	—	—	1,191
—	—	—	—	349
184,527	—	—	—	184,527
—	29,355	—	—	29,355
—	20,177	—	—	20,177
—	—	44,178	—	44,178
—	—	16,060	—	16,060
—	16,579	—	—	16,579
—	—	—	—	484
187	228	1,854	—	4,652
<b>184,714</b>	<b>66,339</b>	<b>62,092</b>	<b>260,186</b>	<b>3,061,599</b>
102	38,909	—	—	—
30	(30)	—	—	—
—	—	—	—	—
—	—	—	—	—
92,319	(10,488)	(17,927)	(2,756)	—
47,282	—	—	—	874,366
(344)	—	—	—	(40,006)
<b>139,389</b>	<b>28,391</b>	<b>(17,927)</b>	<b>(2,756)</b>	<b>834,360</b>
<b>(12,631)</b>	<b>1,895</b>	<b>202,039</b>	<b>(10,628)</b>	<b>105,805</b>
<b>164,648</b>	<b>33,476</b>	<b>2,410,597</b>	<b>42,199</b>	<b>3,144,296</b>
<b>\$ 152,017</b>	<b>\$ 35,371</b>	<b>\$ 2,612,636</b>	<b>\$ 31,571</b>	<b>\$ 3,250,101</b>

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

## HIGHER EDUCATION FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Unrestricted	Restricted	Totals
<b>Revenues:</b>			
Tuition and fees.....	\$ 449,064	\$ 3,427	\$ 452,491
Federal grants and contracts.....	40,570	292,707	333,277
State grants and contracts.....	—	10,558	10,558
Local grants and contracts.....	33,216	2,664	35,880
Private gifts, grants, and contracts.....	29,138	74,341	103,479
Endowment income.....	631	2,187	2,818
Sales and services of educational departments.....	33,091	—	33,091
Sales and services of auxiliary enterprises.....	213,782	—	213,782
Sales and services of hospitals.....	442,099	—	442,099
Other.....	51,513	3,029	54,542
<b>Total current revenues.....</b>	<b>1,293,104</b>	<b>388,913</b>	<b>1,682,017</b>
<b>Expenditures, mandatory and operating transfers:</b>			
Educational and general:			
Instruction.....	674,899	26,343	701,242
Research.....	83,359	137,067	220,426
Public service.....	86,824	55,682	142,506
Academic support.....	159,251	5,803	165,054
Student services.....	88,139	10,326	98,465
Institutional support.....	153,714	4,073	157,787
Operation and maintenance of plant.....	122,697	3,537	126,234
Scholarships and fellowships.....	41,415	199,411	240,826
<b>Educational and general expenditures.....</b>	<b>1,410,298</b>	<b>442,242</b>	<b>1,852,540</b>
Mandatory transfers for:			
Principal and interest.....	2,502	—	2,502
Loan fund matching grants.....	344	—	344
Other.....	58	(41)	17
<b>Total educational and general.....</b>	<b>1,413,202</b>	<b>442,201</b>	<b>1,855,403</b>
Auxiliary enterprises:			
Expenditures.....	194,461	2,962	197,423
Mandatory transfers for principal and interest.....	23,731	—	23,731
<b>Total auxiliary enterprises.....</b>	<b>218,192</b>	<b>2,962</b>	<b>221,154</b>
Hospitals:			
Expenditures.....	399,187	—	399,187
Mandatory transfers for principal and interest.....	12,778	—	12,778
<b>Total hospitals.....</b>	<b>411,965</b>	<b>—</b>	<b>411,965</b>
Operating transfers in.....	(770,546)	(56,331)	(826,877)
Operating transfers out.....	39,581	81	39,662
<b>Total expenditures, mandatory and operating transfers.....</b>	<b>1,312,394</b>	<b>388,913</b>	<b>1,701,307</b>
<b>Other additions (deductions):</b>			
Excess of restricted receipts over transfers to revenues.....	—	1,190	1,190
Refunds to grantors.....	—	(434)	(434)
Other deductions.....	(61,312)	(4,410)	(65,722)
<b>Total net deductions.....</b>	<b>(61,312)</b>	<b>(3,654)</b>	<b>(64,966)</b>
<b>Net decrease in fund balances.....</b>	<b>\$ (80,602)</b>	<b>\$ (3,654)</b>	<b>\$ (84,256)</b>

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



# Combining Balance Sheet

## DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1999

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 53,398	\$ 22,284	\$ 7	\$ 322	\$ 76,011
Investments.....	49,689	—	143,035	140	192,864
Accounts receivable, net.....	90,476	13,380	—	—	103,856
Inventories.....	94,568	1,539	—	—	96,107
Restricted assets:					
Cash and cash equivalents.....	128,827	—	635	—	129,462
Investments.....	—	—	27,866	—	27,866
Other current assets.....	671	2,356	—	—	3,027
Total current assets.....	417,629	39,559	171,543	462	629,193
Long-term assets:					
Interest in license agreement.....	—	—	34,678	—	34,678
Restricted assets:					
Cash and cash equivalents.....	34,925	105,942	—	—	140,867
Investments.....	183,692	6,627	—	—	190,319
Deferred charges.....	430,917	2,662	5,101	—	438,680
Investment in joint venture.....	6,328	—	—	—	6,328
Total long-term assets.....	655,862	115,231	39,779	—	810,872
Property, plant, and equipment:					
Land and improvements.....	—	250,793	—	—	250,793
Buildings and improvements.....	—	207,183	—	—	207,183
Utility plant.....	3,398,897	—	—	—	3,398,897
Machinery, equipment, and other.....	1,893	47,832	—	—	49,725
Construction in progress.....	51,411	54,125	—	—	105,536
Less: accumulated depreciation.....	(1,203,382)	(194,221)	—	—	(1,397,603)
Total property, plant, and equipment, net.....	2,248,819	365,712	—	—	2,614,531
Total assets.....	\$ 3,322,310	\$ 520,502	\$ 211,322	\$ 462	\$ 4,054,596

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

Continued on Next Page

# Combining Balance Sheet

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 1999

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities.....	\$ 90,577	\$ 11,703	\$ 5,487	\$ 6	\$ 107,773
Retainages payable.....	—	2,616	1,261	—	3,877
Revenue bonds payable.....	81,910	1,459	—	—	83,369
Capital lease and installment debt obligations payable.....	3,322	60	—	—	3,382
Commercial paper notes.....	456,100	—	—	—	456,100
Compensated absences payable.....	—	1,536	—	—	1,536
Other current liabilities.....	19,289	—	—	—	19,289
Total current liabilities.....	651,198	17,374	6,748	6	675,326
Long-term liabilities:					
Deferred revenues and deferred credits.....	60,987	—	—	—	60,987
Revenue bonds payable.....	1,719,750	180,975	204,701	—	2,105,426
Capital lease and installment debt obligations payable.....	32,253	57	—	—	32,310
Compensated absences payable.....	11,199	—	—	—	11,199
Other long-term liabilities.....	18,053	—	—	—	18,053
Total long-term liabilities.....	1,842,242	181,032	204,701	—	2,227,975
Total liabilities.....	2,493,440	198,406	211,449	6	2,903,301
<b>Fund Equity:</b>					
Contributed capital.....	34,438	176,339	—	1,020	211,797
Retained earnings (deficit):					
Unreserved, accumulated deficit—development stage.....	—	—	(127)	—	(127)
Unreserved.....	794,432	145,757	—	(564)	939,625
Total fund equity (deficit).....	828,870	322,096	(127)	456	1,151,295
Total liabilities and fund equity.....	\$ 3,322,310	\$ 520,502	\$ 211,322	\$ 462	\$ 4,054,596

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, 1999

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
<b>Operating revenues:</b>					
Charges for services.....	\$ 775,639	\$ 84,801	\$ —	\$ 15	\$ 860,455
<b>Total operating revenues.....</b>	<b>775,639</b>	<b>84,801</b>	<b>—</b>	<b>15</b>	<b>860,455</b>
<b>Operating expenses:</b>					
General operations and administration.....	436,574	51,958	—	10	488,542
Depreciation and amortization.....	116,665	16,590	—	—	133,255
Other operating expenses.....	2,134	—	—	—	2,134
<b>Total operating expenses.....</b>	<b>555,373</b>	<b>68,548</b>	<b>—</b>	<b>10</b>	<b>623,931</b>
<b>Operating income.....</b>	<b>220,266</b>	<b>16,253</b>	<b>—</b>	<b>5</b>	<b>236,524</b>
<b>Nonoperating revenues (expenses):</b>					
Interest income.....	19,948	2,213	—	20	22,181
Costs to be recovered from future revenues.....	(46,216)	—	—	—	(46,216)
Interest expense.....	(157,088)	(2,442)	—	—	(159,530)
Other nonoperating revenues (expenses).....	2,435	(19,134)	(127)	—	(16,826)
<b>Total nonoperating revenues (expenses).....</b>	<b>(180,921)</b>	<b>(19,363)</b>	<b>(127)</b>	<b>20</b>	<b>(200,391)</b>
<b>Income (loss) before operating transfers.....</b>	<b>39,345</b>	<b>(3,110)</b>	<b>(127)</b>	<b>25</b>	<b>36,133</b>
Transfers from primary government.....	—	19,182	—	—	19,182
Transfers to primary government.....	(7,605)	—	—	—	(7,605)
<b>Net Income (loss).....</b>	<b>31,740</b>	<b>16,072</b>	<b>(127)</b>	<b>25</b>	<b>47,710</b>
<b>Retained earnings (deficit) at beginning of year.....</b>	<b>762,692</b>	<b>129,685</b>	<b>—</b>	<b>(589)</b>	<b>891,788</b>
<b>Retained earnings (deficit) at end of year.....</b>	<b>794,432</b>	<b>145,757</b>	<b>(127)</b>	<b>(564)</b>	<b>939,498</b>
<b>Contributed capital at beginning of year.....</b>	<b>34,438</b>	<b>174,066</b>	<b>—</b>	<b>1,020</b>	<b>209,524</b>
<b>Additions to contributed capital.....</b>	<b>—</b>	<b>2,273</b>	<b>—</b>	<b>—</b>	<b>2,273</b>
<b>Fund equity (deficit) at end of year.....</b>	<b>\$ 828,870</b>	<b>\$ 322,096</b>	<b>\$ (127)</b>	<b>\$ 456</b>	<b>\$ 1,151,295</b>

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, 1999  
(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
<b>Cash flows from operating activities:</b>					
Operating income .....	\$ 220,266	\$ 16,253	\$ —	\$ 5	\$ 236,524
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization .....	116,665	16,590	—	—	133,255
Deferred coal contract buy-out costs .....	6,300	—	—	—	6,300
Impact of transactions involving joint venture .....	(2,268)	—	—	—	(2,268)
Other nonoperating revenues .....	—	218	—	—	218
Other nonoperating expenses .....	(33)	(19,182)	—	—	(19,215)
Other .....	—	128	—	—	128
<b>Change in assets—decreases (increases):</b>					
Accounts receivable, net .....	(15,217)	(1,888)	—	—	(17,105)
Inventories .....	(6,405)	(151)	—	—	(6,556)
Other current assets .....	1,032	1,020	—	—	2,052
Deferred charges .....	(5,049)	—	—	—	(5,049)
<b>Change in liabilities—increases:</b>					
Accounts payable and accrued liabilities .....	9,403	652	—	1	10,056
Other current liabilities .....	12,596	—	—	—	12,596
<b>Net cash provided by operating activities .....</b>	<b>337,290</b>	<b>13,640</b>	<b>—</b>	<b>6</b>	<b>350,936</b>
<b>Cash flows from noncapital financing activities:</b>					
Transfers from primary government .....	—	19,182	—	—	19,182
Transfers to primary government .....	(7,605)	—	—	—	(7,605)
<b>Net cash provided by (used in) noncapital financing activities .....</b>	<b>(7,605)</b>	<b>19,182</b>	<b>—</b>	<b>—</b>	<b>11,577</b>

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

Continued on Next Page

# Combining Statement of Cash Flows

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of property, plant, and equipment.....	\$ (68,043)	\$ (35,417)	\$ —	\$ —	\$ (103,460)
Proceeds from sale and refundings of revenue bonds.....	131,083	151,105	194,711	—	476,899
Principal payments and refundings on revenue bonds.....	(442,306)	(26,130)	—	—	(468,436)
Interest payments .....	(142,567)	(7,223)	(1,472)	—	(151,262)
Payment of bond issuance costs.....	(5,020)	(2,109)	(2,358)	—	(9,487)
Increase in commercial paper notes .....	214,450	—	—	—	214,450
Principal payments on capital leases and installment debt obligations payable .....	(3,610)	(45)	—	—	(3,655)
Contributions of capital .....	—	2,273	—	—	2,273
<b>Net cash provided by (used in) capital and related financing activities.....</b>	<b>(316,013)</b>	<b>82,454</b>	<b>190,881</b>	<b>—</b>	<b>(42,678)</b>
<b>Cash flows from investing activities:</b>					
Payment for interest in license agreement.....	—	—	(28,041)	—	(28,041)
Proceeds from sale of investments.....	—	32,687	25,226	280	58,193
Purchase of investments .....	(51,381)	(35,234)	(188,392)	(280)	(275,287)
Interest on investments.....	16,680	6,362	968	20	24,030
<b>Net cash provided by (used in) investing activities.....</b>	<b>(34,701)</b>	<b>3,815</b>	<b>(190,239)</b>	<b>20</b>	<b>(221,105)</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(21,029)</b>	<b>119,091</b>	<b>642</b>	<b>26</b>	<b>98,730</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>238,179</b>	<b>9,135</b>	<b>—</b>	<b>296</b>	<b>247,610</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 217,150</b>	<b>\$ 128,226</b>	<b>\$ 642</b>	<b>\$ 322</b>	<b>\$ 346,340</b>
<b>Noncash capital, investing, and financing activities:</b>					
Equity losses related to interest in joint venture.....	\$ 171	\$ —	\$ —	\$ —	\$ 171
Acquisition of property plant and equipment through accrual of liabilities.....	—	223	—	—	223
<b>Total noncash capital, investing, and financing activities.....</b>	<b>\$ 171</b>	<b>\$ 223</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 394</b>

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, 1999:

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

Fiscal year ended December 31, 1998:

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 1u 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 2848  
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, 1999:

South Carolina State Ports Authority  
Savannah Lakes Regional Loan Fund

Fiscal year ended December 31, 1998:

South Carolina Public Service Authority (Santee-Cooper)

Fiscal year ended December 31, 1998, development stage enterprise:

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.

Connector 2000 Association, Inc., a development stage enterprise was created in 1996 to assist the Department of Transportation in the financing, acquisition, construction, and operation of turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The Association is considered to be in the development stage during the construction of the Southern Connector. The project is expected to be completed and in full operation in 2002. 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 its first financial statements for its fiscal year ended December 31, 1998, because it did not have any financial activity before 1998. Therefore, the Association's financial statements for the fiscal year ended December 31, 1998, also represent the cumulative amounts from the enterprise's inception.

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.

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

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

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

These financial statements exclude the related foundations listed in Note 14 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 accountable but not *financially accountable*. 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. Enterprise Development, Inc., of South Carolina is a related organization because the State created the organization and could abolish it, but the State is not financially accountable for it.

### 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

## Notes to the Financial Statements

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.

### Contingent Future Change in Entity

The Medical University of South Carolina (MUSC), including its Medical Center, are reported within the State's Higher Education Funds. In June 1999, the South Carolina General Assembly passed legislation to establish the Medical University Hospital Authority to operate the Medical Center. The legislation would take effect upon approval of the Governor or upon adoption by the MUSC Board of Trustees of a resolution endorsing the provisions of the legislation, whichever occurs later. Under the legislation, MUSC's Board of Trustees would be the governing body for the Medical University Hospital Authority.

### 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.



## Notes to the Financial Statements

### Discretely Presented Component Units

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

### c. Basis of Accounting

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

#### Governmental, Expendable Trust, and Agency Funds

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

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

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

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

The State uses the accrual basis of accounting to report activity of the Proprietary Funds, Nonexpendable Trust Fund, Pension Trust Funds, Investment Trust Fund, and the discretely presented component units. Under the accrual basis of accounting, funds recognize 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. The Connector 2000 Association, Inc., uses accounting principles established for development stage enterprises.

### 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). In contrast, the State recognizes entitlements as revenue at the beginning of the entitlement period.

Non-cash support in the form of food commodities totaled \$15.821 million for the fiscal year ended June 30, 1999. 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, 1999, totaled \$255.051 million. In addition, the State has recorded \$54 thousand for food stamp coupons on hand at June 30, 1999, 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, 1999, assets totaling \$909 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, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as Cash and Cash Equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States,

## Notes to the Financial Statements

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 plans, the Local Government Investment Pool (an external 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. The amount recorded in the General Fund represents a state-specific interest-bearing escrow account connected with the gain from a multi-state legal settlement with the tobacco industry as discussed in Note 19b.

### g. Investments

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

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury, Federal agency or other Federally guaranteed obligations with a market value in excess of 100% of funds advanced), United States Treasury bills, Federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing in only the highest investment grade securities (i.e., those rated at least A by two leading national rating services). In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by

additional constraints controlling risk exposure to individual corporate issuers.

Under State law, the State Retirement Systems Investment Panel (the Panel) 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. The Panel's objective is to optimize the long-term performance of equity investments consistent with a prudent level of portfolio risk, considering the liabilities and liquidity needs of the State's Pension Trust Funds. Note 4c, State Retirement Systems Investment Panel, includes specific details related to the Panel's investment plan for the current fiscal year.

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

### 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 average cost 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.

## Notes to the Financial Statements

### k. Interest in License Agreement

The Connector 2000 Association, Inc., a development stage enterprise reported as a discretely presented component unit, is a party to a License Agreement with the State's Department of Transportation (DOT). The Association is financing and constructing the Southern Connector toll road under the terms of the Agreement. The Agreement grants to the Association various rights and obligations pertaining to the financing, acquisition, construction, and operation of the Southern Connector. However, DOT retains fee simple title to the Southern Connector, all real property and improvements thereon, and all rights-of-way acquired during construction. Following completion of the Southern Connector's construction and commencement of toll road operations, the Association will be entitled to collect the tolls and will be required to pay monthly license fees to DOT.

The Association's interest in the License Agreement is an intangible asset that will generate revenues for the Association upon completion of the Southern Connector's construction and commencement of toll road operations. In order to account for its interest in the License Agreement, the Association is capitalizing all costs of acquisition and construction of the Southern Connector, including interest expense attributable to the construction period. Once the toll road is open to the public, the Association's interest in the License Agreement will be amortized on a straight-line basis over the remaining term of the Agreement through 2038.

### l. 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:

<u>Asset</u>	<u>Years</u>
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.

### m. Restricted Assets and Liabilities Payable from Restricted Assets

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

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

### n. 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.

## Notes to the Financial Statements

### **o. 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.

### **p. 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.

### **q. 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.

### **r. Accumulated Deficit—Development Stage**

The Connector 2000 Association, Inc., is a development stage enterprise reported as a discretely presented component unit. Cumulative net losses are reported as Accumulated Deficit—Development Stage on the Combined Balance Sheet and on the Combining Balance Sheet, Discretely Presented Component Units.

### **s. Interfund Transactions**

The State accounts for the following types of interfund transactions:

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

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

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

Residual equity transfers are nonroutine or nonrecurring transfers between funds.

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

The State eliminates material intrafund transactions and interfund transactions that occur

## Notes to the Financial Statements

within a single combined financial statement fund type.

### t. 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.

### u. 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 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.

## Notes to the Financial Statements

### v. 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 1998-1999 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 programs within the same budgetary fund. No such transfer request, however, may exceed twenty percent of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to restrict transfers of appropriations between personal service and other operating accounts.

Each year, the General Assembly enacts an Appropriation Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The 1998-1999 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

## Notes to the Financial Statements

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 the Education Improvement Act, revenues earmarked for tax relief, and revenues of the Department of Transportation. 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.

During 1997-1998, the General Assembly approved a Supplemental Appropriation Act that added \$86.158 million of additional appropriations to the Budgetary General Fund for the fiscal year ended June 30, 1999. Of this amount, \$7.270 million was used to fund the General Reserve, and the remaining \$78.888 million was appropriated to various state agencies on September 1, 1998. Late in 1998-1999, the General Assembly approved \$82.122 million of additional supplemental appropriations. Of this amount, \$16.000 million was expended during 1998-1999, and the remaining \$66.122 million was appropriated and reserved as Appropriations to be Carried Forward to 1999-2000.

A new law, which became effective on July 1, 1998, required certain amounts of income taxes to be considered as resources of the State's unbudgeted Tax Relief Trust Fund rather than as revenues of the Budgetary General Fund. Consequently, both revenues and expenditures of the Budgetary General Fund were smaller in 1998-1999 than one might otherwise have expected. In 1997-1998, the Budgetary General Fund recorded all state income tax revenues and all expenditures for tax relief. In 1998-1999, the State deducted \$337.728 million of income tax revenues from the Budgetary General Fund and recorded them instead in unbudgeted funds. Likewise, the State paid \$353.459 million of expenditures for tax relief from unbudgeted funds rather than from the Budgetary General Fund. Accordingly, amounts of revenues and expenditures for the Budgetary General Fund and for Total Budgeted Funds for 1998-1999 are not comparable to those of previous years.

### d. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 1999, the Educational function within Other Budgeted Funds had \$16.982 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. Excess of Revenues Earmarked for Public Education Over Expenditures for Public Education

The 1998-1999 Appropriation Act and the South Carolina Code of Laws require that certain portions of selected Budgetary General Fund revenue sources be expended exclusively to support specified education agencies and for other school purposes. These legal requirements are considered to be satisfied if the Budgetary General Fund's expenditures for these particular agencies and for other school purposes exceed the specified revenues. For the fiscal year ended June 30, 1999, expenditures were \$23.576 million less than the required spending level.

### f. 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 1998-1999 Appropriation Act included appropriations of \$5.792 billion for general, school, and highway purposes—\$1.594 billion less than the legal limit.

### g. 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, 1999, 38,327 employees were funded by the State's Budgetary General Fund—9,199 fewer than the legal limit.

### h. 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, 1999, were:



## Notes to the Financial Statements

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Budgetary Balances Classified Into GAAP							
Fund Structure							
GAAP Fund Type	Budgetary General Fund	Other Budgeted Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Entity Differences (Unbudgeted Funds)	GAAP Balances
General Fund.....	\$ 206,415	\$ 2,134	\$ 208,549	\$ —	\$ (18,498)	\$ 1,244	\$ 191,295
Special Revenue Funds.....	—	124,236	124,236	—	420,442	16,594	561,272
Capital Projects Fund.....	—	(11,056)	(11,056)	—	7,306	30,998	27,248
Enterprise Funds.....	—	3,793	3,793	—	11,547	11,690	27,030
Internal Service Funds.....	—	(647)	(647)	—	13,850	(58,237)	(45,034)
Expendable Trust Funds.....	—	73	73	—	(1)	37,396	37,468
Nonexpendable Trust Fund.....	—	97	97	—	(14)	(8)	75
Pension Trust Funds.....	—	12	12	—	—	427,209	427,221
Investment Trust Fund.....	—	—	—	—	—	121,950	121,950
Agency Funds.....	—	(210)	(210)	—	210	—	—
Higher Education Funds.....	—	(101,244)	(101,244)	3,303	(13,082)	216,828	105,805
Component Units.....	—	11,900	11,900	—	—	35,810	47,710
<b>Totals (Memorandum Only)....</b>	<b>\$ 206,415</b>	<b>\$ 29,088</b>	<b>\$ 235,503</b>	<b>\$ 3,303</b>	<b>\$ 421,760</b>	<b>\$ 841,474</b>	<b>\$ 1,502,040</b>

### NOTE 3: ACCOUNTING AND REPORTING CHANGES

#### a. Deferred Compensation Plans

Effective July 1, 1998, the State adopted the Governmental Accounting Standards Board's (GASB) Statement 32 entitled *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which established reporting requirements for IRC Section 457 plans. As a result of implementing this statement, the State removed the Deferred Compensation Plans from the Trust and Agency Funds. Assets and liabilities of approximately \$1.165 billion each as of June 30, 1998, were omitted, with no effect on fund equity.

#### b. Changes in Capitalization Policy

Certain higher education institutions, accounted for within the State's Higher Education Funds, increased their capitalization thresholds for fixed assets during the fiscal year ended June 30, 1999. These changes, recognized retroactively, resulted in

an approximately \$87.887 million decrease in the \$2.498 billion fund balance of the Higher Education Investment in Plant Fund as previously reported at June 30, 1998. Accordingly, the fund balance of the Higher Education Investment in Plant Fund was approximately \$2.411 billion at July 1, 1998.

#### c. Change in Entity

In the past, the State reporting entity included Enterprise Development, Inc., of South Carolina (EDI) as a discretely presented component unit. During the fiscal year ended June 30, 1999, however, EDI's relationship with the State changed in such a way that EDI now is a related organization (see Note 1a) rather than a component unit.

EDI was created to provide contractual services to the State. EDI provided no services to the State during the fiscal year ended June 30, 1999, and the State does not expect to contract with EDI in the future. EDI currently is affiliated with, and effectively controlled by, a nonprofit organization that has no relationship with the State.

At June 30, 1998, the following balances were included in the State's financial statements for EDI: assets of \$1.384 million, liabilities of \$823 thousand, and retained earnings of \$561 thousand. All amounts for EDI have been removed from the State's financial statements for the fiscal year ended June 30, 1999.



## Notes to the Financial Statements

### 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, 1999 (expressed in thousands):

<b>Combined Balance Sheet</b>	
Cash and cash equivalents.....	\$ 5,286,325
Cash on deposit with fiscal agents.....	791,931
Less: Unemployment Compensation Benefits Fund deposits with United States Treasury.....	(763,293)
Investments.....	18,502,912
Invested securities lending collateral.....	1,483,311
Restricted assets:	
Cash and cash equivalents.....	550,200
Investments.....	247,358
<b>Total.....</b>	<b>\$ 26,098,744</b>

<b>Disclosure regarding deposits and investments plus reconciling items</b>	
Carrying value of deposits.....	\$ 120,661
Reported amount of investments.....	25,977,017
Cash on hand.....	1,066
<b>Total.....</b>	<b>\$ 26,098,744</b>

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, 1999, 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 ...	\$ 236,948	\$ 21,534	\$ 47,429	\$ 305,911	\$ 92,753
Component Units.....	1,675	358	25,875	27,908	27,908
<b>Totals .....</b>	<b>\$ 238,623</b>	<b>\$ 21,892</b>	<b>\$ 73,304</b>	<b>\$ 333,819</b>	<b>\$ 120,661</b>

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, 1999, 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, 1999, were:

## Notes to the Financial Statements

	Category			Reported Amount	Fair Value
	1	2	3		
Primary Government					
U.S. government securities.....	\$ 8,610,031	\$ 274,924	\$ 40,336	\$ 8,925,291	\$ 8,934,304
Corporate bonds.....	8,652,006	22,153	3,932	8,678,091	8,678,754
Repurchase agreements.....	1,378,572	2,119	14,851	1,395,542	1,395,542
Collateralized mortgage obligations.....	776,963	—	—	776,963	776,963
Asset-backed securities.....	150,797	—	—	150,797	150,797
Commercial paper.....	1,207,032	—	—	1,207,032	1,207,032
Securities lending program					
Investments from cash collateral					
Corporate bonds.....	—	—	620,714	620,714	620,714
Repurchase agreements.....	—	—	653,323	653,323	653,323
Commercial paper.....	—	—	209,274	209,274	209,274
Other.....	14,673	30,714	13,068	58,455	59,240
Subtotals.....				22,675,482	22,685,943
Not categorized:					
Mutual funds.....				1,001,825	1,001,825
Securities lending program					
U.S. government securities.....				1,365,231	1,365,231
Corporate bonds.....				71,689	71,689
Unsettled investment transactions.....				133,309	133,309
Totals--primary government.....	\$ 20,790,074	\$ 329,910	\$ 1,555,498	25,247,536	25,257,997
Discretely Presented Component Units					
U.S. government securities.....	\$ 253,798	\$ —	\$ 107,366	361,164	361,164
Repurchase agreements.....	197,262	170,900	—	368,162	368,162
Subtotals.....				729,326	729,326
Not categorized:					
Investment in primary government's investment pool.....				51	51
Mutual funds.....				104	104
Totals—discretely presented component units.....	\$ 451,060	\$ 170,900	\$ 107,366	729,481	729,481
Totals--reporting entity.....				\$ 25,977,017	\$ 25,987,478

At June 30, 1999, the State held collateralized mortgage obligations primarily in its Pension Trust Funds. These securities were purchased to protect the State's Pension Trust Funds from principal prepayment risk during an environment of declining interest rates and to provide incremental yield above that available on corporate securities with similar terms. These securities also provide diversification in the Pension Trust Fund investment portfolios and maintain the high quality of government-sponsored instruments in the portfolios. It is estimated that these securities will provide future cash inflows on a time schedule that approximately

matches the outflows associated with Pension Trust Fund liabilities. These highly marketable securities are rated AAA by the major rating agencies.

The asset-backed securities held by the State at June 30, 1999, 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, automobile loan, and utility receivables. Most of these securities were purchased in the current fiscal year when short-term interest rates were approximately 5.0% and they could provide

## Notes to the Financial Statements

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. Included in the Public Service Authority's investments, carried at fair value, are nuclear decommissioning funds of \$59.665 million with related unrealized holding gains of \$13.298 million. All of the Authority's investments, with the exception of decommissioning funds, are limited to a maturity of ten years or less.

### c. State Retirement Systems Investment Panel

State law created the State Retirement Systems Investment Panel that may make limited investments in equity securities for the State's Pension Trust Funds. The five-member investment panel, established by legislation, is responsible for developing investment goals and objectives and defining the types of investments that the State's Pension Trust Funds can purchase. By law, a maximum of 10 percent of assets for each pension system may be invested in equities annually until a maximum of 40 percent of assets is invested in equities.

The annual investment plan adopted by the panel for the fiscal year ended June 30, 1999, provided for 5 percent of the assets to be invested in a Standard and Poor's 500 index fund. This initial investment is included as mutual funds in the Primary Government section of the table in subsection b (Investments) above. As of June 30, 1999, the balance held in mutual funds for the State's Pension Trust Funds was \$938.460 million.

### d. 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, 1999. At June 30, 1999, 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, 1999, 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, 1999, 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, 1999, 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, 1999, 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, 1999, the fair value of the State's securities on loan was \$1.437 billion, and they are uncategorized as to custodial credit risk in the table in subsection b (Investments) 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, 1999, were:

	General Fund	Special Revenue Funds	Trust and Agency Funds
Retail sales and use.....	\$ 216,604	\$ 78,637	\$ —
Individual income.....	153,779	—	—
Corporate income.....	8,109	—	—
Unemployment.....	—	—	37,079
Gasoline and motor vehicle.....	644	33,464	5,845
Alcoholic beverages and tobacco.....	15,021	—	—
Other.....	15,819	20,940	—
<b>Gross taxes receivable.....</b>	<b>409,976</b>	<b>133,041</b>	<b>42,924</b>
Less: Allowance for uncollect- ible taxes.....	34,341	3,868	145
<b>Net taxes receivable.....</b>	<b>\$ 375,635</b>	<b>\$ 129,173</b>	<b>\$ 42,779</b>

A total of \$417.463 million in net taxes receivable pertaining to the General Fund and Special Revenue Funds were current receivables as of June 30, 1999, and were collected within thirty days after that date.

## NOTE 6: FIXED ASSETS

Property, plant, and equipment (expressed in thousands) at June 30, 1999, consisted of:

## Notes to the Financial Statements

	Primary Government					
	Enter- prise	Internal Service	Trust and Agency	General Fixed Assets	Higher Educa- tion	Com- ponent Units
Land and improvements.....	\$ 18,700	\$ 5,662	\$ 582	\$ 195,473	\$ 129,077	\$ 250,793
Buildings, improvements, and utility plant.....	3,930	147,556	4,749	1,122,468	2,098,714	3,606,080
Machinery, equipment, and other.....	15,010	130,995	5	1,042,264	761,364	49,725
Construction in progress.....	—	6,796	—	46,614	143,181	105,536
<b>Property, plant and equipment before accumulated depreciation.....</b>	<b>37,640</b>	<b>291,009</b>	<b>5,336</b>	<b>2,406,819</b>	<b>3,132,336</b>	<b>4,012,134</b>
<b>Less: accumulated depreciation.....</b>	<b>(11,225)</b>	<b>(128,729)</b>	<b>(808)</b>	<b>—</b>	<b>(18,669)</b>	<b>(1,397,603)</b>
<b>Total property, plant and equipment, net.....</b>	<b>\$ 26,415</b>	<b>\$ 162,280</b>	<b>\$ 4,528</b>	<b>\$ 2,406,819</b>	<b>\$ 3,113,667</b>	<b>\$ 2,614,531</b>

Changes in general fixed assets (expressed in thousands) for the fiscal year ended June 30, 1999, were:

	July 1, 1998 Balance	Additions	Retirements	June 30, 1999 Balance
Land and improvements...	\$ 201,100	\$ 1,308	\$ 6,935	\$ 195,473
Buildings, improvements and utility plant.....	1,077,044	61,119	15,695	1,122,468
Machinery, equipment, and other.....	1,020,937	91,632	70,305	1,042,264
Construction in progress..	57,824	51,383	62,593	46,614
<b>Total General Fixed Assets.....</b>	<b>\$ 2,358,905</b>	<b>\$ 205,442</b>	<b>\$ 155,528</b>	<b>\$ 2,406,819</b>

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, 1999, totaled \$584.617 million for the primary government. Outstanding commitments for construction of such assets for discretely presented component units were as follows: \$19.045 million for the Public Service Authority at December 31, 1998; \$38.762 million for the State Ports Authority at June 30, 1999; and \$3.721 million for the Connector 2000 Associates, Inc., at December 31, 1998.

The primary government recorded capitalized construction period interest of \$1.538 million during the fiscal year ended June 30, 1999. Discretely presented component units recorded capitalized construction period interest of \$1.693 million during the fiscal year ended December 31, 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

## Notes to the Financial Statements

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, 1999, was as follows:

	SCRS	PORS	GARS	JSRS
State and school.....	98	1	1	1
Other.....	517	263	—	—
Total participating employers.....	615	264	1	1

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

### b. Funding Policies

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

By law, employee contribution requirements for the fiscal year ended June 30, 1999, 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, 1999, were as follows:

Plan	Rate
SCRS	7.70%
PORS	10.70%
JSRS	40.69%
GARS	72.23%

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, 1999, were \$2,327 million for SCRS and \$999 thousand for PORS.

## Notes to the Financial Statements

### c. Annual Pension Cost

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

	GARS	JSRS
Annual pension cost.....	\$2,768	\$5,485
Employer contributions made.....	\$2,768	\$5,485
Actuarial valuation date.....	July 1, 1998	July 1, 1998
Actuarial cost method.....	Entry age	Entry age
Amortization method.....	Level percent, open	Level percent, open
Remaining amortization period.....	26 years	28 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, 1999		June 30, 1998		June 30, 1997	
	Required	% Contributed	Required	% Contributed	Required	% Contributed
SCRS—State:						
Primary government.....	\$ 155,644	100.00%	\$ 149,541	100.00%	\$ 142,607	100.00%
Component units.....	7,675	100.00%	7,397	100.00%	7,104	100.00%
PORS—State:						
Primary government.....	\$ 30,892	100.00%	\$ 29,674	100.00%	\$ 27,851	100.00%
Component units.....	18	100.00%	17	100.00%	16	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):

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	1997	\$ 2,492	100%	\$ —
	1998	2,796	100%	—
	1999	2,768	100%	—
JSRS	1997	\$ 4,771	100%	\$ —
	1998	4,991	100%	—
	1999	5,485	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:

## Notes to the Financial Statements

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GARS	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%
	1998	36,260	60,330	24,070	60.1%	4,810	500.4%
JSRS	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%
	1998	75,699	124,756	49,057	60.7%	11,564	424.2%

### f. Receivables and Investments

June 30, 1999, 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

	SCRS	PORS	GARS	JSRS	Totals
<b>Receivables:</b>					
Contributions.....	\$ 81,813	\$ 9,825	\$ 17	\$ 285	\$ 91,940
Employer long-term.....	2,327	999	—	—	3,326
Accrued interest.....	185,571	20,266	440	912	207,189
Due from other funds.....	14,344	2,689	—	73	17,106
<b>Total receivables.....</b>	<b>\$ 284,055</b>	<b>\$ 33,779</b>	<b>\$ 457</b>	<b>\$ 1,270</b>	<b>\$ 319,561</b>
<b>Investments:</b>					
United States government securities.....	\$ 2,613,373	\$ 260,078	\$ 8,541	\$ 3,973	\$ 2,885,965
United States government agencies and government-insured securities.....	4,789,356	457,613	8,228	22,851	5,278,048
Corporate bonds.....	4,604,890	521,121	9,963	23,102	5,159,076
Financial and other.....	2,968,751	354,679	4,583	9,568	3,337,581
Mutual funds--equities.....	838,258	94,163	1,945	4,094	938,460
Invested securities lending collateral.....	1,276,672	151,844	7,195	3,149	1,438,860
<b>Total investments.....</b>	<b>\$ 17,091,300</b>	<b>\$ 1,839,498</b>	<b>\$ 40,455</b>	<b>\$ 66,737</b>	<b>\$ 19,037,990</b>

### 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

## Notes to the Financial Statements

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, the date of the latest actuarial valuation:

	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 consist of Cash and Cash Equivalents and Accounts Receivable. At June 30, 1999, all of the \$117 thousand in Accounts Receivable represented accrued interest.

### Contributions and Reserves

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 25 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employer contributions for the NGPS.

In accordance with State law, the State Adjutant General's Office administers the plan. Administrative charges are financed through investment earnings. The State funded the plan on an actuarial basis for the fiscal years ended June 30, 1994, through June 30, 1996. From July 1, 1996, 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, 1999, was \$7.493 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.....	\$3,164
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, 1999 (expressed in thousands):

	NGPS
Actuarially required contribution (ARC).....	\$ 3,200
Interest on the NPO.....	256
Adjustment to the ARC.....	(292)
Annual pension cost.....	3,164
Contributions made.....	2,499
Increase in NPO.....	665
NPO beginning of year.....	3,537
NPO end of year.....	\$ 4,202

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

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



## Notes to the Financial Statements

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/94	\$ 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):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ 3,060	81.7%	\$ 2,981
1998	3,055	81.8%	3,537
1999	3,164	79.0%	4,202

### 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, 1999, the State's General Fund transferred \$4.480 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 colleges presented in the State's Higher Education Funds 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 \$7.8 million and \$9.4 million, respectively, for the fiscal year ended June 30, 1999.

## 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 20,076 retirees meet these eligibility requirements.

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

## Notes to the Financial Statements

specified annual and lifetime maximums. In addition, State health benefits are reduced if the participant receives or qualifies to receive Medicare benefits.

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

Both health plans and the dental plan are financed on a pay-as-you-go basis. During the fiscal year ended June 30, 1999, the State recognized expenses (net of participant contributions) of \$75.869 million to provide health and dental benefits to State participants in post-employment status.

### NOTE 9: LEASES AND INSTALLMENT PURCHASES

#### a. Lease and Installment Purchase Commitments

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

Fiscal Year Ending June 30	Primary Government				Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	
2000	\$ 487	\$ 3,499	\$ 4,867	\$ 4,861	\$ 13,714
2001	487	3,218	4,646	4,173	12,524
2002	487	2,729	4,095	3,833	11,144
2003	487	1,319	3,734	3,818	9,358
2004	486	1,271	3,136	3,819	8,712
2005 and after	1,703	2,526	36,518	26,012	66,759
<b>Total minimum payments.....</b>	<b>4,137</b>	<b>14,562</b>	<b>56,996</b>	<b>46,516</b>	<b>122,211</b>
Less: interest and executory costs.....	(1,026)	(2,080)	(23,795)	(10,824)	(37,725)
<b>Present value of net minimum payments.....</b>	<b>\$ 3,111</b>	<b>\$ 12,482</b>	<b>\$ 33,201</b>	<b>\$ 35,692</b>	<b>\$ 84,486</b>

Assets under capital leases at June 30, 1999, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Primary Government				Totals
	Internal Service Funds	General Long-Term Obligations Account Group	Higher Education Funds	Component Units	
Land and improvements.....	\$ —	\$ —	\$ 1,683	\$ —	\$ 1,683
Buildings, improvements, and utility plant.....	5,231	—	42,672	97,452	145,355
Machinery, equipment, and other.....	—	19,378	12,529	293	32,200
<b>Assets acquired under capital leases before accumulated amortization.....</b>	<b>5,231</b>	<b>19,378</b>	<b>56,884</b>	<b>97,745</b>	<b>179,238</b>
Less: accumulated amortization.....	(1,203)	—	(3,627)	(68,713)	(73,543)
<b>Assets acquired under capital leases, net.....</b>	<b>\$ 4,028</b>	<b>\$ 19,378</b>	<b>\$ 53,257</b>	<b>\$ 29,032</b>	<b>\$ 105,695</b>

Operating lease payments during the fiscal year ended June 30, 1999, totaled \$65.753 million. At June 30, 1999, future minimum payments under

operating leases (expressed in thousands) were as follows:

# Notes to the Financial Statements

Fiscal Year Ending June 30	Operating Leases		
	Primary Government	Component Units	Totals
2000	\$ 33,721	\$ 639	\$ 34,360
2001	28,878	370	29,248
2002	23,062	145	23,207
2003	17,283	50	17,333
2004	9,923	—	9,923
2005 and after	20,123	—	20,123
Total minimum payments....	\$ 132,990	\$ 1,204	\$ 134,194

## 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, 1999, the State Ports Authority had leased to others certain land and facilities having a cost of approximately \$279.977 million and \$81.582 million of related accumulated depreciation. At June 30, 1999, the total cost of land and improvements leased to others by the Enterprise Funds was \$9.434 million, with \$817 thousand of related accumulated depreciation. Future minimum rental payments to be received at June 30, 1999, under these operating leases (expressed in thousands) were:

Fiscal Year Ending June 30	Enterprise Funds	Component Unit
2000	\$ 399	\$ 18,057
2001	333	14,602
2002	333	12,242
2003	329	9,402
2004	328	4,538
2005 and after	13,164	2,111
Total.....	\$ 14,886	\$ 60,952

## NOTE 10: 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, 1999, were:

<b>General Long-Term Obligations Account Group</b>	
Capital improvement bonds, 3.50% to 6.50%.....	\$ 806,237
State highway bonds, 3.50% to 6.50%.....	333,545
<b>Subtotal-General Long-Term Obligations</b>	
<b>Account Group.....</b>	<b>1,139,782</b>
<b>Higher Education Funds</b>	
State institution bonds, 4.25% to 7.00%.....	78,305
<b>Total-general obligation bonds payable.....</b>	<b>\$ 1,218,087</b>

Of the \$806.237 million in outstanding capital improvement bonds, \$19.880 million are capital appreciation (deep-discount) bonds.

At June 30, 1999, \$468.509 million of capital improvement bonds were authorized but unissued.

At June 30, 1999, future debt service requirements (expressed in thousands) for general obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
2000	\$ 101,200	\$ 59,867	\$ 161,067
2001	117,548	52,635	170,183
2002	98,540	47,146	145,686
2003	115,402	42,221	157,623
2004	93,210	36,919	130,129
2005 and after	700,103	182,011	882,114
<b>Total debt service requirements.....</b>	<b>1,226,003</b>	<b>\$ 420,799</b>	<b>\$ 1,646,802</b>
Unamortized discounts....	(7,916)		
<b>Total principal outstanding.....</b>	<b>\$ 1,218,087</b>		

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.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 1999, was \$138.765 million in total for all institution bonds, \$38.325 million for highway bonds, and \$100.554 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, 1999, were:

<b>Internal Service Funds</b>	
Lease revenue bonds, 4.00% to 6.75%.....	\$ 38,206

# Notes to the Financial Statements

At June 30, 1999, 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, 1999, future debt service requirements (expressed in thousands) for limited obligation bonds were:

Year Ending June 30	Principal	Interest	Totals
2000	\$ 3,050	\$ 1,862	\$ 4,912
2001	3,190	1,712	4,902
2002	3,330	1,536	4,866
2003	3,480	1,365	4,845
2004	3,655	1,206	4,861
2005 and after	21,690	4,520	26,210
<b>Total debt service requirements.....</b>	<b>38,395</b>	<b>\$ 12,201</b>	<b>\$ 50,596</b>
Unamortized discounts.....	(189)		
<b>Total principal outstanding.....</b>	<b>\$ 38,206</b>		

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

## c. Revenue and Infrastructure Bank Bonds, Notes, and Certificates of Participation

Revenue and Infrastructure Bank bonds, notes, and certificates of participation are not backed by the full faith, credit, and taxing power of the State. Revenue and Infrastructure Bank bonds, notes, and certificates of participation outstanding (expressed in thousands) at June 30, 1999, were:

	Bonds	Notes	Certificates of Participation
<b>Primary Government:</b>			
<b>Enterprise Funds</b>			
Housing Authority bonds, 3.50% to 9.38%.....	\$ 467,531	\$ —	\$ —
Education Assistance Authority bonds, 3.50% to 7.13%.....	385,448	—	—
Jobs—Economic Development Authority notes, 9.00%.....	—	205	—
Other Enterprise notes, 6.00%.....	—	25	—
<b>Totals—Enterprise Funds.....</b>	<b>852,979</b>	<b>230</b>	<b>—</b>
<b>Internal Service Funds</b>			
Budget and Control Board notes, 4.52% to 4.91%.....	—	1,514	—
<b>General Long-Term Obligations Account Group</b>			
Infrastructure Bank bonds, 4.00% to 6.00%.....	275,000	—	—
Mental Health Department note, 4.59%.....	—	325	—
Deaf and Blind School note, 4.59%.....	—	460	—
<b>Totals—General Long-Term Obligations Account Group.....</b>	<b>275,000</b>	<b>785</b>	<b>—</b>
<b>Higher Education Funds</b>			
Various bonds and notes, 3.25% to 11.00%.....	247,707	71,782	—
Direct note obligations, 7.09% to 8.79%.....	—	95,000	—
Certificates of participation, 5.60% to 7.50%.....	—	—	20,698
<b>Totals—Higher Education Funds.....</b>	<b>247,707</b>	<b>166,782</b>	<b>20,698</b>
<b>Totals—Primary Government.....</b>	<b>1,375,686</b>	<b>169,311</b>	<b>20,698</b>
<b>Discretely Presented Component Units</b>			
Public Service Authority bonds, 3.80% to 7.00%.....	1,801,660	—	—
State Ports Authority bonds, 3.55% to 5.50%.....	182,434	—	—
Connector 2000 Association, Inc. bonds, 5.25% to 6.30%.....	204,701	—	—
<b>Totals—Discretely Presented Component Units.....</b>	<b>2,188,795</b>	<b>—</b>	<b>—</b>
<b>Totals—revenue bonds, notes, and certificates of participation payable.....</b>	<b>\$ 3,564,481</b>	<b>\$ 169,311</b>	<b>\$ 20,698</b>

## Notes to the Financial Statements

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.

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, 1999, total interest costs incurred were \$8.141 million.

The funds that receive the proceeds of revenue and Infrastructure Bank 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

Jobs-Economic Development Authority notes: loan repayments

#### Internal Service Funds

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

#### General Long-Term Obligations Account Group

Infrastructure Bank bonds: Transportation Infrastructure Bank revenues

Mental Health Department notes: rental payments for equipment

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 bonds: Public Service Authority Fund revenues

State Ports Authority bonds: State Ports Authority Fund revenues

Connector 2000 Association, Inc., bonds: investment earnings during the development stage and toll revenues once toll operations commence

At June 30, 1999, future debt service requirements (expressed in thousands) for revenue and Infrastructure Bank bonds, notes, and certificates of participation were:

### Primary Government:

Year Ending June 30	Principal	Interest	Totals
2000	\$ 98,338	\$ 84,272	\$ 182,610
2001	68,264	82,585	150,849
2002	67,988	78,041	146,029
2003	69,079	73,989	143,068
2004	62,635	71,024	133,659
2005 and after	1,207,911	736,757	1,944,668
<b>Total debt service requirements</b>	<b>1,574,215</b>	<b>\$ 1,126,668</b>	<b>\$ 2,700,883</b>
Unamortized discounts	(7,629)		
Deferred amount on refunding	(891)		
<b>Total principal outstanding</b>	<b>\$ 1,565,695</b>		

### Discretely Presented Component Units:

Year Ending June 30	Principal	Interest	Totals
2000	\$ 83,369	\$ 126,485	\$ 209,854
2001	85,285	122,435	207,720
2002	68,075	118,041	186,116
2003	68,285	113,934	182,219
2004	65,870	110,678	176,548
2005 and after	2,138,651	2,111,155	4,249,806
<b>Total debt service requirements</b>	<b>2,509,535</b>	<b>\$ 2,702,728</b>	<b>\$ 5,212,263</b>
Unamortized discounts	(44,955)		
Deferred amount on refunding	(275,785)		
<b>Total principal outstanding</b>	<b>\$ 2,188,795</b>		

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, 1998, the carrying value of the Public Service Authority's debt was \$2.156 billion while the fair value was approximately \$2.660 billion. At June 30, 1999, the carrying value of the State Ports Authority debt was \$181.912 million while the fair value was approximately \$180.662 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 \$748 thousand of Extraordinary Loss on the Early Extinguishment of Debt in the Enterprise Funds represented a loss on Housing Authority debt extinguishments that resulted from calling bonds.

## Notes to the Financial Statements

### e. Defeased Bonds

During March 1999, Francis Marion University, an institution reported in the State's Higher Education Funds, issued \$7.245 million in Revenue Refunding Bonds with an average interest rate of 4.14% to advance refund \$7.450 million in Student and Faculty Housing Revenue Bonds with an average interest rate of 7.25%. The proceeds of \$7.163 million (after payment of \$44 thousand in original issue discount and \$38 thousand in issuance costs) plus an additional \$626 thousand in excess reserve funds were used to purchase United States government securities. The institution advance refunded these bonds to reduce its debt service payments over the next twelve years by approximately \$1.700 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$720 thousand.

During June 1999, Coastal Carolina University, an institution reported in the State's Higher Education Funds, issued \$24.545 million in Revenue Bonds with an average interest rate of 5.05%. Of the \$24.545 million, \$8.815 million was to advance refund \$8.125 million of the outstanding principal amount of the Series 1994 Revenue Bonds with an average interest rate of 6.79%. The proceeds applicable to the advance refunding of \$8.790 million including \$70 thousand in accrued interest and a bond premium (after payment of \$95 thousand in issuance costs) were used to purchase United States government securities. The institution advance refunded these bonds to reduce its debt service payments over the next twenty-eight years by approximately \$1.188 million and to obtain an economic gain of \$660 thousand.

During June 1999, the Education Assistance Authority, an entity reported in the Enterprise Funds, issued \$67.300 million in Guaranteed Student Loan Revenue and Refunding Bonds with an auction interest rate varying up to 12.00% to advance refund \$43.570 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 \$43.570 million (after payment of \$698 thousand for a bond premium, insurance and other issuance costs and \$23.032 million for the purchase of new student loans) 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 \$446 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 gain flexibilities provided by the 1993 bond resolution. The refunding increases the Authority's total debt payments over the next nineteen years by \$10.793 million and results in an economic gain of \$685 thousand.

During December 1998, the State Ports Authority, a discretely presented component unit, issued \$25.000 million in revenue bonds with variable interest rates capped at 18.00% to refund \$24.800 million in revenue bonds with variable interest rates. The Authority completed the current refunding to gain flexibilities provided by the new

bond resolution. There was a nominal economic loss associated with the write-off of the issue costs on the refunded bonds with no measurable change in debt service payments due to the variable interest rates involved.

During its fiscal year ended December 31, 1998, the Public Service Authority, a discretely presented component unit, issued \$127.700 million in refunding revenue bonds with an average interest rate of 4.97% to advance refund \$117.378 million in revenue bonds with an average interest rate of 6.12%. The net proceeds of \$125.002 million including \$1.715 million in premiums (after payment of \$380 thousand in original issue discount and \$4.033 million in issuance costs and reserve requirements) plus an additional \$4.330 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 \$1.970 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the effective-interest method. The Authority refunded these bonds to reduce its total debt service payments over the next twenty-six years by \$62.548 million and to obtain an economic gain of \$16.846 million. Additionally, the Authority issued \$243.980 million in commercial paper notes with an estimated effective interest rate of 4.55% to refund \$263.075 million in revenue bonds with an average interest rate of 5.76%. The refunding is expected to result in cash flow savings of approximately \$38.000 million over the next twenty years and result in an economic gain of approximately \$23.000 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, 1999, 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.....	\$ —	\$ 33,000	\$ —	\$ —
Education Assistance Authority bonds.....	43,570	—	—	—
Public Service Authority bonds.....	—	—	—	703,030
Other.....	—	—	65,365	—
<b>Totals.....</b>	<b>\$ 43,570</b>	<b>\$ 33,000</b>	<b>\$ 65,365</b>	<b>\$ 703,030</b>

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.

## Notes to the 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, 1999, 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 \$534.423 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, 1999, the outstanding balance of bonds issued was \$183.832 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, 1999, the outstanding balance of bonds issued was \$103.508 million.

### g. Resources Authority Debt

In prior years, the Resources Authority, reported as part of the primary government, 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, 1999, was \$42.655 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 1993-1994, 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, 1999, the system was partially operating and producing some revenue but construction had not been completed. The State paid

a total of \$1.727 million in the fiscal years 1993-1994 through 1997-1998, and \$420 thousand in 1998-1999 to the Authority to offset the loss of revenues from the delinquent local entity. The State has appropriated \$400 thousand in fiscal year 1999-2000 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 \$456.100 million liability for Commercial Paper Notes at its fiscal year ended December 31, 1998. The paper is issued for valid corporate purposes with a term not to exceed 270 days. The Authority has a \$500.000 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, 1998.

### i. Subsequent Events

Since June 30, 1999, the State's primary government has issued \$75.000 million of general obligation bonds and \$361.935 million of revenue bonds. The Public Service Authority, a discretely presented component unit, has issued \$25.000 million of commercial paper notes and \$323.640 million in revenue bonds. The Ports Authority, a discretely presented component unit, has executed an in-substance cash defeasance of \$31.795 million in outstanding revenue bonds.

The State primary government plans to issue mini-bonds in an aggregate amount not to exceed \$25.000 million in December 1999.

## NOTE 11: CHANGES IN GENERAL LONG-TERM OBLIGATIONS

Changes in general long-term obligations (expressed in thousands) for the fiscal year ended June 30, 1999, were:

	Balances at July 1, 1998		Increases		Decreases		Balances at June 30, 1999	
Accounts payable and accrued liabilities.....	\$	2,367	\$	2,367	\$	(3,342)	\$	1,392
Intergovernmental payables.....		8,675		—		(1,245)		7,430
Insurance claims incurred but not reported.....		2,765		291		—		3,056
Notes payable.....		600		419		(234)		785
General obligation bonds payable.....		951,577		275,970		(87,765)		1,139,782
Infrastructure Bank bonds payable.....		—		275,000		—		275,000
Capital lease and installment debt obligations payable.....		7,856		7,463		(2,837)		12,482
Compensated absences payable.....		175,937		85,452		(80,752)		180,637
Other liabilities.....		20,165		9,199		(5,320)		24,044
<b>Totals.....</b>	<b>\$</b>	<b>1,169,942</b>	<b>\$</b>	<b>656,161</b>	<b>\$</b>	<b>(181,495)</b>	<b>\$</b>	<b>1,644,608</b>

## Notes to the Financial Statements

The Accounts Payable and Accrued Liabilities, the Insurance Claims Incurred but not Reported, and \$10.853 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 \$275.970 million for General Obligation Bonds Payable includes \$970 thousand in accretion of interest on capital appreciation (deep-discount) bonds.

### NOTE 12: 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, 1999, were:

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
<b>General</b>						
General Fund.....	\$ 75,963	\$ 82,386	\$ 4,778	\$ 1,603	\$ 8,221	\$ 3,573
Less: eliminations.....	(63,379)	(63,379)	—	—	—	—
<b>Adjusted General Fund.....</b>	<b>12,584</b>	<b>19,007</b>	<b>4,778</b>	<b>1,603</b>	<b>8,221</b>	<b>3,573</b>
<b>Special Revenue</b>						
Departmental General Operating Fund.....	22,805	60,050	300	3,606	400	102
Education Improvement Act Fund.....	4,700	2,131	600	200	—	—
Children's Education Endowment Fund.....	—	17	—	—	—	—
Repair, Maintenance, and Renovation Fund.....	1,930	29	—	—	—	—
Waste Management Fund.....	1,344	283	—	300	—	—
Department of Transportation Special Revenue Fund.....	40,016	59,108	1,358	—	3,509	—
Local Government Infrastructure Fund.....	63,036	2,053	200	—	200	—
Accommodations and Local Option Sales Tax Fund....	72	90	—	—	—	—
Energy Settlement Fund.....	—	68	—	—	—	—
Omnibus Crime Fund.....	16	446	—	—	—	—
Medicaid Expansion Fund.....	—	28	—	—	—	—
Other Special Revenue Funds.....	2,191	267	64	21	136	—
Less: eliminations.....	(102,927)	(102,927)	(900)	(900)	—	—
<b>Adjusted Special Revenue Funds.....</b>	<b>33,183</b>	<b>21,643</b>	<b>1,622</b>	<b>3,227</b>	<b>4,245</b>	<b>102</b>
<b>Capital Projects</b>						
Capital Projects Fund.....	1,278	1,400	—	—	—	—
Less: eliminations.....	(131)	(131)	—	—	—	—
<b>Adjusted Capital Projects Fund.....</b>	<b>1,147</b>	<b>1,269</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Enterprise</b>						
Housing Authority.....	—	25	—	—	—	—
Education Assistance Authority.....	—	212	—	—	—	—
Second Injury Fund.....	3	1,049	—	—	—	—
Patriots Point Development Authority.....	—	233	—	—	—	—
Other Enterprise Funds.....	22	304	—	200	—	16,639
Less: eliminations.....	(25)	(25)	—	—	—	—
<b>Adjusted Enterprise Funds.....</b>	<b>—</b>	<b>1,798</b>	<b>—</b>	<b>200</b>	<b>—</b>	<b>16,639</b>



# Notes to the Financial Statements

Fund Type/Fund	Due From	Due To	Interfund Receivables	Interfund Payables	Advances To	Advances From
<b>Internal Service</b>						
Insurance Reserve Fund.....	\$ 6,136	\$ 8	\$ 1,890	\$ —	\$ 24,323	\$ —
Health and Disability Insurance Fund.....	14,645	92	—	—	—	—
State Accident Fund.....	2,243	89	—	—	—	—
General Services Fund.....	7,829	628	—	2,164	—	15,057
Central Supplies and Equipment Fund.....	886	50	—	1,000	—	—
Motor Pool Fund.....	1,812	53	—	—	—	—
Pension Administration Fund.....	—	382	—	—	—	—
Prison Industries Fund.....	1,185	251	—	—	—	—
Other Internal Service Funds.....	41	876	1,446	1,304	6,543	6,295
Less: eliminations.....	(1,563)	(1,563)	(2,913)	(2,913)	(14,422)	(14,422)
<b>Adjusted Internal Service Funds.....</b>	<b>33,214</b>	<b>866</b>	<b>423</b>	<b>1,555</b>	<b>16,444</b>	<b>6,930</b>
<b>Trust and Agency</b>						
Expendable Trust:						
Unemployment Compensation Benefits Fund.....	—	11,864	—	—	—	—
Other Expendable Trust .....	—	2	—	—	—	—
Pension Trust:						
South Carolina Retirement System.....	14,344	14,284	—	—	—	—
Police Officers' Retirement System.....	2,689	498	—	—	—	—
General Assembly Retirement System.....	—	27	—	—	—	—
Judges' and Solicitors' Retirement System.....	73	—	—	—	—	—
Agency Funds:						
Federal Interfund Activity Fund.....	—	858	—	—	—	—
Payroll Clearing Fund.....	45,637	9,790	—	—	—	—
Other Agency Funds.....	8,793	79,889	—	—	—	—
Less: eliminations.....	(65,017)	(65,017)	—	—	—	—
<b>Adjusted Trust and Agency Funds.....</b>	<b>6,519</b>	<b>52,195</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Higher Education</b>						
Unrestricted Current Funds.....	16,817	4,153	—	—	—	—
Restricted Current Funds.....	433	4,451	—	—	—	—
Endowment and Similar Funds.....	—	—	—	—	775	—
Unexpended Plant Funds.....	1,362	—	—	—	—	500
Retirement of Indebtedness Funds.....	—	—	—	—	500	—
Investment in Plant Funds.....	—	—	—	238	—	33,326
Agency Funds.....	123	—	—	—	—	—
Foundations and Institutes.....	—	—	—	—	30,685	—
Less: eliminations.....	(1,514)	(1,514)	—	—	(31,960)	(31,960)
<b>Adjusted Higher Education Funds.....</b>	<b>17,221</b>	<b>7,090</b>	<b>—</b>	<b>238</b>	<b>—</b>	<b>1,866</b>
<b>Totals—Primary Government.....</b>	<b>\$ 103,868</b>	<b>\$ 103,868</b>	<b>\$ 6,823</b>	<b>\$ 6,823</b>	<b>\$ 28,910</b>	<b>\$ 29,110</b>

## b. Interfund Assets and Liabilities Between the Primary Government and Discretely Presented Component Units

Interfund assets and liabilities (expressed in millions) between discretely presented component units and the primary government at June 30, 1999, were:

Receivable Fund	Payable Fund	Amount (Millions)
General Fund	Public Service Authority	\$4.114

## c. Inequality of Due from Component Units and Due to Primary Government

Due From Component Units was \$4.114 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, 1999, the Authority owed the General Fund its semi-annual cash distribution, which is based primarily on operating cash flows and mandatory reserve requirements.

## Notes to the Financial Statements

### **d. 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 1999 loan payment was not reflected in its Advances From Other Funds at December 31, 1998, but that payment reduced the Local Government Infrastructure Fund's Advances To Other Funds as of June 30, 1999.

### **e. Inequality of Transfers From Component Units and Transfers To Primary Government**

Transfers From Component Units exceed Transfers To Primary Government by \$281 thousand because the Public Service Authority, a discretely presented component unit, reports using a fiscal year ending December 31. The \$281 thousand difference represents Transfers From Component Units to the General Fund for the fiscal year ended June 30, 1999, less Transfers To Primary Government from the Public Service Authority for its fiscal year ended December 31, 1998.

### **f. Inequality of Residual Equity Transfers In and Out**

Residual Equity Transfers Out of \$31 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.

Residual Equity Transfers Out of \$1.336 million in the General Fund were recorded as additions to Contributed Capital in the Internal Service Funds. These balances resulted from payments forgiven on long-term interfund loans.

## **NOTE 13: 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.

### **a. Primary Government—Reserved Retained Earnings**

At June 30, 1999, the \$257.925 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, 1999, the following amounts of fund balance (expressed in thousands) were reserved or designated:

## Notes to the Financial Statements

	General	Special Revenue	Trust and Agency	Higher Education
<b>Fund balances reserved for:</b>				
Pension and other benefits .....	\$ —	\$ —	\$ 19,590,921	\$ —
External investment pool				
participants.....	—	—	894,613	—
Restricted fund balance .....	—	—	—	199,613
Federal government grants				
refundable .....	—	—	—	46,393
General fund reserve .....	137,650	—	—	—
Inventories .....	13,704	17,584	—	—
Advances to other funds .....	8,221	4,245	—	—
Appropriations to be carried				
forward .....	175,090	—	—	—
Endowment and similar funds .....	—	—	1,564	58,706
Long-term loans and notes				
receivable .....	182	255,572	—	—
Debt requirements .....	—	59,408	—	10,907
School building aid .....	191	13,913	—	—
Encumbrances .....	—	—	—	3,303
Other special purposes .....	—	—	—	7,174
<b>Total reserved fund</b>				
<b>    balances.....</b>	<b>\$ 335,038</b>	<b>\$ 350,722</b>	<b>\$ 20,487,098</b>	<b>\$ 326,096</b>

	General	Special Revenue	Capital Projects	Higher Education
<b>Unreserved fund balances</b>				
<b>    designated for:</b>				
Future years' expenditures .....	\$ 31,360	\$ 103,278	\$ —	\$ —
Capital expenditures .....	—	216,391	91,507	—
Loan funds .....	—	—	—	2,650
Scholarships .....	—	17,157	—	—
Endowment and similar funds	—	—	—	50,241
Plant funds .....	—	—	—	58,997
Special purposes .....	—	—	—	12,542
<b>Total unreserved, desig-</b>				
<b>    nated fund balances.....</b>	<b>\$ 31,360</b>	<b>\$ 336,826</b>	<b>\$ 91,507</b>	<b>\$ 124,430</b>

## Notes to the Financial Statements

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 \$18.790 billion reserved for pension, group life, and accidental death benefits. It also includes \$800.919 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 subdivisions 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, 1998, the Reserve was \$7.270 million below the full-funding amount of \$137.650 million. On September 1, 1998, \$7.270 million of budgetary surplus from 1997-1998 was added to the reserve to bring its balance to \$137.650 million. During the remainder of the fiscal year ended June 30, 1999, the Reserve remained at \$137.650 million. Accordingly, at June 30, 1999, the reserve was \$7.721 million below the full-funding amount of \$145.371 million. On September 1, 1999, however, \$7.721 million was added to the reserve to bring its balance to \$145.371 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.

The South Carolina Transportation Infrastructure Bank, reported within the State's Special Revenue Funds, recorded an amount as Reserved for Debt Requirements as required by certain financing agreements and bond indentures.

### Reserved for School Building Aid

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

### Reserved for Encumbrances

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

### Reserved for Other Special Purposes

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

## Notes to the Financial Statements

### Designated for Future Years' Expenditures

At June 30, 1999, the State had tentative plans to use \$91.766 million of the fund balance in its Budgetary General Fund to allow the State to pay for selected recurring and nonrecurring items. Of that amount, only \$31.360 million in net financial resources were available in the General Fund at June 30, 1999, to finance these tentative plans.

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.

### 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, \$16.993 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, 20.0% to 33.0% of the loan is canceled. If the borrower does not teach, however, the loan must be repaid. The remaining \$164 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 14: 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 Museum Foundation; the South Carolina Research Authority; and the Carolina Capital Investment Corporation.

Those organizations above that are related to higher education report total assets of \$728.287 million. During the fiscal year ended June 30, 1999, 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—\$40.578 million; donations of cash and other assets from foundations—\$36.502 million; expenditures (rental of foundation-owned property)—\$3.717 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations—\$11.133 million.

The South Carolina Education Assistance Authority (EAA), an Enterprise Fund, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the

## Notes to the Financial Statements

EAA student loan program. During the fiscal year ended June 30, 1999, EAA entered into various transactions with SLC. Approximate amounts within the State's Enterprise Funds that represent these transactions include: accounts receivable from SLC—\$6.470 million; notes receivable from SLC—\$361.539 million; program revenue from SLC—\$39.485 million; accounts payable to SLC—\$8.705 million; and reimbursements to SLC for administrative costs—\$5.183 million.

During the fiscal year ended June 30, 1999, the Educational Television Endowment of South Carolina, Inc., disbursed \$7.575 million on behalf of the State for programs, development, advertising, and other costs.

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, 1999, JEDA paid CCIC \$469 thousand for management and administrative expenses and incurred payables to CCIC of \$118 thousand.

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, 1999, follows:

### NOTE 15: SEGMENT INFORMATION

#### a. Enterprise Funds

The State groups its Enterprise Funds into the following segments: the State Housing Finance and

	Housing Authority	Education Assistance Authority	Jobs—Economic Development Authority	Patients' Compensation	Other	Totals
Operating revenues.....	\$ 47,643	\$ 45,159	\$ 1,148	\$ 9,800	\$ 25,426	\$ 129,176
Depreciation and amortization expense.....	316	164	—	3	919	1,402
Operating income (loss).....	9,206	16,191	(4,173)	(2,466)	527	19,285
Federal revenue.....	23,776	—	—	—	—	23,776
Operating transfers in.....	—	—	125	—	353	478
Extraordinary loss.....	(748)	—	—	—	—	(748)
Net income (loss).....	15,436	15,698	(3,954)	(2,466)	2,316	27,030
Current capital contributions and transfers.....	—	—	—	—	31	31
Property, plant, and equipment:						
Additions.....	64	276	—	1	1,353	1,694
Retirements.....	(49)	—	—	—	(138)	(187)
Net working capital.....	175,731	186,139	8,627	13,533	18,579	402,609
Total assets.....	664,579	526,384	13,738	20,256	128,540	1,353,497
Bonds and other long-term liabilities payable from operating revenues.....	438,990	375,678	172	25,440	17,557	857,837
Total fund equity (deficit).....	177,185	123,141	11,781	(11,901)	45,644	345,850

## Notes to the Financial Statements

### b. Discretely Presented Component Units

The segments of the State's discretely presented component units are the Public Service Authority, the State Ports Authority, the Connector 2000 Association, Inc., and the Savannah Lakes Regional Loan Fund.

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. The Connector 2000 Association, Inc., is a development stage enterprise created to assist the Department of Transportation in the financing, acquisition, construction, and operation of turnpikes and other transportation projects. The Savannah Lakes Regional Loan Fund maintains a revolving loan fund to promote economic development in the State's Savannah Lakes Region.

Financial information (expressed in thousands) for these segments for the fiscal year ended June 30, 1999, follows:

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Savannah Lakes Regional Loan Fund	Totals
Operating revenues.....	\$ 775,639	\$ 84,801	\$ —	\$ 15	\$ 860,455
Depreciation and amortization expense.....	116,665	16,590	—	—	133,255
Operating income.....	220,266	16,253	—	5	236,524
Transfers from primary government....	—	19,182	—	—	19,182
Transfers to primary government.....	(7,605)	—	—	—	(7,605)
Net income (loss).....	31,740	16,072	(127)	25	47,710
Current capital contributions and transfers.....	—	2,273	—	—	2,273
Property, plant, and equipment:					
Additions.....	68,193	29,979	—	—	98,172
Retirements.....	(20,256)	(1,823)	—	—	(22,079)
Net working capital.....	(233,569)	22,185	164,795	456	(46,133)
Total assets.....	3,322,310	520,502	211,322	462	4,054,596
Bonds and other long-term liabilities payable from operating revenues.....	1,842,242	181,032	204,701	—	2,227,975
Total fund equity (deficit).....	828,870	322,096	(127)	456	1,151,295

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, 1998, 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.....	\$ 354,000	45.64%	\$ 49,969	55.23%
Alumax of South Carolina, Inc.....	87,000	11.22%	7,272	8.04%

During the fiscal year ended June 30, 1999, two customers accounted for approximately 11% and 13% of the State Ports Authority's revenues.

### NOTE 16: DEFICIT RETAINED EARNINGS

The Patients' Compensation Fund, reported in the Enterprise Funds, had a deficit Retained Earnings balance of \$11.901 million at June 30, 1999. This deficit resulted from losses that the Fund has experienced over the last four years.

## Notes to the Financial Statements

The Fund has increased premiums in recent years, and it increased them significantly again in June 1999. This recent premium adjustment should increase annual fee collections to approximately \$16.000 million. However, the liability recorded for unpaid claims each year is based on an actuarial analysis performed after June 30. The premium increases may not be sufficient to prevent an accounting deficit when the actuarial liability is recorded.

The Patriots Point Development Authority, reported in the Enterprise Funds, had a deficit Retained Earnings balance of \$1.240 million at June 30, 1999. 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.

The State Accident Fund, reported in the Internal Service Funds, had a deficit Retained Earnings balance of \$639 thousand at June 30, 1999. This deficit resulted from a one-time transfer of \$3.000 million in investment income to the State's General Fund as required by the 1998-1999 Appropriation Act.

The Connector 2000 Association, Inc., a development stage enterprise reported as a discretely presented component unit, had an accumulated deficit of \$127 thousand for its fiscal year ended December 31, 1998. See Note 1r for additional information.

At June 30, 1999, the Savannah Lakes Regional Loan Fund, a discretely presented component unit, reported a deficit Retained Earnings balance of \$564 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 17: 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 expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid claims liability of \$138.899 million at June 30, 1999, 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 operating statement.

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
1998	\$ 157,306	\$ 23,970	\$ (34,498)	\$ 146,778
1999	146,778	21,021	(28,900)	138,899

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise.

The IRF purchases reinsurance to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability. Reinsurance for catastrophic losses in the area of property insurance is purchased for losses above \$2.000 million per location and \$10.000 million per occurrence. For medical professional liability insurance, reinsurance for catastrophic losses is acquired for losses exceeding \$250 thousand per occurrence. Reinsurance permits partial recovery of losses from reinsurers; but the IRF, as direct insurer of the risks, remains primarily liable. The unpaid claims liabilities were reduced by \$5.600 million and \$5.000 million as of June 30, 1999, and 1998, respectively, for amounts relating to unpaid claims estimated to be recoverable from reinsurers.



## Notes to the Financial Statements

### 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 expenses have been included in the calculation of the unpaid claims liability. The unpaid claims liability of \$128,806 million at June 30, 1999, 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 operating statement.

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 1999 and 1998, compounded annually. Of the total claims liability reported for the Health and Disability Insurance Fund at June 30, 1999, \$22.463 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
1998	\$ 97,560	\$ 553,566	\$ (549,482)	\$ 101,644
1999	101,644	642,148	(614,986)	128,806

### 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 liabilities are charged or credited to expense in the period in which they are made. At June 30, 1999, the claims liability for the Fund was \$51.189 million. The liability for claims reported but not yet paid is included in Accounts Payable and Accrued Liabilities, while the liability for Insurance Claims Incurred But Not Reported is reported separately on the face of the financial statements. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

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

## Notes to the Financial Statements

Fiscal Year Ended June 30	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
1998	\$ 58,443	\$ 25,227	\$ (32,344)	\$ 51,326
1999	51,326	30,874	(31,011)	51,189

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, 1999, or at June 30, 1998.

### 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, 1999, the claims liability for the PCF was \$25.440 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 claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal

liability, and damage awards, the process 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; business interruption; 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 calendar years 1998 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, 1998, the amount of these liabilities was \$1.562 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
1997	\$ 1,649	\$ 402	\$ (758)	\$ 1,293
1998	1,293	1,260	(991)	1,562

## Notes to the Financial Statements

### NOTE 18: 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, 1998, the Authority received distributions of \$13.263 million from the Venture and recognized \$15.531 million in reductions to power costs, partially offset by \$171 thousand in equity losses. 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 \$15.000 million to support the Venture's trading activities in the form of corporate guarantees, letters of credit and/or cash as determined by management.

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

The Energy Authority  
76 South Laura Street, Suite 1500  
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 thirty-five percent interest in the Lowcountry Medical Group, LLC. The State's Higher Education Funds record the investment using the equity method. At June 30, 1999, the State's Higher Education Funds had invested \$3.936 million in the joint venture, including an initial investment of \$3.600 million, legal fees of \$75 thousand, and net income of \$308 thousand less a distribution of \$47 thousand.

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

Bates Leonard & Trask  
1215 48<sup>th</sup> Avenue, North  
Myrtle Beach, South Carolina 29577  
Attention: Deborah Leonard

#### 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 \$506.000 million and expenses of \$44.051 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.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. 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 \$59.665 million (adjusted to market) at December 31, 1998, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are expected to provide sufficient funds for the Authority's share of the estimated decommissioning costs.

## Notes to the Financial Statements

The Price-Anderson Indemnification Act has established the maximum liability for public claims arising from any nuclear incident as \$9.900 billion. This amount would be covered by nuclear liability insurance of approximately \$200.000 million per site, with potential retrospective assessments of up to \$88.100 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 \$29.400 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 \$2.000 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 19: CONTINGENCIES AND COMMITMENTS

#### a. Litigation

Among the unresolved lawsuits in which the State was involved at June 30, 1999, were several that challenge the legality of certain taxes. The challenged revenues include the sales tax on gross business proceeds and the license tax on video gaming machines. 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. State losses in these cases could have an adverse impact on future revenues. In the event of unfavorable outcomes for these cases, the ultimate liability is not expected to exceed \$211.000 million. This estimate does not include the impact on future revenues.

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 appealed the decision to the South Carolina Supreme Court. The appeal was argued before the Supreme Court, but the Court has not yet rendered a decision.

Two class action lawsuits relating to the taxation of retirement benefits are pending against the State. One challenges the taxation of federal retirees' income, and the other challenges the State's law imposing income taxes upon benefits paid to retired government employees by the South Carolina Retirement Systems. The State filed a motion to dismiss in both cases. The State prevailed on the motions, however the plaintiff in the Federal retiree suit has filed a motion to reconsider, and the plaintiff in the State retiree suit has filed a notice of appeal with the South Carolina Supreme Court. In the event of an unfavorable outcome in both cases, the State's liability is not expected to exceed \$475.000 million for retroactive relief with an estimated unfavorable impact on future year revenues of an additional \$47.500 million per year.

While the State is uncertain as to the ultimate outcome of any of the above-described lawsuits, it is vigorously defending its position in each case.

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 the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The case is in the preliminary stages in the Circuit Court.

The Medical University of South Carolina (MUSC), an institution reported in the State's Higher Education Funds, and University Medical Associates (UMA), a component unit of MUSC, are involved in litigation filed under the False Claims Act for alleged false or fraudulent filed claims. The amount of such damages is unspecified, and the case currently is in the discovery phase. MUSC and UMA also may be liable for additional related amounts including treble damages and civil penalties. The amounts of potential losses to the State, if any, as a result of an unfavorable outcome are not presently determinable. While the State and its component unit are uncertain as to the ultimate outcome of this case, they are vigorously defending their actions.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts and 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

## Notes to the Financial Statements

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. The State has recorded liabilities for the uninsured judgments against the State in cases filed prior to July 1, 1994. These uninsured liabilities at June 30, 1999, consist of \$650 thousand recorded in the State's Department of Transportation Special Revenue Fund and \$3.681 million recorded in the State's General Long-Term Obligations Account Group.

A unanimous South Carolina Supreme Court decision on October 14, 1999, canceled a statewide video poker referendum scheduled to have occurred in November 1999 and banned video poker payouts after July 1, 2000. Some video gaming machine operators have publicly indicated that they are considering legal actions related to the impending ban on video poker payouts. Although it is possible that actions may be brought against the State, there currently are significant uncertainties regarding the exact nature and extent of such potential claims. Accordingly, the amounts of potential losses, if any, that might result from such unasserted challenges are not presently determinable, and no provision for such potential liability has been made in the accompanying financial statements.

### b. Gain from Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State of South Carolina stands to receive settlement payments through 2025. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State's 1999-2000 Appropriation Act provides that any funds received from the settlement must be deposited into the General Fund of the State to be appropriated by the General Assembly.

On June 4, 1999, South Carolina's first payment under the settlement agreement was transferred to a state-specific interest-bearing escrow account. The \$28.638 million balance in that account at June 30, 1999, is presented as Cash on Deposit With Fiscal Agents and as Deferred Revenue in the accompanying financial statements. An amount of \$29.046 million is expected to be transferred out of escrow and into the State's treasury in December 1999.

The State is scheduled to receive a second settlement payment of \$75.425 million during calendar year 2000. This payment as well as all other future settlement payments are subject to several adjustments, the amounts of which are presently not determinable. These adjustments include a "volume adjustment," which would reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and potential future litigation against the tobacco industry and the future financial health of the

tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable, the State did not record a receivable for the future payments at June 30, 1999.

### c. Federal Grants

The State receives significant Federal grant and entitlement revenues. Compliance audits of Federal programs may identify disallowed expenditures. Disallowances by Federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded when the State and the Federal government agree upon reimbursement terms. It is presently not possible for management to determine the outcome of pending audit disallowances. Based on an analysis of historical data, however, the State believes that any such reimbursements relating to the fiscal year ended June 30, 1999, or earlier years will not have a material impact on the State's financial statements.

### d. Education Assistance Loan Guarantees

The South Carolina Education Assistance Authority within the State's Enterprise Funds guarantees student loans. At June 30, 1999, these loans totaled \$1.187 billion. The United States Department of Education reinsures 100% of losses under these guarantees for loans made prior to October 1, 1993; 98% of losses for loans made on or after October 1, 1993, but before October 1, 1998; and 95% for loans made on or after October 1, 1998. 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, 1999, was approximately 1.0%.

### e. Federal Housing and Urban Development Loan Guarantee Program

During 1994, Lexington County 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 the county did not receive CDBG funds directly from HUD, the State cosigned the HUD contract and pledged its future federal CDBG funds on behalf of the county. The county lent its loan proceeds to fund an economic development project.

During 1997, the funded project declared bankruptcy. Because the project will not make any further loan payments to the county, the county will not receive the funds it would have used to make the corresponding loan payments to HUD. Under the agreement, therefore, the State must use its federal CDBG funds to make the loan payments on behalf

## Notes to the Financial Statements

of the county 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, 1999, \$7.430 million remained outstanding on the Lexington County loan. The payment terms require the State to repay this amount in five years at 8.0% 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.

### f. Purchase Commitments

At December 31, 1998, the Public Service Authority, a discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$401.386 million for coal. In addition, outstanding minimum obligations were approximately \$94.000 million and \$40.000 million under purchased power contracts having remaining terms of thirty-six and five years, respectively. The Authority has commitments for nuclear fuel enrichment and fabrication contracts that are contingent upon the operating life of its nuclear unit. As of December 31, 1998, these commitments totaled approximately \$91.300 million over the next eleven years.

### g. Transportation Infrastructure Bank Loan Commitments

The South Carolina Transportation Infrastructure Bank, reported within the State's Special Revenue Funds, has entered into two intergovernmental agreements with Horry County to fund interest-bearing loans totaling \$547.578 million for road and bridge construction projects. At June 30, 1999, the undrawn loan balance is \$448.641 million. The Bank also has agreements with various counties to provide financial assistance totaling \$906.500 million for certain road projects. At June 30, 1999, the remaining commitments for these agreements totaled \$822.565 million.

### h. 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. Most of the Clean Air Act Amendment regulations and the Environmental Protection Agency's (EPA) regulations related to ozone transport are now final, and costs have been quantified. 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. Although the EPA regulations are currently in litigation, potential costs to the Public Service Authority could exceed \$170.000 million in capital expenditures by 2004

and annual recurring costs could exceed \$30.000 million.

### i. 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.

## NOTE 20: 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	
2000	\$ 1,608	\$ 249	\$ 1,857
2001	—	276	276
2002	—	226	226
2003	—	76	76
2004	—	—	—
Thereafter	20,149	1,538	21,687
<b>Totals</b>	<b>\$ 21,757</b>	<b>\$ 2,365</b>	<b>\$ 24,122</b>

It is not practicable to estimate the net realizable value of such pledges; accordingly, they are not recorded as pledges receivable at June 30, 1999, in the accompanying financial statements.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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# 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)
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	July 1, 1995	3,760	26,996	23,236	13.9%	50,766	45.8%
1997	June 30, 1996 <sup>a</sup>	6,259	36,756	30,497	17.0%	48,861	62.4%
1998	June 30, 1996 <sup>a</sup>	6,259	36,756	30,497	17.0%	48,861	62.4%
1999	June 30, 1998 <sup>a</sup>	8,640	41,478	32,838	20.8%	40,333	81.4%

<sup>a</sup> 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
1994	\$ 2,499	100.0%
1995	2,499	100.0%
1996 <sup>a</sup>	2,499	100.0%
1997 <sup>a</sup>	3,085	81.0%
1998 <sup>a</sup>	3,085	81.0%
1999 <sup>a</sup>	3,200	78.1%

<sup>a</sup> 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

# The Year 2000 Issue (Unaudited)

Fiscal Year Ended June 30, 1999

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 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 most of the work of addressing the State's year 2000 issue.

During the fiscal year ended June 30, 1999, the State contracted with external vendors for assistance in addressing such issues. Unpaid commitments as of June 30, 1999 amounted to \$1.842 million for the primary government. The State Ports Authority, a discretely presented component unit, had unpaid commitments of \$199 thousand as of June 30, 1999.

As a part of the State Budget and Control Board's continuing assessment of the year 2000 issue, State agencies have identified 1,246 systems deemed critical to their agency operations. Management believes that 365 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) may fall within one or more 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.

At June 30, 1999, the State had completed all stages of work for all mission-critical systems/equipment except as disclosed below. The systems/equipment listed below were in the following stages of work: *C* means complete, *P* means in process, and *A* means still needs to be addressed. Systems having similar functions that are in the same stages of work have been combined for purposes of this disclosure.

Description	Assessment	Remediation	Validation
<b>PRIMARY GOVERNMENT</b>			
Medical University—federal reporting.....	P	P	A
Medical University—laboratory information and clinical data systems.....	P	P	P
Department of Social Services—Medicare billing.....	P	P	P
Local Government Investment Pool.....	C	A	A
Vital records—billing.....	C	A	A
Department of Agriculture—detection of pesticides and chemicals in food.....	C	A	A
Tracking sexually transmitted diseases.....	C	P	A
Department of Health and Environmental Control—laboratory billing and information.....	C	P	A
Tracking contaminated waste and water.....	C	P	A
Jobs—Economic Development Authority—operations.....	C	P	A
Low Country Technical College—energy management system.....	C	P	A
South Carolina State University—student information system.....	C	P	P
Medical University—student information and human resources.....	C	P	P
Medical University—financial aid and accounting systems.....	C	P	P
Vocational Rehabilitation centers.....	C	P	P
Vital records—infant deaths.....	C	P	P
Department of Social Services—child welfare case management.....	C	P	P
Department of Insurance—licensing, taxation, complaints.....	C	P	P
Licensing—nurses, residential homebuilders, and engineers.....	C	P	P
Pyrotechnic and fire marshal licenses and inspections.....	C	P	P
Inspections—amusement rides and elevators.....	C	P	P
Union mediation.....	C	P	P

# The Year 2000 Issue (Unaudited)

## Fiscal Year Ended June 30, 1999

Description	Assessment	Remediation	Validation
<b>PRIMARY GOVERNMENT (Continued)</b>			
Department of Revenue—individual income tax.....	C	P	P
Unemployment claims—payroll history.....	C	P	P
Trident Technical College—academic computing.....	C	P	P
Williamsburg Technical College—human resources system....	C	P	P
Education Assistance Authority—operations.....	C	P	P
Medical University—radiology information.....	C	C	A
Department of Social Services—child support financial systems.....	C	C	A
Appellate case management and county docketing.....	C	C	P
Law Enforcement—fingerprint identification.....	C	C	P
Statewide tracking of receipts and revenue.....	C	C	P
Attorney General's Office—opinions; trusts and foundations.....	C	C	P
Clemson University—accounting.....	C	C	P
University of South Carolina—physical facilities.....	C	C	P
Medical University—patient information, admissions, records, and billing.....	C	C	P
Medical University—inpatient and outpatient pharmacy records.....	C	C	P
Medical University—cardiology ultrasound systems.....	C	C	P
Medical University—child abuse and neglect tracking systems.....	C	C	P
Department of Education—teacher certification.....	C	C	P
Drug manufacturer rebate records.....	C	C	P
Medicaid—processing, payment, eligibility.....	C	C	P
Health departments—tracking and billing for child health services.....	C	C	P
Mental health patient information.....	C	C	P
Driver and vehicle registration.....	C	C	P
Department of Social Services—eligibility determination.....	C	C	P
Forest fire management.....	C	C	P
Central State government risk management.....	C	C	P
Department of Insurance—licensing, taxation, complaints.....	C	C	P
Department of Revenue—collections and tax receivables.....	C	C	P
Department of Revenue—property and sales tax.....	C	C	P
Department of Revenue—tax accounting and records management.....	C	C	P
Department of Revenue—corporate income tax.....	C	C	P
Orangeburg—Calhoun Technical College—student records and finance.....	C	C	P
Williamsburg Technical College—all operations except human resources system.....	C	C	P
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>			
State Ports Authority—financial applications.....	C	P	P
Public Service Authority—all operations (based on December 31, 1998 information).....	C	P	P

All mission-critical systems are scheduled to be complete for all stages by December 31, 1999. All mission-critical systems are required to have business continuity plans in the event of a failure. As of September 1999, more than half of the systems had such plans in place.

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

**(See Accompanying Independent Auditors' Report)**

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## 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. The South Carolina Transportation Infrastructure Bank is accounted for within this fund.

**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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**Allendale County Courthouse**

# Combining Balance Sheet

## SPECIAL REVENUE FUNDS

June 30, 1999

(Expressed in Thousands)

	Departmental General Operating	Education Improvement Act	Children's Education Endowment	Repair, Maintenance, and Renovation	Waste Management	Department of Transportation Special Revenue
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 156,746	\$ 74,794	\$ 72,493	\$ 19,882	\$ 68,575	\$ 393,812
Investments.....	384	—	—	—	—	—
Invested securities lending collateral.....	15	22	163	5	131	892
Receivables, net:						
Accounts.....	62,490	2,252	2,741	95	2,202	23,248
Taxes.....	2,493	51,519	16,975	—	—	33,204
Student loans.....	—	15,510	—	—	—	—
Loans and notes.....	250	—	—	—	—	—
Due from Federal government and other grantors.....	341,906	—	—	—	—	61,450
Due from other funds.....	22,805	4,700	—	1,930	1,344	40,016
Interfund receivables.....	300	600	—	—	—	1,358
Advances to other funds.....	400	—	—	—	—	3,509
Inventories.....	8,942	—	—	—	24	8,617
Other assets.....	54	—	—	—	—	1,070
<b>Total assets.....</b>	<b>\$ 596,785</b>	<b>\$ 149,397</b>	<b>\$ 92,372</b>	<b>\$ 21,912</b>	<b>\$ 72,276</b>	<b>\$ 567,176</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities.....	\$ 237,405	\$ 3,124	\$ 2,755	\$ 1,107	\$ 6,662	\$ 96,723
Retainages payable.....	—	—	—	463	—	15,790
Tax refunds payable.....	3	130	—	—	—	380
Intergovernmental payables.....	78,588	4,941	2,030	—	657	—
Due to other funds.....	60,050	2,131	17	29	283	59,108
Interfund payables.....	3,606	200	—	—	300	—
Advances from other funds.....	102	—	—	—	—	—
Deferred revenues.....	28,439	5,343	—	—	—	27,400
Securities lending collateral.....	15	22	163	5	131	892
Other liabilities.....	3	10	—	—	—	784
<b>Total liabilities.....</b>	<b>408,211</b>	<b>15,901</b>	<b>4,965</b>	<b>1,604</b>	<b>8,033</b>	<b>201,077</b>
<b>Fund balances:</b>						
Reserved for:						
Inventories.....	8,942	—	—	—	24	8,617
Advances to other funds.....	400	—	—	—	—	3,509
Long-term loans and notes receivable.....	249	11,745	—	—	—	—
Debt requirements.....	—	—	—	—	—	—
School building aid.....	—	13,913	—	—	—	—
Unreserved:						
Designated for future years' expenditures.....	—	—	—	—	—	103,278
Designated for capital expenditures.....	—	—	—	—	—	216,391
Designated for scholarships.....	—	16,993	—	—	164	—
Undesignated.....	178,983	90,845	87,407	20,308	64,055	34,304
<b>Total fund balances.....</b>	<b>188,574</b>	<b>133,496</b>	<b>87,407</b>	<b>20,308</b>	<b>64,243</b>	<b>366,099</b>
<b>Total liabilities and   fund balances.....</b>	<b>\$ 596,785</b>	<b>\$ 149,397</b>	<b>\$ 92,372</b>	<b>\$ 21,912</b>	<b>\$ 72,276</b>	<b>\$ 567,176</b>



Local Government Infrastructure	Accommoda- tions and Local Option Sales Tax	Energy Settlement	Omnibus Crime	Medicaid Expansion	Other Special Revenue	Elimina- tions	Totals
\$ 418,641	\$ 33,141	\$ 18,921	\$ 3,085	\$ 5,564	\$ 69,110	\$ —	\$ 1,334,764
—	—	—	—	—	—	—	384
842	—	39	—	4	42	—	2,155
14,903	—	644	—	190	777	—	109,542
—	23,267	—	—	—	1,715	—	129,173
—	—	—	—	—	—	—	15,510
246,518	—	—	—	—	3,941	—	250,709
—	—	—	—	—	—	—	403,356
63,036	72	—	16	—	2,191	(102,927)	33,183
200	—	—	—	—	64	(900)	1,622
200	—	—	—	—	136	—	4,245
—	—	1	—	—	—	—	17,584
—	—	—	—	—	—	—	1,124
<b>\$ 744,340</b>	<b>\$ 56,480</b>	<b>\$ 19,605</b>	<b>\$ 3,101</b>	<b>\$ 5,758</b>	<b>\$ 77,976</b>	<b>\$ (103,827)</b>	<b>\$ 2,303,351</b>
\$ 18,239	\$ —	\$ 774	\$ 665	\$ 73	\$ 3,953	\$ —	\$ 371,480
—	—	—	—	—	—	—	16,253
—	42	—	—	—	1	—	556
806	30,093	50	—	—	3,604	—	120,769
2,053	90	68	446	28	267	(102,927)	21,643
—	—	—	—	—	21	(900)	3,227
—	—	—	—	—	—	—	102
—	2,477	—	—	—	12	—	63,671
842	—	39	—	4	42	—	2,155
—	—	—	—	—	25	—	822
<b>21,940</b>	<b>32,702</b>	<b>931</b>	<b>1,111</b>	<b>105</b>	<b>7,925</b>	<b>(103,827)</b>	<b>600,678</b>
—	—	1	—	—	—	—	17,584
200	—	—	—	—	136	—	4,245
239,715	—	—	—	—	3,863	—	255,572
59,408	—	—	—	—	—	—	59,408
—	—	—	—	—	—	—	13,913
—	—	—	—	—	—	—	103,278
—	—	—	—	—	—	—	216,391
—	—	—	—	—	—	—	17,157
423,077	23,778	18,673	1,990	5,653	66,052	—	1,015,125
<b>722,400</b>	<b>23,778</b>	<b>18,674</b>	<b>1,990</b>	<b>5,653</b>	<b>70,051</b>	<b>—</b>	<b>1,702,673</b>
<b>\$ 744,340</b>	<b>\$ 56,480</b>	<b>\$ 19,605</b>	<b>\$ 3,101</b>	<b>\$ 5,758</b>	<b>\$ 77,976</b>	<b>\$ (103,827)</b>	<b>\$ 2,303,351</b>

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

## SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Depart- mental General Operating	Education Improve- ment Act	Children's Education Endowment	Repair, Mainte- nance, and Renovation	Waste Manage- ment
<b>Revenues:</b>					
Taxes:					
Individual income.....	\$ —	\$ —	\$ —	\$ —	\$ —
Retail sales and use.....	643	472,220	—	—	1,796
Other.....	46,307	—	51,816	—	—
Licenses, fees, and permits.....	58,697	—	—	—	24,557
Interest and other investment income.....	718	6,162	4,795	131	2,346
Federal.....	3,019,097	61	1	1,508	—
Departmental services.....	156,485	146	—	970	207
Contributions.....	107,078	—	—	26	—
Fines and penalties.....	23,642	—	—	1,384	4,263
Other.....	52,734	1,449	—	105	364
<b>Total revenues.....</b>	<b>3,465,401</b>	<b>480,038</b>	<b>56,612</b>	<b>4,124</b>	<b>33,533</b>
<b>Expenditures:</b>					
Current:					
General government.....	72,311	12,126	—	4,000	4
Education.....	119,103	21,940	2,803	1,595	—
Health and environment.....	2,260,874	793	—	5,544	35,427
Social services.....	533,559	4,360	—	17	—
Administration of justice.....	64,268	1,722	—	5,597	—
Resources and economic development.....	81,805	—	—	3,482	—
Transportation.....	—	—	—	—	—
Capital outlay.....	—	—	—	—	—
Debt service:					
Principal retirement.....	739	—	—	—	—
Interest and fiscal charges.....	39	—	—	—	—
Intergovernmental.....	416,393	410,318	39,375	—	4,174
<b>Total expenditures.....</b>	<b>3,549,091</b>	<b>451,259</b>	<b>42,178</b>	<b>20,235</b>	<b>39,605</b>
<b>Revenues over (under) expenditures.....</b>	<b>(83,690)</b>	<b>28,779</b>	<b>14,434</b>	<b>(16,111)</b>	<b>(6,072)</b>
<b>Other financing sources (uses):</b>					
Proceeds from bonds and notes.....	—	—	—	—	—
Lease and installment debt proceeds.....	36	—	—	—	—
Operating transfers in.....	101,065	257	17	20,300	11
Operating transfers out.....	(12,664)	(10,090)	(19,732)	(1,354)	(661)
<b>Total other financing sources (uses).....</b>	<b>88,437</b>	<b>(9,833)</b>	<b>(19,715)</b>	<b>18,946</b>	<b>(650)</b>
<b>Revenues and other sources over (under) expenditures and other uses.....</b>	<b>4,747</b>	<b>18,946</b>	<b>(5,281)</b>	<b>2,835</b>	<b>(6,722)</b>
<b>Fund balances at beginning of year .....</b>	<b>185,698</b>	<b>114,550</b>	<b>92,688</b>	<b>17,473</b>	<b>70,987</b>
<b>Increases (decreases) in reserve for inventories.....</b>	<b>(1,871)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(22)</b>
<b>Fund balances at end of year.....</b>	<b>\$ 188,574</b>	<b>\$ 133,496</b>	<b>\$ 87,407</b>	<b>\$ 20,308</b>	<b>\$ 64,243</b>

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
\$ —	\$ 260	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 260
—	—	181,849	—	—	—	—	—	656,508
364,377	18,000	—	—	—	20,549	22,607	—	523,656
—	24,007	—	—	—	—	4,635	—	111,896
14,606	21,215	(1)	1,046	—	307	1,947	—	53,272
318,399	22,162	—	—	—	—	—	—	3,361,228
55,242	788	—	303	—	—	2,392	—	216,533
—	74,901	—	—	—	7,524	2,949	—	192,478
—	—	—	—	13,161	—	10,831	—	53,281
3,975	37	—	—	4	—	878	—	59,546
<b>756,599</b>	<b>161,370</b>	<b>181,848</b>	<b>1,349</b>	<b>13,165</b>	<b>28,380</b>	<b>46,239</b>	<b>—</b>	<b>5,228,658</b>
—	539	50	968	—	—	19,054	—	109,052
—	—	—	—	—	—	—	—	145,441
—	—	—	—	—	29,087	144	—	2,331,869
—	—	—	—	—	—	1,789	—	539,725
—	—	—	—	12,150	—	157	—	83,894
—	194	—	—	—	—	2,842	—	88,323
303,824	—	—	—	—	—	—	—	303,824
453,708	—	—	—	—	—	—	—	453,708
4,320	—	—	—	—	—	105	—	5,164
7,155	5,934	—	—	—	—	—	—	13,128
9,500	90,020	173,132	219	—	—	12,649	—	1,155,780
<b>778,507</b>	<b>96,687</b>	<b>173,182</b>	<b>1,187</b>	<b>12,150</b>	<b>29,087</b>	<b>36,740</b>	<b>—</b>	<b>5,229,908</b>
<b>(21,908)</b>	<b>64,683</b>	<b>8,666</b>	<b>162</b>	<b>1,015</b>	<b>(707)</b>	<b>9,499</b>	<b>—</b>	<b>(1,250)</b>
199,008	285,068	—	—	—	—	—	—	484,076
—	—	—	—	—	—	—	—	36
688	11,040	—	—	—	—	3,029	(57,507)	78,900
(4,769)	(2,012)	(1,250)	(270)	—	—	(5,195)	57,507	(490)
<b>194,927</b>	<b>294,096</b>	<b>(1,250)</b>	<b>(270)</b>	<b>—</b>	<b>—</b>	<b>(2,166)</b>	<b>—</b>	<b>562,522</b>
173,019	358,779	7,416	(108)	1,015	(707)	7,333	—	561,272
195,099	363,621	16,362	18,781	975	6,360	62,718	—	1,145,312
(2,019)	—	—	1	—	—	—	—	(3,911)
<b>\$ 366,099</b>	<b>\$ 722,400</b>	<b>\$ 23,778</b>	<b>\$ 18,674</b>	<b>\$ 1,990</b>	<b>\$ 5,653</b>	<b>\$ 70,051</b>	<b>\$ —</b>	<b>\$ 1,702,673</b>

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## 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.

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# Combining Balance Sheet

## ENTERPRISE FUNDS

June 30, 1999

(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority	Patients' Compensation
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 5,077	\$ 107,387	\$ 10,332	\$ 19,580
Investments.....	—	—	—	—
Invested securities lending collateral.....	728	70	—	39
Receivables, net:				
Accounts.....	144	13,352	47	631
Student loans.....	—	4	—	—
Loans and notes.....	37	69,544	33	—
Due from Federal government and other grantors.....	499	—	—	—
Due from other funds.....	—	—	—	—
Inventories.....	—	—	—	—
Restricted assets:				
Cash and cash equivalents.....	200,969	23,091	—	—
Loans receivable.....	11,218	—	—	—
Other.....	5,463	—	—	—
Other current assets.....	—	256	—	—
<b>Total current assets.....</b>	<b>224,135</b>	<b>213,704</b>	<b>10,412</b>	<b>20,250</b>
Long-term assets:				
Investments.....	710	2,732	710	—
Receivables, net:				
Student loans.....	—	9	—	—
Loans and notes.....	13,865	291,996	2,416	—
Servicing rights, net.....	—	—	—	—
Restricted assets:				
Investments.....	12,520	16,653	—	—
Loans receivable.....	410,357	—	—	—
Other.....	2,300	—	—	—
Other long-term assets.....	—	—	200	—
Deferred charges.....	—	1,059	—	—
<b>Total long-term assets.....</b>	<b>439,752</b>	<b>312,449</b>	<b>3,326</b>	<b>—</b>
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	1,070	276	—	32
Less: accumulated depreciation.....	(378)	(45)	—	(26)
<b>Total property, plant, and equipment, net.....</b>	<b>692</b>	<b>231</b>	<b>—</b>	<b>6</b>
<b>Total assets.....</b>	<b>\$ 664,579</b>	<b>\$ 526,384</b>	<b>\$ 13,738</b>	<b>\$ 20,256</b>

<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 668	\$ 2,383	\$ 17,674	\$ —	\$ 163,101
—	—	80	—	80
110	1	18	—	966
1,342	215	2,827	—	18,558
—	—	—	—	4
—	—	—	—	69,614
—	—	—	—	499
3	—	22	(25)	—
—	380	1,834	—	2,214
52,379	190	3,242	—	279,871
—	—	—	—	11,218
516	—	—	—	5,979
—	9	25	—	290
<u>55,018</u>	<u>3,178</u>	<u>25,722</u>	<u>(25)</u>	<u>552,394</u>
—	—	738	—	4,890
—	—	—	—	9
—	—	16,239	—	324,516
—	—	1,840	—	1,840
—	—	—	—	29,173
—	—	—	—	410,357
—	—	—	—	2,300
—	—	319	—	519
—	—	—	—	1,059
<u>—</u>	<u>—</u>	<u>19,136</u>	<u>—</u>	<u>774,663</u>
—	5,954	12,746	—	18,700
—	1,641	2,289	—	3,930
221	8,058	5,353	—	15,010
(136)	(6,800)	(3,840)	—	(11,225)
<u>85</u>	<u>8,853</u>	<u>16,548</u>	<u>—</u>	<u>26,415</u>
<u>\$ 55,103</u>	<u>\$ 12,031</u>	<u>\$ 61,406</u>	<u>\$ (25)</u>	<u>\$ 1,353,472</u>

Continued on Next Page

# Combining Balance Sheet

## ENTERPRISE FUNDS (Continued)

June 30, 1999

(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Education Assistance Authority</u>	<u>Jobs- Economic Development Authority</u>	<u>Patients' Compensation</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities.....	\$ 923	\$ 16,491	\$ 167	\$ 675
Due to other funds.....	25	212	—	—
Interfund payables.....	—	—	—	—
Deferred revenues.....	—	—	—	5,975
Deposits.....	—	—	1,564	—
Securities lending collateral.....	728	70	—	39
Liabilities payable from restricted assets.....	17,782	—	—	—
Notes payable.....	—	—	33	—
Revenue bonds payable.....	28,541	9,770	—	—
Compensated absences payable.....	405	75	21	28
Other current liabilities.....	—	947	—	—
<b>Total current liabilities.....</b>	<b>48,404</b>	<b>27,565</b>	<b>1,785</b>	<b>6,717</b>
Long-term liabilities:				
Accrued liabilities.....	—	—	—	16,000
Insurance claims incurred but not reported.....	—	—	—	9,440
Advances from other funds.....	—	—	—	—
Notes payable.....	—	—	172	—
Revenue bonds payable.....	438,990	375,678	—	—
<b>Total long-term liabilities.....</b>	<b>438,990</b>	<b>375,678</b>	<b>172</b>	<b>25,440</b>
<b>Total liabilities.....</b>	<b>487,394</b>	<b>403,243</b>	<b>1,957</b>	<b>32,157</b>
<b>Fund Equity (Deficit):</b>				
Contributed capital.....	—	—	260	—
Retained earnings (deficit):				
Reserved for debt requirements.....	157,514	98,232	—	—
Unreserved.....	19,671	24,909	11,521	(11,901)
<b>Total fund equity (deficit).....</b>	<b>177,185</b>	<b>123,141</b>	<b>11,781</b>	<b>(11,901)</b>
<b>Total liabilities and fund equity.....</b>	<b>\$ 664,579</b>	<b>\$ 526,384</b>	<b>\$ 13,738</b>	<b>\$ 20,256</b>



<u>Second Injury</u>	<u>Patriots Point Development Authority</u>	<u>Other Enterprise</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 1,924	\$ 386	\$ 6,609	\$ —	\$ 27,175
1,049	233	304	(25)	1,798
—	—	200	—	200
—	651	37	—	6,663
—	—	—	—	1,564
110	1	18	—	966
51,853	—	1,111	—	70,746
—	—	2	—	35
—	—	—	—	38,311
82	191	402	—	1,204
—	—	176	—	1,123
<u>55,018</u>	<u>1,462</u>	<u>8,859</u>	<u>(25)</u>	<u>149,785</u>
—	—	895	—	16,895
—	—	—	—	9,440
—	—	16,639	—	16,639
—	—	23	—	195
—	—	—	—	814,668
—	—	17,557	—	857,837
<u>55,018</u>	<u>1,462</u>	<u>26,416</u>	<u>(25)</u>	<u>1,007,622</u>
—	11,809	8,241	—	20,310
—	—	2,179	—	257,925
85	(1,240)	24,570	—	67,615
<u>85</u>	<u>10,569</u>	<u>34,990</u>	<u>—</u>	<u>345,850</u>
<u>\$ 55,103</u>	<u>\$ 12,031</u>	<u>\$ 61,406</u>	<u>\$ (25)</u>	<u>\$ 1,353,472</u>

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

## ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs- Economic Development Authority	Patients' Compensation
<b>Operating revenues:</b>				
Charges for services.....	\$ 3,462	\$ 38,038	\$ 628	\$ 8,742
Interest and other investment income.....	44,181	7,121	520	1,058
<b>Total operating revenues.....</b>	<b>47,643</b>	<b>45,159</b>	<b>1,148</b>	<b>9,800</b>
<b>Operating expenses:</b>				
General operations and administration.....	5,486	8,832	5,262	291
Benefits and claims.....	—	—	—	11,972
Interest.....	31,258	18,350	—	—
Depreciation and amortization.....	316	164	—	3
Other operating expenses.....	1,377	1,622	59	—
<b>Total operating expenses.....</b>	<b>38,437</b>	<b>28,968</b>	<b>5,321</b>	<b>12,266</b>
<b>Operating income (loss).....</b>	<b>9,206</b>	<b>16,191</b>	<b>(4,173)</b>	<b>(2,466)</b>
<b>Nonoperating revenues (expenses):</b>				
Interest income.....	—	—	54	—
Federal revenue.....	23,776	—	—	—
Interest expense.....	—	—	(17)	—
Other nonoperating expenses.....	(16,798)	(493)	57	—
<b>Total nonoperating revenues (expenses).....</b>	<b>6,978</b>	<b>(493)</b>	<b>94</b>	<b>—</b>
<b>Income (loss) before operating transfers and extraordinary items.....</b>	<b>16,184</b>	<b>15,698</b>	<b>(4,079)</b>	<b>(2,466)</b>
Operating transfers in.....	—	—	125	—
<b>Income (loss) before extraordinary items.....</b>	<b>16,184</b>	<b>15,698</b>	<b>(3,954)</b>	<b>(2,466)</b>
Extraordinary loss on early extinguishment of debt.....	(748)	—	—	—
<b>Net income (loss).....</b>	<b>15,436</b>	<b>15,698</b>	<b>(3,954)</b>	<b>(2,466)</b>
<b>Retained earnings (deficit) at beginning of year .....</b>	<b>161,749</b>	<b>107,443</b>	<b>15,475</b>	<b>(9,435)</b>
<b>Retained earnings (deficit) at end of year.....</b>	<b>177,185</b>	<b>123,141</b>	<b>11,521</b>	<b>(11,901)</b>
Contributed capital at beginning of year.....	—	—	260	—
Additions to contributed capital.....	—	—	—	—
<b>Fund equity (deficit) at end of year.....</b>	<b>\$ 177,185</b>	<b>\$ 123,141</b>	<b>\$ 11,781</b>	<b>\$ (11,901)</b>

<b>Second Injury</b>	<b>Patriots Point Develop- ment Authority</b>	<b>Other Enterprise</b>	<b>Totals</b>
\$ 1,281	\$ 5,917	\$ 18,228	\$ 76,296
—	—	—	52,880
<b>1,281</b>	<b>5,917</b>	<b>18,228</b>	<b>129,176</b>
1,207	4,946	17,690	43,714
—	—	—	11,972
—	—	—	49,608
28	437	454	1,402
51	83	3	3,195
<b>1,286</b>	<b>5,466</b>	<b>18,147</b>	<b>109,891</b>
<b>(5)</b>	<b>451</b>	<b>81</b>	<b>19,285</b>
—	9	1,998	2,061
—	—	—	23,776
—	—	(1,231)	(1,248)
6	—	654	(16,574)
<b>6</b>	<b>9</b>	<b>1,421</b>	<b>8,015</b>
1	460	1,502	27,300
—	—	353	478
<b>1</b>	<b>460</b>	<b>1,855</b>	<b>27,778</b>
—	—	—	(748)
<b>1</b>	<b>460</b>	<b>1,855</b>	<b>27,030</b>
<b>84</b>	<b>(1,700)</b>	<b>24,894</b>	<b>298,510</b>
<b>85</b>	<b>(1,240)</b>	<b>26,749</b>	<b>325,540</b>
—	11,809	8,210	20,279
—	—	31	31
<b>\$ 85</b>	<b>\$ 10,569</b>	<b>\$ 34,990</b>	<b>\$ 345,850</b>

# Combining Statement of Cash Flows

## ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Housing Authority	Education Assistance Authority	Jobs— Economic Development Authority
<b>Cash flows from operating activities:</b>			
Operating income (loss).....	\$ 9,206	\$ 16,191	\$ (4,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	316	164	—
Change in the fair value of investments.....	750	666	100
Issuance of loans and notes.....	(36,376)	(125,202)	(110)
Collection of loans and notes .....	68,045	89,242	1,570
Interest payments.....	31,119	18,349	—
Interest on investments.....	(11,463)	(7,787)	(367)
Amounts received for payment of claims.....	—	—	—
Payment of claims.....	—	—	—
Other nonoperating revenues.....	—	—	—
Other.....	(4)	(148)	(8)
<b>Change in assets—decreases (increases):</b>			
Accounts receivable, net.....	1,170	593	(33)
Due from Federal government and other grantors.....	—	(341)	—
Due from other funds.....	—	—	—
Inventories.....	—	—	—
Other current assets .....	—	(50)	—
<b>Change in liabilities—increases (decreases):</b>			
Accounts payable and accrued liabilities.....	486	2,378	35
Insurance claims incurred but not reported.....	—	—	—
Due to other funds.....	—	—	—
Deferred revenues .....	—	—	—
Deposits.....	—	—	966
Liabilities payable from restricted assets.....	(619)	—	—
Compensated absences payable .....	—	15	4
Other current liabilities.....	(15)	—	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>62,615</b>	<b>(5,930)</b>	<b>(2,016)</b>
<b>Cash flows from noncapital financing activities:</b>			
Proceeds from loans made by other funds.....	—	—	—
Principal payments made to other funds.....	—	—	—
Proceeds from sale of notes payable.....	—	—	26
Principal payments on notes payable.....	—	—	(26)
Proceeds from sale of revenue bonds.....	175,035	67,300	—
Principal payments on revenue bonds.....	(179,580)	(44,840)	—
Interest payments.....	(32,824)	(18,269)	(17)
Payment of bond issuance costs.....	(1,701)	(698)	—
Federal revenue.....	23,776	—	—
Payments from Federal grants.....	(21,397)	—	—
Operating transfers in .....	—	—	125
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>(36,691)</b>	<b>3,493</b>	<b>108</b>

<u>Patients'</u> <u>Compensation</u>	<u>Second</u> <u>Injury</u>	<u>Patriots</u> <u>Point</u> <u>Development</u> <u>Authority</u>	<u>Other</u> <u>Enterprise</u>	<u>Elimina-</u> <u>tions</u>	<u>Totals</u>
\$ (2,466)	\$ (5)	\$ 451	\$ 81	\$ —	\$ 19,285
3	28	437	454	—	1,402
—	—	—	—	—	1,516
—	—	—	—	—	(161,688)
—	—	—	—	—	158,857
—	—	—	—	—	49,468
(1,058)	—	—	—	—	(20,675)
—	55,994	—	—	—	55,994
—	(58,359)	—	—	—	(58,359)
—	—	—	710	—	710
—	1	—	(73)	—	(232)
(230)	(1,342)	423	(498)	—	83
—	—	—	—	—	(341)
—	—	—	(22)	25	3
—	—	(52)	(281)	—	(333)
—	—	—	(9)	—	(59)
119	347	115	2,110	—	5,590
189	—	—	—	—	189
—	—	24	(185)	(25)	(186)
1,925	—	(97)	—	—	1,828
—	—	—	—	—	966
—	—	—	—	—	(619)
—	8	30	5	—	62
—	—	—	—	—	(15)
<u>(1,518)</u>	<u>(3,328)</u>	<u>1,331</u>	<u>2,292</u>	<u>—</u>	<u>53,446</u>
—	—	—	2,424	—	2,424
—	—	—	(201)	—	(201)
—	—	—	—	—	26
—	—	—	—	—	(26)
—	—	—	—	—	242,335
—	—	—	—	—	(224,420)
—	—	—	(1,156)	—	(52,266)
—	—	—	—	—	(2,399)
—	—	—	—	—	23,776
—	—	—	—	—	(21,397)
—	—	—	353	—	478
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,420</u>	<u>—</u>	<u>(31,670)</u>

Continued on Next Page

# Combining Statement of Cash Flows

ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Education Assistance Authority</u>	<u>Jobs— Economic Development Authority</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of property, plant, and equipment.....	\$ (64)	\$ (276)	\$ —
Proceeds from the sale of capital assets.....	—	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(64)</b>	<b>(276)</b>	<b>—</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of investments.....	31,821	9,960	—
Purchase of investments .....	(670)	(8,416)	—
Interest on investments.....	11,661	7,166	536
Issuance of loans .....	—	—	—
Collection of loans .....	—	—	214
<b>Net cash provided by (used in) investing activities.....</b>	<b>42,812</b>	<b>8,710</b>	<b>750</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>68,672</b>	<b>5,997</b>	<b>(1,158)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>137,374</b>	<b>124,481</b>	<b>11,490</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 206,046</b>	<b>\$ 130,478</b>	<b>\$ 10,332</b>

<u>Patients'</u> <u>Compensation</u>	<u>Second</u> <u>Injury</u>	<u>Patriots</u> <u>Point</u> <u>Development</u> <u>Authority</u>	<u>Other</u> <u>Enterprise</u>	<u>Elimina-</u> <u>tions</u>	<u>Totals</u>
\$ (1)	\$ (30)	\$ (222)	\$ (1,101)	\$ —	\$ (1,694)
—	7	—	—	—	7
(1)	(23)	(222)	(1,101)	—	(1,687)
—	—	—	—	—	41,781
—	—	—	—	—	(9,086)
1,049	3,754	9	2,162	—	26,337
—	—	—	(2,354)	—	(2,354)
—	—	—	—	—	214
1,049	3,754	9	(192)	—	56,892
(470)	403	1,118	2,419	—	76,981
20,050	52,644	1,455	18,497	—	365,991
<u>\$ 19,580</u>	<u>\$ 53,047</u>	<u>\$ 2,573</u>	<u>\$ 20,916</u>	<u>\$ —</u>	<u>\$ 442,972</u>

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## 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.

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# Combining Balance Sheet

## INTERNAL SERVICE FUNDS

June 30, 1999

(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment	Motor Pool
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents.....	\$ 83,373	\$ 101,861	\$ 39,099	\$ 34,480	\$ 1,290	\$ 5,630
Invested securities lending collateral.....	30,227	196	76	8	—	—
Accounts receivable, net.....	16,487	4,532	16,460	445	12	174
Due from other funds.....	6,136	14,645	2,243	7,829	886	1,812
Interfund receivables.....	1,890	—	—	—	—	—
Inventories.....	—	—	—	1,753	1,812	11
Other current assets.....	2,271	2	—	—	—	—
Total current assets.....	140,384	121,236	57,878	44,515	4,000	7,627
Long-term assets:						
Investments.....	212,065	21,704	1,245	—	—	—
Advances to other funds.....	24,323	—	—	—	—	—
Total long-term assets.....	236,388	21,704	1,245	—	—	—
Property, plant, and equipment:						
Land and improvements.....	—	—	—	5,334	—	328
Buildings and improvements.....	—	—	—	144,993	—	1,127
Machinery, equipment, and other.....	938	1,248	10,188	65,749	—	27,845
Construction in progress.....	—	—	—	6,796	—	—
Less: accumulated depreciation.....	(571)	(701)	(2,161)	(94,450)	—	(16,625)
Total property, plant, and equipment, net.....	367	547	8,027	128,422	—	12,675
Total assets.....	\$ 377,139	\$ 143,487	\$ 67,150	\$ 172,937	\$ 4,000	\$ 20,302
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities.....	\$ 93,205	\$ 30,784	\$ 18,722	\$ 9,096	\$ 468	\$ 917
Retainages payable.....	—	—	—	344	—	—
Insurance claims incurred but not reported.....	51,018	101,480	9,628	—	—	—
Due to other funds.....	8	92	89	628	50	53
Interfund payables.....	—	—	—	2,164	1,000	—
Deferred revenues.....	39,018	762	12,762	—	—	—
Securities lending collateral.....	30,227	196	76	8	—	—
Notes payable.....	—	—	—	99	—	291
Limited obligation bonds payable.....	—	—	—	3,050	—	—
Capital lease and installment debt obligations payable.....	—	—	—	278	—	—
Compensated absences payable.....	245	359	340	2,594	—	117
Other current liabilities.....	—	—	768	—	—	—
Total current liabilities.....	213,721	133,673	42,385	18,261	1,518	1,378
Long-term liabilities:						
Accrued liabilities.....	—	—	16,041	—	—	—
Insurance claims incurred but not reported.....	—	—	9,363	—	—	—
Advances from other funds.....	—	—	—	15,057	—	—
Notes payable.....	—	—	—	572	—	552
Limited obligation bonds payable.....	—	—	—	35,156	—	—
Capital lease and installment debt obligations payable.....	—	—	—	2,833	—	—
Total long-term liabilities.....	—	—	25,404	53,618	—	552
Total liabilities.....	213,721	133,673	67,789	71,879	1,518	1,930
Fund Equity:						
Contributed capital.....	—	41	—	64,055	—	242
Retained earnings (deficit).....	163,418	9,773	(639)	37,003	2,482	18,130
Total fund equity (deficit).....	163,418	9,814	(639)	101,058	2,482	18,372
Total liabilities and fund equity.....	\$ 377,139	\$ 143,487	\$ 67,150	\$ 172,937	\$ 4,000	\$ 20,302

Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 19,129	\$ 1,149	\$ 4,465	\$ 1,285	\$ —	\$ 291,761
—	2	—	—	—	30,509
—	48	1,426	4,573	—	44,157
—	—	1,185	41	(1,563)	33,214
—	—	—	1,446	(2,913)	423
—	—	3,067	—	—	6,643
—	—	—	7	—	2,280
19,129	1,199	10,143	7,352	(4,476)	408,987
—	—	—	7,857	—	242,871
—	—	—	6,543	(14,422)	16,444
—	—	—	14,400	(14,422)	259,315
—	—	—	—	—	5,662
—	—	1,436	—	—	147,556
12,210	3,666	9,075	76	—	130,995
—	—	—	—	—	6,796
(6,400)	(1,654)	(6,123)	(44)	—	(128,729)
5,810	2,012	4,388	32	—	162,280
\$ 24,939	\$ 3,211	\$ 14,531	\$ 21,784	\$ (18,898)	\$ 830,582
\$ —	\$ 948	\$ 810	\$ 56	\$ —	\$ 155,006
—	—	—	—	—	344
—	—	—	—	—	162,126
—	382	251	876	(1,563)	866
—	—	—	1,304	(2,913)	1,555
—	—	—	—	—	52,542
—	2	—	—	—	30,509
—	—	—	—	—	390
—	—	—	—	—	3,050
—	—	—	—	—	278
—	845	506	24	—	5,030
—	—	—	—	—	768
—	2,177	1,567	2,260	(4,476)	412,464
—	—	—	—	—	16,041
—	—	—	—	—	9,363
—	—	—	6,295	(14,422)	6,930
—	—	—	—	—	1,124
—	—	—	—	—	35,156
—	—	—	—	—	2,833
—	—	—	6,295	(14,422)	71,447
—	2,177	1,567	8,555	(18,898)	483,911
12,210	—	5,280	133	—	81,961
12,729	1,034	7,684	13,096	—	264,710
24,939	1,034	12,964	13,229	—	346,671
\$ 24,939	\$ 3,211	\$ 14,531	\$ 21,784	\$ (18,898)	\$ 830,582

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

## INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services	Central Supplies and Equipment
<b>Operating revenues:</b>					
Charges for services.....	\$ 70,946	\$ 686,620	\$ 35,120	\$ 80,670	\$ 10,210
Contributions.....	—	—	—	—	—
Interest and other investment income.....	16,075	9,868	—	—	—
Licenses, fees, and permits.....	—	—	—	1	—
<b>Total operating revenues.....</b>	<b>87,021</b>	<b>696,488</b>	<b>35,120</b>	<b>80,671</b>	<b>10,210</b>
<b>Operating expenses:</b>					
General operations and administration.....	38,380	126,197	5,148	65,606	10,308
Benefits and claims.....	21,021	643,211	36,648	—	—
Depreciation .....	143	201	1,047	7,141	—
Other operating expenses.....	—	—	113	3,758	—
<b>Total operating expenses.....</b>	<b>59,544</b>	<b>769,609</b>	<b>42,956</b>	<b>76,505</b>	<b>10,308</b>
<b>Operating income (loss).....</b>	<b>27,477</b>	<b>(73,121)</b>	<b>(7,836)</b>	<b>4,166</b>	<b>(98)</b>
<b>Nonoperating revenues (expenses):</b>					
Interest income.....	—	—	2,416	489	—
Interest expense.....	—	—	—	(3,345)	—
Other nonoperating revenues (expenses).....	(1)	(7)	78	(1,236)	—
<b>Total nonoperating revenues (expenses).....</b>	<b>(1)</b>	<b>(7)</b>	<b>2,494</b>	<b>(4,092)</b>	<b>—</b>
<b>Income (loss) before operating transfers.....</b>	<b>27,476</b>	<b>(73,128)</b>	<b>(5,342)</b>	<b>74</b>	<b>(98)</b>
Operating transfers in.....	—	—	—	3,150	—
Operating transfers out.....	(399)	(298)	(3,000)	(1,396)	—
<b>Net income (loss).....</b>	<b>27,077</b>	<b>(73,426)</b>	<b>(8,342)</b>	<b>1,828</b>	<b>(98)</b>
<b>Retained earnings at beginning of year .....</b>	<b>136,341</b>	<b>83,199</b>	<b>7,703</b>	<b>35,175</b>	<b>2,580</b>
<b>Retained earnings (deficit) at end of year.....</b>	<b>163,418</b>	<b>9,773</b>	<b>(639)</b>	<b>37,003</b>	<b>2,482</b>
<b>Contributed capital at beginning of year.....</b>	<b>—</b>	<b>46</b>	<b>—</b>	<b>62,536</b>	<b>—</b>
<b>Additions to contributed capital.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,348</b>	<b>—</b>
<b>Deductions from contributed capital.....</b>	<b>—</b>	<b>(5)</b>	<b>—</b>	<b>(829)</b>	<b>—</b>
<b>Fund equity (deficit) at end of year.....</b>	<b>\$ 163,418</b>	<b>\$ 9,814</b>	<b>\$ (639)</b>	<b>\$ 101,058</b>	<b>\$ 2,482</b>

Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ 15,374	\$ 2,209	\$ 13,155	\$ 21,336	\$ 778	\$ —	\$ 936,418
—	—	15	—	2,959	—	2,974
—	—	—	—	383	—	26,326
—	—	—	—	—	—	1
<b>15,374</b>	<b>2,209</b>	<b>13,170</b>	<b>21,336</b>	<b>4,120</b>	<b>—</b>	<b>965,719</b>
7,237	553	12,266	17,184	2,056	—	284,935
—	—	—	—	—	—	700,880
4,649	567	549	477	11	—	14,785
7	2	114	20	8	—	4,022
<b>11,893</b>	<b>1,122</b>	<b>12,929</b>	<b>17,681</b>	<b>2,075</b>	<b>—</b>	<b>1,004,622</b>
<b>3,481</b>	<b>1,087</b>	<b>241</b>	<b>3,655</b>	<b>2,045</b>	<b>—</b>	<b>(38,903)</b>
24	—	129	—	1,875	—	4,933
(70)	—	—	—	(1,493)	—	(4,908)
(111)	—	(100)	(181)	2	—	(1,556)
<b>(157)</b>	<b>—</b>	<b>29</b>	<b>(181)</b>	<b>384</b>	<b>—</b>	<b>(1,531)</b>
<b>3,324</b>	<b>1,087</b>	<b>270</b>	<b>3,474</b>	<b>2,429</b>	<b>—</b>	<b>(40,434)</b>
—	—	—	—	—	(2,725)	425
(187)	—	—	—	(2,470)	2,725	(5,025)
<b>3,137</b>	<b>1,087</b>	<b>270</b>	<b>3,474</b>	<b>(41)</b>	<b>—</b>	<b>(45,034)</b>
<b>14,993</b>	<b>11,642</b>	<b>764</b>	<b>4,210</b>	<b>13,137</b>	<b>—</b>	<b>309,744</b>
<b>18,130</b>	<b>12,729</b>	<b>1,034</b>	<b>7,684</b>	<b>13,096</b>	<b>—</b>	<b>264,710</b>
305	10,041	—	5,211	133	—	78,272
—	4,144	—	69	—	—	6,561
(63)	(1,975)	—	—	—	—	(2,872)
<b>\$ 18,372</b>	<b>\$ 24,939</b>	<b>\$ 1,034</b>	<b>\$ 12,964</b>	<b>\$ 13,229</b>	<b>\$ —</b>	<b>\$ 346,671</b>

# Combining Statement of Cash Flows

## INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
<b>Cash flows from operating activities:</b>				
Operating income (loss).....	\$ 27,477	\$ (73,121)	\$ (7,836)	\$ 4,166
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation .....	143	201	1,047	7,141
Change in the fair value of investments.....	4,057	1,268	—	—
Provision for loan losses and bad debts.....	—	—	58	—
Amortization of deferred gain on sale of capital leaseback.....	—	—	—	(163)
Interest on investments and interfund loans.....	(16,075)	(9,868)	—	—
Other nonoperating revenues.....	—	—	—	—
Other nonoperating expenses.....	—	—	—	(2)
Other.....	—	(1)	8	(79)
<b>Change in assets—decreases (increases):</b>				
Accounts receivable, net.....	2,646	(2,528)	2,595	(88)
Due from other funds .....	(5,208)	(787)	(194)	(2,883)
Inventories.....	—	—	—	(124)
Other current assets.....	123	—	—	—
<b>Change in liabilities—increases (decreases):</b>				
Accounts payable and accrued liabilities.....	(5,733)	1,103	10,033	1,440
Insurance claims incurred but not reported.....	(2,215)	25,200	(11,071)	—
Due to other funds.....	(9)	(19)	47	8
Deferred revenues .....	524	(1,423)	(5,000)	—
Compensated absences payable.....	(3)	108	35	207
Other current liabilities.....	—	—	223	(43)
<b>Net cash provided by (used in) operating activities.....</b>	<b>5,727</b>	<b>(59,867)</b>	<b>(10,055)</b>	<b>9,580</b>
<b>Cash flows from noncapital financing activities:</b>				
Principal payments received from other funds.....	10,727	—	—	—
Principal payments made to other funds.....	—	—	—	(1,503)
Receipt of interest from other funds.....	2,452	—	—	—
Interest payments made to other funds.....	—	—	—	(844)
Loans made to other funds.....	(2,423)	—	—	—
Operating transfers in.....	—	—	—	3,150
Operating transfers out.....	(399)	(298)	(3,000)	(1,396)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>10,357</b>	<b>(298)</b>	<b>(3,000)</b>	<b>(593)</b>

Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ (98)	\$ 3,481	\$ 1,087	\$ 241	\$ 3,655	\$ 2,045	\$ —	\$ (38,903)
—	4,649	567	549	477	11	—	14,785
—	—	—	—	—	—	—	5,325
—	—	—	—	—	189	—	247
—	—	—	—	—	—	—	(163)
—	—	—	—	—	—	—	(25,943)
—	146	—	17	—	2	—	165
—	—	—	—	(10)	—	—	(12)
—	1	(1)	—	—	—	—	(72)
(6)	(96)	—	(32)	(278)	1,148	—	3,361
138	(103)	—	37	671	38	(676)	(8,967)
481	—	—	—	(556)	—	—	(199)
—	—	—	—	—	(2)	—	121
(250)	372	—	219	(638)	(22)	—	6,524
—	—	—	—	—	—	—	11,914
(29)	(45)	—	(21)	27	231	676	866
—	—	—	—	—	—	—	(5,899)
—	3	—	51	48	6	—	455
—	—	—	—	—	—	—	180
<u>236</u>	<u>8,408</u>	<u>1,653</u>	<u>1,061</u>	<u>3,396</u>	<u>3,646</u>	<u>—</u>	<u>(36,215)</u>
—	—	—	—	—	9,837	—	20,564
—	—	—	—	—	(9,671)	—	(11,174)
—	—	—	—	—	1,875	—	4,327
—	—	—	—	—	(1,493)	—	(2,337)
—	—	—	—	—	—	—	(2,423)
—	—	—	—	—	—	(2,725)	425
—	(187)	—	—	—	(2,470)	2,725	(5,025)
<u>—</u>	<u>(187)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,922)</u>	<u>—</u>	<u>4,357</u>

Continued on Next Page

# Combining Statement of Cash Flows

## INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

	Insurance Reserve	Health and Disability Insurance	State Accident Fund	General Services
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of property, plant, and equipment.....	\$ (88)	\$ (172)	\$ (606)	\$ (16,284)
Principal payments on notes payable.....	—	—	—	(94)
Proceeds from sale of limited obligation bonds.....	—	—	—	4,789
Principal payments on limited obligation bonds.....	—	—	—	(2,170)
Interest payments.....	—	—	—	(2,483)
Proceeds from sale of capital assets.....	—	—	12	—
Principal payments on capital leases and installment debt obligations payable.....	—	—	—	(6,792)
<b>Net cash used in capital and related financing activities.....</b>	<b>(88)</b>	<b>(172)</b>	<b>(594)</b>	<b>(23,034)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of investments.....	65,899	1,865	—	—
Purchase of investments.....	(105,880)	(1,976)	(1,282)	—
Interest on investments.....	13,307	10,388	2,262	489
<b>Net cash provided by (used in) investing activities.....</b>	<b>(26,674)</b>	<b>10,277</b>	<b>980</b>	<b>489</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(10,678)</b>	<b>(50,060)</b>	<b>(12,669)</b>	<b>(13,558)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>94,051</b>	<b>151,921</b>	<b>51,768</b>	<b>48,038</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 83,373</b>	<b>\$ 101,861</b>	<b>\$ 39,099</b>	<b>\$ 34,480</b>
<b>Noncash capital and financing activities:</b>				
Acquisition of property and equipment through transfers from other funds.....	\$ —	\$ —	\$ —	\$ —
Long-term interfund loan payments forgiven.....	—	—	—	1,336
<b>Total noncash capital and financing activities.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,336</b>



Central Supplies and Equipment	Motor Pool	Department of Transportation Internal Service	Pension Adminis- tration	Prison Industries	Other Internal Service	Elimina- tions	Totals
\$ —	\$ (6,180)	\$ —	\$ (1,023)	\$ (1,653)	\$ —	\$ —	\$ (26,006)
—	(657)	—	—	—	—	—	(751)
—	—	—	—	—	—	—	4,789
—	—	—	—	—	—	—	(2,170)
—	(70)	—	—	—	—	—	(2,553)
—	—	—	—	—	—	—	12
—	—	—	—	—	—	—	(6,792)
—	(6,907)	—	(1,023)	(1,653)	—	—	(33,471)
—	—	—	—	—	—	—	67,764
—	—	—	—	—	(2,267)	—	(111,405)
—	24	—	129	—	—	—	26,599
—	24	—	129	—	(2,267)	—	(17,042)
236	1,338	1,653	167	1,743	(543)	—	(82,371)
1,054	4,292	17,476	982	2,722	1,828	—	374,132
<u>\$ 1,290</u>	<u>\$ 5,630</u>	<u>\$ 19,129</u>	<u>\$ 1,149</u>	<u>\$ 4,465</u>	<u>\$ 1,285</u>	<u>\$ —</u>	<u>\$ 291,761</u>
\$ —	\$ —	\$ 2,168	\$ —	\$ —	\$ —	\$ —	\$ 2,168
—	—	—	—	—	—	—	1,336
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,168</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,504</u>

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## 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.

**Tuition Prepayment Program Fund.** The South Carolina Tuition Prepayment Program, also known as the PACE (Prepaid Affordable College Education) Program, allows contributors to make affordable payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public college or university.

**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:

**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, 1999

(Expressed in Thousands)

### EXPENDABLE TRUST

	Radioactive Waste Contingency	Unemployment Compensation Benefits	Tuition Prepayment Program	Other Expendable Trust
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 94,243	\$ 19,577	\$ 8,198	\$ 20,724
Cash on deposit with fiscal agents.....	—	763,293	—	—
Investments.....	—	—	—	—
Invested securities lending collateral .....	191	35	17	119
Receivables, net:				
Accounts.....	3,164	1,237	259	308
Taxes.....	—	36,938	—	—
Loans and notes.....	—	—	—	—
Due from Federal government.....	—	1,298	—	—
Due from other funds.....	—	—	—	—
Property, plant, and equipment:				
Land and improvements.....	—	—	—	—
Buildings and improvements.....	—	—	—	—
Machinery, equipment, and other.....	—	—	—	—
Less: accumulated depreciation.....	—	—	—	—
<b>Total assets.....</b>	<b>\$ 97,598</b>	<b>\$ 822,378</b>	<b>\$ 8,474</b>	<b>\$ 21,151</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 3,228	\$ 5,865	\$ 282	\$ 127
Tax refunds payable.....	—	3,039	—	—
Intergovernmental payables.....	—	—	—	—
Due to other funds.....	—	11,864	—	2
Deferred revenues.....	—	656	—	—
Deposits.....	—	—	—	—
Amounts held in custody for others.....	—	—	—	—
Securities lending collateral.....	191	35	17	119
<b>Total liabilities.....</b>	<b>3,419</b>	<b>21,459</b>	<b>299</b>	<b>248</b>
<b>Fund Balances:</b>				
Reserved for:				
Pension and other benefits.....	—	800,919	—	—
External investment pool participants.....	—	—	—	—
Endowment and similar funds.....	—	—	—	—
Unreserved, undesignated.....	94,179	—	8,175	20,903
<b>Total fund balances.....</b>	<b>94,179</b>	<b>800,919</b>	<b>8,175</b>	<b>20,903</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 97,598</b>	<b>\$ 822,378</b>	<b>\$ 8,474</b>	<b>\$ 21,151</b>

## PENSION TRUST

NONEXPENDABLE TRUST	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Pension System
\$ 1,702	\$ 691,033	\$ 200,563	\$ 6,180	\$ 19,611	\$ 7,375
—	—	—	—	—	—
—	15,814,628	1,687,654	33,260	63,588	—
12	1,276,672	151,844	7,195	3,149	—
22	269,711	31,090	457	1,197	117
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	14,344	2,689	—	73	—
—	524	54	1	3	—
—	4,279	437	13	20	—
—	—	—	—	—	5
—	(724)	(74)	(2)	(4)	(4)
<b>\$ 1,736</b>	<b>\$ 18,070,467</b>	<b>\$ 2,074,257</b>	<b>\$ 47,104</b>	<b>\$ 87,637</b>	<b>\$ 7,493</b>
\$ —	\$ 42,968	\$ 316	\$ 1	\$ 2	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	14,284	498	27	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
12	1,276,672	151,844	7,195	3,149	—
12	1,333,924	152,658	7,223	3,151	—
—	16,736,543	1,921,599	39,881	84,486	7,493
—	—	—	—	—	—
1,564	—	—	—	—	—
160	—	—	—	—	—
1,724	16,736,543	1,921,599	39,881	84,486	7,493
<b>\$ 1,736</b>	<b>\$ 18,070,467</b>	<b>\$ 2,074,257</b>	<b>\$ 47,104</b>	<b>\$ 87,637</b>	<b>\$ 7,493</b>

Continued on Next Page

# Combining Balance Sheet

FIDUCIARY FUNDS (Continued)

June 30, 1999

(Expressed in Thousands)

	INVESTMENT TRUST	
	Local Government Investment Pool	Insurance Company Deposits
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 894,429	\$ —
Cash on deposit with fiscal agents.....	—	—
Investments.....	5,046	322,988
Invested securities lending collateral .....	—	—
Receivables, net:		
Accounts.....	43	—
Taxes.....	—	—
Loans and notes.....	—	—
Due from Federal government.....	—	—
Due from other funds.....	—	—
Property, plant, and equipment:		
Land and improvements.....	—	—
Buildings and improvements.....	—	—
Machinery, equipment, and other.....	—	—
Less: accumulated depreciation.....	—	—
<b>Total assets.....</b>	<b>\$ 899,518</b>	<b>\$ 322,988</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities.....	\$ 4,905	\$ —
Tax refunds payable.....	—	—
Intergovernmental payables.....	—	—
Due to other funds.....	—	—
Deferred revenues.....	—	—
Deposits.....	—	—
Amounts held in custody for others.....	—	322,988
Securities lending collateral.....	—	—
<b>Total liabilities.....</b>	<b>4,905</b>	<b>322,988</b>
<b>Fund Balances:</b>		
Reserved for:		
Pension and other benefits.....	—	—
External investment pool participants.....	894,613	—
Endowment and similar funds.....	—	—
Unreserved, undesignated.....	—	—
<b>Total fund balances.....</b>	<b>894,613</b>	<b>—</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 899,518</b>	<b>\$ 322,988</b>

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**AGENCY**


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<b>Federal Interfund Activity</b>	<b>Payroll Clearing</b>	<b>Other Agency</b>	<b>Eliminations</b>	<b>Totals</b>
\$ 46	\$ 9,926	\$ 168,734	\$ —	\$ 2,142,341
—	—	—	—	763,293
—	—	19,706	—	17,946,870
—	—	20	—	1,439,254
—	—	3,158	—	310,763
—	—	5,841	—	42,779
—	—	95	—	95
863	—	—	—	2,161
—	45,637	8,793	(65,017)	6,519
—	—	—	—	582
—	—	—	—	4,749
—	—	—	—	5
—	—	—	—	(808)
<b>\$ 909</b>	<b>\$ 55,563</b>	<b>\$ 206,347</b>	<b>\$ (65,017)</b>	<b>\$ 22,658,603</b>
\$ —	\$ 464	\$ 4,440	\$ —	\$ 62,598
—	—	143	—	3,182
—	—	243	—	243
858	9,790	79,889	(65,017)	52,195
—	—	—	—	656
—	—	728	—	728
51	45,309	120,884	—	489,232
—	—	20	—	1,439,254
<b>909</b>	<b>55,563</b>	<b>206,347</b>	<b>(65,017)</b>	<b>2,048,088</b>
—	—	—	—	19,590,921
—	—	—	—	894,613
—	—	—	—	1,564
—	—	—	—	123,417
—	—	—	—	<b>20,610,515</b>
<b>\$ 909</b>	<b>\$ 55,563</b>	<b>\$ 206,347</b>	<b>\$ (65,017)</b>	<b>\$ 22,658,603</b>

# Combining Statement of Plan Net Assets

## PENSION TRUST FUNDS

June 30, 1999

(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
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 691,033	\$ 200,563	\$ 6,180	\$ 19,611	\$ 7,375	\$ 924,762
Receivables:						
Contributions.....	81,813	9,825	17	285	—	91,940
Employer long-term.....	2,327	999	—	—	—	3,326
Accrued interest.....	185,571	20,266	440	912	117	207,306
Due from other funds.....	14,344	2,689	—	73	—	17,106
Total receivables.....	284,055	33,779	457	1,270	117	319,678
Investments, at fair value:						
United States government securities.....	2,613,373	260,078	8,541	3,973	—	2,885,965
United States government agencies and government-insured securities.....	4,789,356	457,613	8,228	22,851	—	5,278,048
Corporate bonds.....	4,604,890	521,121	9,963	23,102	—	5,159,076
Financial and other.....	2,968,751	354,679	4,583	9,568	—	3,337,581
Mutual funds--equities.....	838,258	94,163	1,945	4,094	—	938,460
Total investments.....	15,814,628	1,687,654	33,260	63,588	—	17,599,130
Invested securities lending collateral.....	1,276,672	151,844	7,195	3,149	—	1,438,860
Property and equipment, net of accumulated depreciation.....	4,079	417	12	19	1	4,528
<b>Total assets.....</b>	<b>18,070,467</b>	<b>2,074,257</b>	<b>47,104</b>	<b>87,637</b>	<b>7,493</b>	<b>20,286,958</b>
<b>LIABILITIES</b>						
Accounts payable--unsettled investment purchases.....	40,884	—	—	—	—	40,884
Due to other funds.....	14,284	498	27	—	—	14,809
Accounts payable and accrued liabilities.....	2,084	316	1	2	—	2,403
Securities lending collateral.....	1,276,672	151,844	7,195	3,149	—	1,438,860
<b>Total liabilities.....</b>	<b>1,333,924</b>	<b>152,658</b>	<b>7,223</b>	<b>3,151</b>	<b>—</b>	<b>1,496,956</b>
<b>Net assets held in trust for pension benefits.....</b>	<b>\$ 16,736,543</b>	<b>\$ 1,921,599</b>	<b>\$ 39,881</b>	<b>\$ 84,486</b>	<b>\$ 7,493</b>	<b>\$ 18,790,002</b>



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# Statement of Net Assets

## INVESTMENT TRUST FUND

June 30, 1999

(Expressed in Thousands)

	<u>Local Government Investment Pool</u>
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 894,429
Accrued interest receivable.....	43
Investments.....	<u>5,046</u>
<b>Total assets.....</b>	<u><b>899,518</b></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities.....	<u>4,905</u>
<b>Total liabilities.....</b>	<u><b>4,905</b></u>
<b>Net assets held in trust for pool participants.....</b>	<u><u><b>\$ 894,613</b></u></u>

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

## EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Radioactive Waste Contingency	Unemployment Compensation Benefits	Tuition Prepayment Program	Other Expendable Trust	Elimina- tions	Totals
<b>Revenues:</b>						
Taxes, other.....	\$ —	\$ 171,854	\$ —	\$ —	\$ —	\$ 171,854
Licenses, fees, and permits.....	487	—	—	—	—	487
Interest and other investment income.....	5,041	49,967	110	1,048	—	56,166
Federal.....	—	7,467	—	—	—	7,467
Contributions.....	—	3	8,065	642	—	8,710
Other.....	—	1,547	—	—	—	1,547
<b>Total revenues.....</b>	<b>5,528</b>	<b>230,838</b>	<b>8,175</b>	<b>1,690</b>	<b>—</b>	<b>246,231</b>
<b>Expenditures:</b>						
Current:						
General government.....	—	194,842	—	1,045	—	195,887
Health and environment.....	—	—	—	141	—	141
Social services.....	—	—	—	7	—	7
Administration of justice.....	—	—	—	11	—	11
Intergovernmental.....	—	—	—	4	—	4
<b>Total expenditures.....</b>	<b>—</b>	<b>194,842</b>	<b>—</b>	<b>1,208</b>	<b>—</b>	<b>196,050</b>
<b>Revenues over expenditures.....</b>	<b>5,528</b>	<b>35,996</b>	<b>8,175</b>	<b>482</b>	<b>—</b>	<b>50,181</b>
<b>Other financing sources (uses):</b>						
Operating transfers in.....	—	2	—	—	(1)	1
Operating transfers out.....	—	(12,606)	—	(109)	1	(12,714)
<b>Total other financing uses.....</b>	<b>—</b>	<b>(12,604)</b>	<b>—</b>	<b>(109)</b>	<b>—</b>	<b>(12,713)</b>
<b>Revenues and other sources over expenditures and other uses.....</b>	<b>5,528</b>	<b>23,392</b>	<b>8,175</b>	<b>373</b>	<b>—</b>	<b>37,468</b>
<b>Fund balances at beginning of year .....</b>	<b>88,651</b>	<b>777,527</b>	<b>—</b>	<b>20,530</b>	<b>—</b>	<b>886,708</b>
<b>Fund balances at end of year.....</b>	<b>\$ 94,179</b>	<b>\$ 800,919</b>	<b>\$ 8,175</b>	<b>\$ 20,903</b>	<b>\$ —</b>	<b>\$ 924,176</b>

# Combining Statement of Changes in Assets and Liabilities

## AGENCY FUNDS

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>INSURANCE COMPANY DEPOSITS</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ —	\$ 24,573	\$ 24,573	\$ —
Investments.....	347,561	97,691	122,264	322,988
<b>Total assets.....</b>	<b>\$ 347,561</b>	<b>\$ 122,264</b>	<b>\$ 146,837</b>	<b>\$ 322,988</b>
<b>Liabilities:</b>				
Amounts held in custody for others.....	\$ 347,561	\$ 97,691	\$ 122,264	\$ 322,988
<b>Total liabilities.....</b>	<b>\$ 347,561</b>	<b>\$ 97,691</b>	<b>\$ 122,264</b>	<b>\$ 322,988</b>
<b>FEDERAL INTERFUND ACTIVITY</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 41	\$ 28,117	\$ 28,112	\$ 46
Due from Federal government.....	205	863	205	863
Due from other funds.....	5	—	5	—
<b>Total assets.....</b>	<b>\$ 251</b>	<b>\$ 28,980</b>	<b>\$ 28,322</b>	<b>\$ 909</b>
<b>Liabilities:</b>				
Due to other funds.....	\$ 136	\$ 858	\$ 136	\$ 858
Amounts held in custody for others.....	115	27,049	27,113	51
<b>Total liabilities.....</b>	<b>\$ 251</b>	<b>\$ 27,907</b>	<b>\$ 27,249</b>	<b>\$ 909</b>
<b>PAYROLL CLEARING</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 9,525	\$ 977,552	\$ 977,151	\$ 9,926
Due from other funds.....	43,982	45,637	43,982	45,637
<b>Total assets.....</b>	<b>\$ 53,507</b>	<b>\$ 1,023,189</b>	<b>\$ 1,021,133</b>	<b>\$ 55,563</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 221	\$ 465	\$ 222	\$ 464
Due to other funds.....	9,432	9,800	9,442	9,790
Interfund payables.....	5	—	5	—
Amounts held in custody for others.....	43,849	833,860	832,400	45,309
<b>Total liabilities.....</b>	<b>\$ 53,507</b>	<b>\$ 844,125</b>	<b>\$ 842,069</b>	<b>\$ 55,563</b>

Continued on Next Page

# Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>OTHER AGENCY</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 225,734	\$ 1,564,815	\$ 1,621,815	\$ 168,734
Investments.....	19,264	502	60	19,706
Invested securities lending collateral.....	113	20	113	20
Accounts receivable.....	2,686	3,879	3,407	3,158
Taxes receivable.....	5,373	5,865	5,397	5,841
Loans and notes receivable.....	95	95	95	95
Due from other funds.....	5,242	8,793	5,242	8,793
<b>Total assets.....</b>	<b>\$ 258,507</b>	<b>\$ 1,583,969</b>	<b>\$ 1,636,129</b>	<b>\$ 206,347</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 4,410	\$ 4,816	\$ 4,786	\$ 4,440
Tax refunds payable.....	158	142	157	143
Intergovernmental payables.....	130	243	130	243
Due to other funds.....	85,605	85,030	90,746	79,889
Deposits.....	526	728	526	728
Amounts held in custody for others.....	167,565	1,232,646	1,279,327	120,884
Securities lending collateral.....	113	20	113	20
<b>Total liabilities.....</b>	<b>\$ 258,507</b>	<b>\$ 1,323,625</b>	<b>\$ 1,375,785</b>	<b>\$ 206,347</b>
<b>TOTALS--ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 235,300	\$ 2,595,057	\$ 2,651,651	\$ 178,706
Investments.....	366,825	98,193	122,324	342,694
Invested securities lending collateral.....	113	20	113	20
Accounts receivable.....	2,686	3,879	3,407	3,158
Taxes receivable.....	5,373	5,865	5,397	5,841
Loans and notes receivable.....	95	95	95	95
Due from Federal government.....	205	863	205	863
Due from other funds.....	49,229	54,430	49,229	54,430
<b>Total assets.....</b>	<b>\$ 659,826</b>	<b>\$ 2,758,402</b>	<b>\$ 2,832,421</b>	<b>\$ 585,807</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 4,631	\$ 5,281	\$ 5,008	\$ 4,904
Tax refunds payable.....	158	142	157	143
Intergovernmental payables.....	130	243	130	243
Due to other funds.....	95,173	95,688	100,324	90,537
Interfund payables.....	5	—	5	—
Deposits.....	526	728	526	728
Amounts held in custody for others.....	559,090	2,191,246	2,261,104	489,232
Securities lending collateral.....	113	20	113	20
<b>Total liabilities.....</b>	<b>\$ 659,826</b>	<b>\$ 2,293,348</b>	<b>\$ 2,367,367</b>	<b>\$ 585,807</b>

## 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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## Schedule of General Fixed Assets by Function

June 30, 1999

(Expressed in Thousands)

Function	Land and Improvements	Buildings, Improvements, and Utility Plant	Machinery, Equipment, and Other	Totals
General government.....	\$ 12,635	\$ 168,232	\$ 87,609	\$ 268,476
Education.....	5,570	107,141	339,824	452,535
Health and environment.....	13,565	210,171	142,929	366,665
Social services.....	813	15,258	45,683	61,754
Administration of justice.....	6,275	486,854	124,704	617,833
Resources and economic development....	153,279	68,881	94,576	316,736
Transportation.....	<u>3,336</u>	<u>65,931</u>	<u>206,939</u>	<u>276,206</u>
<b>Total general fixed assets allocated to functions.....</b>	<b><u>\$ 195,473</u></b>	<b><u>\$ 1,122,468</u></b>	<b><u>\$ 1,042,264</u></b>	<b><u>2,360,205</u></b>
Construction in progress.....				<u>46,614</u>
<b>Total general fixed assets.....</b>				<b><u>\$ 2,406,819</u></b>

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## Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

Function	July 1, 1998 Balance	Additions	Retirements	June 30, 1999 Balance
General government.....	\$ 249,795	\$ 27,501	\$ 8,820	\$ 268,476
Education.....	454,780	18,522	20,767	452,535
Health and environment.....	356,504	18,071	7,910	366,665
Social services.....	60,006	6,204	4,456	61,754
Administration of justice.....	583,420	46,128	11,715	617,833
Resources and economic development.....	321,005	13,479	17,748	316,736
Transportation.....	273,571	24,154	21,519	276,206
Construction in progress.....	57,824	51,383	62,593	46,614
<b>Total general fixed assets.....</b>	<b>\$ 2,356,905</b>	<b>\$ 205,442</b>	<b>\$ 155,528</b>	<b>\$ 2,406,819</b>

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## 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, 1999****(Expressed in Thousands)**

	<b>CURRENT FUNDS</b>		<b>LOAN FUNDS</b>	<b>ENDOWMENT AND SIMILAR FUNDS</b>
	<b>Unrestricted</b>	<b>Restricted</b>		
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 212,983	\$ 7,660	\$ 5,366	\$ 12,084
Investments.....	12,799	6,097	686	46,919
Invested securities lending collateral.....	82	24	11	70
Receivables, net:				
Accounts.....	1,347	4,433	165	457
Patient and student.....	94,126	—	—	—
Student loans.....	—	—	47,414	—
Loans and notes.....	5,450	114	—	47,009
Due from Federal government and other grantors.....	966	50,198	88	—
Due from other Higher Education Funds.....	60,277	9,424	49	4
Due from other funds.....	16,817	433	—	—
Advances to other funds.....	—	—	—	775
Inventories.....	24,531	—	—	—
Prepaid long-term operating lease.....	—	—	—	—
Other assets.....	19,944	139	107	2,186
Investment in joint venture.....	—	—	—	—
Property, plant, and equipment, net.....	—	—	—	—
<b>Total assets.....</b>	<b>\$ 449,322</b>	<b>\$ 78,522</b>	<b>\$ 53,886</b>	<b>\$ 109,504</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	\$ 61,844	\$ 2,131	\$ 194	\$ 201
Retainages payable.....	4	—	—	—
Due to other Higher Education Funds.....	43,154	18,188	4	268
Due to other funds.....	4,153	4,451	—	—
Interfund payables.....	—	—	—	—
Advances from other funds.....	—	—	—	—
Deferred revenues.....	39,244	490	—	—
Deposits.....	3,675	—	—	—
Amounts held in custody for others.....	—	—	—	—
Securities lending collateral.....	82	24	11	69
Notes payable.....	3,781	—	—	—
General obligation bonds payable.....	—	—	—	—
Revenue bonds payable.....	—	—	—	—
Certificates of participation payable.....	—	—	—	—
Capital lease and installment debt obligations payable.....	—	—	—	—
Compensated absences payable.....	86,844	38	—	—
Other liabilities.....	3,847	—	12	19
<b>Total liabilities.....</b>	<b>246,628</b>	<b>25,322</b>	<b>221</b>	<b>557</b>
<b>Fund Balances:</b>				
Investment in plant.....	—	—	—	—
Reserved for:				
Restricted fund balance.....	—	53,200	4,622	—
Federal government grants refundable.....	—	—	46,393	—
Endowment and similar funds.....	—	—	—	58,706
Debt requirements.....	—	—	—	—
Encumbrances.....	3,303	—	—	—
Other special purposes.....	5,164	—	—	—
Unreserved:				
Designated for loan funds.....	—	—	2,650	—
Designated for endowment and similar funds.....	—	—	—	50,241
Designated for plant funds.....	—	—	—	—
Designated for special purposes.....	7,288	—	—	—
Undesignated.....	186,939	—	—	—
<b>Total fund balances.....</b>	<b>202,694</b>	<b>53,200</b>	<b>53,665</b>	<b>108,947</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 449,322</b>	<b>\$ 78,522</b>	<b>\$ 53,886</b>	<b>\$ 109,504</b>

PLANT FUNDS			AGENCY FUNDS	FOUNDATIONS AND INSTITUTES	Eliminations	Totals
Unexpended	Retirement of Indebtedness	Investment in Plant				
\$ 129,809	\$ 40,273	\$ —	\$ 3,789	\$ 41,934	\$ —	\$ 453,898
5,506	—	—	—	36,778	—	108,785
151	2,631	—	12	—	—	2,981
2,645	1,229	—	1,795	1,952	—	14,023
—	—	—	—	24,074	—	118,200
—	—	—	—	20	—	47,434
—	—	—	—	—	—	52,573
1,504	—	—	—	1,079	—	53,835
22,280	1,085	—	91	—	(93,210)	—
1,362	—	—	123	—	(1,514)	17,221
—	500	—	—	30,685	(31,960)	—
—	—	—	—	418	—	24,949
—	—	—	—	16,314	—	16,314
61	248	168	—	11,530	—	34,383
—	—	—	—	3,936	—	3,936
39,313	—	2,994,964	—	79,390	—	3,113,667
<b>\$ 202,631</b>	<b>\$ 45,966</b>	<b>\$ 2,995,132</b>	<b>\$ 5,810</b>	<b>\$ 248,110</b>	<b>\$ (126,684)</b>	<b>\$ 4,062,199</b>
\$ 13,740	\$ 5,877	\$ —	\$ 1,643	\$ 13,135	\$ —	\$ 98,765
6,730	—	—	—	—	—	6,734
3,302	717	—	86	27,491	(93,210)	—
—	—	—	—	—	(1,514)	7,090
—	—	238	—	—	—	238
500	—	33,326	—	—	(31,960)	1,866
—	935	—	—	759	—	41,428
—	—	—	—	—	—	3,675
—	—	—	4,069	—	—	4,069
151	2,632	—	12	—	—	2,981
213	—	38,875	—	123,913	—	166,782
7,745	—	70,560	—	—	—	78,305
18,233	347	215,831	—	13,296	—	247,707
—	—	—	—	20,698	—	20,698
—	—	23,643	—	9,558	—	33,201
—	—	—	—	4,946	—	91,828
—	87	23	—	2,743	—	6,731
<b>50,614</b>	<b>10,595</b>	<b>382,496</b>	<b>5,810</b>	<b>216,539</b>	<b>(126,684)</b>	<b>812,098</b>
—	—	2,612,636	—	—	—	2,612,636
103,218	25,033	—	—	13,540	—	199,613
—	—	—	—	—	—	46,393
—	—	—	—	—	—	58,706
—	—	—	—	10,907	—	10,907
—	—	—	—	—	—	3,303
140	—	—	—	1,870	—	7,174
—	—	—	—	—	—	2,650
—	—	—	—	—	—	50,241
48,659	10,338	—	—	—	—	58,997
—	—	—	—	5,254	—	12,542
—	—	—	—	—	—	186,939
<b>152,017</b>	<b>35,371</b>	<b>2,612,636</b>	<b>—</b>	<b>31,571</b>	<b>—</b>	<b>3,250,101</b>
<b>\$ 202,631</b>	<b>\$ 45,966</b>	<b>\$ 2,995,132</b>	<b>\$ 5,810</b>	<b>\$ 248,110</b>	<b>\$ (126,684)</b>	<b>\$ 4,062,199</b>

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## Schedules--Budgetary General Fund

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

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



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# Appropriation Activity

## BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1999  
(Expressed in Thousands)

Function	Original Appropriations	Adjustments <sup>a</sup>
Legislative.....	\$ 28,643	\$ 5,014
Judicial.....	39,815	4,619
Executive and administrative.....	169,342	6,208
Educational.....	2,315,762	96,466
Health.....	817,012	63,094
Social rehabilitation services.....	120,195	12,481
Correctional and public safety.....	494,850	48,164
Conservation, natural resources, and development.....	117,580	19,943
Regulatory.....	55,042	3,721
Transportation.....	579	—
Debt service.....	152,392	—
Miscellaneous.....	185,693	47,511
Enterprise agencies.....	—	16,000
<b>Totals--appropriations for expenditures.....</b>	<b>4,496,905</b>	<b>323,221</b>
Transfer to designation for capital and nonrecurring.....	91,766	—
<b>Totals--appropriations for expenditures and intrafund transfers.....</b>	<b>\$ 4,588,671</b>	<b>\$ 323,221</b>

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

<sup>a</sup>The adjustments shown above (expressed in thousands) may be summarized as follows:

Appropriations brought forward from 1997-98.....	\$ 131,227
Open-ended appropriations.....	30,986
Supplemental appropriations.....	161,008
<b>Total adjustments.....</b>	<b>\$ 323,221</b>

<u>Adjusted Appropriations</u>	<u>Expenditures</u>	<u>Intrafund Transfer</u>	<u>Appropriations To Be Carried Forward</u>	<u>Lapsed Appropriations</u>
\$ 33,657	\$ 29,823	\$ —	\$ 3,834	\$ —
44,434	39,532	—	4,510	392
175,550	140,334	—	33,097	2,119
2,412,228	2,371,366	—	40,862	—
880,106	846,468	—	33,638	—
132,676	124,930	—	7,746	—
543,014	510,513	—	32,501	—
137,523	121,143	—	16,176	204
58,763	56,245	—	2,518	—
579	571	—	8	—
152,392	147,283	—	—	5,109
233,204	233,004	—	200	—
16,000	16,000	—	—	—
<b>4,820,126</b>	<b>4,637,212</b>	<b>—</b>	<b>175,090</b>	<b>7,824</b>
91,766	—	91,766	—	—
<b>\$ 4,911,892</b>	<b>\$ 4,637,212</b>	<b>\$ 91,766</b>	<b>\$ 175,090</b>	<b>\$ 7,824</b>

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## General Fund Reserve Activity

### BUDGETARY GENERAL FUND Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Fund Reserve, a reserve primarily designed to prevent Budgetary General Fund deficits. On November 4, 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 <sup>a</sup>	Actual End-of- Year % Funded <sup>b</sup>
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%
1999	130,380	7,270	—	137,650	145,371	95% <sup>c</sup>

<sup>a</sup>Equals 3% of the Budgetary General Fund revenues for the latest completed fiscal year.

<sup>b</sup>Equals (End-of-Year Balance/Full Funding Amount) x 100.

<sup>c</sup>As required by Part IV of the 1999-2000 Supplemental Appropriations Act, \$7.721 million was transferred to the Reserve on September 1, 1999, to provide full funding.



## Funds Earmarked for Public Education

### BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 1999

(Expressed in Thousands)

Part I, Section 72, of the 1998-1999 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 exceed the State's portion of the specified revenues.

<b>Gross budgetary-basis revenues:</b>	
Retail sales tax (4%) and excise tax—casual sales.....	\$ 1,889,615
Alcoholic liquors tax—60% portion.....	20,850
Beer and wine tax—penalties and fines.....	321
Soft drinks tax.....	15,508
<b>Budgetary-basis revenues available for appropriation.....</b>	<b>1,926,294</b>
<b>Total budgetary-basis revenues earmarked for public education (95.5% of budgetary-basis revenues available for appropriation).....</b>	
	<b>1,839,611 <sup>a</sup></b>
<b>Budgetary-basis expenditures:</b>	
Department of Education.....	1,570,958
State Board of Technical and Comprehensive Education.....	164,492
Educational Television Commission.....	19,939
Wil Lou Gray Opportunity School.....	3,341
School for the Deaf and Blind.....	12,144
John De La Howe School.....	4,131
Debt service on capital improvement bonds applicable to above agencies.....	22,585
Other school purposes.....	18,445 <sup>b</sup>
<b>Total budgetary-basis expenditures for public education.....</b>	<b>1,816,035</b>
<b>Excess (deficiency) of budgetary-basis expenditures over revenues earmarked for public education.....</b>	<b>\$ (23,576)</b>

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

<sup>b</sup>The Other School Purposes expenditure category includes: (1) a State supplement to school districts to help pay the district contribution toward public school employee benefits, (2) State expenditures for the Palmetto Unified School District, (3) State expenditures for the Department of Juvenile Justice's education program, (4) State expenditures for the Governor's Office Division of Education and (5) Capital Reserve Appropriations for the Budget and Control Board Office of Information Resources to expend on school technology.

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# **Statistical Section**

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## Expenditures by Function

### GENERAL GOVERNMENTAL FUND TYPES<sup>a</sup>

Last Ten Fiscal Years  
(Expressed in Thousands)

Function	1990	1991	1992	1993
General government <sup>b</sup> .....	\$ 314,764	\$ 251,692	\$ 234,092	\$ 247,452
Education .....	270,237	262,697	241,230	254,464
Individual and family services <sup>c</sup> .....	1,811,417	2,097,614	2,489,321	2,682,162
Health and environment <sup>c, d</sup> .....	—	—	—	—
Social services <sup>c</sup> .....	—	—	—	—
Administration of justice .....	282,580	300,250	304,488	312,961
Resources and economic development .....	128,101	132,970	128,059	131,021
Transportation .....	265,443	274,895	274,957	290,740
Miscellaneous .....	30	—	—	—
Capital outlay <sup>e</sup> .....	25,854	25,166	22,819	24,572
Debt service:				
Principal retirement .....	62,482	66,715	94,538	104,316
Interest and fiscal charges .....	47,902	50,825	53,911	53,316
Intergovernmental .....	1,969,425	2,007,557	2,033,486	2,096,679
<b>Total expenditures .....</b>	<b>\$ 5,178,235</b>	<b>\$ 5,470,381</b>	<b>\$ 5,876,901</b>	<b>\$ 6,197,683</b>

<sup>a</sup> General Governmental Fund Types include General and Special Revenue Funds.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> 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.

<sup>e</sup> 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**

<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
\$ 399,456	\$ 352,015	\$ 330,519	\$ 351,156	\$ 352,065	\$ 355,558
293,158	322,219	379,984	326,103	318,558	355,927
—	—	—	—	—	—
2,166,088	2,320,642	2,946,457	3,032,995	3,121,887	3,443,809
678,772	697,958	709,747	700,442	662,912	648,689
405,503	457,008	488,425	543,456	592,556	632,872
138,937	139,635	155,302	150,131	160,242	159,546
214,574	203,837	218,366	230,384	281,021	303,824
—	—	—	—	—	—
391,848	385,698	398,776	436,798	396,801	453,708
82,602	88,765	82,997	97,728	110,076	90,786
49,107	48,796	50,574	53,493	51,132	55,193
2,157,866	2,358,823	2,636,440	2,805,584	3,032,018	3,262,640
<b>\$ 6,977,911</b>	<b>\$ 7,375,396</b>	<b>\$ 8,397,587</b>	<b>\$ 8,728,270</b>	<b>\$ 9,079,268</b>	<b>\$ 9,762,552</b>

## Revenues by Source

### GENERAL GOVERNMENTAL FUND TYPES<sup>a</sup>

Last Ten Fiscal Years  
(Expressed in Thousands)

Sources	1990	1991	1992	1993
Taxes:				
Individual income.....	\$ 1,361,839	\$ 1,377,825	\$ 1,386,724	\$ 1,481,592
Retail sales and use.....	1,464,989	1,463,941	1,515,223	1,628,766
Other.....	918,270	914,729	911,036	983,546
Licenses, fees, and permits.....	163,202	198,235	218,726	300,699
Interest and other investment				
income.....	82,954	77,602	55,634	44,702
Federal.....	1,650,917	1,821,552	2,140,272	2,228,180
Departmental services <sup>b</sup> .....	111,985	118,209	137,112	153,781
Contributions .....	31,812	54,337	81,232	101,242
Fines and penalties.....	31,034	31,643	43,610	44,182
Other.....	37,775	32,045	43,552	52,796
<b>Total revenues.....</b>	<b>\$ 5,854,777</b>	<b>\$ 6,090,118</b>	<b>\$ 6,533,121</b>	<b>\$ 7,019,486</b>

<sup>a</sup> General Governmental Fund Types include General and Special Revenue Funds.

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

## For the Fiscal Year Ended June 30

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
\$ 1,519,030	\$ 1,646,375	\$ 1,809,287	\$ 1,927,600	\$ 2,103,799	\$ 2,282,509
1,756,157	1,892,801	2,034,484	2,141,864	2,304,004	2,521,264
999,077	1,059,846	1,149,342	1,163,889	1,190,605	1,274,366
307,939	255,570	243,502	258,960	281,242	290,530
48,596	82,412	98,728	113,199	130,155	122,002
2,582,498	2,787,132	2,907,661	3,087,312	3,213,004	3,445,858
161,375	215,485	535,117	533,395	540,047	539,863
82,507	89,797	106,606	115,739	155,137	192,852
51,926	54,881	55,340	58,170	61,744	69,862
53,195	59,716	73,639	70,424	81,067	80,220
<u>\$ 7,562,300</u>	<u>\$ 8,144,015</u>	<u>\$ 9,013,706</u>	<u>\$ 9,470,552</u>	<u>\$ 10,060,804</u>	<u>\$ 10,819,326</u>

## Income and Sales Tax Rates

Last Ten Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Retail Sales Tax<sup>a</sup></b>
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%
1999	2.50 - 7%	5%	5%

<sup>a</sup>Excludes the 2% accommodations tax and the local option sales tax.

Source: Department of Revenue.

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# Net General Obligation Bonds and Notes Per Capita

Last Ten Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Population<sup>a</sup> (Thousands)</b>	<b>Gross Bonded Debt<sup>b</sup> (Thousands)</b>	<b>Debt Payable From Higher Education Funds (Thousands)</b>	<b>Net General Bonded Debt<sup>c</sup> (Thousands)</b>	<b>Net General Bonded Debt Per Capita</b>
1990	3,499	\$ 807,911	\$ 28,071	\$ 779,840	\$ 222.88
1991	3,559	828,650	28,560	800,090	224.81
1992	3,599	876,305	44,570	831,735	231.10
1993	3,635	884,025	43,230	840,795	231.31
1994	3,667	929,571	40,420	889,151	242.47
1995	3,699	898,047	44,345	853,702	230.79
1996	3,737	1,007,394	41,900	965,494	258.36
1997	3,788	1,052,173	85,365	966,808	255.23
1998	3,836	1,036,642	84,465	952,177	248.22
1999	3,887	1,218,872	78,305	1,140,567	293.43

<sup>a</sup> Office of Research and Statistics, State Budget and Control Board.

<sup>b</sup> 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.

<sup>c</sup> 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, 1999

(Expressed in Thousands)

Section 59-107-90 of the South Carolina Code of Laws states that the maximum amount of annual debt service on institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year.

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)."

## INSTITUTION BONDS

Institution	Prior Year Revenues	90% Computation	Maximum Debt Service	Margin
The Citadel.....	\$ 488	\$ 439	\$ 206	\$ 233
Clemson University.....	86,641	77,977	1,542	76,435
Coastal Carolina University.....	21,368	19,231	343	18,888
University of South Carolina.....	6,597	5,937	4,361	1,576
Winthrop University.....	660	594	406	188
Medical University of South Carolina..	7,603	6,843	1,453	5,390
Greenville Technical College.....	14,401	12,961	124	12,837
Midlands Technical College.....	13,353	12,018	832	11,186
Central Carolina Technical College....	3,426	3,083	202	2,881
Tri-County Technical College.....	835	752	735	17
Trident Technical College.....	10,608	9,547	413	9,134
<b>Totals.....</b>	<b>\$ 165,980</b>	<b>\$ 149,382</b>	<b>\$ 10,617</b>	<b>\$ 138,765</b>

## HIGHWAY BONDS

1997-1998 Budgetary General Fund revenues pledged for highway bonds.....	\$ 79,147
1997-1998 other revenues pledged for highway bonds.....	393,623
1997-1998 revenues pledged for highway bonds.....	472,770
15% of 1997-1998 revenues pledged for highway bonds.....	70,915
Less: maximum annual debt service for highway bonds <sup>a</sup> .....	32,590
<b>Legal debt service margin at June 30, 1999-highway bonds.....</b>	<b>\$ 38,325</b>

<sup>a</sup> As of June 30, 1999, the maximum annual debt service will occur in the fiscal year ending June 30, 2009.

Continued on Next Page

**Computation of Legal Debt Margin (Continued)**

June 30, 1999

(Expressed in Thousands)

**GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION AND HIGHWAY BONDS)**

1997-1998 Budgetary General Fund revenues .....	\$ 4,845,701
Less: 1997-1998 Budgetary General Fund revenues pledged for highway bonds.....	79,147
Less: 1997-1998 transfers for institution bond debt service recorded as Budgetary General Fund revenues.....	10,437
1997-1998 net Budgetary General Fund revenues.....	4,756,117
5% of 1997-1998 net Budgetary General Fund revenues.....	237,806
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds <sup>a</sup> .....	137,252
<b>Legal debt service margin at June 30, 1999—general obligation bonds excluding institution and highway bonds.....</b>	<b>\$ 100,554</b>

<sup>a</sup> As of June 30, 1999, the maximum annual debt service will occur in the fiscal year ending June 30, 2001.

**Ratio of Annual Debt Service Expenditures  
for General Obligation Debt to Total  
General Governmental Expenditures<sup>a</sup>**

Last Ten Fiscal Years

(Expressed in Thousands)

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
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%
1999	90,786	55,193	145,979	9,762,552	1.50%

<sup>a</sup> General Governmental Expenditures include the General and Special Revenue Funds.

## Revenue Bond Coverage—Enterprise Funds <sup>a</sup>

Last Ten Fiscal Years  
(Dollars in Thousands)

### SOUTH CAROLINA HOUSING FINANCE AND DEVELOPMENT AUTHORITY <sup>c</sup>

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses <sup>b</sup>	Net Revenue Available for Debt Service
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
1999	47,643	68,045	6,863	108,825

### SOUTH CAROLINA EDUCATION ASSISTANCE AUTHORITY <sup>c d</sup>

Fiscal Year Ended June 30	Gross Revenues	Principal Proceeds	Direct Operating Expenses <sup>b</sup>	Net Revenue Available for Debt Service
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
1999	45,159	70,490	10,454	105,195

<sup>a</sup> Computations are based on data provided by the authorities. There may be classification differences between this data and data found elsewhere in this report.

<sup>b</sup> Excludes depreciation, amortization, and interest expense.

<sup>c</sup> 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.

<sup>d</sup> 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**

<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage Ratio</b>
\$ 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
41,330	31,258	72,588	1.50

**Debt Service Requirements**

<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage Ratio</b>
\$ 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
1,270	18,350	19,620	5.36

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**Chester County Courthouse**

# Demographic Statistics

## Last Ten Years

<u>Year</u>	<u>Population<sup>a</sup> at June 30</u>	<u>Per Capita Income<sup>a</sup> Year Ended December 31</u>	<u>Median Age<sup>a</sup> (Years) at June 30</u>	<u>School Enrollment<sup>b</sup> at June 30</u>	<u>Unemployment Rate<sup>c</sup> at December 31</u>
1989	3,444,000	\$ 13,884	31.4	678,050	4.6%
1990	3,498,982	15,106	31.7	677,356	5.2%
1991	3,558,707	15,482	32.2	681,717	6.5%
1992	3,599,351	16,467	32.6	685,744	6.7%
1993	3,634,842	17,242	32.9	688,513	7.3%
1994	3,666,760	18,072	33.3	692,515	5.2%
1995	3,699,305	18,789	33.7	701,140	5.5%
1996	3,736,947	19,651	34.1	699,058	5.8%
1997	3,788,119	20,508	34.5	708,751	3.7%
1998	3,835,962	21,309	35.0	718,969	3.9%
1999	3,886,500	<sup>d</sup>	35.4	720,855	<sup>d</sup>

### Sources:

<sup>a</sup>Office of Research and Statistics, State Budget and Control Board

<sup>b</sup>South Carolina Department of Education

<sup>c</sup>South Carolina Employment Security Commission

<sup>d</sup>Not yet available

# Property Value, Construction, and Bank Deposits

Last Ten Years

(Dollars in Millions)

Year	Nonresidential Construction	Residential Construction <sup>a</sup>		Bank Deposits at December 31	Property Value <sup>b</sup>	
	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
1988	23,121	25,563	\$ 1,438	\$ 26,022	\$ 34,127	\$ 31,241
1989	18,866	20,530	1,252	27,849	34,936	33,869
1990	18,525	22,454	1,475	29,091	37,079	38,852
1991	17,272	19,309	1,372	29,528	39,089	41,220
1992	15,052	20,853	1,585	30,224	41,104	45,926
1993	15,840	21,186	1,662	31,005	43,084	50,963
1994	20,369	23,670	1,898	30,475	44,204	54,118
1995	22,345	22,400	1,826	33,035	45,334	57,987
1996	25,816	28,281	2,402	30,032	46,864	60,977
1997	31,397	27,984	2,430	23,515	48,409	63,905
1998	23,763	31,070	2,821	24,729	d	d
1999	c	c	c	c	d	d

<sup>a</sup> The residential construction statistics exclude mobile home permits.

<sup>b</sup> Property taxes do not represent a source of revenue for the State.

<sup>c</sup> Not yet available.

<sup>d</sup> Due to legislation requiring that tax assessments be based on the prior year's property value, neither the 1998 nor 1999 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<sup>a</sup>**

December 31, 1998

<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.....	13	6,767
Milliken & Company.....	26	6,683
Michelin Tire Corporation.....	7	6,327
WestPoint Stevens.....	7	4,778
Robert Bosch GmbH.....	6	4,727
AB Electrolux Sweden.....	2	3,200
Sealed Air Corporation.....	4	3,191
Hoechst AG.....	4	3,041
Greenwood Mills, Incorporated.....	7	2,686
KEMET Corporation.....	4	2,631
Gold Kist Incorporated.....	3	2,559
Galey & Lord Industries, Incorporated.....	6	2,451
Ryobi North America, Incorporated.....	2	2,431
E. I. du Pont de Nemours and Company.....	3	2,377
Ingersoll-Rand Company.....	4	2,338
AlliedSignal, Incorporated.....	6	2,326
General Electric Company.....	2	2,325
Owens-Corning Fiberglas Corporation.....	4	2,225
International Paper.....	8	2,223

<sup>a</sup>Based on number of employees. This list includes all companies with 2,200 or more employees.

Source: 1999-2000 South Carolina Industrial Directory.



## Miscellaneous Statistics

December 31, 1998 (Except as Noted)

Date of ratification--U. S. Constitution.....	1788 <sup>a</sup>
Form of government.....	Legislative-Executive-Judicial
Miles of State highways.....	64,896 <sup>b</sup>
Land area (square miles).....	30,111 <sup>c</sup>
State police protection:	
Police and sheriff agencies.....	298 <sup>d</sup>
Total number of sworn officers.....	9,779 <sup>d</sup>
Higher education (universities, colleges, and technical education centers):	
Number of campuses.....	61 <sup>e</sup>
Number of students.....	161,473 <sup>e</sup>
Recreation:	
Number of State parks and historical sites.....	53 <sup>f</sup>
Area of State parks.....	80,902 acres <sup>f</sup>
Area of State forests.....	71,922 acres <sup>g</sup>
State employees--all funds (at June 30, 1999).....	68,972 <sup>h</sup>

### Sources:

<sup>a</sup>1999 Legislative Manual

<sup>b</sup>Department of Transportation

<sup>c</sup>Office of Research and Statistics, State Budget and Control Board

<sup>d</sup>State Law Enforcement Division

<sup>e</sup>Commission on Higher Education

<sup>f</sup>Department of Parks, Recreation, and Tourism

<sup>g</sup>Forestry Commission

<sup>h</sup>Office of State Budget, State Budget and Control Board

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## Courthouses—Additional Information

(Arranged Alphabetically by County Name)

### Abbeville County Courthouse (page 36)

The Abbeville County Courthouse was built just after the turn of the century, at roughly the same time as the Abbeville Opera House, which is located next door on Court Square.

### Aiken County Judicial Center (page 5)

Originally constructed in 1881, the Aiken County Courthouse has undergone two major renovations as well as several minor ones. Recent major renovations were required after fires in 1977 and 1981 damaged the structure. The Aiken County Judicial Center was dedicated on January 18, 1987.

### Allendale County Courthouse (page 113)

This photograph shows the Allendale County Courthouse just prior to May 18, 1998, when a fire set by an arsonist destroyed the interior of the building. The building is currently being reconstructed.

### Anderson County Courthouse (page 158)

Construction of the new Anderson County Courthouse was completed in September 1991. The new courthouse is a mixture of historical details used in the old courthouse, such as the tile roof, and modern features, such as the arched framework outside the entrance.

### Bamberg County Courthouse (page 32)

The Bamberg County Courthouse was built in 1897. The original courthouse was moved to a different site and completely renovated in 1950.

### Barnwell County Courthouse (page 151)

Construction on the Barnwell County Courthouse began in October 1878. The present building is located on the original five-acre site deeded for a courthouse in 1800 by Benjamin Odom.

### Beaufort County Courthouse (page 140)

Completed in January 1991, the Beaufort County Courthouse is located in the historic downtown district of Beaufort. The building is part of the Beaufort County multi-government center.

### Berkeley County Courthouse (page 5)

The Berkeley County Courthouse was built in 1896 at a cost of approximately \$4,500. The plans called for a two-story building of good, hard, well-burned brick, a tin roof, and a portico built of wood with galvanized iron columns. The first case was tried in General Sessions Court on June 7, 1897, and involved a man charged with hog theft. An addition that more than doubled the original size of the building was completed in 1991.

### Calhoun County Courthouse (page 33)

The Calhoun County Courthouse, a two-story Georgian Revival style building, was completed in May 1914. The courthouse was listed on the National Register of Historic Places in July 1981.

### Charleston County Courthouse (page 159)

The Charleston County Courthouse, built in 1792, includes some exterior and first floor walls that date back to the original 1753 Provincial Statehouse of the Colony of Carolina. The building is located at what is known as the Four Corners of Law in downtown Charleston. Today, the structure is undergoing a multi-million dollar restoration to return it to its 1792 period. Pictured is a rendition of the building as it will appear after the restoration is completed. It will become the cornerstone and symbolic center of a new Judicial Center Complex that is under construction. The adjacent Judicial Center, slated for completion in 2001, will include fourteen courtroom sets.

### Cherokee County Courthouse (page 112)

The Cherokee County Courthouse, located on East Floyd Baker Boulevard in Gaffney, South Carolina, was erected in 1927. The building constructed of granite with interior walls and floors of marble, houses a courtroom on its third floor with a seating capacity of 300. The stairs leading from floor to floor are gray marble. Few renovations have been done over the years; however, there are plans to renovate the first floor and add an elevator to the building. A future addition may be added to the rear of the building to accommodate offices needed due to rapid growth in Cherokee County.

### Chester County Courthouse (page 175)

Edward Brickell White of Charleston, whose work was greatly influenced by Robert Mills, designed the Chester County Courthouse, which was built in 1852. Additions in 1896 and 1928 included a three-story rear wing and a rotunda. An elevator tower that was added to the rear wing in 1994 complements the original design of the building.

### Chesterfield County Courthouse (page 27)

South Carolina's first secession meeting was held on November 19, 1860, at the Chesterfield County Courthouse. Sherman and his troops torched the county courthouse in March 1865, and all records were destroyed. In 1884 during Reconstruction, a new courthouse was built. The two-story brick building has a large cupola and a tall mansard roof in the then-fashionable Empire mode; this mansard, with its iron cresting, still dominates the main streetscape of Chesterfield. This facility, the "Olde Chesterfield County Courthouse" is currently closed for renovations. When completed, the building will once again house all of Chesterfield County's court functions.

## Courthouses—Additional Information

(Arranged Alphabetically by County Name)

### Clarendon County Courthouse (page 8)

The first Clarendon County Courthouse, erected in the 1850's for \$18,000, was destroyed in the Civil War by General Potter's Raiders. The present Georgian-style courthouse, built in 1908-1909, is situated on an entire city block. After a 1970 renovation, Hurricane Hugo damaged the building and destroyed the beautiful grounds in 1989. Through the efforts of the Manning Council of Garden Clubs, the grounds were completely restored.

### Colleton County Courthouse (page 180)

The Colleton County Courthouse, completed in the fall of 1822, is in the Greek Revival style. Robert Mills is credited with the design of the Walterboro building. The courthouse is brick, which is stuccoed to represent stone. Two curving stairways with ironwork railings lead to the second-floor portico, which rests on an arched foundation. Four Doric columns and two square pilasters support the massive, undecorated entablature. In 1939 two large wings were added to the original structure.

### Darlington County Courthouse (page 110)

The present Darlington County Courthouse was built in 1964. Previously, four other Darlington County Courthouses occupied the site. Two courthouses were lost to fires in 1806 and 1866, and two subsequent rebuildings were completed in 1873 and 1904.

### Dillon County Courthouse (page 118)

The cornerstone for the Dillon County Courthouse was laid on October 30, 1911. The two-story brick and stone structure was of fireproof construction throughout, including the ample vaults adjacent to the office of each official. The building was heated by steam and contained every modern convenience available at that time. The total cost of the building was \$100,000. When completed, the impressive structure was one of which the county could be proud. Shaded by lofty trees on the surrounding green lawn, this building still serves as Dillon's courthouse. (Photo by Benton Henry)

### Dorchester County Courthouse (page 164)

The Dorchester County Courthouse, located in St. George, was constructed in 1964 in the Greek Revival architectural style. The building now houses both judicial and county administrative offices. The administrative functions will move to a different facility in 2001, and the courthouse will be refurbished as a state-of-the-art court facility in 2002.

### Edgefield County Courthouse (page 154)

The Edgefield County Courthouse was completed in 1839. Throughout its history, this courthouse has seen numerous Edgefield County citizens

distinguish themselves in law and politics. United States Senator Strom Thurmond, three sitting federal judges, and a resident circuit judge all hail from Edgefield County. Ten governors and five lieutenant governors of South Carolina have called Edgefield County home.

### Fairfield County Courthouse (page 130)

The Fairfield County Courthouse, located in Winnsboro, was designed by Robert Mills and built in 1822 by William McCreight. Alterations and additions were made in 1844. The courthouse was renovated in 1939 with the addition of two rear wings and the flying staircase in front. The building houses records dating back as far as the middle 1700's.

### Florence County City/County Complex (page 170)

The Florence County City/County Complex was erected by the joint participation of the City of Florence and the County of Florence in 1972. It represented the realization of a vision by leaders who believed that the facilities for the governmental, financial, judicial, and law enforcement functions of the city and county government should be brought together in an effort to serve the public good efficiently and economically.

### Georgetown County Courthouse (page 161)

The Georgetown County Courthouse was constructed in 1823-1824 to replace the previous courthouse, which had been damaged by two hurricanes. Robert Mills based his design of the courthouse on the style of Palladio, a sixteenth-century Italian architect. A modern Mills scholar has described the Georgetown County Courthouse as "the most sophisticated of his South Carolina courthouses." It was enlarged in 1853, and the first and second entrances appear to have been embellished at that time.

### Greenville County Courthouse (page 158)

The interior of the Greenville County 1940's courts facility was completely renovated while the exterior of the original building was preserved. In order to preserve the historic environment and atmosphere of the original courthouse, the design of a later addition was planned to blend with and complement the original structure.

### Greenwood County Courthouse (page 130)

The Greenwood County Courthouse was completed in 1966 and has served as a combined courthouse and county administration building. The current building replaced a brick courthouse that was constructed at the turn of the century, shortly after Greenwood County was created from the eastern portion of Abbeville County.

## Courthouses—Additional Information

(Arranged Alphabetically by County Name)

### Hampton County Courthouse (page 32)

The two-story brick structure has served as the county's courthouse since 1878 when Hampton County was established. The courthouse was remodeled and enlarged in 1925. During that renovation, the original double curved stair leading to the second floor portico was removed as were the eight interior chimneys.

### Horry County Courthouse (page 8)

The Horry County Courthouse was built in 1908 and underwent renovations in 1937 and 1964. The courthouse is included in Conway's historic district and has been outwardly preserved to reflect its original appearance.

### Jasper County Courthouse (page 36)

The Jasper County Courthouse was built in 1915. The Georgian Revival style structure has a hip roof and projecting rectangular bays on the north and south sides. A two-story pedimented portico with a relief sculpture is supported by four Ionic columns.

### Kershaw County Courthouse (page 153)

The Kershaw County Courthouse was dedicated in 1968 and currently houses most county functions. The facility, the county's fifth such structure, is best known by the Lafayette Cedar gracing its courtyard. The old red cedar is so named because it was planted when General Lafayette was a guest on the property.

### Lancaster County Courthouse (Inside Front Cover)

Robert Mills designed the Lancaster County Courthouse, built in 1828. Mills studied architecture under Thomas Jefferson for two years, and lived in his home, deriving much of his knowledge from Jefferson's extensive architecture library. Like Jefferson, he tended to shun English influences, instead favoring classical Italian lines—as is evident in the courthouse with its Palladian style of architecture. Since the courthouse's completion, architecture students have come from across the United States to study its Palladian window, considered one of the finest in the country.

### Laurens County Courthouse (page 131)

The Laurens County Courthouse is just one of the historic Greek Revival buildings in Laurens City Square. The central portion of the building was constructed between 1838 and 1840. In 1858, the courthouse was enlarged and completed as originally designed by the architect. In 1911, when the building was remodeled, the two outside wings and the dome were added. The most recent renovations took place in the early 1970's.

### Lee County Courthouse (page 112)

The Lee County Court House, built in 1909, is of the Renaissance architectural style. The building retained the same architectural style after it was renovated and enlarged in 1974. The Lee County Court House, listed on the National Register of Historic Places, continues to serve the citizens of the county.

### Lexington County Courthouse (page 165)

The present courthouse is Lexington County's sixth such building. Constructed in 1939 and dedicated on January 15, 1940, it replaced an old brick courthouse, erected in 1882, which had become antiquated and too small for the growing county.

### Marion County Courthouse (Front Cover)

The Marion County Courthouse is the third such structure in Marion (previously Liberty) County. The building, which exhibits the classical Revival architectural style, is made of brick and stucco and has the appearance of stone. The courthouse features curving double staircases of intricately filigreed iron with the identity of the craftsman (Hayward Barlette, Baltimore) woven into the scrolls and curlicues decorating each individual step. Wrought iron railing edges the porches on both levels. The old hitching post still stands to the left of the courthouse. The building was completely renovated in 1986 to house the county administrative offices and offices of the circuit court judge.

### Marlboro County Courthouse (page 180)

Located in Bennettsville, Marlboro County's present courthouse is the fourth building erected to house the county offices. Built in the late 1800's, the Victorian courthouse remains today behind the red brick façade, which was added in the 1950's.

### McCormick County Courthouse (page 4)

The McCormick County Courthouse was designed by G. Lloyd Preacher & Company and was erected in 1923. Cyrus McCormick, inventor of the reaper, donated the land for the courthouse and the township of McCormick.

### Newberry County Courthouse (page 26)

This classical Revival building was completed in 1908 at a cost of \$50,000. Frank Milburn of Columbia designed the red brick building to feature three massive porticos of Ionic columns with terra cotta details. The courthouse is still in use today, along with an addition, constructed in 1938, and a new annex across the street.

## Courthouses—Additional Information

(Arranged Alphabetically by County Name)

### Oconee County Courthouse (page 154)

On February 5, 1868, the Walhalla Town Council approved the location of the Oconee County Courthouse. The courthouse was demolished in 1955 and was rebuilt at a cost of \$403,000. The present Courthouse was dedicated on November 5, 1956.

### Orangeburg County Courthouse (page 110)

The present courthouse is the fifth such building in Orangeburg County since 1768. The present structure was erected in 1927. The following is inscribed on two cornerstones on the building: "Built 1826—Destroyed 1865—Rebuilt 1875." The second stone reads: "Relocated and erected 1927." Extensive renovation to this building was begun in January 1978, and the dedication ceremony was held on March 9, 1980.

### Pickens County Courthouse (Inside Back Cover)

The present Pickens County Courthouse was built in 1960. The building was completely renovated and expanded in 1997. The spacious three-story building is constructed of oversized brick in the Williamsburg architectural design. The structure features a roof of Vermont slate and a copper cupola that is a replica of the 1894 courthouse dome.

### Richland County Judicial Center (page 152)

The Richland County Judicial Center was built to relieve overcrowding in the old facility. The building was dedicated on October 14, 1980.

### Saluda County Courthouse (page 9)

The current Saluda County Courthouse is the second to serve the county's citizens. This beautiful Greek Revival structure was built in 1917 to replace a simple wooden building that had been constructed shortly after Saluda was created as a county from part of the old Edgefield District in 1895.

### Spartanburg County Judicial Center (page 140)

The present Spartanburg County Courthouse cost approximately \$1.7 million and was occupied

beginning in May 1958. The building was renovated from 1990 to 1993, and the courthouse was renamed the Judicial Center after those renovations were completed. The Judicial Center, occupying 115,500 square feet, houses all of the judicial departments except for the Sheriff's Office.

### Sumter County Courthouse (page 118)

The Sumter County Courthouse, reflecting a Romanesque Revival design, features large Doric columns. The courthouse is a historic structure reminiscent of the turn of the century. Located on Main Street in Sumter, the courthouse was built in 1907 and remodeled in 1964.

### Union County Courthouse (page 119)

The present and third courthouse was built of brick and stone in 1911 at a cost of \$75,000. The previous old stone building became part of the new building's foundation. The courthouse was patterned after one of Robert Mills' designs and was built of rough native stone blocks, cement, and bricks. Four Gothic columns, vaulted ceilings, stone floors, and overall simplicity make this building a thing of beauty.

### Williamsburg County Courthouse (Back Cover)

Williamsburg County is the home of one of the most beautiful and historic courthouses designed by Robert Mills. The courthouse, originally built in 1823, was one of the first fireproof buildings in South Carolina.

### York County Courthouse (page 164)

The York County Courthouse has occupied its site since 1785, when the county was created and York was selected as the county seat. Robert Mills, in his *Statistics of South Carolina*, published in 1826, has the following to say of Yorkville (as York was known until 1916) and the new courthouse: "The new courthouse just finished is an elegant structure, built of stone and brick, and offices in the basement story are made fireproof—the double flight of granite steps ascending to a portico on the Doric Order—The building including the portico is 160 feet long and 43 feet wide."

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On the back cover:  
**Williamsburg County Courthouse**

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