



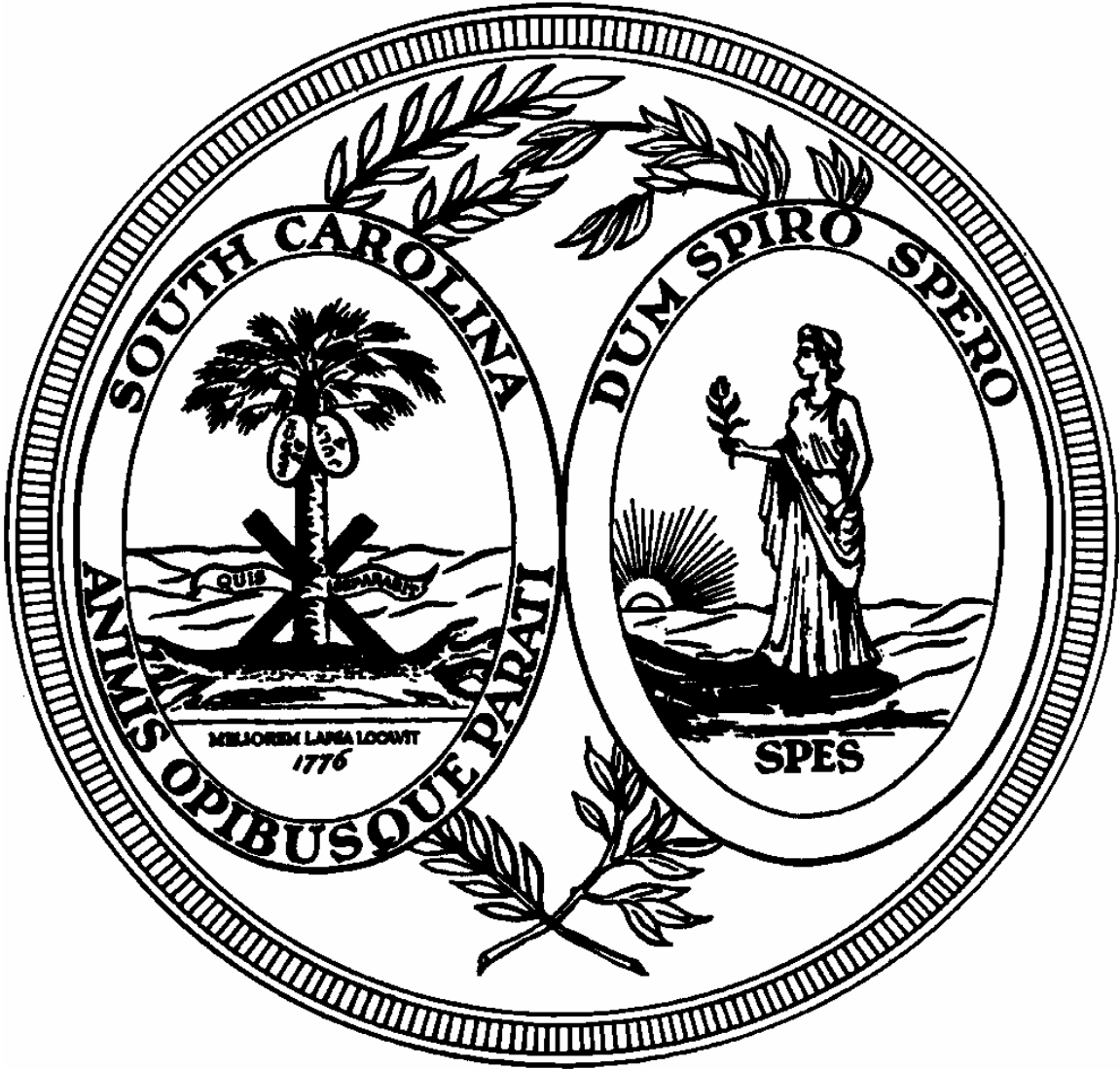
**STATE OF  
SOUTH CAROLINA**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

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

**2 0 1 0**

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



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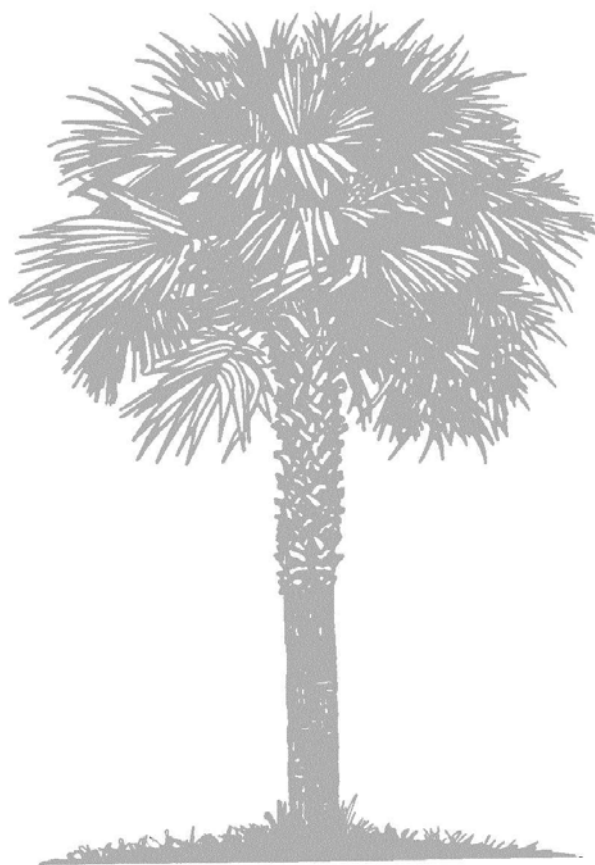
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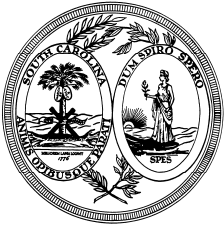
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# *Introductory Section*

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Letter of Transmittal  
Certificate of Achievement  
Principal State Officials  
Organization Chart



State of South Carolina  
**Office of Comptroller General**

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**RICHARD ECKSTROM, CPA**  
COMPTROLLER GENERAL

**JAMES M. HOLLY**  
CHIEF OF STAFF

December 17, 2010

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

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2010. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year. 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 that we received for our report as of June 30, 2009; a list of State officials; and an organizational chart of State government.
- The Financial Section, including the report of the independent auditors, management's discussion and analysis, government-wide financial statements, fund financial statements, required supplementary information, other combining financial statements, and schedules.
- The Statistical Section, presenting comparative financial data and other non-financial data.

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

The State Auditor and Clifton Gunderson LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2010. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process.

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

## **PROFILE OF THE GOVERNMENT**

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-fourth in population with approximately 4.5 million citizens. The State's rate of population growth is presently the tenth fastest in the nation.

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

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

Certain legally separate entities are included in these financial statements because they function, in essence, as part of State government. The Governor appoints the governing boards for the Public Service Authority, a public utility company, and the State Ports Authority. The Connector 2000 Association, Inc. contracts with the State's Department of Transportation to operate a toll road project. The Lottery Commission transfers its net proceeds to the State for educational programs. Other entities benefit and support institutions of higher education, provide medical malpractice insurance, and address medical and educational needs of South Carolina's children. Additional information on these legally separate entities can be found in the notes to the financial statements.

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

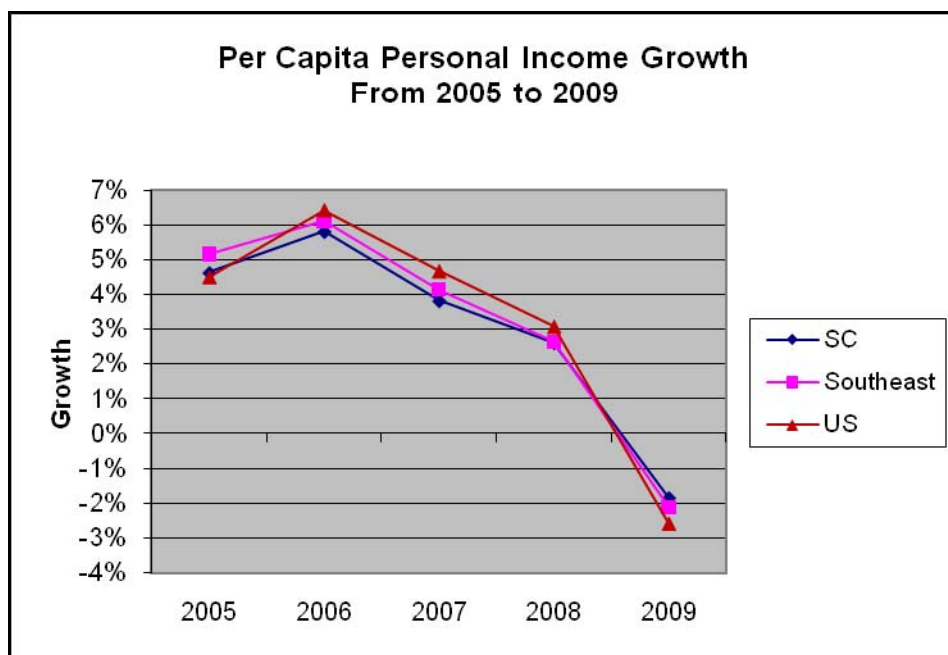
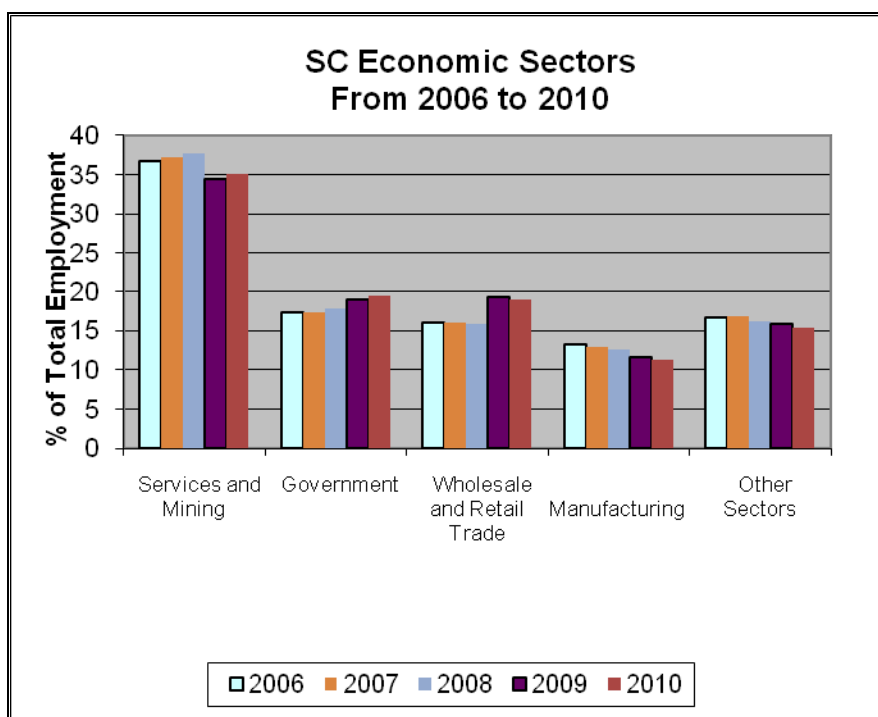
## **STATE ECONOMY**

South Carolina has a diverse economic base, including manufacturing, trade, healthcare, services, and leisure/hospitality. 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, and accessibility to markets, and in recent years, substantial tax incentives.

During the fiscal year 2010, South Carolina gained 14,100 jobs over the same period in 2009; however, the State has yet to recover from the tremendous overall 92,700 job loss that occurred in 2009. Despite a 23.0% increase in real estate closings and a 9.1% increase in residential building permits, construction job losses remain at 10.0% while foreclosures are up 38.9% over the prior year. Manufacturing job losses have improved slightly to 1.88% as opposed to 12.2% a year ago. The strongest boost in job gains was the Federal government sector that experienced a 17.0% increase and administrative support/waste management sector that experienced a 12.13% increase over the prior year.

The State's September 2010 unemployment rate of 11.0% has improved 0.7% over the prior year; however, it continues to be higher than the national unemployment rate of 9.6%. Out of 46

counties in South Carolina, only Aiken, Beaufort, Charleston, Dorchester, Lexington, Edgefield, and Saluda counties were below the national unemployment rate.





South Carolina's per capita income for 2009 decreased to \$32,338, or 1.8% below 2008. The decrease was consistent with the decreases experienced per capita nationally, (2.6%), and by the southeast region (2.1%).

Despite continued difficult economic times, the South Carolina Department of Commerce was involved in recruiting 18,000 new jobs during calendar year 2009, including the decision by The Boeing Co. to locate a final assembly site in North Charleston which will provide 3,800 jobs and \$750.0 million in new capital investment to the State. Of all the 2009 projects recruited, 28.0% of the jobs and 30.0% of the projects went to rural areas of the State where only 21.8% of the State's labor force resides.

### **LONG-TERM FINANCIAL PLANNING**

State law requires agencies receiving 1% or more of the total annual General Fund appropriations to provide an estimate of their general fund expenditures for the next three fiscal years. The State Budget Office combines these expenditure estimates with long-term revenue estimates made by the State's Board of Economic Advisors (BEA) to create a three-year financial plan. The three-year financial plan assists the State in strategically assessing its future financial commitments. The plan is updated annually and provided to the State's Budget and Control Board, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate during the second quarter of each fiscal year.

Principal financial challenges facing state government include anticipated future spending increases for Medicaid, health and social services benefits, State retirement and health benefits (including post employment benefits), and elementary and secondary education.

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

### **RELEVANT FINANCIAL POLICIES**

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to review how actual revenue collections compare with its earlier projections and to adjust its projections if necessary. If the BEA reduces revenue projections significantly once the budget year begins, the State's Budget and Control Board (Board) is responsible for taking appropriate action to keep the State's budget in balance. If the Board anticipates a year-end operating deficit as a result of the BEA reducing its revenue projections, it must first reduce amounts set-aside in the Annual Appropriations Act for the 2% Capital Reserve Fund. If the anticipated deficit is greater than the 2% Capital Reserve Fund, then the Board must reduce most agency appropriations evenly across-the-board. The State also is required to maintain a 3% General Reserve Fund that can be used only for eliminating a year-end operating deficit. If the State's budgetary General Fund subsequently experiences a year-end operating deficit even after applying all the actions described above, the Board is required to meet within sixty days of August 31 to adopt a plan to eliminate the deficit and restore a balanced budget.

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

Budgetary General Fund revenues continued to be erratic during this fiscal year. Actual revenues were \$310.106 below revenue projections used to generate the FY10 General Fund budget. In response to the decline, the Budget and Control Board ordered two mid-year agency spending cuts and drawing down the Capital Reserve Fund. As a result of these actions and the continued

monitoring of revenue collections, the State ended the year with a positive General Fund balance of \$246.167 million comprising of the FY10 surplus of \$71.001 million, legislatively-approved agency carryover appropriations of \$64.283 million, and the General Reserve Fund balance of \$110.883 million.

### **MAJOR INITIATIVES**

#### **Finance and Budgeting**

Due to the economic downturn and the continued use of the General Reserve Fund and the Capital Reserve Fund to finance year-end deficits, the Legislature proposed and the general electorate passed a state constitutional amendment in the November 2, 2010, election to increase the funding requirement of the General Reserve Fund and revise the use of the Capital Reserve Fund. The amendment provides for the amount required to be held in the General Reserve Fund to be increased gradually from three percent to five percent of state general fund revenue in the latest completed fiscal year. The amendment also revises the use of the Capital Reserve Fund so that it can be used more effectively for replenishing revenue shortfalls.

The Legislature also adopted legislation revising the procedures for handling state revenue shortfalls that currently authorizes the Board to implement across-the-board budget cuts in situations when revenue collection falls below four percent of forecasts. The Board is now authorized to act when revenue collection falls two percent below the forecasts. The legislation also authorizes reductions in the third quarter of the fiscal year in addition to the first and second quarters and shortens the time period in which the board is required to take action to avoid a year-end deficit from fifteen days to seven days. The legislation also provides for automatic budget cuts by requiring the Director of the Office of State Budget to reduce general fund appropriations uniformly by the requisite amount if the Budget and Control Board does not take timely and appropriate action.

The State's cigarette tax was legislatively increased from seven cents to fifty cents per cigarette pack, devoting the majority of the revenue generated to a newly created Medicaid Reserve Fund and authorizing cancer research, smoking prevention and cessation, and agricultural assistance.

#### **Economic Development and Employment**

The Legislature approved the "South Carolina Economic Development Competitiveness Act of 2010" in order to implement numerous private sector recommendations for fostering an economic development climate in the state that attracts global business and industry investment. Notably, the legislation revises provisions for fee in lieu of property taxes agreements so as to reduce the minimum investment requirement for a business and increase the number of years a fee is available. Under the legislation, manufacturers are eligible for a reassessment of their property in a way that will decrease their tax burden. The legislation modernizes and brings greater uniformity to the state's jobs tax credits, investment tax credits, revitalization agreements, and numerous other economic development incentives.

The Department of Employment and Workforce was established as a cabinet level agency to perform workforce development functions and replace the Employment Security Commission in the administration of unemployment compensation. In addition, the legislation transferred to the Department the Workforce Investment Act Program previously assigned to the Department of Commerce.

The Legislature approved remedies for the insolvency of the Unemployment Insurance Trust Fund that is used to provide unemployment compensation. The legislation revises the contributions that the state's employers are required to make to the trust fund in order to satisfy new solvency targets. Administrative changes were approved to provide, among other things, that individuals are ineligible for jobless benefits if they have been dismissed for certain types of misconduct.

## **Education**

The Legislature authorized South Carolina to join the Interstate Compact on Educational Opportunity for Military Children. The purpose of the compact is to remove barriers to educational success imposed on children of military families because of frequent moves and deployment of their parents by enhancing the transfer of education records and improving coordination among member states so that varying attendance requirements and methods of scheduling, sequencing, grading, course content and assessment will not place children of military families at a disadvantage when they must relocate.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the twenty-second consecutive year that the State of South Carolina has achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

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

Production of the CAFR was made possible only by the support of all State agencies and component units that supplied financial data to our office on a timely basis. We extend special appreciation to Mr. Larry Pearce, Director of Publications and Printing at the University of South Carolina, for providing the CAFR's attractive cover.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Eckstrom".

Richard Eckstrom, CPA  
Comptroller General

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**CERTIFICATE  
OF ACHIEVEMENT  
FOR EXCELLENCE IN  
FINANCIAL REPORTING**

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



President

Executive Director

## **Principal State Officials**

### **LEGISLATIVE—THE GENERAL ASSEMBLY**

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

### **EXECUTIVE**

#### **STATE BUDGET AND CONTROL BOARD**

Marshall (Mark) Clement Sanford, Jr., Chairman, Governor  
Converse Chellis, State Treasurer  
Richard Eckstrom, Comptroller General  
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee  
Daniel T. Cooper, Chairman, House Ways and Means Committee

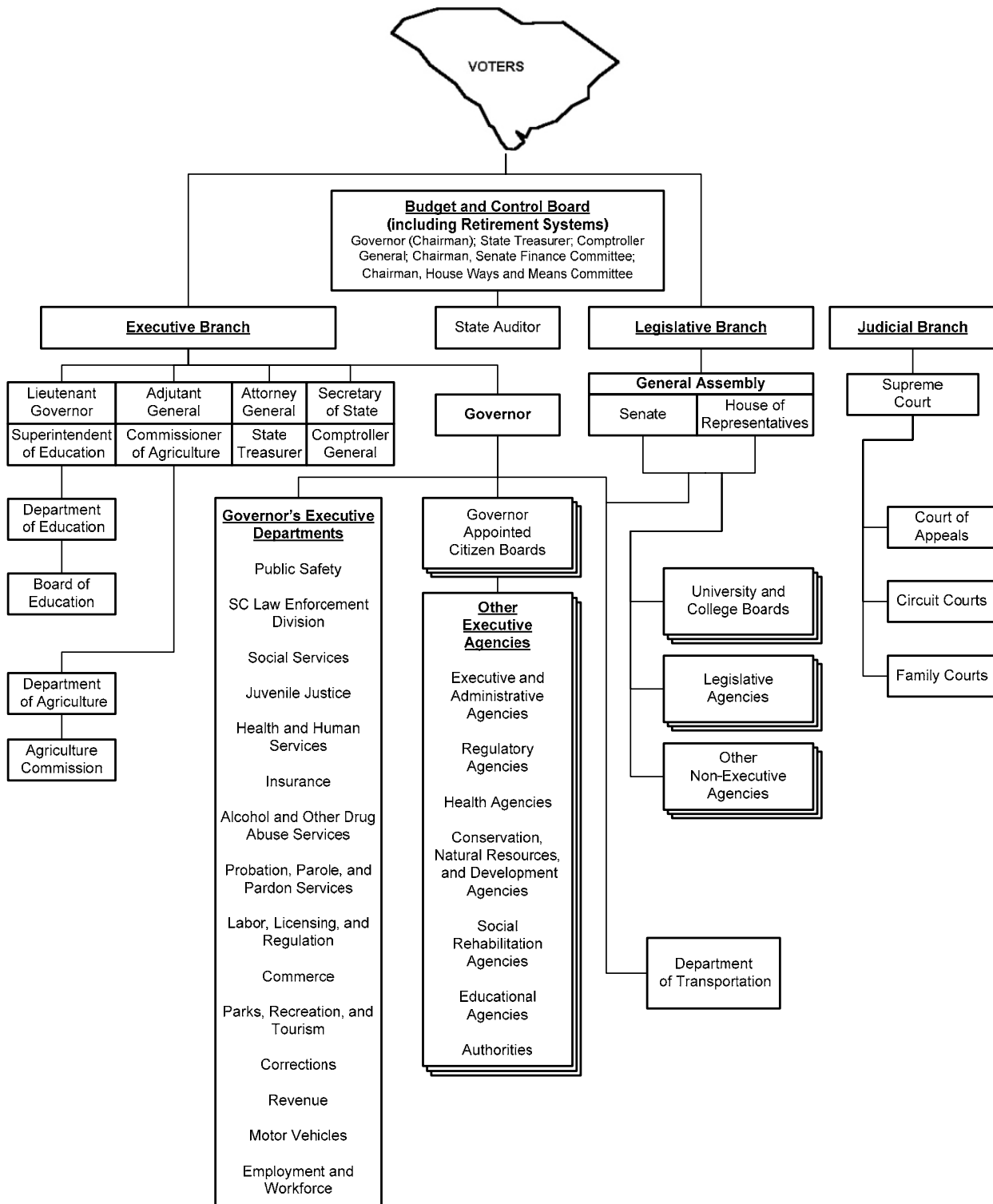
Mark Hammond, Secretary of State  
Henry McMaster, Attorney General  
James Rex, State Superintendent of Education  
Major General Stanhope S. Spears, Adjutant General  
Hugh E. Weathers, Commissioner of Agriculture

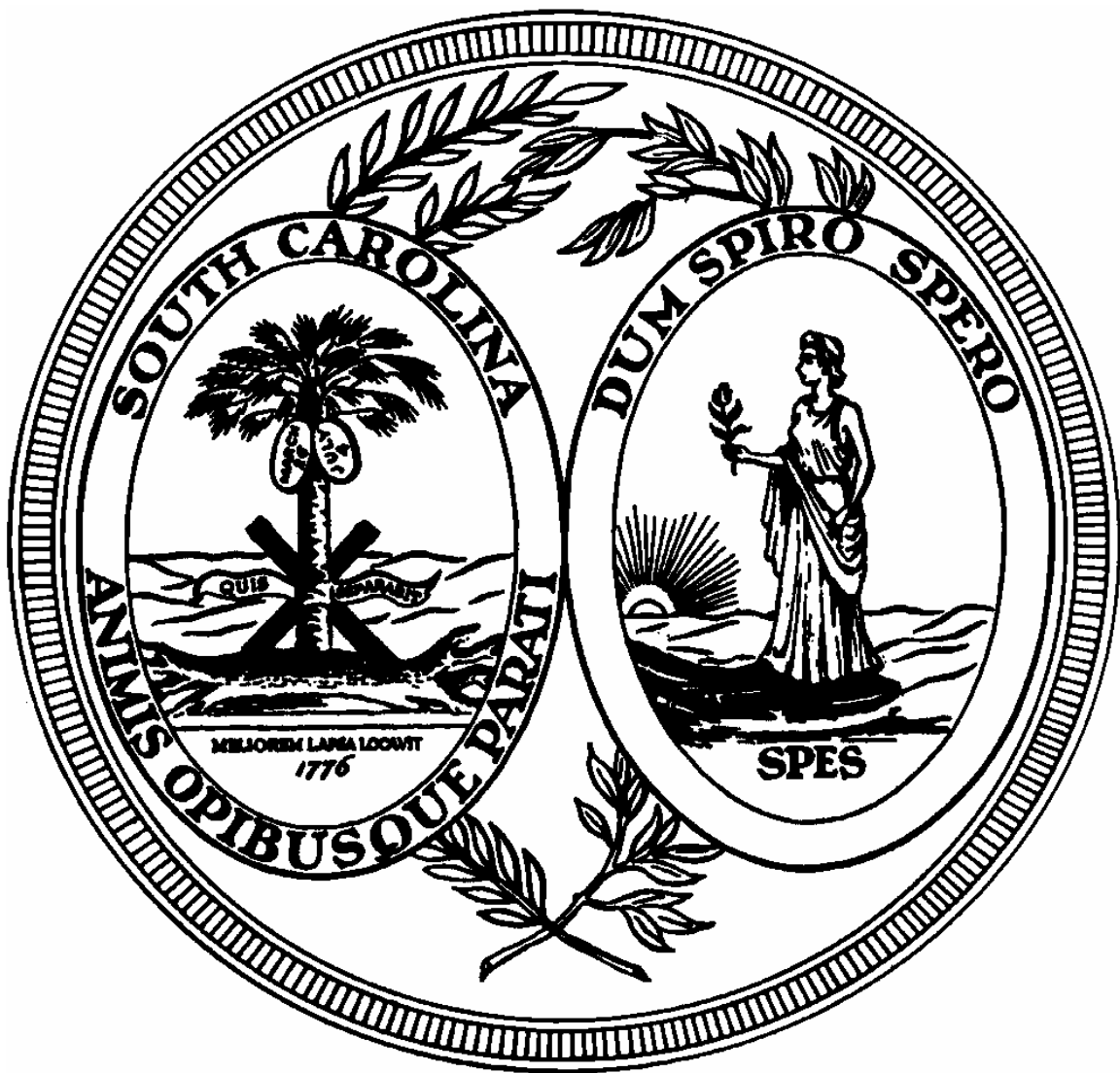
### **JUDICIAL**

Jean H. Toal, Chief Justice, Supreme Court

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

# Organizational Chart



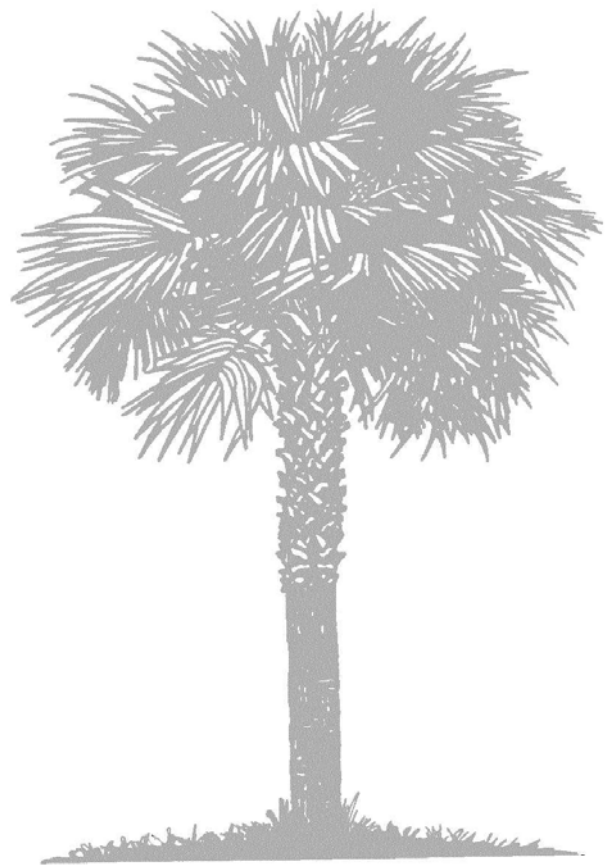




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# *Financial Section*

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



## Independent Auditors' Report

The Honorable Mark Sanford, Governor  
 and Members of the General Assembly  
 State of South Carolina  
 Columbia, South Carolina

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, including Clifton Gunderson LLP acting separately, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	Percentage Audited by Clifton Gunderson Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
<b><u>Government-wide</u></b>				
Governmental activities	-	-	67	18
Business-type activities	-	-	98	99
Component units	-	-	100	100
<b><u>Fund Statements</u></b>				
Governmental Funds	-	-	18	10
Enterprise Funds	-	-	98	100
Internal Service Funds	-	-	84	96
Fiduciary Funds	84	41	14	59

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements.

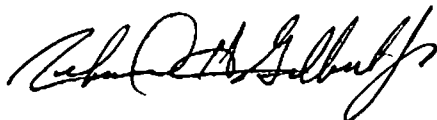
An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in paragraph one present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

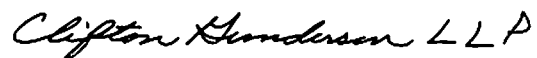
In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, supplementary information to the financial statements and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information to the financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Columbia, South Carolina  
December 17, 2010



Baltimore, Maryland  
December 17, 2010

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS—  
Required Supplementary Information  
(Unaudited)**

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## Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2010. Please read it together with the Comptroller's *Letter of Transmittal* at the front of this report and also the financial statements that follow this section.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole*, using *accrual-basis accounting*—the same accounting methods that most businesses use. The basic government-wide financial statements are presented on pages 34 through 39 of this report.

There are two government-wide financial statements:

***Statement of net assets:*** This statement presents information on *all* of the State's assets and liabilities, both short-term (*current*) and long-term (*non-current*). In addition, the statement reports the difference between assets and liabilities as *net assets*. Over time, the comparison of net assets to liabilities may indicate whether the State's financial health is strengthening or weakening. However, the statement of net assets does not tell the whole story. To assess the State's overall financial health, you would also need to consider factors such as the State's economy and the condition of its *capital assets* such as its buildings and *infrastructure* (roads and bridges).

***Statement of activities:*** This statement presents information showing how the State's overall net assets changed during the year. The State reports a change in its net assets as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs the State to provide various services. It also helps to show the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement on page 38 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to finance its programs.

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

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

***Business-type activities:*** These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. Higher education (State-supported colleges and universities), unemployment compensation benefits, and financing of housing facilities are the most significant of South Carolina's business-type activities.

***Component units:*** Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the Connector 2000 Association, Inc. (which operates the Southern Connector, a toll road), and the Lottery Commission are the State's major component units. Some financial information for these component units is included in this report. You also can obtain complete financial statements for these component units from their respective administrative offices (see Note 1a of the notes to the financial statements on page 71).

### Fund Financial Statements

The fund financial statements on pages 40 through 63 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State reports three types of *funds*:

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

The basic governmental fund statements are on pages 40 through 47 of this report.

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

The basic proprietary fund statements are on pages 48 through 61 of this report.

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

The basic fiduciary fund statements are on pages 62 and 63 of this report.

### **Component Unit Financial Statements**

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 64 through 67 of this report.

### **Notes to the Financial Statements**

Immediately following the financial statements are *notes* that help explain some of the information in the financial statements and provide more detailed data. The notes on pages 68 through 146 are necessary to fully understand the financial statements.

### **Required Supplementary Information**

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 153 to the required supplementary information is a reconciliation that helps explain differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. This required supplementary information is on pages 147 through 153 of this report.

## Government-wide Financial Analysis

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

*Exhibit 1*  
Government-wide Net Assets  
As of June 30, 2010  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009	2009-2010
<b>Assets</b>							
Current and other assets.....	\$ 8,061,151	\$ 7,989,303	\$ 5,480,890	\$ 5,105,500	\$ 13,542,041	\$ 13,094,803	3.4%
Capital assets.....	14,212,229	13,983,125	4,401,142	4,232,108	18,613,371	18,215,233	2.2%
<b>Total assets.....</b>	<b>22,273,380</b>	<b>21,972,428</b>	<b>9,882,032</b>	<b>9,337,608</b>	<b>32,155,412</b>	<b>31,310,036</b>	<b>2.7%</b>
<b>Liabilities</b>							
Long-term liabilities.....	4,292,318	4,300,763	4,791,991	4,329,882	9,084,309	8,630,645	5.3%
Other liabilities.....	4,190,761	4,206,275	1,002,462	1,055,415	5,193,223	5,261,690	(1.3%)
<b>Total liabilities.....</b>	<b>8,483,079</b>	<b>8,507,038</b>	<b>5,794,453</b>	<b>5,385,297</b>	<b>14,277,532</b>	<b>13,892,335</b>	<b>2.8%</b>
<b>Net Assets</b>							
Invested in capital assets, net of debt.....	10,966,666	10,276,019	2,539,652	2,429,521	13,506,318	12,705,540	6.3%
Restricted.....	3,195,396	3,351,317	1,225,352	1,123,060	4,420,748	4,474,377	(1.2%)
Unrestricted.....	(371,761)	(161,946)	322,575	399,730	(49,186)	237,784	(120.7%)
<b>Total net assets.....</b>	<b>\$ 13,790,301</b>	<b>\$ 13,465,390</b>	<b>\$ 4,087,579</b>	<b>\$ 3,952,311</b>	<b>\$ 17,877,880</b>	<b>\$ 17,417,701</b>	<b>2.6%</b>

## Net Assets

As we noted earlier, the comparison of net assets to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2009-2010 accounting year, the State's net assets totaled \$17.878 billion.

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

*Restricted* net assets generally are available for future spending but are subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State's largest restricted balances include capital improvement bond proceeds (restricted for various capital projects) and loan program funds (restricted primarily for local government water and sewer projects).

*Unrestricted* net assets—resources available for future spending without restrictions—reported a deficit of \$49.186 million at June 30, 2010. This represents a decline of \$286.970 million over the prior year. Some of this decline resulted from a \$209.815 million decrease in the unrestricted net assets reported for the State's *governmental activities*, which reported a \$371.761 million deficit in unrestricted net assets for the current fiscal year versus a \$161.946 million deficit in the prior year. The decline was attributable to decreased revenues in the current fiscal year; see section "Budgetary General Fund Highlights" on page 28 for further detail.

The State's *business-type activities* reported a \$322.575 million unrestricted net asset balance. This resulted from net positive balances of \$1.212 billion associated with higher education and certain other business-type activities. However, that positive balance was partially offset by a \$759.548 million accumulated deficit in the State-run unemployment compensation fund, a \$121.926 million accumulated deficit in the State-run medical malpractice insurance program, and an \$8.320 million accumulated deficit in the State-run college tuition prepayment program.

*Exhibit 2*  
**Government-wide Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2010**  
*(Expressed in Thousands)*

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2010	Restated 2009	2010	Restated 2009	2010	Restated 2009	2009-2010
<b>Revenues</b>							
Program revenues:							
Charges for services.....	\$ 2,356,804	\$ 2,118,417	\$ 5,421,089	\$ 4,635,700	\$ 7,777,893	\$ 6,754,117	15.2%
Operating grants and contributions.....	8,274,731	7,045,052	1,042,850	409,628	9,317,581	7,454,680	25.0%
Capital grants and contributions.....	570,743	382,979	100,884	52,809	671,627	435,788	54.1%
General revenues:							
Individual income tax.....	2,659,728	2,805,998	—	—	2,659,728	2,805,998	(5.2%)
Retail sales and use tax.....	3,855,095	3,908,318	—	—	3,855,095	3,908,318	(1.4%)
Other taxes.....	1,616,347	1,682,300	—	—	1,616,347	1,682,300	(3.9%)
Unrestricted grants and contributions.....	205,965	23,896	—	—	205,965	23,896	761.9%
Unrestricted investment income.....	41,555	86,639	—	—	41,555	86,639	(52.0%)
Tobacco legal settlement.....	68,709	95,115	—	—	68,709	95,115	(27.8%)
Other.....	433,166	301,321	—	—	433,166	301,321	43.8%
<b>Total revenues.....</b>	<b>20,082,843</b>	<b>18,450,035</b>	<b>6,564,823</b>	<b>5,098,137</b>	<b>26,647,666</b>	<b>23,548,172</b>	<b>13.2%</b>
<b>Expenses</b>							
Governmental activities:							
General government.....	4,475,571	4,331,740	—	—	4,475,571	4,331,740	3.3%
Education.....	4,400,125	4,109,666	—	—	4,400,125	4,109,666	7.1%
Health and environment.....	6,007,179	5,825,749	—	—	6,007,179	5,825,749	3.1%
Social services.....	1,847,028	1,533,666	—	—	1,847,028	1,533,666	20.4%
Administration of justice.....	760,379	774,533	—	—	760,379	774,533	(1.8%)
Resources and economic development.....	351,882	372,073	—	—	351,882	372,073	(5.4%)
Transportation.....	1,179,611	940,226	—	—	1,179,611	940,226	25.5%
Other.....	81,838	98,728	—	—	81,838	98,728	(17.1%)
Business-type activities:							
Higher education.....	—	—	3,520,564	3,396,191	3,520,564	3,396,191	3.7%
Higher education institution support <sup>a</sup> .....	—	—	1,252,222	1,200,456	1,252,222	1,200,456	4.3%
Unemployment compensation benefits.....	—	—	2,026,866	1,332,402	2,026,866	1,332,402	52.1%
Financing of housing facilities.....	—	—	238,191	180,555	238,191	180,555	31.9%
Medical malpractice insurance.....	—	—	2,324	(6,724)	2,324	(6,724)	(134.6%)
Financing of student loans.....	—	—	36,694	52,699	36,694	52,699	(30.4%)
Tuition prepayment program.....	—	—	910	10,598	910	10,598	(91.4%)
Other.....	—	—	36,583	40,955	36,583	40,955	(10.7%)
<b>Total expenses.....</b>	<b>19,103,613</b>	<b>17,986,381</b>	<b>7,114,354</b>	<b>6,207,132</b>	<b>26,217,967</b>	<b>24,193,513</b>	<b>8.4%</b>
<b>Excess (deficiency) before additions to endowments and transfers.....</b>	<b>979,230</b>	<b>463,654</b>	<b>(549,531)</b>	<b>(1,108,995)</b>	<b>429,699</b>	<b>(645,341)</b>	<b>(166.6%)</b>
Additions to endowments.....	—	—	30,480	31,934	30,480	31,934	(4.6%)
Net transfers.....	(653,389)	(685,972)	653,389	685,972	—	—	—
<b>Increase (decrease) in net assets.....</b>	<b>325,841</b>	<b>(222,318)</b>	<b>134,338</b>	<b>(391,089)</b>	<b>460,179</b>	<b>(613,407)</b>	<b>(175.0%)</b>
<b>Net assets, beginning of year.....</b>	<b>13,465,390</b>	<b>13,687,708</b>	<b>3,952,311</b>	<b>4,343,400</b>	<b>17,417,701</b>	<b>18,031,108</b>	<b>(3.4%)</b>
<b>Restatement of beginning net assets <sup>b</sup>.....</b>	<b>(930)</b>	<b>—</b>	<b>930</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net assets, end of year.....</b>	<b>\$ 13,790,301</b>	<b>\$ 13,465,390</b>	<b>\$ 4,087,579</b>	<b>\$ 3,952,311</b>	<b>\$ 17,877,880</b>	<b>\$ 17,417,701</b>	<b>2.6%</b>

<sup>a</sup> The higher education institution support activity represents certain associations, foundations, and authorities created for the benefit of the State's higher education institutions.  
<sup>b</sup> Restatement due to change in reporting entity. See Note 2, Accounting and Reporting Changes, on page 81 of the financial statements.

## Changes in Net Assets

The State's total net assets increased \$460.179 million (2.6%) over the prior year's net assets as a result of its governmental activities and its business-type activities.

## Governmental Activities

Net assets of the State's governmental activities increased by \$325.841 million (2.4%). Revenue increased from last year by \$1.633 billion (8.8%), which is the net of a decrease of \$23.022 million (0.3%) in general revenue offset by an increase of \$1.656 billion (17.3%) in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the comparative sources of revenues that support governmental activities.

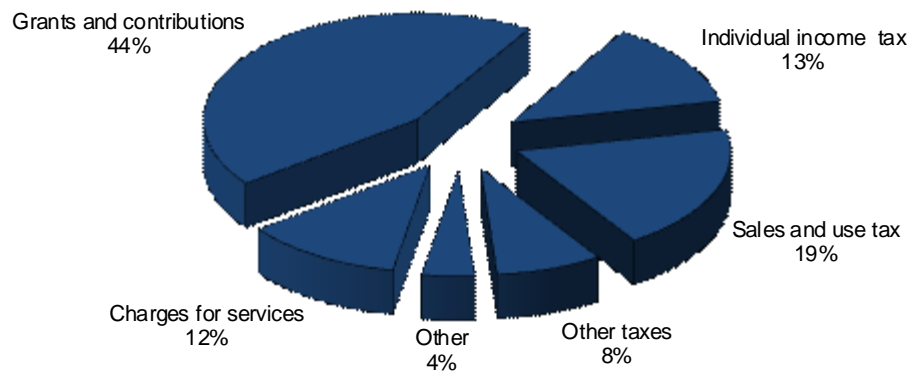


Expenses associated with governmental activities increased by \$1.117 billion (6.2%) for the fiscal year ended June 30, 2010. These expenses were mostly associated with services provided for health and environment, education, general government, transportation, and social services. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State’s taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2010, the State used \$8.881 billion in tax and other general revenues to finance the net cost of all services that the State’s governmental activities provided. Governmental activities reported \$653.389 million in net transfers to the State’s business-type activities, most of which represents support provided to the State’s public colleges and universities.

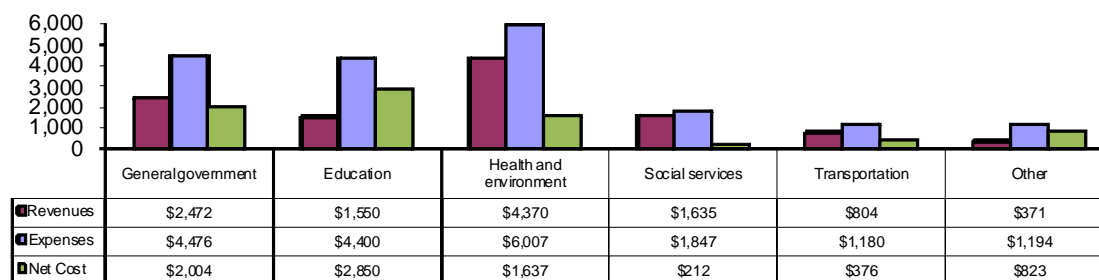
The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2009-2010 fiscal year:

- Operating grants and contributions increased by \$1.230 billion (17.5%). The increase was primarily due to the improved funding of education and public health programs through Stimulus funds.
- General tax revenues decreased \$265.446 million (3.2%) from last year. Individual income tax revenues declined 5.2%, sales/use tax revenues declined 1.4%, and corporate income/other taxes revenues declined 3.9%. Tax collections were down during fiscal year 2009-2010 due to the national recession; however, the decline was not as drastic as the decline that occurred from fiscal year 2007-2008 to fiscal year 2008-2009.
- General government and education expenses increased \$434.290 million (5.1%) compared to a decline of 5.4% during the previous fiscal year, due in part to the transfer of two agency divisions that were reclassified between the “Resources and economic development” and “General Government” expenditure functions. Education expenses increased due to additional funding available through grants and additional depreciation expense due to reevaluating depreciable lives on buses.

*Exhibit 3*  
**Sources of Revenues Supporting Governmental Activities  
For the Fiscal Year Ended June 30, 2010**



*Exhibit 4*  
**Governmental Activities - Net Cost of Services**  
**For the Fiscal Year Ended June 30, 2010**  
**(In Millions)**



### Business-type Activities

Net assets of the State's business-type activities increased \$134.338 million (3.4%).

Revenues from business-type activities included charges for services (82.6%) and grants and contributions, including federal aid (17.4%). Expenses from business-type activities were mostly to provide higher education services and support (67.1%), unemployment compensation benefits (28.5%), and financing of housing facilities (3.3%).

Most business-type activities are self-supporting. Tuition and student fees, research and other grants (both private and governmental), and other charges primarily pay for the services that the Higher Education Fund provides. However, the Higher Education Fund receives substantial resources (primarily transfers of annual appropriations) from the State's governmental activities. Essentially, net transfers to the Higher Education Fund, which totaled \$653.389 million for the year ended June 30, 2010, represent the cost of educational services that taxes and other general revenues of governmental activities support.

Expenses for the payment of unemployment compensation benefits increased \$694.464 million during the 2009-2010 fiscal year. This increase resulted primarily from a rise in the State's rate of unemployment and the increased length of time over which benefits are paid to an individual.

### Financial Analysis of the State's Funds

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

#### Governmental Funds

*Exhibit 5* shows the components of fund balance for the State's various governmental funds as of June 30, 2010.

*Exhibit 5*  
Governmental Fund Balances  
As of June 30, 2010  
(Expressed in Thousands)

	General Fund	Departmental General Operating	Local Government Infrastructure	Department of Transportation Special Revenue	State Tobacco Settlement	Nonmajor Governmental Funds	Total Governmental Funds
Reserved.....	\$ 184,645	\$ 15,748	\$ 1,981,573	\$ 15,738	\$ —	\$ 154,194	\$ 2,351,898
Unreserved, designated.....	—	—	—	—	—	376,152	376,152
Unreserved, undesignated.....	(36,290)	581,290	(224,300)	(212,412)	44,582	524,647	677,517
<b>Totals.....</b>	<b>\$ 148,355</b>	<b>\$ 597,038</b>	<b>\$ 1,757,273</b>	<b>\$ (196,674)</b>	<b>\$ 44,582</b>	<b>\$ 1,054,993</b>	<b>\$ 3,405,567</b>
Change from prior year.....	\$ 43,126	\$ 33,499	\$ 63,846	\$ (72,965)	\$ (9,843)	\$ 62,486	\$ 120,149
Percentage change.....	41.0%	5.9%	3.8%	(59.0%)	(18.1%)	6.3%	3.7%

At June 30, 2010, total ending fund balance for the State's governmental funds was \$3.406 billion, which represents an increase of \$120.149 million (3.7%) from the prior year. Nearly one-third of this total (30.9%) consists of *unreserved* fund balance—the amount available for spending in the coming year. The remaining fund balance is *reserved* and is *not* available for future appropriation because it is accessible only for specific purposes. The following paragraphs discuss the activities of the General Fund and other major governmental funds that had significant changes in fund balance:

The *General Fund* is one of two large State operating funds. This fund includes resources that pay for the services that the State traditionally has provided to its citizens. These resources, such as taxes, are accounted for in the General Fund unless State law requires them to be accounted for in another fund. During the 2009-2010 accounting year, the total fund balance of the General Fund increased \$43.126 million (41.0%) from last year. Overall, revenues were \$320.339 million (5.1%) less than the previous year, the largest portion of the decline being individual income taxes, which decreased \$168.493 million (6.0%). Sales and use taxes and other taxes also declined by \$49.449 million (2.2%) and \$68.420 million (8.9%), respectively, from prior year. The reduction in revenues was more than offset by an overall decrease in expenditures of \$444.490 million (8.5%) and net transfers out of \$145.542 million (11.9%) over the prior year. Expenditures and transfers out decreased because of mandated spending reductions ordered by State officials.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance decreased \$72.965 million (59.0%) during 2009-2010 leaving a negative fund balance of \$196.674 million at the end of the fiscal year. The decrease in fund balance that occurred during the current fiscal year was a result of several factors. One factor was that despite increased Federal revenue \$204.070 million (42.0%), over prior year; transportation expenditures increased \$240.944 million (36.8%), over prior year, a net of negative \$36.874 million. Another factor is that DOT issued refunding bonds including premiums of \$335.902 million in the current fiscal year, while retiring principal of \$359.250 million, a net of negative \$23.348 million.

## Proprietary Funds

Exhibit 6 shows the components of net assets for the State's various proprietary funds at June 30, 2010.

Exhibit 6  
Proprietary Fund Net Assets  
As of June 30, 2010  
(Expressed in Thousands)

Fund Net Assets	Enterprise Funds							Internal Service Funds
	Higher Education	Unemployment Compensation	Housing Authority	Medical University Hospital Authority	Education Assistance Authority	Nonmajor Enterprise	Total Enterprise	
Invested in capital assets (net of related debt).....	\$ 2,389,446	\$ —	\$ 882	\$ 78,737	\$ 91	\$ 70,496	\$ 2,539,652	\$ 92,233
Restricted, expendable.....	591,106	—	270,567	89,269	63,778	25,437	1,040,157	285,069
Restricted, nonexpendable.....	153,628	—	—	—	—	31,567	185,195	—
Unrestricted.....	752,506	(759,548)	44,382	128,409	80,436	89,794	335,979	(10,758)
<b>Totals.....</b>	<b>\$ 3,886,686</b>	<b>\$ (759,548)</b>	<b>\$ 315,831</b>	<b>\$ 296,415</b>	<b>\$ 144,305</b>	<b>\$ 217,294</b>	<b>\$ 4,100,983</b>	<b>\$ 366,544</b>
 Change from prior year.....	 \$ 425,665	 \$ (444,570)	 \$ 8,273	 \$ 63,814	 \$ (1,751)	 \$ 95,846	 \$ 147,277	 \$ (3,520)
Percentage change.....	12.3%	141.1%	2.7%	27.4%	(1.2%)	78.9%	3.7%	(1.0%)

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

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

The net assets of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, decreased by \$444.570 million (141.1%) over the prior year. As discussed in Note 22h on page 146, due to the increasing unemployment rate and resulting increased amount of unemployment benefits the Fund paid out, along with the increased length of time over which the benefits are paid out, the Fund was required to obtain advances from the Federal Unemployment Fund, the balance of which is \$886.662 million at June 30, 2010. Management plans to continue to borrow from the Federal government to fund its deficits for the foreseeable future.

The *Medical University Hospital Authority*, a major enterprise fund, reported an increase in net assets of \$63.814 million (27.4%) over the prior year. Revenue from charges for services exceeded operating expenditures by \$124.534 million in fiscal year 2009-2010, whereas in fiscal year 2008-2009, charges for services exceeded operating expenditures by only \$61.125 million, resulting in a larger increase in net assets during the current year than in the prior year.

The net assets of the State's *nonmajor enterprise funds* increased by \$95.846 million (78.9%). This increase was due in part to positive operating results for the *Patients' Compensation Fund*, increased investment income and decreased tuition plan disbursements in the *Tuition Prepayment Program Fund*, and increased charges for services for *University Medical Associates*.

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) and some goods (such as office supplies) primarily to other State funds but sometimes to local governments as well. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

## Budgetary General Fund Highlights

Original estimated revenues for the 2009–2010 accounting year were \$5.552 billion. Because of continual review of tax revenue collections and uncertain economic conditions, the Board of Economic Advisors (BEA) revised downward the revenue estimate during the course of the year to a total of \$5.033 billion. In addition, the Budget and Control Board took action by mandating agency appropriation reductions of 4.04% and 5.00% amounting overall to \$438.680 million and prohibited any reductions of the Capital Reserve Fund of \$127.848 million. Actual revenues at June 30, 2010, were \$209.142 million (4.2%) over the BEA's adjusted revenue estimate but still had declined compared to the prior year revenue

collections by \$302.277 million (5.5%). Individual income and sales tax collections, the fund's primary revenue sources, ended the year favorably over the adjusted estimate by \$133.725 million and \$53.796 million, respectively.

Actual expenditures were \$125.655 million less than actual revenues because of the actions of the Budget and Control Board, including \$40.245 million of unbudgeted spending through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2009-2010 ended with a budgetary surplus. After funding the prior year deficit of \$98.217 million and replenishing the General Reserve Fund by \$46.959 million, the State ended the year with an accumulated budgetary general fund balance of \$246.167 million, comprised of an unreserved/undesignated surplus of \$71.001 million, general reserve of \$110.883 million, and \$64.283 million in carried-forward appropriations.

See the *Required Supplementary Information* section on pages 147 through 153 of this report for a detailed budgetary comparison schedule.

## Capital Assets and Debt Administration

### Capital Assets

At the end of the 2009-2010 accounting year, the State had \$18.613 billion invested in capital assets. This represented a net increase (including additions and deductions) of \$398.138 million, or 2.2%, over the previous accounting year (see *Exhibit 7*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2010	Restated 2009	2010	2009	2010	Restated 2009	
Land and improvements.....	\$ 1,789,136	\$ 1,760,180	\$ 385,555	\$ 381,073	\$ 2,174,691	\$ 2,141,253	1.6%
Infrastructure.....	7,981,897	7,736,057	—	—	7,981,897	7,736,057	3.2%
Buildings and improvements.....	968,567	995,602	3,365,444	3,055,738	4,334,011	4,051,340	7.0%
Vehicles.....	123,716	204,166	15,779	15,981	139,495	220,147	(36.6%)
Machinery and equipment.....	123,599	138,857	347,004	341,281	470,603	480,138	(2.0%)
Works of art and historical treasures.....	5,340	5,400	38,639	27,509	43,979	32,909	33.6%
Construction in progress.....	3,156,544	3,141,388	238,346	406,196	3,394,890	3,547,584	(4.3%)
Intangible assets.....	63,430	1,475	10,375	4,330	73,805	5,805	1171.4%
<b>Total.....</b>	<b>\$ 14,212,229</b>	<b>\$ 13,983,125</b>	<b>\$ 4,401,142</b>	<b>\$ 4,232,108</b>	<b>\$ 18,613,371</b>	<b>\$ 18,215,233</b>	<b>2.2%</b>

Growth in capital asset investment continues to struggle as funding has been limited to agency appropriations without use of the Capital Reserve Fund. The Capital Reserve Fund has been used to continue to offset operating deficits. During the prior year, growth decreased to \$525.537 million (2.97%) as opposed to the same period in fiscal year 2007-2008, which grew \$757.278 million (4.5%). During the current year, vehicle fleets have continued to decrease due to general aging and irreparability, and book values have decreased due to depreciation. The Patriot's Point Development Authority continues to invest in maintaining their exhibits which are reflected as increases to historical treasures. The Budget and Control Board capitalized the new statewide accounting system amounting to approximately \$63.557 million. This system should provide more accountability and consistency among the State's agencies.

See Note 7 in the notes to the financial statements on page 100 of this report for additional information on the State's capital assets.

## Long-term Debt

At June 30, 2010, the State had \$7.827 billion in bonds and notes outstanding—a decrease of \$60.715 million, or 0.8%, over last year (see *Exhibit 8*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Backed by the State:							
General obligation bonds.....	\$ 1,950,048	\$ 1,857,510	\$ 387,464	\$ 354,252	\$ 2,337,512	\$ 2,211,762	5.7%
Bond anticipation notes.....	—	—	30,000	30,000	30,000	30,000	0.0%
Backed by specific revenues:							
Revenue bonds and notes.....	94,195	71,802	3,135,445	3,245,263	3,229,640	3,317,065	(2.6%)
Infrastructure Bank bonds.....	2,051,545	2,091,864	—	—	2,051,545	2,091,864	(1.9%)
Tobacco Authority bonds.....	120,653	176,180	—	—	120,653	176,180	(31.5%)
Limited obligation bonds.....	6,435	7,629	—	—	6,435	7,629	(15.7%)
Bond anticipation notes.....	—	—	51,100	53,100	51,100	53,100	(3.8%)
<b>Total.....</b>	<b>\$ 4,222,876</b>	<b>\$ 4,204,985</b>	<b>\$ 3,604,009</b>	<b>\$ 3,682,615</b>	<b>\$ 7,826,885</b>	<b>\$ 7,887,600</b>	<b>(0.8%)</b>

The increase in debt reported in governmental activities resulted from the issuance of general obligation bonds including \$220.000 million in Economic Development bonds, \$50.000 million in Air Carrier Hub Terminal Facilities bonds, and \$299.860 million in Highway bonds. Also, the issuance of Infrastructure Bank revenue bonds of \$88.590 million and a master lease note of \$22.100 million to finance the State's new enterprise information system, net of principal payments on all categories of bonds and notes, resulted in the net increase in debt for governmental activities.

New debt reported in business-type activities included the issuance of \$54.000 million in general obligation state institution bonds by Coastal Carolina University. The issuance of new revenue bonds and notes was less than principal payments, resulting in an overall decrease in that category for business-type activities. The Education Assistance Authority issued \$85.000 million in new bonds and paid off \$201.350 million in bonds. The Housing Authority issued \$120.000 million in new bonds and paid off \$65.075 million in bonds and a \$22.000 million note payable. In the State's Higher Education fund, the University of South Carolina and Francis Marion University issued \$28.510 million and \$8.500 million in revenue bonds, respectively; however, bond and note principal payments totaling \$76.353 million for the Higher Education fund exceeded the new debt issued.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as "AAA" and Moody's Investors Service rated them as "Aaa" during the fiscal year ended June 30, 2010, the highest ratings that these services assign. Standard & Poor's rated these bonds as "AA+" during the same period.

The State limits the amount of annual payments for principal and interest on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2010, the State legally could issue additional bonds as long as the new debt would not increase the State's annual principal and interest payments by more than the following amounts: \$44.136 million for institution bonds (*Institution bonds* are general obligation bonds that benefit the State's Higher Education Fund.), \$32.385 million for highway bonds, \$132.182 million for general obligation bonds (excluding institution and highway bonds), \$2.990 million for economic development bonds, and \$6.626 million for research university infrastructure bonds. During the fiscal year ended June 30, 2010, the State issued \$170.000 million of economic development bonds which are not subject to the limitation on maximum annual debt service.

See Note 12 in the notes to the financial statements on page 118 of this report for additional information about the State's long-term debt.

## Economic Factors and Next Year's Budget

### The "Rainy Day Account"

At June 30, 2010, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of \$110.883 million which was comprised of \$63.924 million appropriated by the 2009-2010 Appropriations Act and \$46.959 million from the

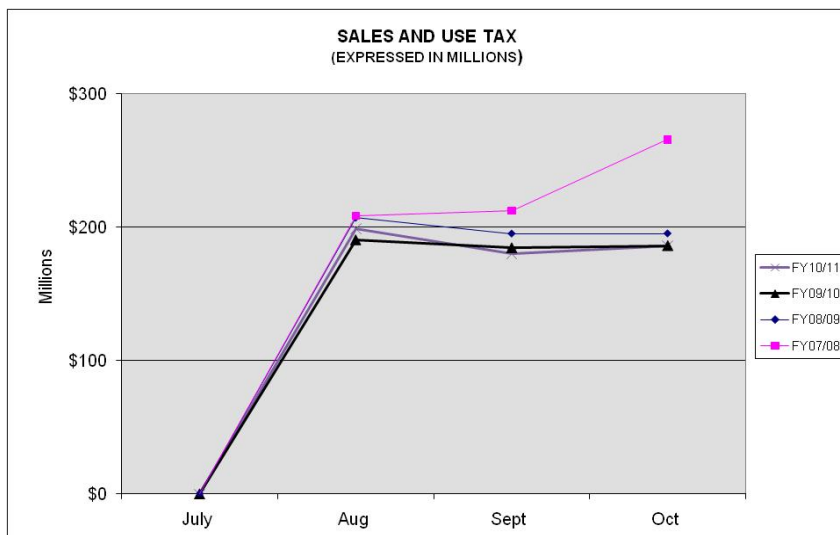
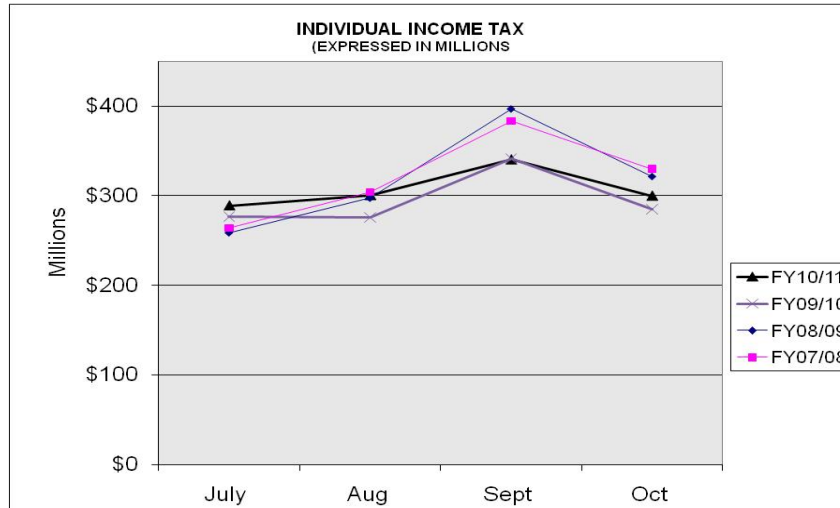
fiscal year 2009-2010 budgetary General Fund surplus. The balance is below the actual full funding requirement of \$191.772 million. The State's Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. State law defines full funding for the reserve as 3% of the Budgetary General Fund's revenues for the latest completed accounting year.

#### Budgetary General Fund for the 2010-2011 Accounting Year

For fiscal year 2010-2011, estimated General Fund revenue published in the 2010-2011 Appropriations Act was \$5.170 billion, or \$71.382 million, less than fiscal year 2009-2010 actual revenue collections. The estimate could be subsequently revised based on continued monitoring of revenue collections and economic conditions.

#### Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2010-2011 were \$2.028 billion, an increase of \$109.245 million (5.7%) over the same period for fiscal year 2009-2010. Although favorable in comparison to the prior year, the same collections are behind \$235.167 million (10.39%) from fiscal year 2007-2008. Currently, total individual income taxes collected have increased \$58.111 million (5.0%) over the prior year but continue to lag behind fiscal year 2007-2008 by 4.0%. Sales taxes have also increased \$7.810 million (1.4%) from fiscal year 2009-2010 but continue to lag behind fiscal year 2007-2008 by 17.66%. During fiscal year 2007-2008, sales taxes included \$55.310 million in collections from the now legislatively-eliminated unprepared grocery food tax; this amount was deducted from the comparison computation percentages above and the graphs below to provide consistency.



### **Requests for Information**

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

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



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# **BASIC FINANCIAL STATEMENTS**

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# Statement of Net Assets

June 30, 2010

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 3,261,426	\$ 1,522,843	\$ 4,784,269	\$ 259,795
Investments.....	—	126,352	126,352	93,433
Invested securities lending collateral.....	283,687	47,452	331,139	19,680
Receivables, net:				
Accounts.....	285,122	91,129	376,251	204,409
Contributions.....	—	3,297	3,297	3,466
Participants.....	—	2,168	2,168	—
Accrued interest.....	32,075	7,819	39,894	4,813
Income taxes.....	391,980	—	391,980	—
Sales and other taxes.....	495,442	—	495,442	—
Student accounts.....	—	50,587	50,587	—
Patient accounts.....	14,986	181,488	196,474	—
Loans and notes.....	31,163	59,230	90,393	25
Assessments.....	—	50,986	50,986	—
Due from Federal government and other grantors.....	1,130,645	150,910	1,281,555	309
Internal balances.....	(4,767)	4,767	—	—
Due from component units.....	36,366	126,870	163,236	—
Due from primary government.....	—	—	—	167,541
Inventories.....	33,356	39,364	72,720	488,550
Restricted assets:				
Cash and cash equivalents.....	90,576	531,104	621,680	371,364
Investments.....	—	20,794	20,794	91,248
Loans receivable.....	—	20,929	20,929	—
Other.....	78,009	7,167	85,176	—
Prepaid items.....	24,373	34,261	58,634	17,656
Other current assets.....	—	3,664	3,664	31,853
Deferred charges.....	—	—	—	1,257
Total current assets.....	6,184,439	3,083,181	9,267,620	1,755,399

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

# Statement of Net Assets (Continued)

June 30, 2010

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
Long-term assets:				
Investments.....	\$ 402,697	\$ 36,291	\$ 438,988	\$ 705,777
Receivables, net:				
Accounts.....	20,745	1,155	21,900	2,328
Contributions.....	—	2,495	2,495	39,566
Participants.....	—	6,338	6,338	—
Income taxes.....	32,103	—	32,103	—
Sales and other taxes.....	466	—	466	—
Student accounts.....	—	780	780	—
Patient accounts.....	6,862	—	6,862	—
Loans and notes.....	535,710	865,186	1,400,896	30
Restricted assets:				
Cash and cash equivalents.....	415,681	393,219	808,900	99,873
Investments.....	—	79,678	79,678	564,286
Accounts receivable.....	353,996	—	353,996	—
Loans receivable.....	—	906,253	906,253	—
Other.....	3,549	49,972	53,521	—
Prepaid items.....	—	11,643	11,643	—
Other long-term assets.....	1,253	11,941	13,194	54,934
Deferred charges.....	103,650	32,758	136,408	692,440
Investment in joint venture.....	—	—	—	9,727
Non-depreciable capital assets.....	4,931,021	529,361	5,460,382	1,295,115
Depreciable capital assets, net.....	9,281,208	3,871,781	13,152,989	4,277,745
Total long-term assets.....	16,088,941	6,798,851	22,887,792	7,741,821
<b>Total assets.....</b>	<b>22,273,380</b>	<b>9,882,032</b>	<b>32,155,412</b>	<b>9,497,220</b>

Continued on Next Page

# Statement of Net Assets (Continued)

June 30, 2010

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
LIABILITIES				
Current liabilities:				
Accounts payable .....	\$ 716,954	\$ 159,864	\$ 876,818	\$ 173,818
Accrued salaries and related expenses.....	122,093	101,023	223,116	10,596
Accrued interest payable.....	27,218	21,656	48,874	122,170
Retainages payable.....	2,889	8,802	11,691	5,989
Tax refunds payable.....	664,519	6,808	671,327	—
Payables-aid to individuals/families.....	4,591	—	4,591	—
Prizes payable.....	—	—	—	24,325
Unemployment benefits payable.....	—	20,685	20,685	—
Intergovernmental payables.....	840,314	4,819	845,133	511
Tuition benefits payable.....	—	22,701	22,701	—
Policy claims.....	471,752	13,054	484,806	30,753
Due to component units.....	167,541	—	167,541	—
Due to primary government.....	—	—	—	163,054
Unearned revenues and deferred credits.....	343,105	149,072	492,177	16,166
Deposits.....	—	7,313	7,313	15
Amounts held in custody for others.....	—	9,665	9,665	—
Securities lending collateral.....	312,796	52,124	364,920	21,700
Liabilities payable from restricted assets:				
Accounts payable.....	—	22	22	432
Accrued interest payable.....	24,642	20,768	45,410	1,719
Bonds payable.....	47,330	43,730	91,060	—
Other.....	—	60,209	60,209	—
Notes payable.....	12,640	34,270	46,910	353
General obligation bonds anticipation notes payable.....	—	30,000	30,000	—
Revenue bonds anticipation notes payable.....	—	51,100	51,100	—
General obligation bonds payable.....	190,165	23,330	213,495	—
Revenue bonds payable.....	2,760	42,323	45,083	133,865
Limited obligation bonds payable.....	1,280	—	1,280	—
Capital leases payable.....	117	5,615	5,732	1,691
Commercial paper notes.....	—	—	—	276,551
Compensated absences payable.....	116,109	79,029	195,138	2,832
Other current liabilities .....	121,946	34,480	156,426	263,776
Total current liabilities.....	4,190,761	1,002,462	5,193,223	1,250,316

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

# Statement of Net Assets (Continued)

June 30, 2010

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
Long-term liabilities:				
Retainages payable.....	\$ —	\$ —	\$ —	\$ 21,488
Tuition benefits payable.....	—	156,444	156,444	—
Policy claims.....	179,082	125,601	304,683	128,664
Unearned revenues and deferred credits.....	—	6,006	6,006	317,754
Amounts held in custody for others.....	—	—	—	2,131
Other liabilities payable from restricted assets.....	—	1,055	1,055	—
Advances from Federal government.....	—	886,662	886,662	—
Notes payable.....	48,304	185,009	233,313	971
General obligation bonds payable.....	1,759,883	364,134	2,124,017	—
Tobacco Authority bonds payable.....	120,653	—	120,653	—
Infrastructure Bank bonds payable.....	2,004,215	—	2,004,215	—
Revenue bonds payable.....	30,491	2,830,113	2,860,604	4,878,851
Limited obligation bonds payable.....	5,155	—	5,155	—
Capital leases payable.....	125	100,853	100,978	3,925
Compensated absences payable.....	98,004	68,528	166,532	18,207
Other long-term liabilities.....	46,406	67,586	113,992	105,279
Total long-term liabilities.....	4,292,318	4,791,991	9,084,309	5,477,270
<b>Total liabilities.....</b>	<b>8,483,079</b>	<b>5,794,453</b>	<b>14,277,532</b>	<b>6,727,586</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	10,966,666	2,539,652	13,506,318	662,432
Restricted:				
Expendable:				
Education.....	285,426	215,643	501,069	175,777
Transportation.....	123,936	—	123,936	—
Capital projects.....	39,264	304,005	343,269	42,525
Debt service.....	1,163,122	255,952	1,419,074	126,082
Loan programs.....	975,780	264,557	1,240,337	—
Waste management.....	224,253	—	224,253	—
Insurance programs.....	265,069	—	265,069	—
Other.....	115,276	—	115,276	382,777
Nonexpendable:				
Education.....	—	185,195	185,195	354,768
Other.....	3,270	—	3,270	—
Unrestricted.....	(371,761)	322,575	(49,186)	1,025,273
<b>Total net assets.....</b>	<b>\$ 13,790,301</b>	<b>\$ 4,087,579</b>	<b>\$ 17,877,880</b>	<b>\$ 2,769,634</b>

# Statement of Activities

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

		Program Revenues			
			Operating	Capital	Net
		Charges for	Grants and	Grants and	Revenues
	Expenses	Services	Contributions	Contributions	(Expenses)
<b>Functions</b>					
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 4,475,571	\$ 1,945,319	\$ 516,591	\$ 10,056	\$ (2,003,605)
Education.....	4,400,125	31,152	1,519,155	—	(2,849,818)
Health and environment.....	6,007,179	104,881	4,265,619	—	(1,636,679)
Social services.....	1,847,028	2,182	1,632,657	—	(212,189)
Administration of justice.....	760,379	114,464	46,736	268	(598,911)
Resources and economic development.....	351,882	58,378	142,292	9,131	(142,081)
Transportation.....	1,179,611	100,428	151,681	551,288	(376,214)
Unallocated interest expense.....	81,838	—	—	—	(81,838)
<b>Total governmental activities.....</b>	<b>19,103,613</b>	<b>2,356,804</b>	<b>8,274,731</b>	<b>570,743</b>	<b>(7,901,335)</b>
Business-type activities:					
Higher education.....	3,520,564	2,377,719	726,227	100,884	(315,734)
Higher education institution support.....	1,252,222	1,314,062	80,406	—	142,246
Unemployment compensation benefits.....	2,026,866	1,575,257	8,177	—	(443,432)
Financing of housing facilities.....	238,191	58,188	187,904	—	7,901
Medical malpractice insurance.....	2,324	22,708	718	—	21,102
Financing of student loans.....	36,694	33,138	1,805	—	(1,751)
Tuition prepayment program.....	910	593	34,523	—	34,206
State maritime museum.....	9,300	8,490	367	—	(443)
Insurance claims processing.....	1,720	1,645	70	—	(5)
Other enterprise activities.....	25,563	29,289	2,653	—	6,379
<b>Total business-type activities.....</b>	<b>7,114,354</b>	<b>5,421,089</b>	<b>1,042,850</b>	<b>100,884</b>	<b>(549,531)</b>
<b>Total primary government.....</b>	<b>\$ 26,217,967</b>	<b>\$ 7,777,893</b>	<b>\$ 9,317,581</b>	<b>\$ 671,627</b>	<b>\$ (8,450,866)</b>
<b>Component units:</b>					
Public Service Authority.....	\$ 1,636,009	\$ 1,702,001	\$ 2,950	\$ —	\$ 68,942
State Ports Authority.....	113,118	112,701	6,682	2,677	8,942
Connector 2000 Association, Inc.....	27,815	5,255	380	—	(22,180)
Lottery Commission.....	1,011,039	1,010,702	86	—	(251)
Other.....	88,467	36,131	128,923	2	76,589
<b>Total component units.....</b>	<b>\$ 2,876,448</b>	<b>\$ 2,866,790</b>	<b>\$ 139,021</b>	<b>\$ 2,679</b>	<b>\$ 132,042</b>

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

# Statement of Activities (Continued)

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets:</b>				
Net revenues (expenses) .....	\$ (7,901,335)	\$ (549,531)	\$ (8,450,866)	\$ 132,042
General revenues:				
Taxes:				
Individual income.....	2,659,728	—	2,659,728	—
Retail sales and use.....	3,855,095	—	3,855,095	—
Other.....	1,616,347	—	1,616,347	—
Total taxes.....	8,131,170	—	8,131,170	—
Unrestricted grants and contributions.....	205,965	—	205,965	—
Unrestricted investment income.....	41,555	—	41,555	—
Tobacco legal settlement.....	68,709	—	68,709	—
Other revenues.....	433,166	—	433,166	—
Additions to endowments.....	—	30,480	30,480	—
Transfers—internal activities.....	(653,389)	653,389	—	—
<b>Total general revenues, additions to endowments, and transfers.....</b>	<b>8,227,176</b>	<b>683,869</b>	<b>8,911,045</b>	<b>—</b>
<b>Change in net assets.....</b>	<b>325,841</b>	<b>134,338</b>	<b>460,179</b>	<b>132,042</b>
<b>Net assets at beginning of year (restated).....</b>	<b>13,464,460</b>	<b>3,953,241</b>	<b>17,417,701</b>	<b>2,637,592</b>
<b>Net assets at end of year.....</b>	<b>\$ 13,790,301</b>	<b>\$ 4,087,579</b>	<b>\$ 17,877,880</b>	<b>\$ 2,769,634</b>

**Balance Sheet****GOVERNMENTAL FUNDS****June 30, 2010****(Expressed in Thousands)**

	<b>General Fund</b>	<b>Departmental General Operating</b>	<b>Local Government Infrastructure</b>	<b>Department of Transportation Special Revenue</b>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 542,494	\$ 474,176	\$ 426,821	\$ 136,621
Investments.....	27,833	285	—	—
Invested securities lending collateral.....	155,250	4,227	42,374	3,491
Receivables, net:				
Accounts.....	1,255	125,918	2,247	13,989
Accrued interest.....	5,026	516	11,105	795
Income taxes.....	424,083	—	—	—
Sales and other taxes.....	301,760	11,584	—	8,661
Patient accounts.....	10,210	11,638	—	—
Loans and notes.....	—	1,167	524,000	5,664
Due from Federal government and other grantors.....	12,563	979,033	—	138,600
Due from other funds.....	45,742	28,370	16,941	23,924
Due from component units.....	9,620	1,070	—	—
Interfund receivables.....	5,514	1,281	343,692	—
Inventories.....	7,924	14,209	—	5,161
Restricted assets:				
Cash and cash equivalents.....	—	—	467,059	21,983
Accounts receivable.....	—	—	353,996	—
Other.....	—	—	42,940	—
Prepaid items.....	—	—	—	6,302
Other assets.....	—	—	—	771
<b>Total assets.....</b>	<b>\$ 1,549,274</b>	<b>\$ 1,653,474</b>	<b>\$ 2,231,175</b>	<b>\$ 365,962</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>Liabilities:</b>				
Accounts payable.....	\$ 273,837	\$ 338,565	\$ 18,717	\$ 136,482
Accrued salaries and related expenditures.....	56,402	41,242	118	18,450
Retainages payable.....	—	239	—	1,932
Tax refunds payable.....	663,723	—	—	—
Payable—aid to individuals/families.....	1,587	3,004	—	—
Intergovernmental payables.....	25,074	526,372	137	—
Due to other funds.....	115,808	47,704	15,546	16,172
Interfund payables.....	—	5,365	—	343,692
Deferred revenues.....	55,991	89,270	392,662	42,059
Securities lending collateral.....	171,180	4,661	46,722	3,849
Other liabilities.....	37,317	14	—	—
<b>Total liabilities.....</b>	<b>1,400,919</b>	<b>1,056,436</b>	<b>473,902</b>	<b>562,636</b>
<b>Fund balances (deficit):</b>				
Reserved.....	184,645	15,748	1,981,573	15,738
Unreserved, designated reported in:				
Special revenue funds.....	—	—	—	—
Capital Projects Fund.....	—	—	—	—
Unreserved, undesignated reported in:				
General Fund.....	(36,290)	—	—	—
Special revenue funds.....	—	581,290	(224,300)	(212,412)
Permanent funds.....	—	—	—	—
<b>Total fund balances (deficit).....</b>	<b>148,355</b>	<b>597,038</b>	<b>1,757,273</b>	<b>(196,674)</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 1,549,274</b>	<b>\$ 1,653,474</b>	<b>\$ 2,231,175</b>	<b>\$ 365,962</b>

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



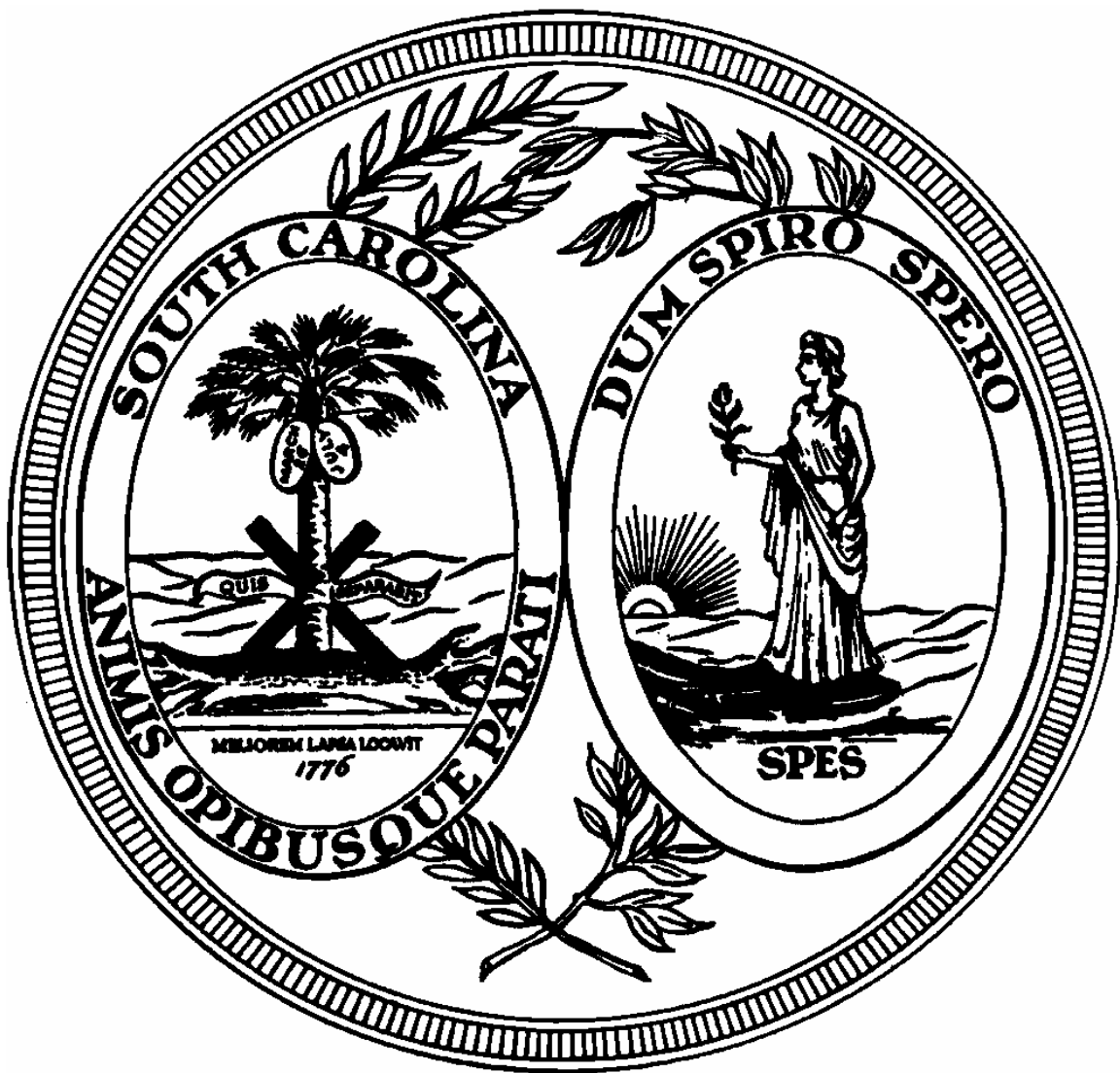
State Tobacco Settlement	Nonmajor Governmental Funds	Totals
\$ 44,537	\$ 1,176,633	\$ 2,801,282
—	—	28,118
2,321	48,206	255,869
—	772	144,181
336	8,703	26,481
—	—	424,083
—	173,903	495,908
—	—	21,848
—	36,043	566,874
—	449	1,130,645
—	37,927	152,904
—	25,634	36,324
—	15,890	366,377
—	3	27,297
—	17,215	506,257
—	—	353,996
—	38,618	81,558
—	—	6,302
—	—	771
<b>\$ 47,194</b>	<b>\$ 1,579,996</b>	<b>\$ 7,427,075</b>
\$ 45	\$ 50,332	\$ 817,978
—	1,830	118,042
—	470	2,641
—	796	664,519
—	—	4,591
—	288,564	840,147
8	85,546	280,784
—	19,780	368,837
—	24,503	604,485
2,559	53,153	282,124
—	29	37,360
<b>2,612</b>	<b>525,003</b>	<b>4,021,508</b>
—	154,194	2,351,898
—	14,055	14,055
—	362,097	362,097
—	—	(36,290)
44,582	523,174	712,334
—	1,473	1,473
<b>44,582</b>	<b>1,054,993</b>	<b>3,405,567</b>
<b>\$ 47,194</b>	<b>\$ 1,579,996</b>	<b>\$ 7,427,075</b>

# Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010

(Expressed in Thousands)

<b>Total fund balances—governmental funds.....</b>		<b>\$ 3,405,567</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-depreciable capital assets.....	\$ 4,924,124	
Depreciable capital assets.....	13,261,095	
Accumulated depreciation.....	(4,095,067)	
Total capital assets.....		14,090,152
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in governmental activities in the statement of net assets.....		26,765
Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.....		420,947
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....		366,544
Eliminations relating to the consolidation of internal service funds resulted in an amount due from governmental activities to business-type activities in the statement of net assets.....		13,404
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable.....	(4,139,410)	
Notes payable.....	(53,352)	
Accrued interest on bonds.....	(51,187)	
Capital leases.....	(242)	
Compensated absences.....	(208,531)	
Policy claims.....	(35,709)	
Other.....	(44,647)	
Total long-term liabilities.....		(4,533,078)
<b>Net assets of governmental activities.....</b>		<b>\$ 13,790,301</b>



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

## GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	General Fund	Departmental General Operating	Local Government Infrastructure
<b>Revenues:</b>			
Taxes:			
Individual income.....	\$ 2,643,141	\$ —	\$ 15,559
Retail sales and use.....	2,199,513	1,278	—
Other.....	701,160	25,239	20,000
Licenses, fees, and permits.....	96,071	165,788	94,618
Interest and other investment income.....	50,815	3,649	76,381
Federal.....	87,461	7,631,235	56,285
Local and private grants.....	—	40,287	—
Departmental services.....	4,138	181,139	20,486
Contributions.....	18,515	89,673	43,879
Fines and penalties.....	52,484	88,707	—
Tobacco legal settlement.....	—	—	—
Other.....	54,877	353,329	—
<b>Total revenues.....</b>	<b>5,908,175</b>	<b>8,580,324</b>	<b>327,208</b>
<b>Expenditures:</b>			
Current:			
General government.....	259,750	320,269	3,667
Education.....	270,080	231,651	—
Health and environment.....	1,009,426	4,601,114	—
Social services.....	117,977	1,704,232	—
Administration of justice.....	508,931	163,876	—
Resources and economic development.....	73,830	83,674	931
Transportation.....	808	2,915	3,368
Capital outlay.....	—	—	—
Debt service:			
Principal retirement.....	141,956	1,890	146,365
Interest and fiscal charges.....	54,599	491	101,509
Intergovernmental.....	2,348,033	1,612,766	85,203
<b>Total expenditures.....</b>	<b>4,785,390</b>	<b>8,722,878</b>	<b>341,043</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>1,122,785</b>	<b>(142,554)</b>	<b>(13,835)</b>
<b>Other financing sources (uses):</b>			
Bonds and notes issued.....	—	—	—
Refunding bonds issued.....	—	—	88,590
Premiums on bonds issued.....	—	—	10,173
Discounts on bonds issued.....	—	—	(87)
Transfers in.....	72,343	257,292	1,274
Transfers out.....	(1,152,002)	(81,239)	(22,269)
<b>Total other financing sources (uses).....</b>	<b>(1,079,659)</b>	<b>176,053</b>	<b>77,681</b>
<b>Net change in fund balances.....</b>	<b>43,126</b>	<b>33,499</b>	<b>63,846</b>
<b>Fund balances (deficit) at beginning of year (restated).....</b>	<b>105,229</b>	<b>563,539</b>	<b>1,693,427</b>
<b>Fund balances (deficit) at end of year.....</b>	<b>\$ 148,355</b>	<b>\$ 597,038</b>	<b>\$ 1,757,273</b>

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

<b>Department of Transportation Special Revenue</b>	<b>State Tobacco Settlement</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals</b>
\$ —	\$ —	\$ —	\$ 2,658,700
—	—	1,654,304	3,855,095
546,932	—	292,692	1,586,023
—	—	112,281	468,758
6,075	1,343	34,298	172,561
689,757	—	11,075	8,475,813
—	—	—	40,287
15,892	—	10,424	232,079
—	—	282,765	434,832
—	—	22,198	163,389
—	—	68,709	68,709
14,531	—	23,647	446,384
<b>1,273,187</b>	<b>1,343</b>	<b>2,512,393</b>	<b>18,602,630</b>
—	124	127,951	711,761
—	—	318,621	820,352
—	10,899	341,596	5,963,035
—	—	9,441	1,831,650
—	—	14,168	686,975
—	—	5,423	163,858
895,693	—	—	902,784
318,646	—	151,555	470,201
359,250	—	64,182	713,643
32,284	—	11,526	200,409
77,203	163	1,985,896	6,109,264
<b>1,683,076</b>	<b>11,186</b>	<b>3,030,359</b>	<b>18,573,932</b>
<b>(409,889)</b>	<b>(9,843)</b>	<b>(517,966)</b>	<b>28,698</b>
—	—	301,672	301,672
299,860	—	—	388,450
36,042	—	3,385	49,600
—	—	—	(87)
1,111	—	403,695	735,715
(89)	—	(128,300)	(1,383,899)
<b>336,924</b>	<b>—</b>	<b>580,452</b>	<b>91,451</b>
<b>(72,965)</b>	<b>(9,843)</b>	<b>62,486</b>	<b>120,149</b>
<b>(123,709)</b>	<b>54,425</b>	<b>992,507</b>	<b>3,285,418</b>
<b>\$ (196,674)</b>	<b>\$ 44,582</b>	<b>\$ 1,054,993</b>	<b>\$ 3,405,567</b>

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

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

<b>Net change in fund balances—total governmental funds.....</b>	<b>\$</b>	<b>120,149</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay.....	\$ 543,473	
Depreciation expense.....	(332,811)	
Excess of capital outlay over depreciation expense.....		210,662
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.....		34,964
Losses on disposals of capital assets are reported as an expense in the statement of activities.....		(3,271)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds and notes issued.....	(690,122)	
Net bond premiums and discounts.....	(49,513)	
Net bond and note proceeds.....		(739,635)
Reclassification of notes payable from internal service fund.....		(3,361)
Bond issuance costs are expenditures in governmental funds, but are deferred assets in the statement of net assets.....		1,798
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirement.....	710,433	
Note principal retirement.....	3,048	
Capital lease payments.....	162	
Deferred loss on bond refunding.....	14,194	
Total long-term debt repayment.....		727,837
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is included in governmental activities in the statement of activities.....		(3,520)
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in deferred revenues.....		(33,851)
Eliminations relating to the consolidation of internal service funds resulted in a net decrease in expenses for the business-type activities in the statement of activities.....		12,939

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

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

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

Net increase in accrued interest.....	\$	(3,444)	
Interest accreted on capital appreciation debt.....		(441)	
Amortization of bond issuance costs.....		(389)	
Net amortization of bond premiums and discounts.....		1,036	
Amortization of deferred losses on refunding of debt.....		(7,212)	
Net decrease in compensated absences payable.....		5,369	
Increase in policy claims payable.....		(2,736)	
Net decrease in other payables.....		8,947	
Total additional expenses.....			\$ 1,130
Change in net assets of governmental activities.....			<u>\$ 325,841</u>

# Statement of Net Assets

## PROPRIETARY FUNDS

June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 928,322	\$ 72,838	\$ 26,231
Investments.....	78,413	—	—
Invested securities lending collateral.....	39,134	302	642
Receivables, net:			
Accounts.....	36,039	17,280	850
Contributions.....	3,282	—	—
Participants.....	—	—	—
Accrued interest.....	5,594	44	93
Student accounts.....	50,587	—	—
Patient accounts.....	—	—	—
Loans and notes.....	152	—	255
Assessments.....	—	50,986	—
Due from Federal government and other grantors.....	122,876	26,556	1,478
Due from other funds.....	56,317	228	—
Due from component units.....	126,870	—	—
Inventories.....	17,436	—	—
Restricted assets:			
Cash and cash equivalents.....	372,019	—	69,920
Investments.....	5	—	9,496
Loans receivable.....	1,046	—	19,803
Other.....	411	—	6,027
Prepaid items.....	26,774	—	—
Other current assets.....	774	—	617
Total current assets.....	1,866,051	168,234	135,412
Long-term assets:			
Investments.....	14,556	—	—
Receivables, net:			
Accounts.....	1,155	—	—
Contributions.....	2,481	—	—
Participants.....	—	—	—
Student accounts.....	780	—	—
Loans and notes.....	225	—	15,832
Interfund receivables.....	22	—	—
Restricted assets:			
Cash and cash equivalents.....	176,335	—	160,326
Investments.....	18	—	—
Loans receivable.....	56,303	—	842,972
Other.....	49,871	—	—
Prepaid items.....	391	—	—
Other long-term assets.....	4,600	—	—
Deferred charges.....	2,619	—	6,156
Non-depreciable capital assets.....	474,631	—	—
Depreciable capital assets, net.....	3,255,489	—	882
Total long-term assets.....	4,039,476	—	1,026,168
<b>Total assets.....</b>	<b>5,905,527</b>	<b>168,234</b>	<b>1,161,580</b>

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



**FUNDS**

<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ 44,499	\$ 129,665	\$ 321,288	\$ 1,522,843	\$ 460,144
—	—	47,939	126,352	—
—	—	7,374	47,452	27,818
25,528	4,141	7,291	91,129	144,706
—	—	15	3,297	—
—	—	2,168	2,168	—
—	1,007	1,081	7,819	5,594
—	—	—	50,587	—
146,191	—	35,297	181,488	—
—	58,800	23	59,230	—
—	—	—	50,986	—
—	—	—	150,910	—
8,923	—	28,949	94,417	52,631
—	—	—	126,870	42
18,056	—	3,872	39,364	6,059
5,458	26,581	57,126	531,104	—
—	—	11,293	20,794	—
—	—	80	20,929	—
—	—	729	7,167	—
6,490	—	997	34,261	18,071
631	—	1,642	3,664	—
<b>255,776</b>	<b>220,194</b>	<b>527,164</b>	<b>3,172,831</b>	<b>715,065</b>
—	—	21,735	36,291	374,579
—	—	—	1,155	576
—	—	14	2,495	—
—	—	6,338	6,338	—
—	—	—	780	—
—	849,129	—	865,186	—
—	—	31,391	31,413	22,237
52,408	—	4,150	393,219	—
36,028	—	43,632	79,678	—
—	—	6,978	906,253	—
—	—	101	49,972	—
—	—	11,252	11,643	—
2,748	—	4,593	11,941	482
17,236	4,864	1,883	32,758	89
14,698	—	40,032	529,361	6,897
532,442	91	82,877	3,871,781	115,180
<b>655,560</b>	<b>854,084</b>	<b>254,976</b>	<b>6,830,264</b>	<b>520,040</b>
<b>911,336</b>	<b>1,074,278</b>	<b>782,140</b>	<b>10,003,095</b>	<b>1,235,105</b>

Continued on Next Page

# Statement of Net Assets

## PROPRIETARY FUNDS (Continued)

June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable.....	\$ 67,636	\$ 103	\$ —
Accrued salaries and related expenses.....	65,323	—	486
Accrued interest payable.....	12,523	—	—
Retainages payable.....	5,398	—	—
Tax refunds payable.....	—	6,808	—
Unemployment benefits payable.....	—	20,685	—
Intergovernmental payables.....	—	4,743	76
Tuition benefits payable.....	—	—	—
Policy claims.....	—	—	—
Due to other funds.....	56,626	8,448	14
Unearned revenues.....	141,918	—	—
Deposits.....	7,313	—	—
Amounts held in custody for others.....	9,665	—	—
Securities lending collateral.....	43,149	333	707
Liabilities payable from restricted assets:			
Accounts payable.....	22	—	—
Accrued interest payable.....	—	—	18,221
Bonds payable.....	—	—	43,730
Other.....	—	—	5,002
Notes payable.....	14,630	—	—
General obligation bond anticipation notes payable.....	30,000	—	—
Revenue bond anticipation notes payable.....	51,100	—	—
General obligation bonds payable.....	23,330	—	—
Revenue bonds payable.....	30,706	—	—
Limited obligation bonds payable.....	—	—	—
Capital leases payable.....	5,467	—	—
Compensated absences payable.....	49,937	—	353
Other current liabilities.....	6,863	—	783
Total current liabilities.....	621,606	41,120	69,372
Long-term liabilities:			
Tuition benefits payable.....	—	—	—
Policy claims.....	—	—	—
Interfund payables.....	31,530	—	—
Unearned revenues.....	5,593	—	—
Other liabilities payable from restricted assets.....	—	—	—
Advances from Federal government.....	—	886,662	—
Notes payable.....	108,745	—	—
General obligation bonds payable.....	364,134	—	—
Revenue bonds payable.....	660,130	—	775,654
Limited obligation bonds payable.....	—	—	—
Capital leases payable.....	100,333	—	—
Compensated absences payable.....	66,274	—	356
Other long-term liabilities.....	60,496	—	367
Total long-term liabilities.....	1,397,235	886,662	776,377
<b>Total liabilities.....</b>	<b>2,018,841</b>	<b>927,782</b>	<b>845,749</b>

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

<b>FUNDS</b>				<b>INTERNAL SERVICE FUNDS</b>
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	
\$ 42,609	\$ 29,079	\$ 12,733	\$ 152,160	\$ 6,483
19,147	—	16,067	101,023	4,051
8,131	—	1,002	21,656	673
3,404	—	—	8,802	248
—	—	—	6,808	—
—	—	—	20,685	—
—	—	—	4,819	167
—	—	22,701	22,701	—
—	—	13,054	13,054	463,752
—	—	626	65,714	4,791
—	—	7,154	149,072	159,567
—	—	—	7,313	—
—	—	—	9,665	—
—	—	7,935	52,124	30,672
—	—	—	22	—
—	2,419	128	20,768	—
—	—	—	43,730	—
—	300	54,907	60,209	—
13,177	—	6,463	34,270	3,596
—	—	—	30,000	—
—	—	—	51,100	—
—	—	—	23,330	—
10,395	—	1,222	42,323	1,620
—	—	—	—	1,280
—	—	148	5,615	—
24,350	327	4,062	79,029	2,926
22,385	976	3,473	34,480	9,547
<u>143,598</u>	<u>33,101</u>	<u>151,675</u>	<u>1,060,472</u>	<u>689,373</u>
—	—	156,444	156,444	—
—	—	125,601	125,601	151,373
2,055	—	16,064	49,649	1,541
—	—	413	6,006	—
—	1,049	6	1,055	—
—	—	—	886,662	—
25,353	—	50,911	185,009	3,996
—	—	—	364,134	—
441,166	894,700	58,463	2,830,113	14,467
—	—	—	—	5,155
—	—	520	100,853	—
—	—	1,898	68,528	2,656
2,749	1,123	2,851	67,586	—
<u>471,323</u>	<u>896,872</u>	<u>413,171</u>	<u>4,841,640</u>	<u>179,188</u>
<u>614,921</u>	<u>929,973</u>	<u>564,846</u>	<u>5,902,112</u>	<u>868,561</u>

Continued on Next Page

# Statement of Net Assets

PROPRIETARY FUNDS (Continued)

June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt.....	\$ 2,389,446	\$ —	\$ 882
Restricted:			
Expendable:			
Education.....	193,150	—	—
Capital projects.....	302,827	—	—
Debt service.....	95,129	—	54,562
Loan programs.....	—	—	216,005
Insurance programs.....	—	—	—
Nonexpendable:			
Education.....	153,628	—	—
Unrestricted.....	752,506	(759,548)	44,382
<b>Total net assets (deficit).....</b>	<b>\$ 3,886,686</b>	<b>\$ (759,548)</b>	<b>\$ 315,831</b>
Adjustment in Higher Education Fund related to consolidation of internal service funds .....			
<b>Net assets of business-type activities.....</b>			

FUNDS				INTERNAL SERVICE FUNDS
Medical University Hospital Authority	Education Assistance Authority	Nonmajor Enterprise	Totals	
\$ 78,737	\$ 91	\$ 70,496	\$ 2,539,652	\$ 92,233
—	—	22,493	215,643	—
—	—	1,178	304,005	—
89,269	15,226	1,766	255,952	—
—	48,552	—	264,557	20,000
—	—	—	—	265,069
—	—	31,567	185,195	—
128,409	80,436	89,794	335,979	(10,758)
<u>\$ 296,415</u>	<u>\$ 144,305</u>	<u>\$ 217,294</u>	<u>4,100,983</u>	<u>\$ 366,544</u>
			(13,404)	
			<u>\$ 4,087,579</u>	

# Statement of Revenues, Expenses, and Changes in Fund Net Assets

## PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>Operating revenues:</b>			
Assessments.....	\$ —	\$ 298,438	\$ —
Charges for services.....	1,426,781	—	10,287
Contributions.....	—	—	—
Interest and other investment income.....	326	—	50,910
Licenses, fees, and permits.....	—	—	—
Operating revenues pledged for revenue bonds.....	202,659	—	—
Federal operating grants and contracts.....	415,280	1,235,189	—
State operating grants and contracts.....	265,174	—	—
Local/private operating grants and contracts.....	66,351	—	—
Other operating revenues.....	54,046	49,593	—
<b>Total operating revenues.....</b>	<b>2,430,617</b>	<b>1,583,220</b>	<b>61,197</b>
<b>Operating expenses:</b>			
General operations and administration.....	3,032,045	76	11,188
Benefits and claims.....	—	2,026,790	—
Tuition plan disbursements.....	—	—	—
Interest.....	—	—	37,258
Depreciation and amortization.....	185,693	—	596
Scholarships and fellowships.....	226,051	—	—
Other operating expenses.....	—	—	1,363
<b>Total operating expenses.....</b>	<b>3,443,789</b>	<b>2,026,866</b>	<b>50,405</b>
<b>Operating income (loss).....</b>	<b>(1,013,172)</b>	<b>(443,646)</b>	<b>10,792</b>
<b>Nonoperating revenues (expenses):</b>			
Federal and local government appropriations.....	72,688	—	—
Interest income.....	60,906	214	101
Contributions.....	114,515	—	—
Federal grants and contracts.....	390,623	—	184,794
Local/private grants and contracts.....	7,250	—	—
Interest expense.....	(59,772)	—	—
Net other nonoperating revenues (expenses).....	23,283	—	(187,786)
<b>Total nonoperating revenues (expenses).....</b>	<b>609,493</b>	<b>214</b>	<b>(2,891)</b>
<b>Income (loss) before other revenues, expenses, losses, and transfers.....</b>	<b>(403,679)</b>	<b>(443,432)</b>	<b>7,901</b>
Federal capital grants and contracts.....	25,416	—	—
Local/private capital grants and contracts.....	75,468	—	—
Additions to endowments.....	28,215	—	—
Transfers in.....	743,165	470	400
Transfers out.....	(42,920)	(1,608)	(28)
<b>Change in net assets.....</b>	<b>425,665</b>	<b>(444,570)</b>	<b>8,273</b>
<b>Net assets (deficit) at beginning of year (restated).....</b>	<b>3,461,021</b>	<b>(314,978)</b>	<b>307,558</b>
<b>Net assets (deficit) at end of year.....</b>	<b>\$ 3,886,686</b>	<b>\$ (759,548)</b>	<b>\$ 315,831</b>

Adjustment in Higher Education Fund related to consolidation of internal service funds.....

**Change in net assets of business-type activities.....**

**FUNDS**

<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ —	\$ —	\$ —	\$ 298,438	\$ —
980,120	33,138	395,159	2,845,485	1,972,132
—	—	(1,151)	(1,151)	—
—	69	43,126	94,431	724
—	—	—	—	66
—	—	1,896	204,555	—
—	—	70	1,650,539	—
—	—	—	265,174	—
—	—	—	66,351	—
17,324	164	39,026	160,153	105,471
<b>997,444</b>	<b>33,371</b>	<b>478,126</b>	<b>5,583,975</b>	<b>2,078,393</b>
855,586	19,636	330,806	4,249,337	343,850
—	—	316	2,027,106	1,768,105
—	—	910	910	—
—	7,933	—	45,191	—
52,601	1,004	6,000	245,894	17,246
—	—	—	226,051	—
—	8,121	2,609	12,093	5,325
<b>908,187</b>	<b>36,694</b>	<b>340,641</b>	<b>6,806,582</b>	<b>2,134,526</b>
<b>89,257</b>	<b>(3,323)</b>	<b>137,485</b>	<b>(1,222,607)</b>	<b>(56,133)</b>
—	—	—	72,688	—
1,758	—	10,188	73,167	53,081
—	—	2,631	117,146	—
—	—	24	575,441	—
—	—	320	7,570	—
(27,449)	—	(5,030)	(92,251)	(1,432)
—	1,572	(5,699)	(168,630)	6,169
<b>(25,691)</b>	<b>1,572</b>	<b>2,434</b>	<b>585,131</b>	<b>57,818</b>
63,566	(1,751)	139,919	(637,476)	1,685
—	—	—	25,416	—
—	—	—	75,468	—
—	—	2,265	30,480	—
248	—	2,969	747,252	5,324
—	—	(49,307)	(93,863)	(10,529)
<b>63,814</b>	<b>(1,751)</b>	<b>95,846</b>	<b>147,277</b>	<b>(3,520)</b>
<b>232,601</b>	<b>146,056</b>	<b>121,448</b>		<b>370,064</b>
<b>\$ 296,415</b>	<b>\$ 144,305</b>	<b>\$ 217,294</b>		<b>\$ 366,544</b>
			(12,939)	
			<b>\$ 134,338</b>	

# Statement of Cash Flows

## PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>Cash flows from operating activities:</b>			
Receipts from customers, patients, and third-party payers.....	\$ 1,511,944	\$ —	\$ —
Assessments received.....	—	289,032	—
Grants received.....	718,759	1,220,423	—
Receipts from collection of loans and notes.....	586,580	—	168,855
Receipts of funds held for others.....	267,366	—	—
Internal activity—payments from other funds.....	90,182	—	—
Tuition plan contributions received.....	—	—	—
Other operating cash receipts.....	38,006	50,608	11,053
Claims and benefits paid.....	—	(2,038,754)	—
Payments to suppliers for goods and services.....	(1,080,900)	—	(6,426)
Payments to employees.....	(2,017,025)	—	(8,082)
Payments for scholarships and fellowships.....	(139,712)	—	—
Loans issued to students.....	(585,763)	—	—
Payments of funds held for others.....	(221,473)	—	—
Program loans issued.....	—	—	(115,750)
Internal activity—payments to other funds.....	—	—	—
Other operating cash payments.....	(411)	(76)	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>(832,447)</b>	<b>(478,767)</b>	<b>49,650</b>
<b>Cash flows from noncapital financing activities:</b>			
State, county, and local appropriations.....	64,276	—	—
Federal appropriations.....	17,996	—	—
Funds held for others.....	(197)	—	—
Principal payments received from other funds.....	—	—	—
Principal payments made to other funds.....	—	—	—
Receipt of interest from other funds.....	—	—	—
Advances from Federal government.....	—	541,781	—
Proceeds from sale of noncapital debt.....	—	—	120,000
Principal payments on noncapital debt.....	—	—	(87,075)
Interest payments on noncapital debt.....	(52)	—	(39,245)
Payment of bond issuance costs.....	—	—	(441)
Gifts and grants for other than capital purposes.....	562,238	—	—
Federal revenue.....	—	—	184,794
Payments from Federal grants.....	—	—	(187,786)
Additions to endowments .....	6,446	—	—
Other noncapital financing cash receipts .....	2,857	—	—
Other noncapital financing cash payments .....	(782)	—	—
Transfers in.....	743,165	470	400
Transfers out.....	(41,380)	(1,608)	(28)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>1,354,567</b>	<b>540,643</b>	<b>(9,381)</b>

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



**FUNDS**

<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ 970,580	\$ 40,436	\$ 365,978	\$ 2,888,938	\$ 1,324,235
—	—	114,302	403,334	—
—	—	—	1,939,182	—
—	289,222	—	1,044,657	—
—	—	—	267,366	—
—	—	—	90,182	634,021
—	—	1,111	1,111	—
18,610	—	91,234	209,511	119,292
—	—	(120,172)	(2,158,926)	(1,760,240)
(364,894)	(97,025)	(128,737)	(1,677,982)	(316,540)
(418,081)	(3,405)	(194,438)	(2,641,031)	(57,174)
—	—	—	(139,712)	—
—	—	—	(585,763)	—
—	—	—	(221,473)	—
—	(40,928)	—	(156,678)	—
(90,182)	—	—	(90,182)	(7,656)
—	—	(13,290)	(13,777)	—
<b>116,033</b>	<b>188,300</b>	<b>115,988</b>	<b>(841,243)</b>	<b>(64,062)</b>
—	—	—	64,276	—
—	—	—	17,996	—
—	—	—	(197)	—
—	—	—	—	3,457
—	—	—	—	(2,040)
—	—	—	—	372
—	—	—	541,781	—
—	85,000	(1,457)	203,543	—
—	(201,350)	(2,222)	(290,647)	—
—	(8,821)	(1,301)	(49,419)	—
—	(1,849)	—	(2,290)	—
—	—	(4,876)	557,362	—
—	—	—	184,794	—
—	—	—	(187,786)	—
—	—	—	6,446	—
—	—	199	3,056	—
—	(287)	(251)	(1,320)	—
248	—	1,429	745,712	5,324
—	—	(49,279)	(92,295)	(10,529)
<b>248</b>	<b>(127,307)</b>	<b>(57,758)</b>	<b>1,701,012</b>	<b>(3,416)</b>

Continued on Next Page

# Statement of Cash Flows

## PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>Cash flows from capital and related financing activities:</b>			
Capital appropriations.....	\$ 13,730	\$ —	\$ —
Acquisition of capital assets .....	(301,806)	—	—
Principal payments on limited obligation bonds.....	—	—	(434)
Proceeds from issuance of capital debt.....	153,877	—	—
Principal payments on capital debt.....	(123,327)	—	—
Interest payments on capital debt.....	(55,108)	—	—
Payment of agent and broker fees.....	—	—	—
Proceeds from issuance of interfund loan.....	—	—	—
Proceeds from sale or disposal of capital assets.....	3,068	—	—
Capital grants and gifts received.....	57,904	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(251,662)</b>	<b>—</b>	<b>(434)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments.....	88,702	—	1,733
Purchase of investments .....	(105,199)	—	(9,496)
Interest and dividends on investments.....	40,887	208	3,146
Transfer of endowment funds.....	(8,287)	—	—
Net settlement of investment derivative.....	—	—	—
Collection of escrow payments from borrower.....	—	—	—
<b>Net cash provided by (used in) investing activities.....</b>	<b>16,103</b>	<b>208</b>	<b>(4,617)</b>
<b>Net increase in cash and cash equivalents.....</b>	<b>286,561</b>	<b>62,084</b>	<b>35,218</b>
<b>Cash and cash equivalents at beginning of year (restated).....</b>	<b>1,190,115</b>	<b>10,754</b>	<b>221,259</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 1,476,676</b>	<b>\$ 72,838</b>	<b>\$ 256,477</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss) .....	\$ (1,013,172)	\$ (443,646)	\$ 10,792
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	185,693	—	596
Provision for bad debts.....	538	—	—
Net increase in the fair value of investments.....	—	—	—
Issuance of loans and notes.....	—	—	(115,750)
Collection of loans and notes.....	—	—	121,157
Interest payments reclassified as noncapital financing activities.....	—	—	37,258
Interest and dividends on investments and interfund loans.....	—	—	(3,010)
Amounts received for payment of claims.....	—	—	—
Payment of claims.....	—	—	—
Other nonoperating revenues.....	601	—	—
Other nonoperating expenses.....	(8,423)	—	(303)

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

**FUNDS**

<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ —	\$ —	\$ —	\$ 13,730	\$ —
(43,083)	(28)	(19,078)	(363,995)	(4,509)
—	—	—	(434)	(1,830)
—	—	—	153,877	—
(29,049)	—	(5,780)	(158,156)	(4,767)
(26,672)	—	(3,799)	(85,579)	(966)
(2,032)	—	—	(2,032)	—
—	—	9,200	9,200	—
14	—	5	3,087	—
—	—	77	57,981	—
<b>(100,822)</b>	<b>(28)</b>	<b>(19,375)</b>	<b>(372,321)</b>	<b>(12,072)</b>
9,995	—	93,836	194,266	125,917
(4,210)	—	(117,389)	(236,294)	(62,378)
1,678	68	9,553	55,540	30,827
—	—	—	(8,287)	—
(8,750)	—	—	(8,750)	—
—	—	1,827	1,827	—
<b>(1,287)</b>	<b>68</b>	<b>(12,173)</b>	<b>(1,698)</b>	<b>94,366</b>
<b>14,172</b>	<b>61,033</b>	<b>26,682</b>	<b>485,750</b>	<b>14,816</b>
<b>88,193</b>	<b>95,213</b>	<b>355,882</b>	<b>1,961,416</b>	<b>445,328</b>
<b>\$ 102,365</b>	<b>\$ 156,246</b>	<b>\$ 382,564</b>	<b>\$ 2,447,166</b>	<b>\$ 460,144</b>
\$ 89,257	\$ (3,323)	\$ 137,485	\$ (1,222,607)	\$ (56,133)
52,601	1,004	6,000	245,894	17,246
66,530	988	22,495	90,551	—
—	—	(7,448)	(7,448)	—
—	(60,141)	—	(175,891)	—
—	59,367	—	180,524	—
—	7,934	—	45,192	—
—	(70)	—	(3,080)	—
—	—	112,587	112,587	—
—	—	(102,591)	(102,591)	—
—	—	3,830	4,431	6,104
676	—	2,008	(6,042)	—

Continued on Next Page

# Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>Effect of changes in operating assets and liabilities:</b>			
Accounts receivable, net.....	\$ (62,706)	\$ 1,241	\$ (803)
Receivable from participants, net.....	—	—	—
Accrued interest.....	—	—	(24)
Loans receivable.....	(15)	—	—
Assessments receivable, net.....	—	(7,407)	—
Due from Federal government and other grantors.....	(619)	(12,823)	(483)
Due from other funds.....	12,430	(226)	—
Inventories.....	(896)	—	—
Other assets.....	(1,557)	—	780
Accounts payable.....	19,327	84	—
Accrued salaries and related expenses.....	4,373	—	60
Tax withholdings.....	—	(22,822)	—
Accrued interest payable.....	—	—	—
Retainages payable.....	(294)	—	—
Tax refunds payable.....	—	(1,999)	—
Unemployment benefits payable.....	—	12,889	—
Intergovernmental payables.....	—	(2,115)	76
Tuition benefits payable.....	—	—	—
Policy claims.....	—	—	—
Due to other funds.....	20,230	(1,943)	(214)
Unearned revenues .....	11,203	—	—
Deposits.....	6,517	—	—
Liabilities payable from restricted assets .....	—	—	(368)
Compensated absences payable .....	696	—	(114)
Other liabilities.....	(6,373)	—	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ (832,447)</b>	<b>\$ (478,767)</b>	<b>\$ 49,650</b>
<b>Noncash capital, investing, and financing activities:</b>			
Acquisition of capital assets through donations.....	\$ 21,494	\$ —	\$ —
Disposal of capital assets.....	56	—	—
Borrowing under capital leases.....	2,127	—	—
Increase in fair value of investments.....	20,189	—	—
Arbitrage income incurred and liability accrued.....	—	—	—
Other noncash activity.....	1,501	—	—
<b>Total noncash capital, investing, and financing activities.....</b>	<b>\$ 45,367</b>	<b>\$ —</b>	<b>\$ —</b>

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

FUNDS				
Medical University Hospital Authority	Education Assistance Authority	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
\$ (78,258)	\$ 6,859	\$ (22,081)	\$ (155,748)	\$ (5,122)
—	—	2,262	2,262	—
—	(1,005)	—	(1,029)	16
—	161,063	180	161,228	—
—	—	—	(7,407)	—
—	—	—	(13,925)	—
(8,548)	—	(15,172)	(11,516)	(26,123)
(53)	—	(285)	(1,234)	(96)
1,060	—	897	1,180	983
3,143	16,482	7,015	46,051	18,544
—	—	128	4,561	(80)
—	—	—	(22,822)	—
—	(888)	—	(888)	(82)
—	—	—	(294)	248
—	—	—	(1,999)	—
—	—	—	12,889	—
—	—	—	(2,039)	—
—	—	(10,646)	(10,646)	—
—	—	(16,920)	(16,920)	(25,691)
(10,375)	—	(520)	7,178	1,189
—	—	(2,965)	8,238	5,416
—	—	—	6,517	—
—	—	—	(368)	—
—	30	119	731	(481)
—	—	(390)	(6,763)	—
<b>\$ 116,033</b>	<b>\$ 188,300</b>	<b>\$ 115,988</b>	<b>\$ (841,243)</b>	<b>\$ (64,062)</b>
\$ —	\$ —	\$ —	\$ 21,494	\$ —
—	—	—	56	—
—	—	891	3,018	—
—	—	77,321	97,510	17
—	1,572	—	1,572	—
—	—	—	1,501	—
<b>\$ —</b>	<b>\$ 1,572</b>	<b>\$ 78,212</b>	<b>\$ 125,151</b>	<b>\$ 17</b>

# Statement of Fiduciary Net Assets

## FIDUCIARY FUNDS

June 30, 2010

(Expressed in Thousands)

	Pension and Other Post- Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private- Purpose Trust	Agency
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 4,093,939	\$ 925,420	\$ 17,164	\$ 231,451
Receivables, net:				
Accounts.....	42	—	—	2,710
Contributions.....	172,604	—	—	—
Employer long-term.....	352	—	—	—
Accrued interest.....	68,555	4,474	918	1,222
Unsettled investment sales.....	1,058,915	—	1,045	—
Other investment receivables.....	2,798	—	—	—
Taxes.....	—	—	—	200
Total receivables.....	1,303,266	4,474	1,963	4,132
Due from other funds.....	49,814	—	—	56,629
Investments, at fair value:				
Short term securities.....	570	—	—	—
Debt-domestic.....	4,263,019	978,223	—	—
Debt-international.....	2,839,508	—	—	—
Equity-domestic.....	1,619,972	—	—	—
Equity-international.....	293	—	—	—
Alternatives.....	10,474,603	—	—	—
Financial and other.....	20,694	518,672	1,114,175	29,023
Total investments.....	19,218,659	1,496,895	1,114,175	29,023
Securities held in lieu of surety bonds.....	—	—	—	266,805
Invested securities lending collateral.....	344,491	22,952	511	9,812
Capital assets, net.....	3,221	—	—	—
Prepaid items.....	964	—	—	—
Other assets.....	—	—	4,975	—
<b>Total assets.....</b>	<b>25,014,354</b>	<b>2,449,741</b>	<b>1,138,788</b>	<b>\$ 597,852</b>
<b>LIABILITIES</b>				
Accounts payable.....	17,103	—	1,969	28,228
Accounts payable—unsettled investment purchases.....	924,170	12,000	330	—
Due to other funds.....	55,106	—	—	—
Tax refunds payable.....	—	—	—	3,363
Intergovernmental payables.....	—	—	—	12,913
Deposits.....	—	—	—	3,372
Amounts held in custody for others.....	—	—	—	539,158
Deferred retirement benefits.....	323,093	—	—	—
Securities lending collateral.....	451,005	22,950	564	10,818
Other liabilities.....	32,031	—	—	—
<b>Total liabilities.....</b>	<b>1,802,508</b>	<b>34,950</b>	<b>2,863</b>	<b>\$ 597,852</b>
<b>NET ASSETS</b>				
Held in trust for:				
Pension and other post-employment benefits.....	23,211,846	—	—	—
External investment pool participants.....	—	2,414,791	—	—
Other purposes.....	—	—	1,135,925	—
<b>Total net assets.....</b>	<b>\$ 23,211,846</b>	<b>\$ 2,414,791</b>	<b>\$ 1,135,925</b>	

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

# Statement of Changes in Fiduciary Net Assets

## FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Pension and Other Post- Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
<b>Additions:</b>			
Licenses, fees, and permits.....	\$ —	\$ —	\$ 150
Contributions:			
Employer.....	1,261,101	—	—
Employee.....	641,199	—	—
Deposits from pool participants.....	—	6,086,856	—
Tuition plan deposits.....	—	—	83,048
Total contributions.....	1,902,300	6,086,856	83,048
Investment income:			
Interest income and net appreciation in investments.....	3,081,308	11,942	102,347
Securities lending income.....	5,690	35	—
Total investment income.....	3,086,998	11,977	102,347
Less investment expense:			
Investment expense.....	51,104	—	—
Securities lending expense.....	1,253	6	—
Net investment income.....	3,034,641	11,971	102,347
Assets moved between pension trust funds.....	1,416	—	—
<b>Total additions.....</b>	<b>4,938,357</b>	<b>6,098,827</b>	<b>185,545</b>
<b>Deductions:</b>			
Regular retirement benefits.....	2,104,139	—	—
Supplemental retirement benefits.....	999	—	—
Deferred retirement benefits.....	157,099	—	—
Refunds of retirement contributions to members.....	89,491	—	—
Death benefit claims.....	21,957	—	—
Accidental death benefits.....	1,462	—	—
Other post-employment benefits.....	290,648	—	—
Withdrawals, pool participants.....	—	6,241,399	—
Distributions to pool participants.....	—	11,463	—
Depreciation.....	119	—	—
Administrative expense.....	20,903	160	12,198
Payments in accordance with trust agreements.....	—	—	128
Other expenses.....	—	—	123
Assets moved between pension trust funds.....	1,416	—	—
<b>Total deductions.....</b>	<b>2,688,233</b>	<b>6,253,022</b>	<b>12,449</b>
<b>Change in net assets.....</b>	<b>2,250,124</b>	<b>(154,195)</b>	<b>173,096</b>
<b>Net assets at beginning of year.....</b>	<b>20,961,722</b>	<b>2,568,986</b>	<b>962,829</b>
<b>Net assets at end of year.....</b>	<b>\$ 23,211,846</b>	<b>\$ 2,414,791</b>	<b>\$ 1,135,925</b>

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

# Statement of Net Assets

## DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2010

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Lottery Commission	Nonmajor Component Units	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents.....	\$ 61,826	\$ 163,774	\$ 558	\$ 17,192	\$ 16,445	\$ 259,795
Investments.....	26,695	—	231	—	66,507	93,433
Invested securities lending collateral.....	—	19,492	—	—	188	19,680
Receivables, net:						
Accounts.....	153,398	17,532	—	29,388	4,091	204,409
Contributions.....	—	—	—	—	3,466	3,466
Accrued interest.....	4,173	—	—	—	640	4,813
Loans and notes.....	—	—	—	—	25	25
Due from Federal government and other grantors..	—	—	—	—	309	309
Due from primary government.....	—	167,541	—	—	—	167,541
Inventories.....	480,791	6,104	321	1,334	—	488,550
Restricted assets:						
Cash and cash equivalents.....	349,354	—	—	499	21,511	371,364
Investments.....	91,248	—	—	—	—	91,248
Prepaid items.....	13,628	3,968	45	—	15	17,656
Other current assets.....	30,471	—	—	1,242	140	31,853
Deferred charges.....	—	—	—	—	1,257	1,257
Total current assets.....	1,211,584	378,411	1,155	49,655	114,594	1,755,399
Long-term assets:						
Investments.....	93,170	7,954	—	—	604,653	705,777
Receivables, net:						
Accounts.....	—	—	—	—	2,328	2,328
Contributions.....	—	—	—	—	39,566	39,566
Loans and notes.....	—	—	—	—	30	30
Restricted assets:						
Cash and cash equivalents.....	99,336	—	537	—	—	99,873
Investments.....	559,893	—	4,393	—	—	564,286
Other long-term assets.....	50,124	—	—	4,781	29	54,934
Deferred charges.....	687,880	988	3,572	—	—	692,440
Investment in joint venture.....	9,727	—	—	—	—	9,727
Non-depreciable capital assets.....	962,369	323,775	—	—	8,971	1,295,115
Depreciable capital assets, net.....	3,854,774	272,870	148,706	598	797	4,277,745
Total long-term assets.....	6,317,273	605,587	157,208	5,379	656,374	7,741,821
<b>Total assets.....</b>	<b>7,528,857</b>	<b>983,998</b>	<b>158,363</b>	<b>55,034</b>	<b>770,968</b>	<b>9,497,220</b>

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



# Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 2010

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Lottery Commission	Nonmajor Component Units	Totals
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable.....	\$ 161,580	\$ 6,984	\$ 143	\$ 1,747	\$ 3,364	\$ 173,818
Accrued salaries and related expenses.....	7,817	1,771	—	928	80	10,596
Accrued interest payable.....	114,420	7,750	—	—	—	122,170
Retainages payable.....	—	5,989	—	—	—	5,989
Prizes payable.....	—	—	—	24,325	—	24,325
Intergovernmental payables.....	—	362	—	—	149	511
Policy claims.....	1,753	—	—	—	29,000	30,753
Due to primary government.....	—	—	9,438	25,634	127,982	163,054
Unearned revenues and deferred credits.....	—	—	218	408	15,540	16,166
Deposits.....	—	—	15	—	—	15
Securities lending collateral.....	—	21,492	—	—	208	21,700
Liabilities payable from restricted assets:						
Accounts payable.....	—	—	—	—	432	432
Accrued interest payable.....	—	—	1,719	—	—	1,719
Notes payable.....	—	345	—	—	8	353
Revenue bonds payable.....	122,655	3,910	7,300	—	—	133,865
Capital leases payable.....	1,685	6	—	—	—	1,691
Commercial paper notes.....	276,551	—	—	—	—	276,551
Compensated absences payable.....	—	2,189	—	590	53	2,832
Other current liabilities.....	250,441	11,632	1,117	189	397	263,776
Total current liabilities.....	936,902	62,430	19,950	53,821	177,213	1,250,316
Long-term liabilities:						
Retainages payable.....	21,488	—	—	—	—	21,488
Policy claims.....	—	—	—	—	128,664	128,664
Unearned revenues and deferred credits.....	317,754	—	—	—	—	317,754
Amounts held in custody for others.....	—	—	—	—	2,131	2,131
Notes payable.....	—	949	—	—	22	971
Revenue bonds payable.....	4,472,535	94,601	311,715	—	—	4,878,851
Capital leases payable.....	3,914	11	—	—	—	3,925
Compensated absences payable.....	18,035	—	—	116	56	18,207
Other long-term liabilities.....	97,266	—	—	—	8,013	105,279
Total long-term liabilities.....	4,930,992	95,561	311,715	116	138,886	5,477,270
<b>Total liabilities.....</b>	<b>5,867,894</b>	<b>157,991</b>	<b>331,665</b>	<b>53,937</b>	<b>316,099</b>	<b>6,727,586</b>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt.....	221,548	486,023	(55,505)	598	9,768	662,432
Restricted:						
Expendable:						
Education.....	—	—	—	—	175,777	175,777
Capital projects.....	41,066	1,459	—	—	—	42,525
Debt service.....	119,587	6,495	—	—	—	126,082
Other.....	380,119	—	—	499	2,159	382,777
Nonexpendable, education.....	—	—	—	—	354,768	354,768
Unrestricted.....	898,643	332,030	(117,797)	—	(87,603)	1,025,273
<b>Total net assets (deficit).....</b>	<b>\$ 1,660,963</b>	<b>\$ 826,007</b>	<b>\$ (173,302)</b>	<b>\$ 1,097</b>	<b>\$ 454,869</b>	<b>\$ 2,769,634</b>

## Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Public Service Authority.....	\$ 1,636,009	\$ 1,702,001	\$ 2,950	\$ —
State Ports Authority.....	113,118	112,701	6,682	2,677
Connector 2000 Association, Inc.....	27,815	5,255	380	—
Lottery Commission.....	1,011,039	1,010,702	86	—
Nonmajor component units.....	88,467	36,131	128,923	2
<b>Totals.....</b>	<b>\$ 2,876,448</b>	<b>\$ 2,866,790</b>	<b>\$ 139,021</b>	<b>\$ 2,679</b>

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

<b>Net Revenue (Expense)</b>	<b>Net Assets (Deficit) Beginning of Year</b>	<b>Net Assets (Deficit) End of Year</b>
\$ 68,942	\$ 1,592,021	\$ 1,660,963
8,942	817,065	826,007
(22,180)	(151,122)	(173,302)
(251)	1,348	1,097
76,589	378,280	454,869
<b>\$ 132,042</b>	<b>\$ 2,637,592</b>	<b>\$ 2,769,634</b>

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## Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Scope of Reporting Entity

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

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

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

#### Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below. Most of these have executives or boards appointed by the Governor, the General Assembly, or both. 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, 2010:

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

#### Fiscal year ended December 31, 2009:

- The Public Railways Division of the Department of Commerce

The State's five retirement systems and two post-employment benefit trust funds are part of the State's primary government. The State Budget and Control Board, which consists of five elected officials, serves as trustee of the systems and the trust funds. The State Treasurer is custodian of the funds.

The State reports ten State-supported universities and sixteen area technical colleges within its Higher Education Fund as part of the primary government. Although the universities and colleges operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and the General Assembly appoint most of their boards and budget a significant portion of their funds.

The accompanying financial statements exclude the related foundations listed in Note 20 because, based on the criteria provided by GASB Statement No. 39, the economic resources received or held by the related foundations that the State, or its component units, is entitled to, or has the ability to otherwise access, are not significant to the State.

#### Blended Component Units

Unless otherwise indicated below, the blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2010.

#### *Tobacco Settlement Revenue Management Authority*

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, commenced operations in August 2000. Its creation was in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

### *Blended Component Units Associated with the Higher Education Fund*

The State's enterprise funds include the following blended component units, all of which are associated with the Higher Education Fund, a major enterprise fund:

The *Medical University Hospital Authority (the Authority)* was created to manage and operate the Medical University of South Carolina's hospitals and clinics. The legislation establishing the Authority requires that the members of the Medical University's Board of Trustees also constitute the Authority's Board of Trustees. The Authority also is a major enterprise fund.

The *Citadel Trust, Inc.*, was formed to provide scholarship and other financial assistance or support to The Citadel.

The *University of South Carolina Trust (the Trust)* operates exclusively for the benefit of the University's School of Medicine to augment and aid education, research, and service in the field of health sciences. The financial information presented in the accompanying financial statements is for the Trust's fiscal year ended December 31, 2009.

*University Medical Associates (UMA)* was established to promote and support educational, medical, scientific, and research purposes of the Medical University of South Carolina (MUSC). UMA promotes the recruitment and retention of superior faculty at MUSC. UMA is a blended component unit because it almost exclusively benefits MUSC even though UMA does not provide all of its services directly to MUSC.

The *Medical University Facilities Corporation* was established to obtain financing for the Medical University of South Carolina to purchase land, an office building, and a parking garage.

The *CHS Development Company* was established to provide financing services for the Medical University of South Carolina by developing and leasing property.

The *Enterprise Campus Authority* was established to provide for the management, development, and operation of the Enterprise Campus of Midlands Technical College.

### *Obtaining More Information about Blended Component Units*

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

South Carolina Tobacco Settlement  
Revenue Management Authority  
122 Wade Hampton Office Building  
Capitol Complex  
Columbia, South Carolina 29201  
[www.treasurer.sc.gov](http://www.treasurer.sc.gov)

Medical University Hospital Authority  
Chief Financial Officer  
Post Office Box 250332  
Charleston, South Carolina 29425  
[www.musc.edu](http://www.musc.edu)

The Citadel Trust  
c/o The Citadel  
171 Moultrie Street  
Charleston, South Carolina 29409  
[www.citadel.edu](http://www.citadel.edu)

University of South Carolina Trust  
Post Office Box 413  
Columbia, South Carolina 29202  
[www.sc.edu](http://www.sc.edu)

University Medical Associates  
1180 Sam Rittenberg Boulevard, Suite 355  
Charleston, South Carolina 29407  
[www.musc.edu](http://www.musc.edu)

Medical University Facilities Corporation  
c/o Medical University of South Carolina  
Controller's Office  
19 Hagood Avenue  
Suite 505, MSC 817  
Charleston, South Carolina 29425  
[www.musc.edu](http://www.musc.edu)

CHS Development Company  
c/o Medical University of South Carolina  
Controller's Office  
19 Hagood Avenue  
Suite 505, MSC 817  
Charleston, South Carolina 29425  
[www.musc.edu](http://www.musc.edu)

Enterprise Campus Authority  
c/o Midlands Technical College  
Vice President for Business Affairs  
Post Office Box 2408  
Columbia, South Carolina 29202  
[www.midlandstech.edu](http://www.midlandstech.edu)



## Discretely Presented Component Units

Unless otherwise indicated below, the discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2010.

### *Public Service Authority*

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company, 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. The Governor has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented in the accompanying financial statements is for the Authority's fiscal year ended December 31, 2009.

### *State Ports Authority*

The State General Assembly created the South Carolina State Ports Authority in 1942 to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates eight ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. The Governor has the ability to remove the appointed members for a breach of duty required or entering into a conflict of interest transaction. The State's primary government has provided financial support to the Authority in the past, and State law grants the primary government access to the Authority's surplus net revenues.

### *Connector 2000 Association, Inc.*

Connector 2000 Association, Inc., was created in 1996 to contract with the Department of Transportation in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The Department of Transportation initially set the toll rates for the Southern Connector and has the right, but not the obligation, to revise the rates. The rates must be in compliance with revenue covenants of the Association's financing agreements. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2009.

### *Lottery Commission*

The South Carolina Lottery Commission commenced operations in July 2001 in accordance with an act of the General Assembly. The Commission, established to serve the State's citizens, is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to provide continuing entertainment to the State's citizens and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs.

### *Other Discretely Presented Component Units*

The State considers the four discretely presented component units described above as its major component units. The State's government-wide financial statements also include the following non-major discretely presented component units:

The *Clemson Foundation (the Foundation)* is a non-profit, tax-exempt public charity that was established to raise and manage private gifts for the advancement and benefit of Clemson University. The Foundation is governed by an independent, forty-three member volunteer board of directors, with additional honorary and ex-officio directors.

The *University of South Carolina Educational Foundation (the Foundation)* is an eleemosynary corporation operating for the benefit and support of the University of South Carolina. The Foundation establishes and implements long-range fund raising programs to assist in the expansion and improvement of the educational functions of the University. The Foundation is governed by a self-perpetuating board of directors consisting of at least twenty-four members, including four ex-officio directors.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association (the Association)* was established to provide medical malpractice insurance on a self-supporting basis. The Association is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2009.

The *South Carolina First Steps to School Readiness Board of Trustees* was established in 1999 as a non-profit, tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The corporation was created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the South Carolina First Steps to School Readiness initiative for improving early childhood development. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee.

## State of South Carolina

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The *Children's Trust Fund of South Carolina, Inc. (the Fund)*, is a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Fund's purpose is to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members. The Governor has the ability to remove the appointed members at will. The financial information presented in the accompanying financial statements is for the Fund's fiscal year ended September 30, 2009.

### *Obtaining More Information about Discretely Presented Component Units*

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

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

South Carolina State Ports Authority  
Post Office Box 22287  
Charleston, South Carolina 29413  
[www.port-of-charleston.com](http://www.port-of-charleston.com)

Connector 2000 Association, Inc.  
Post Office Box 408  
Piedmont, South Carolina 29673  
[www.southernconnector.com](http://www.southernconnector.com)

The South Carolina Lottery Commission  
Post Office Box 11949  
Columbia, South Carolina 29211  
[www.sceducationlottery.com](http://www.sceducationlottery.com)

Clemson University Foundation  
110 Daniel Drive  
Clemson, South Carolina 29634  
[www.clemson.edu](http://www.clemson.edu)

University of South Carolina Educational  
Foundation  
208 Osborne Building  
University of South Carolina  
Columbia, South Carolina 29208  
[www.sc.edu](http://www.sc.edu)

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

The Children's Trust Fund  
1205 Pendleton Street, Suite 506  
Columbia, South Carolina 29201  
[www.scchildren.org](http://www.scchildren.org)

Fund financial statements for the South Carolina First Steps to School Readiness Board of Trustees are included in the Supplementary Information section of the State's Comprehensive Annual Financial Report. This entity does not issue separate financial statements.

### Related Organizations

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

### Jointly Governed Organizations

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

During the 2001-2002 fiscal year, the State joined the Atlantic Low-Level Radioactive Waste Compact, a voluntary association of states that, by federal law, is legally separate from each of the party states. South Carolina does not have an ongoing financial interest in the Compact.

## **b. Basis of Presentation**

### Government-wide Financial Statements

The statement of net assets and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities*. Taxes, federal revenues, and other nonexchange transactions primarily finance the

governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

#### *Statement of Activities and Eliminations*

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

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

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

#### *Major Component Units*

The State's management designates the Public Service Authority, the State Ports Authority, the Connector 2000 Association, Inc., and the Lottery Commission as major component units. The nonmajor component units include aggregate totals of all remaining discretely presented component units. In determining which discretely presented component units to designate as major, the State considered each component unit's significance relative to the other discretely presented component units and the nature and significance of its relationship to the primary government.

#### *Fund Financial Statements*

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

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, during the fiscal year ended June 30, 2010, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with special revenue monies. That is, the Department of Motor Vehicles recorded special revenue fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

#### *Governmental Funds*

*Governmental funds* focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, special revenue funds, the Capital Projects Fund, and permanent funds. The State reports the following major governmental funds:

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

The *Departmental General Operating Fund* accounts for resources, other than General Fund resources, that State agencies may use for operating purposes. These resources include significant amounts of federal grant receipts.

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

## State of South Carolina

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

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority, a blended component unit and nonmajor governmental fund designated to receive and manage South Carolina's share of the multi-state legal settlement with the tobacco industry. Various healthcare and local government programs use these funds and the related interest.

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

### *Enterprise Funds*

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

The *Higher Education Fund* accounts for the general operations of ten four-year higher education institutions and sixteen area technical colleges, all of which are part of the State's primary government.

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

The *Housing Authority Fund* facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Fund issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Fund.

The *Medical University Hospital Authority* manages and operates the Medical University of South Carolina's hospitals and clinics. Revenues consist of payments from patients and third-party payors including Medicare and Medicaid.

The *Education Assistance Authority Fund* issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings.

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

### *Other Fund Types*

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

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

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

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

*Private-purpose trust funds* include a tuition savings plan benefiting college students. Another private-purpose trust fund sets aside assets for site stabilization and closure of a nuclear waste site operated by a private company within the State's borders in the event that the company ceases operations or loses its license to operate. The private-purpose trust funds also include miscellaneous other trust agreements holding assets that benefit non-State parties.

*Agency funds* account for assets that the State holds as an agent. These assets include deposits of insurance companies in lieu of surety bonds; employee and employer payroll deductions and contributions for the short period of time between the issuance of payroll checks and payment to the recipients; and various other assets held for prisoners, patients of State institutions, and other external parties.

### *Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements*

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the

activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating most expenses it pays from operating revenues but usually reports interest expense as nonoperating.

In accordance with the general policy stated in the preceding paragraph, the *Higher Education Fund's* principal operating revenues include tuition; student fees; student loans; scholarships and grants where the provider has identified the student recipients; sales of miscellaneous goods and services; and certain research grants that, in substance, are contracts for services rather than nonexchange revenues. However, the Higher Education Fund generally does not report as revenue third-party loan amounts that it receives and disburses. (In a third-party loan, a student or a student's parents secure(s) a student loan from a governmental fund or from another lender such as the federal government; the Higher Education Fund then receives funds from the lender and disburses the funds to the student or applies amounts to the student's account.) State appropriations to the Higher Education Fund are recorded as transfers.

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

For the *Housing Authority Fund* and the *Education Assistance Authority Fund*, principal operating items include revenues and expenses associated with program loans that provide direct benefits to individuals.

For the *Medical University Hospital Authority*, principal operating items include revenues and expenses associated with managing and operating the Medical University of South Carolina's hospitals and clinics.

#### Component Unit Financial Statements

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

#### Use of Private-Sector Accounting and Financial Reporting Principles

The government-wide and proprietary fund financial statements reflect the State's compliance with private-sector standards of accounting and financial reporting issued prior to November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also may opt to follow private-sector guidance issued after November 30, 1989, for their business-type activities (enterprise funds) and for their discretely presented component units that follow enterprise fund accounting, subject to the same limitation. Only the Public Service Authority and the State Ports Authority, major discretely presented component units, have selected this option.

In June 2009, the Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") was issued. The ASC is the source of authoritative U.S. GAAP recognized by the FASB to be applied by the private-sector. The State adopted ASC in certain cases where the FASB does not conflict with or contradict guidance of the GASB as noted in the above paragraph. The ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

### c. Measurement Focus and Basis of Accounting

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

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

#### Accrual Basis

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

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes income, sales, and similar taxes in the period when the underlying income or sales transactions occur, net of estimated overpayments (refunds).

The State recognizes grants, donations, and similar items as revenue as soon as it meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection. Note 17b provides additional details regarding pledges that were not measurable at June 30, 2010.

### Modified Accrual Basis

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

### Recognition of Specific Grant and Shared Revenue Transactions

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

The State recognizes the face value of food stamp benefits distributed as revenue and expenditures/expenses under both the accrual and modified accrual bases of accounting.

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

### d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent petty cash, cash on deposit in banks, restricted cash and cash equivalents on deposit with external parties, 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, obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements.

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

### e. Cash Management Pool—Allocation of Interest

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

### f. Investments

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

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

credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

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

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

Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service. In contrast 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 securities are separately classified in the accompanying financial statements as *securities held in lieu of surety bonds*. These instruments are recorded in the State's agency funds and are not held for investment purposes.

Pursuant to State law, the primary government and its discretely presented component units do not maintain deposits or make investments in foreign currencies.

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

The State Treasurer's Office  
Local Government Investment Pool  
Post Office Box 11778  
Columbia, South Carolina 29211  
[www.treasurer.sc.gov](http://www.treasurer.sc.gov)

#### **g. Receivables and Payables**

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

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

#### **h. Inventories**

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

#### **i. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements.

#### **j. Capital Assets**

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

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

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An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than \$5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than \$100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than \$500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost. Certain State agencies also capitalize those assets with a useful life between one and two years that meet the preceding dollar thresholds, and the Lottery Commission, a major discretely presented component unit, capitalizes all property and equipment purchases of \$1 thousand or more.

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

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

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

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

The State reports the Southern Connector toll road as a capital asset of the Connector 2000 Association, Inc., the major discretely presented component unit that financed, constructed, and is responsible for maintaining and operating the toll road and paying for the financing thereof. Under an agreement between the Association and the State Department of Transportation (DOT), the DOT retains fee simple title to the road.

### **k. Deferred Charges**

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

The South Carolina Medical Malpractice Liability Joint Underwriting Association, a non-major discretely presented component unit, defers certain policy acquisition costs for new and renewal business. The Association amortizes these costs based on the related written and unearned premiums.

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

### **l. Tax Refunds Payable**

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

### **m. Long-Term Obligations**

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

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



applicable bond premium or discount and deferred amount on refunding. Unamortized issuance costs are reported as deferred charges.

#### **n. Compensated Absences**

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

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

#### **o. Perkins Loan Liability**

The Higher Education Fund, a major enterprise fund, records a liability related to the Perkins student loan program and certain other federal student loan programs to reflect the amount of capital contributions received to date from the federal government plus any other amounts that ultimately are refundable to the federal government under the programs. The State has recorded this liability as part of its other non-current liabilities account.

#### **p. Restricted Net Assets**

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

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2010, \$1.164 billion was reported as restricted net assets because of restrictions imposed by enabling legislation.

#### **q. Flow Assumption, Net Assets**

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **r. Escheat Property**

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

## **NOTE 2: ACCOUNTING AND REPORTING CHANGES**

#### **a. Adoption of New Accounting Standards**

Effective for the fiscal year 2009-2010, the State adopted the following Governmental Accounting Standards Board (GASB) Statements.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting standards for intangible assets to address inconsistencies and enhance comparability in reporting such assets among governments. The Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The Statement requires that an intangible asset be recognized in the government-wide statement of net assets only if it is considered identifiable. Additionally, the Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The beginning net assets and capital assets of governmental activities increased by \$43.510 million as a result of implementation of this Statement, as it relates to internally generated software. See Note 1j for the State's intangible asset accounting and reporting policies.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Due to the implementation of this Statement, the beginning net assets for business-type activities and the Medical University Hospital Authority, a major enterprise fund, decreased by \$8.750 million.

### **b. Change in Estimate: Useful Lives of Assets**

The estimated useful lives used to calculate depreciation for assets reported within the primary government were reviewed for reasonableness. Based on the review, the depreciable lives of certain assets were modified due to new information. These changes are being reported on a prospective basis; therefore, no restatement occurred as a result of the change in estimate.

### **c. Change in Reporting Entity: Jobs Economic Development Authority**

In prior fiscal years, the Jobs Economic Development Authority (JEDA) was reported as an Other Special Revenue Fund. JEDA has not received funding through State appropriations since fiscal year 2007-2008. Also, JEDA charges fees to external users for goods or services. Therefore, JEDA is now presented in the financial statements as an Other Enterprise Fund. As a result of this reclassification, the beginning net assets of governmental activities decreased by \$930 thousand, and the beginning fund balance of special revenue funds decreased by \$944 thousand. Also, the beginning net assets of business-type activities and enterprise funds increased by \$930 thousand.

### **d. Correction of Error: Governmental Activities**

Prior to fiscal year 2009-2010, the Department of Commerce was depreciating certain of its buildings acquired in fiscal year 2005-2006 over a 15-year useful life. Upon review of estimated useful lives, the Department of Commerce determined it should have been depreciating those buildings over a 35-year useful life. It has been determined that the initial useful life of 15 years was used in error despite evidence being present that the useful life should have been 35 years. The correction of the error resulted in an increase to the beginning net assets of governmental activities in the amount of \$16.762 million.

## **NOTE 3: DEFICITS OF INDIVIDUAL FUNDS**

The accompanying fund financial statements display deficit fund balances and deficit net asset balances for individual major funds, if applicable. Nonmajor funds had the following deficit net asset balances (expressed in thousands) at June 30, 2010:

<b>Nonmajor Governmental Funds:</b>	
Accommodations and Local Option Sales Tax.....	\$ 41,975
Medicaid Expansion.....	23,252
<b>Nonmajor Enterprise Funds:</b>	
Patients' Compensation.....	121,537
Tuition Prepayment Program.....	8,320
<b>Internal Service Funds:</b>	
State Accident Fund.....	74,066
Pension Administration.....	45

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

## **NOTE 4: DEPOSITS AND INVESTMENTS**

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

### **a. Deposits**

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

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**Policy**

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2010 was \$364.859 million and the bank balance was \$849.980 million. As of June 30, 2010, the reported amount of the primary government's deposits outside of the State Treasurer was \$547.111 million and the bank balance was \$549.299 million. Of the \$455.425 million bank balance exposed to custodial credit risk, \$84.091 million was uninsured and uncollateralized, \$321.224 million was uninsured and collateralized with securities held by the pledging financial institution, and \$50.110 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

As of June 30, 2010, the reported amount of the major discretely presented component units' deposits was \$86.248 million and the bank balance was \$86.517 million. Of the \$33.868 million bank balance exposed to custodial credit risk, \$222 thousand was uninsured and uncollateralized; and \$33.646 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

**b. Investments**

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

**Investment Policy**

The State's investment policy by law authorizes investments that 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. Other investment policies for the State and its component units are explained in Note 1, subsection f.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized. Certain agencies with specific authority manage their own investments and may have custodial credit risk policies that differ from the State Treasurer. The primary government's investments and the major discretely presented component unit's investments that are exposed to custodial credit risk have been classified into two categories of custodial credit risk. Category A includes investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty. Category B includes investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the primary government's investments with custodial credit risk is classified by risk category (expressed in thousands) at June 30, 2010, as follows:

## State of South Carolina

Primary Government Investment Type	Category		Reported Amount
	A	B	
U.S. Agencies.....	\$ 48,569	\$ 13,499	\$ 62,068
Limited Partnership.....	25,150	—	25,150
Money Market Mutual Funds.....	—	1,179	1,179
Repurchase agreements.....	—	19,050	19,050
Common Stock.....	100	—	100
Commercial paper.....	—	33,121	33,121
<b>Totals.....</b>	<b>\$ 73,819</b>	<b>\$ 66,849</b>	<b>\$ 140,668</b>

The State's major discretely presented component units hold investments in U.S. Government Agencies and Money Market Mutual Funds that are exposed to custodial credit risk. At June 30, investments with a reported value of \$13.083 million were classified as Category B.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Certain agencies with specific authority to manage their own investments outside of the State Treasurer have credit risk policies that differ from that of the State Treasurer. Debt investments for the primary government were rated as of June 30, 2010 using the Standard and Poor's rating scale. The following table provides information on investment ratings (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BBB	BB	B	CCC below	A-1	Not Rated
Corporate bonds.....	\$ 120,962	\$ 459,973	\$ 1,228,517	\$ 751,660	\$ 59	\$ —	\$ —	\$ —	\$ 90,540
Municipal bonds.....	50,802	46,568	10,090	—	—	—	—	—	60,357
Repurchase agreements.....	94,961	—	—	—	—	—	—	2,010,436	85,735
Asset backed securities.....	—	—	—	—	—	—	—	—	4,781
Commercial paper.....	—	49,986	159,305	—	—	—	—	964,157	69,679
Mutual funds.....	345	93	71	109	236	587	422	—	1,116,401
Money Market funds.....	23,828	—	—	—	—	—	—	—	81,236
Guaranteed investment contracts.....	—	—	—	—	—	—	—	—	529
<b>Totals.....</b>	<b>\$ 290,898</b>	<b>\$ 556,620</b>	<b>\$ 1,397,983</b>	<b>\$ 751,769</b>	<b>\$ 295</b>	<b>\$ 587</b>	<b>\$ 422</b>	<b>\$ 2,974,593</b>	<b>\$ 1,509,258</b>

At fiscal year end, the State Ports Authority (June 30, 2010), the Public Service Authority (December 31, 2009), and the Connector 2000 Association, Inc. (December 31, 2009), all major discretely presented component units, held investments in U.S. government securities which do not require disclosure of credit quality. In addition to U.S. government securities, the State Ports Authority, Public Service Authority and the Connector 2000 Association, Inc. held investments as listed below using the Standard and Poor's rating scale (expressed in thousands):

Investment Type and Fair Value	AAA	Not Rated
Repurchase agreements.....	\$ 310,840	\$ —
Money Market funds.....	—	6,588
<b>Totals.....</b>	<b>\$ 310,840</b>	<b>\$ 6,588</b>

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy is to manage interest rate sensitivity by investing in securities with a range of maturities from one day to thirty years using effective duration. Effective duration is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. At June 30, 2010, the effective duration and fair value of the State Treasurer's investments by investment type are as follows (expressed in thousands):

Investment Type	Fair Value	Effective Duration
<u>U.S. Government</u>		
U.S. Treasuries.....	\$ 607	4.63
U.S. Agencies.....	957,899	13.84
<u>State &amp; Local Government</u>		
Municipal bonds.....	129,374	8.92
Mortgage Backed.....	985,149	20.98
<u>Corporate</u>		
Corporate bonds.....	1,778,883	3.61
Asset backed securities.....	4,661	17.97
<u>Short Term Investments</u>		
Repurchase agreements .....	1,331,525	0.00
Commercial paper.....	425,573	0.15
<b>Total Invested Assets.....</b>	<b>\$ 5,613,671</b>	

Agencies that manage their own investments have interest rate risk policies that differ from the State Treasurer. Some of these agencies do not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2010, agencies within the State's primary government that manage their own investments limited the maturities of their securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)				No Maturity
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasuries.....	\$ 383,489	\$ 133,890	\$ 247,621	\$ 1,146	\$ 832	\$ —
U.S. Agencies.....	196,479	139,916	28,253	5,448	22,862	—
Collateralized mortgage obligations.....	30	—	—	—	30	—
Corporate bonds.....	872,826	678,840	174,144	1,861	17,981	—
Municipal bonds.....	38,443	12,000	25,689	143	611	—
Equity securities.....	29,505	1,820	—	—	—	27,685
Repurchase agreements.....	859,606	859,606	—	—	—	—
Asset backed securities.....	764,902	764,781	—	—	—	121
Commercial paper.....	52,773	52,716	—	—	—	57
Mutual funds.....	1,118,263	474	1,590	39	27	1,116,133
Guaranteed investment contracts.....	529	—	—	—	—	529
Money Market funds.....	105,064	104,432	—	—	—	632
Common Stock.....	39,533	54	—	—	100	39,379
Investment in limited partnerships.....	25,150	—	—	—	—	25,150
Investment in endowment.....	192	—	—	—	—	192
Totals.....	\$ 4,486,784	\$ 2,748,529	\$ 477,297	\$ 8,637	\$ 42,443	\$ 1,209,878

The State's major discretely presented component units also had interest rate risk policies that varied from the State Treasurer. At June 30, 2010, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries.....	\$ 40,705	\$ —	\$ 40,705	\$ —	\$ —
U.S. Agencies.....	881,067	317,158	559,516	—	4,393
Repurchase agreements.....	310,840	310,840	—	—	—
Money Market funds.....	6,588	6,588	—	—	—
<b>Totals.....</b>	<b>\$ 1,239,200</b>	<b>\$ 634,586</b>	<b>\$ 600,221</b>	<b>\$ —</b>	<b>\$ 4,393</b>

# State of South Carolina

## Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2010, the State Treasurer had approximately 28% of the LGIP investment portfolio in an overnight repurchase agreement with The Bank of New York Mellon that was fully collateralized by U.S. Treasuries.

## c. Securities Lending Program

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

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loans during the fiscal year and at June 30, 2010. At June 30, 2010, 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, 2010, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2010, 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, 2010, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2010:

	<u>Amount</u>
<b>Securities lent for cash collateral:</b>	
U.S. Treasuries.....	\$ 360,647
Corporate bonds.....	60,305
<b>Total for cash collateral.....</b>	<b><u>\$ 420,952</u></b>
<b>Cash collateral invested:</b>	
Repurchase agreements.....	\$ 199,620
Asset backed securities.....	69,038
Floating Rate Notes.....	115,436
<b>Total collateral invested.....</b>	<b><u>\$ 384,094</u></b>

## d. South Carolina Retirement Systems

### Custodial Credit Risk

#### Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. As prescribed by South Carolina state statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the state against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation

(FDIC) up to \$250 thousand or collateralized with securities held by the state or its agent in the State Treasurer's name as custodian.

Under the Temporary Liquidity Guarantee Program provided by the FDIC to strengthen confidence and encourage liquidity in the banking industry, the Transaction Account Guarantee (TAG) Program provides separate unlimited FDIC coverage on the full balance of non-interest bearing checking accounts. This coverage is in addition to the FDIC coverage on other deposits of \$250 thousand. Wells Fargo services our public fund accounts and participated in the TAG program through December 31, 2009; therefore, all checking accounts and deposits are either included under the TAG program or the bank holds additional collateral above the \$250 thousand FDIC requirement due to classification.

As of June 30, 2010, the carrying amount of the Systems' deposits was \$26.099 million and the bank balance was \$60.459 million.

### *Investments*

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

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Systems' have no formal interest rate risk policy, interest rate risk is managed within the portfolio using effective duration, which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Within the investment policy, operational guidelines specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

The Systems invests in mortgage-backed securities which are reported at fair value in the Statement of Plan Net Assets and are based on cash flows from principal and interest payments of the underlying mortgages. These securities are sensitive to prepayments, which are likely in an environment of declining interest rates, and thereby reduces the value of the security. The Systems invests in these securities to diversify the fixed income portfolio and minimize risk. Disclosures for interest rate risk at June 30, 2010, are noted below (dollar amounts expressed in thousands):

Investment Type	Fair Value	Effective Duration
<b><u>Short Term Investments</u></b>		
Commingled Funds U.S. Debt.....	\$ 121,765	-
Mutual Funds.....	2,744,890	0.08
Repurchase Agreements.....	913,285	0.08
U.S. Treasury Bills.....	1,249	0.25
<b><u>Fixed Income Allocation</u></b>		
<b>Domestic Fixed Income</b>		
<b>U.S. Government:</b>		
U.S. Government Treasuries.....	1,200,539	4.89
U.S. Government Agencies.....	19,233	1.18
<b>Mortgage Backed:</b>		
Government National Mortgage Association.....	482,996	1.52
Federal National Mortgage Association.....	124,602	3.06
Federal Home Loan Mortgage Association.....	2,337	0.71
Collateralized Mortgage Obligations.....	16,496	1.11
<b>Municipals.....</b>	100,901	5.20
<b>Corporate:</b>		
Corporate Bonds.....	1,227,272	3.53
Convertible Bonds.....	19,483	8.28
Asset Backed Securities.....	286,491	0.23
Corporate Bonds-FDIC Guaranteed Bonds.....	33,826	2.38
<b>Yankee Bonds.....</b>	2,822	1.09
<b>Private Placements.....</b>	377,624	4.49
<b>Global Fixed Income:</b>		
International Asset Backed Securities.....	4,814	1.82
International Commingled Funds.....	2,277,291	Not Required
International Corporate Bonds.....	76,556	1.93
International Emerging Debt.....	454,439	Not Required
International Government Bonds.....	26,408	2.45
<b><u>Equity Allocation</u></b>		
<b>Domestic Equity</b>		
Common Stocks.....	1,568,199	Not Required
Real Estate Investment Trusts.....	48,363	Not Required
Convertible Preferred.....	3,410	56.09
<b>Global Equity.....</b>	293	Not Required
<b><u>Alternatives</u></b>		
Commingled Funds Balanced.....	1,310,665	Not Required
Credit Default Swaps.....	795	.01
Interest Rate Swaps.....	(436)	(288.54)
Futures Contracts.....	(78,533)	Not Required
Eurodollar Futures.....	107	74.73
Treasury Note Futures.....	553	571.04
Treasury Bond Futures.....	(1,595)	309.46
Total Return Swaps.....	(211,645)	Not Required
Opportunistic Credit.....	542,508	Not Required
Real Estate.....	7,310	Not Required
Hedge Funds.....	3,771,764	Not Required
Private Equity Limited Partnership.....	495,730	Not Required
Strategic Partnerships.....	4,637,380	Not Required
<b>Total Invested Assets.....</b>	<b>\$ 22,610,187</b>	



## Credit Risk of Debt Securities

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

Investment Type and Fair Value	US Treasury	Agency <sup>1</sup>	AAA	AA	A	BAA	BA	B	CAA	CA,C	Not Rated <sup>2</sup>
<b>Short Term Investments</b>											
Commingled Funds U.S. Debt.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 121,765
Mutual Funds.....	—	—	2,744,890	—	—	—	—	—	—	—	—
Repurchase Agreements.....	—	—	—	—	—	—	—	—	—	—	927,677
US Treasury Bills.....	1,249	—	—	—	—	—	—	—	—	—	—
<b>Equity Investments</b>											
Convertible Preferred.....	—	—	—	—	—	—	689	235	—	—	2,486
<b>Fixed Income Allocation</b>											
US Government Treasuries	1,200,539	—	—	—	—	—	—	—	—	—	—
US Government Agencies	—	19,233	—	—	—	—	—	—	—	—	—
Mortgage Backed:	—	—	—	—	—	—	—	—	—	—	—
Government National Mortgage Association	—	482,996	—	—	—	—	—	—	—	—	—
Federal National Mortgage Association	—	124,602	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association	—	2,337	—	—	—	—	—	—	—	—	—
Collateralized Mortgage Association	—	16,496	—	—	—	—	—	—	—	—	—
Municipals	—	—	34,560	34,013	32,328	—	—	—	—	—	—
Corporate:	—	—	—	—	—	—	—	—	—	—	—
Corporate Bonds.....	—	—	136,095	123,780	349,508	314,300	105,011	176,775	47,368	3,131	281,505
Convertible Bonds.....	—	—	—	—	—	9,002	—	234	429	—	9,818
Asset Backed Securities.....	—	—	102,448	67,091	18,538	8,039	36,359	4,682	16,205	—	33,129
Corporate Bonds - FDIC Guaranteed.....	—	—	33,826	—	—	—	—	—	—	—	—
Yankee Bonds	—	—	—	—	—	1,555	1,267	—	—	—	—
Private Placements	—	—	45,793	31,988	103,467	36,871	19,117	91,548	15,535	478	32,827
Global Fixed Income:	—	—	—	—	—	—	—	—	—	—	—
International Asset Backed.....	—	—	4,814	—	—	—	—	—	—	—	—
International Corporate Bonds.....	—	—	42,738	25,749	7,084	—	985	—	—	—	—
International Commingled Funds.....	—	—	—	—	—	—	—	—	—	—	2,277,291
International Government Bonds.....	—	—	23,141	—	—	3,267	—	—	—	—	—
International Emerging Debt.....	—	—	—	—	—	—	—	—	—	—	454,439
<b>Alternatives</b>											
Credit Default Swaps.....	—	—	—	—	—	—	—	—	—	—	795
Interest Rate Swaps.....	—	—	—	—	—	—	—	—	—	—	(436)
Total Return Swaps.....	—	—	—	—	—	—	—	—	—	—	3,191
Futures Contracts.....	—	—	—	—	—	—	—	—	—	—	(79,468)
<b>Totals.....</b>	<b>\$ 1,201,788</b>	<b>\$ 645,664</b>	<b>\$ 3,168,305</b>	<b>\$ 282,621</b>	<b>\$ 510,925</b>	<b>\$ 373,034</b>	<b>\$ 163,428</b>	<b>\$ 273,474</b>	<b>\$ 79,537</b>	<b>\$ 3,609</b>	<b>\$ 4,065,019</b>

<sup>1</sup>Agency rating is assigned to securities issued by privately owned government sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Mortgage Association and several other entities that do not have a credit rating. These enterprises have an implied guarantee due to recent capital injections by the U.S. Government but are still subject to credit risk.

<sup>2</sup>Not Rated represents securities that were either not rated or had a withdrawn rating.

## Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives as amended and adopted by the Retirement System Investment Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2010 there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

## Foreign Currency Risk

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

## State of South Carolina

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2010 (expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Opportunistic Credit	Equity	Fixed Income
Australian Dollar.....	\$ (130)	\$ 14,606	\$ (2,066)	\$ —	\$ —	\$ —	\$ 23,140
Brazil Real.....	—	295	—	—	—	—	521
British Pound Sterling.....	(3,152)	91,933	(4,956)	—	—	—	—
Canadian Dollar.....	(1,406)	15,542	(1,536)	—	—	293	36,931
Chinese Yuan Renminbi...	—	29,050	—	—	—	—	—
Euro Currency.....	11,075	(21,541)	(7,486)	59,251	180,575	—	18,690
Hong Kong Dollar.....	415	14,679	(456)	—	—	—	—
Japanese Yen.....	(11,042)	115,479	(2,237)	—	—	—	—
<b>Totals.....</b>	<b>\$ (4,240)</b>	<b>\$ 260,043</b>	<b>\$ (18,737)</b>	<b>\$ 59,251</b>	<b>\$ 180,575</b>	<b>\$ 293</b>	<b>\$ 79,282</b>

### Derivatives

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

To date, the primary reasons for the Commission's use of derivative contracts have pertained to their ability to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

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

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby minimizing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets. To comply with the requirements of multiple exchanges, securities in the amount of \$182.442 million of various GNMA's were held in trust by the clearing brokers on June 30, 2010 to satisfy the required margin amount to establish the Systems' futures exposure.

The table below presents the classification of the Systems' derivatives at June 30, 2010 (expressed in thousands):

Changes in Fair Value		Fair Value at 6/30/2010	
Classification	Gain/(Loss)	Classification	Amount
<i>Investment derivatives:</i>			
<i>Future Contracts</i>	<i>Net appreciation/(depreciation)</i>	<i>Alternative Investments</i>	<i>\$ (78,529)</i>
<i>Forward Contracts</i>	<i>Net appreciation/(depreciation)</i>	<i>Cash &amp; Cash Equivalents</i>	<i>8,761</i>
<i>Swaps</i>	<i>Net appreciation/(depreciation)</i>	<i>Alternative Investments</i>	<i>(211,645)</i>

As of June 30, 2010, the Systems had the following exposure via futures contracts (dollar amounts expressed in thousands):

<u>Futures Contracts</u>	<u>Expiration</u>	<u>Long/Short</u>	<u>Quantity</u>	<u>Notional Value*</u>
MTF CAC40 10EU	July 2010	Long	807	\$ 34,024
EURX DAX INDEX	September 2010	Long	161	29,392
EURX ER STX 50	September 2010	Long	2,935	92,322
NEW FTSE 100	September 2010	Long	1,244	90,833
HKFE - HSI	July 2010	Long	113	14,568
IBEX 35 PLUS	July 2010	Long	105	11,836
IDEM S&P/MIB	September 2010	Long	94	11,138
TSE TOPIX	September 2010	Long	1,115	105,653
ME S&P CAN 60	September 2010	Long	397	49,255
SFE SPI 200	September 2010	Long	396	35,639
<b>Total International Equity</b>				<b>474,660</b>
EMINI S&P 500	September 2010	Long	16,248	834,010
<b>Total Large Cap Equity</b>				<b>834,010</b>
IMM MINI RUSL	September 2010	Long	1,763	107,155
IMM EMINI MDCP	September 2010	Long	4,330	307,430
<b>Total Small/Mid Cap Equity</b>				<b>414,585</b>
<b>Totals</b>				<b>\$ 1,723,255</b>

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

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are “over-the-counter” instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Plan Net Assets.

As of June 30, 2010, the Systems had the following forward exposures, listed by counterparty (dollar amounts expressed in thousands):

<u>Broker</u>	<u>Notional Value</u>	<u>Base Gain/(Loss)</u>	<u>Base Exposure</u>
J.P. Morgan Securities.....	\$ 52,557	\$ 1,459	16.67%
BNY Mellon NA.....	52,555	1,461	16.67%
HSBC Securities.....	52,552	1,464	16.67%
Bank of America.....	43,792	1,476	13.89%
Royal Bank of Canada.....	36,468	940	11.56%
Barclays.....	33,404	750	10.59%
State Street.....	24,856	500	7.88%
Societe Generale.....	19,150	711	6.07%
<b>Totals.....</b>	<b>\$ 315,334</b>	<b>\$ 8,761</b>	<b>100%</b>

The Systems has entered into various swap agreements to manage risk exposure. Swaps are “over-the-counter” (OTC) agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

## State of South Carolina

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

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types. At June 30, 2010, the Systems had no credit risk to counterparties because unrealized swap losses exceeded the collateral posted less transfers due on June 30, 2010. The Systems, however, does not anticipate any default in the contractual positions.

The table below reflects the counterparty credit ratings at June 30, 2010, for currency forwards and swap agreements (expressed in thousands):

Quality Rating	Forwards	Swaps	Total
AAA	\$ 940	\$ -	\$ 940
AA3	2,670	(89,715)	(87,045)
AA2	2,925	(46,432)	(43,507)
A2	1,476	1,591	3,067
A1	750	(77,089)	(76,339)
Total subject to credit risk	\$ 8,761	\$ (211,645)	\$ (202,884)

Swap market value (or notional value) is calculated based on the actual index value of the benchmark index multiplied by the number of index units. The index value is the level or price of the benchmark index. The index units were determined at commencement of the swap and are detailed in the term sheet. At June 30, 2010, the Systems held swaps as shown in the table below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
BNP Paribas	MSCI EM Proxy	3 month LIBOR plus 20 bps	MSCI EM	9/17/2010	\$ 202,482	\$ 2,482
BNP Paribas	EAFE + Canada Proxy	3 month LIBOR minus 30 bps	MSCI EAFE + Canada	9/7/2010	130,161	(19,839)
Deutsche Bank	MSCI EM Proxy	3 month LIBOR plus 38 bps	MSCI EM	12/31/2010	219,560	(14,427)
Deutsche Bank	EAFE + Canada Proxy	3 month LIBOR minus 42 bps	MSCI EAFE + Canada	7/8/2010	135,537	(23,009)
Deutsche Bank	EAFE + Canada Proxy	3 month LIBOR minus 42 bps	MSCI EAFE + Canada	7/15/2010	204,908	(37,892)
Merrill Lynch	DJ-UBS Commodities TR	3 month T Bill plus 13 bps	DJ-UBS Commodities TR	8/31/2010	259,454	(15,546)
Merrill Lynch	DJ-UBS Commodities TR	3 month T Bill plus 13 bps	DJ-UBS Commodities TR	2/28/2011	259,454	(15,546)
Credit Suisse	EAFE + Canada Proxy	3 month LIBOR minus 35 bps	MSCI EAFE + Canada	2/28/2011	275,792	(24,208)
J.P. Morgan	MSCI EM Proxy	3 month LIBOR plus 27 bps	MSCI EM	3/22/2011	139,195	(10,805)
BNP Paribas	MSCI EM Proxy	3 month LIBOR plus 28 bps	MSCI EM	4/7/2011	133,097	(16,903)
Barclays	MSCI EM Proxy	3 month LIBOR plus 37 bps	MSCI EM	4/29/2011	318,197	(33,270)
Credit Suisse	EAFE + Canada Proxy	3 month LIBOR minus 25 bps	MSCI EAFE + Canada	4/29/2011	291,226	(40,928)
UBS	Russell 2000 Proxy	3 month LIBOR minus 65 bps	Russell 2000	4/29/2011	132,141	(22,857)
Barclays	S&P 500 Proxy	3 month LIBOR minus 15 bps	S&P500	5/26/2011	193,413	(6,587)
Total Swap Exposures					\$ 2,894,617	\$ (279,335)

### Alternative Investments

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

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## Commitments

The Systems entered into commitment agreements with numerous investment managers for future funding of private equity limited partnerships and strategic partnerships. As of June 30, 2010, the Systems had committed to fund various private equity and opportunistic credit limited partnerships for an amount of \$2.043 billion (US dollars) and €256 million (Euros). The total unfunded commitment as of June 30, 2010, was \$1.175 billion (US dollars) and €92 million (Euros). In addition, the Systems had committed to fund various strategic partnerships for an amount of \$4.650 billion (US dollars) of which the unfunded commitment at June 30, 2010 was \$1.140 billion (US dollars). Subsequent to June 30, 2010, the Systems committed to fund an additional \$199 million (US dollars) resulting in a remaining commitment as of September 24, 2010 of \$2.208 billion (US dollars) and €85 million (Euros).

## Securities Lending

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

There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2010, included US Government securities, US Government agencies, corporate bonds and equities. The contractual agreement with the Systems' custodial bank provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and US Government securities were received as collateral for these loans. The Systems cannot pledge or sell collateral securities without a borrower default. The Systems invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2010, the fair value of securities on loan was \$416.568 million. The fair value of the invested cash collateral was \$324.593 million. Securities lending obligations at June 30, 2010, were \$429.065 million with the unrealized loss in invested cash collateral of \$104.472 million reflected under "Other Liabilities" on the Statement of Plan Net Assets and recorded in the Statement of Changes in Plan Net Assets under "Net appreciation (depreciation) in fair value of investments." The Commission evaluates the securities lending program in order to minimize risk, enhance performance and ensure a cost effective fee structure is in place.

With regard to custodial credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was 22 days. At June 30, 2010, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2010:

## State of South Carolina

	SCRS	PORS	GARS	JSRS	NGPS	TOTALS
<b>Securities lent for cash collateral:</b>						
U.S. Government securities.....	\$ 184,577	\$ 26,398	\$ 290	\$ 1,029	\$ 128	\$ 212,422
U.S. Government agencies.....	14,950	2,138	24	83	11	17,206
Corporate bonds.....	29,113	4,164	46	162	20	33,505
Common Stock.....	133,322	19,068	210	743	92	153,435
<b>Total securities lent for cash collateral.....</b>	<b>\$ 361,962</b>	<b>\$ 51,768</b>	<b>\$ 570</b>	<b>\$ 2,017</b>	<b>\$ 251</b>	<b>\$ 416,568</b>
<b>Securities lent for non-cash collateral:</b>						
Corporate bonds.....	\$ 89	\$ 13	\$ -	\$ -	\$ -	\$ 102
Common Stock.....	7,337	1,049	12	41	5	8,444
	<b>\$ 7,426</b>	<b>\$ 1,062</b>	<b>\$ 12</b>	<b>\$ 41</b>	<b>\$ 5</b>	<b>\$ 8,546</b>
<b>Cash collateral invested as follows:</b>						
Repurchase agreements.....	\$ 12,505	\$ 1,788	\$ 20	\$ 70	\$ 8	\$ 14,391
Floating Rate Notes.....	269,539	38,550	424	1,502	187	310,202
<b>Total for cash collateral invested.....</b>	<b>\$ 282,044</b>	<b>\$ 40,338</b>	<b>\$ 444</b>	<b>\$ 1,572</b>	<b>\$ 195</b>	<b>\$ 324,593</b>
<b>Securities received as collateral:</b>						
U.S. Government securities.....	\$ 7,594	\$ 1,086	\$ 12	\$ 43	\$ 5	\$ 8,740
	<b>\$ 7,594</b>	<b>\$ 1,086</b>	<b>\$ 12</b>	<b>\$ 43</b>	<b>\$ 5</b>	<b>\$ 8,740</b>

### e. Other Post-Employment Benefit Trust Funds

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

#### Custodial Credit Risk

##### *Deposits*

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. All deposits are required to be insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 thousand or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian. As of June 30, 2010, the reported amount of the Trusts' deposits was \$7 thousand.

##### *Investments*

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

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer as custodian.

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

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2010, the Trusts' applicable debt investments (expressed in thousands) were rated by Standard & Poor's and are presented below:

Investment Type and Fair Value	AAA	AA	A	BBB	A-1	Not Rated
Corporate bonds.....	\$ 4,996	\$ 8,581	\$ 94,904	\$ 138,972	\$ —	\$ —
Municipal bonds.....	—	2,335	—	—	—	—
Repurchase agreements.....	—	—	—	—	102,575	—
Commerical Paper.....	—	1,147	12,356	2,193	—	4,998
Sovereign Debt.....	—	—	2,158	—	—	—
<b>Totals.....</b>	<b>\$ 4,996</b>	<b>\$ 12,063</b>	<b>\$ 109,418</b>	<b>\$ 141,165</b>	<b>\$ 102,575</b>	<b>\$ 4,998</b>

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer manages interest rate sensitivity by investing in securities with a range of maturities from one day to thirty years using effective duration. Effective duration is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50 basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. At June 30, 2010, the effective duration and fair value of the Trusts' investments by investment type are as follows (expressed in thousands):

Investment Type	Fair Value	Effective Duration
<u>U.S. Government</u>		
U.S. Agencies.....	\$ 89,181	14.40
<u>State &amp; Local Government</u>		
Municipal Bonds.....	2,335	3.51
<u>Corporate</u>		
Corporate bonds.....	247,453	5.51
Asset backed securities.....	27,270	27.27
Sovereign Debt.....	2,158	8.74
<u>Short Term Investments</u>		
Commercial Paper.....	20,694	5.02
Repurchase agreements .....	102,575	0.00
<b>Total Invested Assets.....</b>	<b>\$ 491,666</b>	

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations.

### Securities Lending

The Trusts participate in the Securities Lending Program as described in subsection c. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2010:

	Amount
<b>Securities lent for cash collateral:</b>	
U.S. Treasuries.....	\$ 372,474
Corporate bonds.....	70,417
<b>Total for cash collateral.....</b>	<b>\$ 442,891</b>
<b>Cash collateral invested:</b>	
Asset backed securities.....	\$ 72,833
Repurchase agreements.....	209,326
Floating Rate Notes.....	121,832
<b>Total collateral invested.....</b>	<b>\$ 403,991</b>

## NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for uncollectible receivables (expressed in thousands) at June 30, 2010, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
	General	Departmental General Operating	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
<b>Allowances for Uncollectibles</b>						
Income taxes receivable.....	\$ 222,931	\$ —	\$ —	\$ —	\$ —	\$ 222,931
Sales and other taxes receivable.....	56,423	288	—	25,214	—	81,925
Patient accounts receivable.....	6,349	43,254	—	—	—	49,603
Other receivables.....	—	22,459	9,982	2	98	32,541
<b>Total allowances for uncollectibles.....</b>	<b>\$ 285,703</b>	<b>\$ 66,001</b>	<b>\$ 9,982</b>	<b>\$ 25,216</b>	<b>\$ 98</b>	<b>\$ 387,000</b>

	Business-type Activities (Enterprise Funds)					
	Higher Education	Unemployment Compensation Benefits	Medical University Hospital Authority	Nonmajor Enterprise Funds	Total Business-type Activities	
<b>Allowances for Uncollectibles</b>						
Contributions receivable.....	\$ 1,451	\$ —	\$ —	\$ 55	\$ 1,506	
Student accounts receivable.....	16,651	—	—	—	16,651	
Patient accounts receivable.....	—	—	59,300	88,398	147,698	
Loans and notes receivable.....	—	—	—	21	21	
Loans and notes receivable—restricted.....	517	—	—	246	763	
Assessments receivable.....	—	8,052	—	—	8,052	
Other receivables.....	494	8,285	—	—	8,779	
<b>Total allowances for uncollectibles.....</b>	<b>\$ 19,113</b>	<b>\$ 16,337</b>	<b>\$ 59,300</b>	<b>\$ 88,720</b>	<b>\$ 183,470</b>	

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2010, were as follows:



Governmental Activities							
Governmental Funds							
Net Long-term Receivables	General	Departmental General Operating	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts receivable.....	\$ 173	\$ 17,280	\$ 2,716	\$ —	\$ —	\$ 576	\$ 20,745
Income taxes receivable.....	32,103	—	—	—	—	—	32,103
Sales and other taxes receivable.....	463	—	—	—	3	—	466
Patient accounts receivable.....	2,553	4,309	—	—	—	—	6,862
Loans and notes receivable.....	—	1,158	497,338	4,275	32,939	—	535,710
Accounts receivable—restricted.....	—	—	353,996	—	—	—	353,996
<b>Total long-term receivables, net.....</b>	<b>\$ 35,292</b>	<b>\$ 22,747</b>	<b>\$ 854,050</b>	<b>\$ 4,275</b>	<b>\$ 32,942</b>	<b>\$ 576</b>	<b>\$ 949,882</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The components of deferred revenue and unearned revenue in the governmental funds (expressed in thousands) at June 30, 2010, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes .....	\$ 32,569	\$ 24,424	\$ 56,993
Federal grants.....	—	67,567	67,567
Contributions.....	346,226	88,495	434,721
Departmental services.....	42,152	3,052	45,204
<b>Total deferred revenues.....</b>	<b>\$ 420,947</b>	<b>183,538</b>	<b>\$ 604,485</b>
Internal service funds.....		159,567	
<b>Total governmental activities.....</b>		<b>\$ 343,105</b>	

**NOTE 6: DETAILS OF RESTRICTED ASSETS**

The purposes and amounts of the State's restricted assets (including the major discretely presented component units) at June 30, 2010 (expressed in thousands) were as follows:

<b>Asset/Restricted For</b>	<b>Govern- mental Activities</b>	<b>Business- type Activities</b>	<b>Major Component Units</b>
<b>Current:</b>			
<b>Cash and cash equivalents</b>			
Debt service.....	\$ 90,576	\$ 121,171	\$ 175,847
Capital projects.....	—	247,613	—
Student loan programs.....	—	516	—
Donor/sponsor specified.....	—	59,780	—
Second Injury Fund claims.....	—	54,463	—
Other.....	—	47,561	174,006
<b>Total cash and cash equivalents.....</b>	<b>\$ 90,576</b>	<b>\$ 531,104</b>	<b>\$ 349,853</b>
<b>Investments</b>			
Debt service.....	\$ —	\$ 3,603	\$ 58,160
Donor/sponsor specified.....	—	7,690	—
Endowments.....	—	5	—
Other.....	—	9,496	33,088
<b>Total investments.....</b>	<b>\$ —</b>	<b>\$ 20,794</b>	<b>\$ 91,248</b>
<b>Loans receivable</b>			
Debt service.....	\$ —	\$ 19,803	\$ —
Student loan programs.....	—	1,126	—
<b>Total loans receivable.....</b>	<b>\$ —</b>	<b>\$ 20,929</b>	<b>\$ —</b>
<b>Other</b>			
Debt service.....	\$ 78,009	\$ 5,902	\$ —
Donor/sponsor specified.....	—	410	—
Endowments.....	—	311	—
Second Injury Fund claims.....	—	292	—
Other.....	—	252	—
<b>Total other.....</b>	<b>\$ 78,009</b>	<b>\$ 7,167</b>	<b>\$ —</b>

<b>Asset/Restricted For</b>	<b>Govern- mental Activities</b>	<b>Business- type Activities</b>	<b>Major Component Units</b>
<b>Noncurrent:</b>			
<b>Cash and cash equivalents</b>			
Debt service.....	\$ 393,698	\$ 170,323	\$ 537
Capital projects.....	—	134,960	84,148
Student loan programs.....	—	7,221	—
Endowments.....	—	76,202	—
Other.....	21,983	4,513	15,188
<b>Total cash and cash equivalents.....</b>	<b>\$ 415,681</b>	<b>\$ 393,219</b>	<b>\$ 99,873</b>
<b>Investments</b>			
Debt service.....	\$ —	\$ 213	\$ 4,393
Capital projects.....	—	36,028	453,281
Student loan programs.....	—	860	—
Endowments.....	—	42,577	—
Other.....	—	—	106,612
<b>Total investments.....</b>	<b>\$ —</b>	<b>\$ 79,678</b>	<b>\$ 564,286</b>
<b>Receivables</b>			
Debt service.....	\$ 353,996	\$ —	\$ —
<b>Total receivables.....</b>	<b>\$ 353,996</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Loans receivable</b>			
Debt service.....	\$ —	\$ 842,918	\$ —
Student loan programs.....	—	56,445	—
Other.....	—	6,890	—
<b>Total loans receivable.....</b>	<b>\$ —</b>	<b>\$ 906,253</b>	<b>\$ —</b>
<b>Other</b>			
Debt service.....	\$ 3,549	\$ 306	\$ —
Donor/sponsor specified.....	—	185	—
Endowments.....	—	49,481	—
<b>Total other.....</b>	<b>\$ 3,549</b>	<b>\$ 49,972</b>	<b>\$ —</b>

**NOTE 7: CAPITAL ASSETS**

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2010, for the primary government was as follows:

	Restated * Beginning Balances July 1, 2009	Increases	Decreases	Ending Balances June 30, 2010
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 1,739,769	\$ 31,837	\$ (1,091)	\$ 1,770,515
Construction in progress.....	3,141,388	459,744	(444,588)	3,156,544
Works of art and historical treasures.....	3,962	—	—	3,962
<i>Total capital assets not being depreciated.....</i>	<u>4,885,119</u>	<u>491,581</u>	<u>(445,679)</u>	<u>4,931,021</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	63,817	21	(705)	63,133
Infrastructure (road and bridge network).....	10,188,100	395,580	—	10,583,680
Buildings and improvements.....	1,665,365	28,301	(1,084)	1,692,582
Vehicles.....	631,733	13,671	(21,203)	624,201
Machinery and equipment.....	466,323	35,456	(25,658)	476,121
Works of art and historical treasures.....	1,500	—	—	1,500
Intangibles.....	52,465	67,568	(226)	119,807
<i>Total capital assets being depreciated, at historical cost.....</i>	<u>13,069,303</u>	<u>540,597</u>	<u>(48,876)</u>	<u>13,561,024</u>
<i>Less accumulated depreciation for:</i>				
Land improvements.....	(43,406)	(1,594)	488	(44,512)
Infrastructure (road and bridge network).....	(2,452,043)	(149,740)	—	(2,601,783)
Buildings and improvements.....	(669,763)	(54,842)	590	(724,015)
Vehicles.....	(427,567)	(92,409)	19,491	(500,485)
Machinery and equipment.....	(327,466)	(45,223)	20,167	(352,522)
Works of art and historical treasures.....	(62)	(60)	—	(122)
Intangibles.....	(50,990)	(5,604)	217	(56,377)
<i>Total accumulated depreciation.....</i>	<u>(3,971,297)</u>	<u>(349,472)</u>	<u>40,953</u>	<u>(4,279,816)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>9,098,006</u>	<u>191,125</u>	<u>(7,923)</u>	<u>9,281,208</u>
<b>Capital assets for governmental activities, net.....</b>	<u><b>\$ 13,983,125</b></u>	<u><b>\$ 682,706</b></u>	<u><b>\$ (453,602)</b></u>	<u><b>\$ 14,212,229</b></u>

\* The beginning balance for Construction in progress has been restated to comply with the implementation of GASB 51, *Accounting and Financial Reporting for Intangible Assets*. Estimated useful lives for certain buildings were revised due to a correction of error. See Note 2, Accounting and Reporting Changes.

	Beginning Balances July 1, 2009	Increases	Decreases	Ending Balances June 30, 2010
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 253,887	\$ 17,225	\$ (24)	\$ 271,088
Construction in progress.....	406,196	239,185	(407,035)	238,346
Works of art and historical treasures.....	19,501	426	—	19,927
<i>Total capital assets not being depreciated.....</i>	<u>679,584</u>	<u>256,836</u>	<u>(407,059)</u>	<u>529,361</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	191,271	11,677	(19,168)	183,780
Buildings and improvements.....	4,655,235	464,408	(2,154)	5,117,489
Vehicles.....	46,778	2,465	(551)	48,692
Machinery and equipment.....	889,514	90,104	(23,056)	956,562
Works of art and historical treasures.....	14,717	11,624	(640)	25,701
Intangibles.....	19,631	9,377	(4,092)	24,916
Total capital assets being depreciated, at historical cost.....	<u>5,817,146</u>	<u>589,655</u>	<u>(49,661)</u>	<u>6,357,140</u>
Less accumulated depreciation for:				
Land improvements.....	(64,085)	(7,528)	2,300	(69,313)
Buildings and improvements.....	(1,599,497)	(153,297)	749	(1,752,045)
Vehicles.....	(30,797)	(2,656)	540	(32,913)
Machinery and equipment.....	(548,233)	(81,409)	20,084	(609,558)
Works of art and historical treasures.....	(6,709)	(651)	371	(6,989)
Intangibles.....	(15,301)	(3,257)	4,017	(14,541)
Total accumulated depreciation.....	<u>(2,264,622)</u>	<u>(248,798)</u>	<u>28,061</u>	<u>(2,485,359)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>3,552,524</u>	<u>340,857</u>	<u>(21,600)</u>	<u>3,871,781</u>
<b>Capital assets for business-type activities, net.....</b>	<u><b>\$ 4,232,108</b></u>	<u><b>\$ 597,693</b></u>	<u><b>\$ (428,659)</b></u>	<u><b>\$ 4,401,142</b></u>

Capital assets for the State's fiduciary funds were comprised of land totaling \$582 thousand and a building totaling \$4.749 million with accumulated depreciation of \$ 2.110 million. Depreciation expense on the building for fiscal year 2010 was \$119 thousand. There were no additions or dispositions of capital assets during the year.

## State of South Carolina

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

	Beginning Balances January 1, 2009	Increases	Decreases	Ending Balances December 31, 2009
<b>Public Service Authority:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 110,085	\$ 842	\$ —	\$ 110,927
Construction in progress.....	488,585	500,562	(137,705)	851,442
<i>Total capital assets not being depreciated.....</i>	<u>598,670</u>	<u>501,404</u>	<u>(137,705)</u>	<u>962,369</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements (utility plant).....	6,195,626	110,016	(13,070)	6,292,572
Vehicles.....	39,241	5,249	(1,009)	43,481
Machinery and equipment.....	19,557	3,002	(188)	22,371
Intangibles.....	50,168	10,509	—	60,677
Total capital assets being depreciated, at historical cost.....	<u>6,304,592</u>	<u>128,776</u>	<u>(14,267)</u>	<u>6,419,101</u>
Less accumulated depreciation for:				
Buildings and improvements (utility plant).....	(2,325,547)	(166,958)	7,361	(2,485,144)
Vehicles.....	(20,766)	(1,901)	909	(21,758)
Machinery and equipment.....	(9,468)	(2,837)	136	(12,169)
Intangibles.....	(41,951)	(3,305)	—	(45,256)
Total accumulated depreciation.....	<u>(2,397,732)</u>	<u>(175,001)</u>	<u>8,406</u>	<u>(2,564,327)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>3,906,860</u>	<u>(46,225)</u>	<u>(5,861)</u>	<u>3,854,774</u>
<b>Public Service Authority, net.....</b>	<b><u>\$ 4,505,530</u></b>	<b><u>\$ 455,179</u></b>	<b><u>\$ (143,566)</u></b>	<b><u>\$ 4,817,143</u></b>
	Beginning Balances January 1, 2009	Increases	Decreases	Ending Balances December 31, 2009
<b>Connector 2000 Association:</b>				
<i>Capital assets being depreciated:</i>				
Infrastructure (toll road).....	\$ 192,487	\$ —	\$ —	\$ 192,487
Machinery and equipment.....	749	86	(16)	819
Total capital assets being depreciated, at historical cost.....	<u>193,236</u>	<u>86</u>	<u>(16)</u>	<u>193,306</u>
Less accumulated depreciation for:				
Infrastructure (toll road).....	(40,426)	(3,571)	—	(43,997)
Machinery and equipment.....	(550)	(69)	16	(603)
Total accumulated depreciation.....	<u>(40,976)</u>	<u>(3,640)</u>	<u>16</u>	<u>(44,600)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>152,260</u>	<u>(3,554)</u>	<u>—</u>	<u>148,706</u>
<b>Connector 2000 Association, net.....</b>	<b><u>\$ 152,260</u></b>	<b><u>\$ (3,554)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 148,706</u></b>

	Beginning Balances July 1, 2009	Increases	Decreases	Ending Balances June 30, 2010
<b>State Ports Authority:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 198,635	\$ —	\$ (62)	\$ 198,573
Construction in progress.....	69,268	57,616	(3,872)	123,012
Intangibles.....	2,190	—	—	2,190
<i>Total capital assets not being depreciated.....</i>	<u>270,093</u>	<u>57,616</u>	<u>(3,934)</u>	<u>323,775</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	214,769	1,934	(601)	216,102
Buildings and improvements.....	319,526	246	(111)	319,661
Machinery and equipment.....	147,194	1,301	(631)	147,864
Intangibles.....	876	—	—	876
<i>Total capital assets being depreciated, at historical cost.....</i>	<u>682,365</u>	<u>3,481</u>	<u>(1,343)</u>	<u>684,503</u>
<i>Less accumulated depreciation for:</i>				
Land improvements.....	(126,354)	(8,317)	397	(134,274)
Buildings and improvements.....	(172,928)	(11,028)	82	(183,874)
Machinery and equipment.....	(83,410)	(10,187)	620	(92,977)
Intangibles.....	(473)	(35)	—	(508)
<i>Total accumulated depreciation.....</i>	<u>(383,165)</u>	<u>(29,567)</u>	<u>1,099</u>	<u>(411,633)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>299,200</u>	<u>(26,086)</u>	<u>(244)</u>	<u>272,870</u>
<b>State Ports Authority, net.....</b>	<b><u>\$ 569,293</u></b>	<b><u>\$ 31,530</u></b>	<b><u>\$ (4,178)</u></b>	<b><u>\$ 596,645</u></b>
	Beginning Balances July 1, 2009	Increases	Decreases	Ending Balances June 30, 2010
<b>Lottery Commission:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and improvements.....	\$ 1,316	\$ —	\$ —	\$ 1,316
Vehicles.....	48	—	—	48
Machinery and equipment.....	11,326	161	(9,099)	2,388
<i>Total capital assets being depreciated, at historical cost.....</i>	<u>12,690</u>	<u>161</u>	<u>(9,099)</u>	<u>3,752</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements.....	(892)	(135)	—	(1,027)
Vehicles.....	(48)	—	—	(48)
Machinery and equipment.....	(10,875)	(221)	9,017	(2,079)
<i>Total accumulated depreciation.....</i>	<u>(11,815)</u>	<u>(356)</u>	<u>9,017</u>	<u>(3,154)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>875</u>	<u>(195)</u>	<u>(82)</u>	<u>598</u>
<b>Lottery Commission, net.....</b>	<b><u>\$ 875</u></b>	<b><u>\$ (195)</u></b>	<b><u>\$ (82)</u></b>	<b><u>\$ 598</u></b>

During the fiscal year ended June 30, 2010, depreciation expense was charged to functions of the primary government and its major discretely presented component units as shown on the following page (expressed in thousands):

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total Governmental Activities</b>
General government.....	\$ 32,579	\$ 8,419	\$ 40,998
Education.....	73,138	2,384	75,522
Health and environment.....	12,645	1,391	14,036
Social services.....	639	2,691	3,330
Administration of justice.....	28,771	1,380	30,151
Resources and economic development.....	18,189	384	18,573
Transportation.....	166,850	12	166,862
Total depreciation expense, governmental activities.....	<u>\$ 332,811</u>	<u>\$ 16,661</u>	<u>\$ 349,472</u>

	<b>Business- type Activities</b>
Higher Education.....	\$ 188,621
Housing Authority.....	120
Medical University Hospital Authority.....	52,601
Education Assistance Authority.....	97
Other.....	6,812
Total depreciation expense, business-type activities.....	<u>\$ 248,251</u>

Included in the \$188.621 million for higher education and the \$6.812 million for other business-type activities is depreciation expense of \$3.164 million and \$1.062 million, respectively, that is reported in nonoperating revenues (expenses) in the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds. Also, total accumulated depreciation increases for business-type activities include \$547 thousand in capital asset accumulated depreciation transferred in from governmental activities.

	<b>Major Component Units</b>
Public Service Authority.....	\$ 175,001
Connector 2000 Association, Inc.....	3,640
State Ports Authority.....	29,567
Lottery Commission.....	356

At June 30, 2010, the primary government had outstanding construction commitments totaling \$1.150 billion for capital projects in progress. In addition, outstanding construction commitments at that date totaled \$101.114 million for significant permanent improvement projects that will not increase State assets. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and/or renovations to existing facilities. In addition, the primary government had outstanding commitments totaling \$12.682 million at June 30, 2010, related to information technology projects.

Outstanding construction commitments for major discretely presented component units were as follows: \$439.550 million for the Public Service Authority at December 31, 2009, and \$19.218 million for the State Ports Authority at June 30, 2010.

The total interest expense incurred by the State's enterprise funds during the current fiscal year was \$144.100 million, of which \$6.658 million was included as part of the cost of capital assets under construction, net of interest earnings. The State Ports Authority, a major discretely presented component unit, incurred total interest costs of \$5.366 million during its fiscal year ended June 30, 2010, of which \$2.905 million was included as part of the cost of capital assets under construction.



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**NOTE 8: RETIREMENT PLANS****a. Plan Descriptions**

The South Carolina Retirement Systems (the Systems), a division of the State Budget and Control Board, administers five 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), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the National Guard Retirement System (NGPS). The Systems issues a publicly available Comprehensive Annual Financial Report that includes required supplementary information for all five plans. The report may be obtained by writing to:

South Carolina Retirement Systems  
PO Box 11960  
Columbia, South Carolina 29211-1960  
[www.retirement.sc.gov](http://www.retirement.sc.gov)

SCRS, established by Section 9-1-20 of the South Carolina Code of Laws, is a cost-sharing multiple-employer defined benefit pension plan that benefits employees of public schools, the State, and its political subdivisions. Membership is required as a condition of employment, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. Vested members who retire at age sixty-five or with twenty-eight 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 at age fifty-five with 25 years of service credit. A member is eligible to receive a reduced deferred annuity at age 60 with 5 years of earned service.

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, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. A monthly pension is payable at age fifty-five for members who retire with five years earned service or with 25 years of service regardless of age. 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, unless exempted by State law. 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. Effective January 1, 2003, a member at age seventy or with thirty years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. 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, solicitors, and circuit public defenders of the State. Membership is required as a condition of taking office, unless exempted by State law. Both judges and the State must contribute. Benefits vest after ten years of service in a position as a judge and eight years in a position as a solicitor or circuit public defender. Members may retire at age seventy with fifteen years of service, at age sixty-five with twenty years of service, at age sixty-five with four years in a JSRS position and twenty-five years other service with the State, twenty-five years service regardless of age for a judge or twenty-four years of service for a solicitor or circuit public defender regardless of age. Members receive a retirement benefit equal to 71.3% of the current active salary of the position occupied at retirement.

NGPS, established by Section 9-10-30 of the South Carolina Code of Laws, is a single employer defined benefit pension plan that provides benefits to National Guard members who served in South Carolina. The plan had been closed to new entrants since July 1, 1993; however, legislation reopened the plan effective January 1, 2007. National Guard members are considered to be federal government employees. The federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members' salaries only if the Governor activates the National Guard for service to the State. 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.

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Information regarding the number of participating employers and active members as of June 30, 2010, is as follows (dollars expressed in thousands):

	SCRS	PORS	GARS	JSRS	NGPS
<b>State and school</b>					
Number of employers.....	112	50	1	1	1
Annual covered payroll.....	\$ 5,509,798	\$ 358,512	\$ 3,226	\$ 16,573	N/A <sup>a</sup>
Average number of contributing members.....	142,444	10,514	170	144	N/A <sup>b</sup>
<b>Other participating employers</b>					
Number of employers.....	578	311	—	—	—
Annual covered payroll.....	\$ 1,906,975	\$ 667,150	\$ —	\$ —	\$ —
Average number of contributing members.....	56,648	17,269	—	—	—

<sup>a</sup> Annual covered payroll is not applicable for NGPS because benefits are based on years of service.

<sup>b</sup> Members do not contribute; average number of members is 12,447.

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

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

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

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

## c. Funding Policies

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

By law, employee contribution requirements for the fiscal year ended June 30, 2010, were as follows:

Plan	Rate
SCRS	6.5% of earnable compensation
PORS	6.5% of earnable compensation
GARS	10.0% of earnable compensation
JSRS	10.0% of earnable compensation
NGPS	Non-contributory

Actuarially determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2010, were as follows:

Plan	Rate
SCRS	9.39%
PORS	11.53%
GARS	80.53%
JSRS	45.09%

The State appropriated \$4.052 million to fund the NGPS actuarially determined employer contribution for the fiscal year ended June 30, 2010.

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, 2010, were \$340 thousand for SCRS and \$12 thousand for PORS.

**d. Annual Pension Cost**

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

	<b>GARS</b>	<b>JSRS</b>	<b>NGPS</b>
Annual pension cost.....	\$2,598	\$8,414	\$3,800
Employer contributions made.....	\$2,598	\$8,414	\$4,052
Actuarial valuation date.....	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial cost method.....	Entry age	Entry age	Entry age
Amortization method.....	Level dollar, closed	Level percent, open	Level dollar, open
Remaining amortization period.....	16 years	16 years	23 years
Asset valuation method.....	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return.....	8.00%	8.00%	8.00%
Projected salary increases.....	None	3.25%	None
Assumed inflation rate.....	3.00%	3.00%	3.00%
Assumed cost-of-living adjustments.....	None	3.25%	None

The following represents the components of the net pension obligation (NPO) for the NGPS, at June 30, 2010 (expressed in thousands):

	<b>NGPS</b>
Actuarially required contribution (ARC).....	\$ 3,946
Interest on the NPO.....	768
Adjustment to the ARC.....	(914)
Annual pension cost.....	3,800
Contributions made.....	(4,052)
Decrease in NPO.....	(252)
NPO beginning of year.....	9,234
Adjustment to beginning NPO.....	366
<b>NPO end of year.....</b>	<b>\$ 9,348</b>

**e. Trend Information**

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

For the cost-sharing multiple-employer defined benefit pension plans in which the State participates, the State's required contributions in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows. Also see Note 8f for funding status and progress.

	<b>Fiscal Year Ended</b>					
	<b>June 30, 2010</b>		<b>June 30, 2009</b>		<b>June 30, 2008</b>	
		<b>%</b>		<b>%</b>		<b>%</b>
	<b>Required</b>	<b>Contributed</b>	<b>Required</b>	<b>Contributed</b>	<b>Required</b>	<b>Contributed</b>
SCRS—State:						
Primary government.....	\$ 255,653	100.0%	\$ 260,536	100.0%	\$ 246,172	100.0%
Component units.....	13,986	100.0%	14,220	100.0%	13,606	100.0%
PORS—State:						
Primary government.....	42,268	100.0%	44,566	100.0%	41,962	100.0%
Component units.....	70	100.0%	74	100.0%	71	100.0%

The following table presents (dollars expressed in thousands) the annual pension cost, percentage of annual pension cost contributed, and the net pension obligation for the three latest available years for the State's single-employer defined benefit plans. Also see Note 8f for funding status and progress:

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	2008	\$ 2,440	100.0%	\$ —
	2009	2,495	100.0%	—
	2010	2,598	100.0%	—
JSRS	2008	7,613	100.0%	—
	2009	8,414	100.0%	—
	2010	8,414	100.0%	—
NGPS	2008	3,824	103.2%	9,673
	2009	3,979	101.8%	9,600
	2010	3,800	106.6%	9,348

**f. Funding Status and Progress (Unaudited)**

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

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SCRS	2007	\$ 23,541,438	\$ 33,766,678	\$ 10,225,240	69.7%	\$ 7,093,181	144.2%
	2008	24,699,678	35,663,419	10,963,741	69.3%	7,559,172	145.0%
	2009	25,183,062	37,150,315	11,967,253	67.8%	7,761,808	154.2%
PORS	2007	3,160,240	3,730,544	570,304	84.7%	992,849	57.4%
	2008	3,363,136	4,318,955	955,819	77.9%	1,060,747	90.1%
	2009	3,482,220	4,564,111	1,081,891	76.3%	1,084,154	99.8%

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

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GARS	2007	\$ 46,925	\$ 71,014	\$ 24,089	66.1%	\$ 3,854	625.0%
	2008	47,189	69,122	21,933	68.3%	3,854	569.1%
	2009	45,891	68,491	22,600	67.0%	3,854	586.4%
JSRS	2007	132,990	229,388	96,398	58.0%	16,407	587.5%
	2008	138,323	213,406	75,083	64.8%	18,661	402.4%
	2009	141,797	214,363	72,566	66.1%	18,661	388.9%

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)
NGPS	2007	\$ 15,937	\$ 55,917	\$ 39,980	28.5%	N/A	N/A
	2008	17,426	53,534	36,108	32.6%	N/A	N/A
	2009	18,600	53,421	34,821	34.8%	N/A	N/A

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

South Carolina statute allows for retiree cost-of-living allowances (COLAs). Each July 1, eligible retired members of the SCRS and PORS will receive an automatic COLA of up to 2.0% as long as the Consumer Price Index (CPI) as of the previous December 31 was at least 2.0%. If the CPI is less than 2.0%, the COLA will equal the actual CPI. If the CPI is negative, no COLA will be granted. The Budget and Control Board, as trustees of the State's pension trust funds, may approve ad hoc COLAs of up to 2.0% in addition to the automatic COLA if certain guidelines are met.

#### g. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2010, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	NGPS	Totals
<b>Receivables:</b>						
Contributions.....	\$ 153,539	\$ 18,264	\$ 41	\$ 757	\$ 3	\$ 172,604
Employer long-term.....	340	12	—	—	—	352
Accrued interest.....	55,179	7,701	93	309	39	63,321
Unsettled investment sales.....	920,106	131,595	1,448	5,129	637	1,058,915
Other investment receivables.....	2,441	338	4	13	2	2,798
<b>Total receivables.....</b>	<b>\$ 1,131,605</b>	<b>\$ 157,910</b>	<b>\$ 1,586</b>	<b>\$ 6,208</b>	<b>\$ 681</b>	<b>\$ 1,297,990</b>
<b>Due from other funds.....</b>	<b>\$ 7,697</b>	<b>\$ 367</b>	<b>\$ 1</b>	<b>\$ 67</b>	<b>\$ —</b>	<b>\$ 8,132</b>
<b>Investments and invested securities lending collateral:</b>						
Short-term securities.....	\$ 495	\$ 71	\$ 1	\$ 3	\$ —	\$ 570
Debt-domestic.....	3,384,091	483,997	5,327	18,864	2,343	3,894,622
Debt-international.....	2,467,288	352,874	3,883	13,754	1,709	2,839,508
Equity-domestic.....	1,407,616	201,319	2,216	7,846	975	1,619,972
Equity-international.....	255	36	—	1	1	293
Alternatives.....	9,101,529	1,301,710	14,326	50,736	6,302	10,474,603
Invested securities lending collateral.....	282,044	40,338	444	1,572	195	324,593
<b>Total investments.....</b>	<b>\$ 16,643,318</b>	<b>\$ 2,380,345</b>	<b>\$ 26,197</b>	<b>\$ 92,776</b>	<b>\$ 11,525</b>	<b>\$ 19,154,161</b>

#### h. Teacher and Employee Retention Incentive Program

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

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

A total of 5,641, members were participating in the TERI program at June 30, 2010. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2010, was as follows:

Beginning balance of TERI trust accounts.....	\$ 430,805
Additions .....	156,800
TERI distributions at termination.....	(265,255)
<b>Ending balance of TERI trust accounts.....</b>	<b>\$ 322,350</b>

#### i. Defined Contribution Plan

As an alternative to membership in SCRS, certain State and public school employees may elect to participate in the State Optional Retirement Program (State ORP). Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (6.5%) and a portion of the employer contribution (5.0%). A direct remittance is also required to the SCRS for a portion of the employer contribution (4.24%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll.....	\$ 949,398
Employee contributions.....	61,711
Employer contributions.....	47,470

## NOTE 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

#### a. Plan Description

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

#### b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% of annual covered payroll for fiscal year 2009-2010. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The State paid \$259.922 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2010. The net estimated OPEB obligation at June 30, 2010 was \$458.760 million. This OPEB obligation is not recorded in the State's financial statements because the State met its contractually required contributions for the fiscal year. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal year ended June 30, 2010.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund (SCRHITF) is primarily funded through the payroll surcharge. Other sources

of funding include additional State appropriated dollars (\$2.375 million), accumulated EIP reserves (\$30.959 million), the Department of Revenue's increased enforcement collections (\$3.246 million), and income generated from investments. The Long Term Disability Insurance Trust Fund (LTDITF) is primarily funded through investment income and employer contributions.

### c. Trend Information

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

	Fiscal Year Ended					
	June 30, 2010		June 30, 2009		June 30, 2008	
	Actuarially Required	% Contributed	Actuarially Required	% Contributed	Actuarially Required	% Contributed
SCRHI	\$ 785,250	37.76%	\$ 727,079	50.87%	\$ 692,714	50.00%
LTDI	9,590	71.43%	9,469	73.57%	10,038	332.33%

### d. Funding Progress

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

OPEB Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a) / c)
SCRHITF	June 30, 2007	\$ —	\$ 8,581,073	\$ 8,581,073	0%	\$ 7,112,053	121%
SCRHITF	June 30, 2008	\$ 270,153	\$ 9,279,578	\$ 9,009,425	3%	\$ 7,596,053	119%
SCRHITF	June 30, 2009	\$ 439,903	\$ 9,643,577	\$ 9,203,674	5%	\$ 7,736,161	119%
LTDITF	June 30, 2007	\$ —	\$ 28,048	\$ 28,048	0%	\$ 7,781,719	< 1%
LTDITF	June 30, 2008	\$ 27,468	\$ 26,341	\$ (1,127)	104%	\$ 8,307,740	< 1%
LTDITF	June 30, 2009	\$ 29,440	\$ 23,610	\$ (5,830)	125%	\$ 8,418,750	< 1%

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

Employee Insurance Program  
1201 Main Street, Suite 360  
Columbia, SC 29201.

### e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2010, for the OPEB plans administered by the Employee Insurance Program were as follows:

	SCRHI	LTDI	Totals
<b>Receivables:</b>			
Accounts.....	\$ —	\$ 42	\$ 42
Accrued interest.....	4,901	333	5,234
<b>Total receivables.....</b>	<b>\$ 4,901</b>	<b>\$ 375</b>	<b>\$ 5,276</b>
<b>Due from other funds.....</b>	<b>\$ 41,682</b>	<b>\$ —</b>	<b>\$ 41,682</b>
<b>Investments and invested securities lending collateral:</b>			
Debt-domestic.....	\$ 345,825	\$ 22,572	\$ 368,397
Financial and Other.....	17,218	3,476	20,694
Invested securities lending collateral.....	19,898	—	19,898
<b>Total investments.....</b>	<b>\$ 382,941</b>	<b>\$ 26,048</b>	<b>\$ 408,989</b>

## NOTE 10: INSURANCE ACTIVITIES

### a. Insurance Reserve Fund

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

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability of \$230.011 million at June 30, 2010, includes a provision for claims in the process of review and for claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience of previous payments, changes in number of members and participants, inflation, and award trends. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

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

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2009	\$ 215,902	\$ 44,710	\$ (33,778)	\$ 226,834
2010	226,834	51,466	(48,289)	230,011

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

### b. Employee Insurance Programs Fund

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

Effective May 2008, Basic Long-Term Disability premiums were transferred to the Long-Term Disability Insurance Trust Fund in accordance with Act 195. Basic Long-Term Disability claims are transferred each month out of this trust. The outstanding liability (claims payable) for Basic Long-Term Disability has been eliminated from the Fund's financial reporting. Also effective May 2008, in accordance with Act 195, the Fund began transferring the employer portion of retiree premiums for health and dental insurance from the South Carolina Retiree Health Insurance Trust Fund for claims payment.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability of \$156.969 million at June 30, 2010, includes a provision for claims in the process of review and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most



current historical claims experience 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. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Of the total claims liability reported for the Employee Insurance Programs Fund at June 30, 2010, \$3.060 million relates to the HMO self-insured managed care plan liability. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

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

<b>Fiscal Year Ended June 30</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2009	\$ 184,593	\$ 1,507,032	\$ (1,505,788)	\$ 185,837
2010	185,837	1,615,021	(1,643,889)	156,969

### 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. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. At June 30, 2010, the Fund's policy claims liability was \$228.145 million. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

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

<b>Fiscal Year Ended June 30</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2009	\$ 188,810	\$ 76,879	\$ (50,939)	\$ 214,750
2010	214,750	63,634	(50,239)	228,145

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

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

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

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to \$200 thousand per incident or \$600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds. In the event that the PCF incurs a liability exceeding \$200 thousand to any person under a single occurrence, the PCF may ultimately pay the claim in full, but it generally may not pay more than \$200 thousand per year on such claim unless agreed to by the PCF's Board of Governors 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 State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities were \$138.654 million for the PCF at June 30, 2010, and \$157.664 million, for the JUA at December 31, 2009, and these amounts include a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

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

<b>Fiscal Year Ended June 30</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2009	\$ 182,368	\$ (8,279)	\$ (18,515)	\$ 155,574
2010	155,574	704	(17,624)	138,654

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

<b>Fiscal Year Ended Dec 31</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2008	\$ 196,995	\$ 19,713	\$ (36,052)	\$ 180,656
2009	180,656	10,951	(33,943)	157,664

**e. Second Injury Fund**

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

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

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Second Injury Fund is responsible for administering the Workers’ Compensation Uninsured Employers’ Fund. The State reports the Workers’ Compensation Uninsured Employers’ Fund in its Other Special Revenue Fund. The Fund issues payment of awards of workers’ compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund. The policy claims liability reported on the government-wide statement of net assets at June 30, 2010, was \$35.710 million.

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

<b>Fiscal Year Ended June 30</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2009	\$ 28,148	\$ 14,838	\$ (10,013)	\$ 32,973
2010	32,973	10,070	(7,333)	35,710

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

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks. 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 \$250 to \$1.000 million with the exception of named storm losses, which carry deductibles from \$1.000 million up to \$5.000 million. In addition, a \$1.400 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 year 2009.

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

At December 31, 2009, the policy claims liabilities were \$1.753 million. Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

<b>Fiscal Year Ended December 31</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2008	\$ 2,140	\$ 3,550	\$ (3,570)	\$ 2,120
2009	2,120	2,027	(2,394)	1,753

**NOTE 11: LEASES**

**a. Lease Commitments**

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2010 for the primary government and the State's discretely presented component units were as follows (expressed in thousands):

<b>Fiscal Year Ending June 30</b>	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Totals</b>
2011	\$ 181	\$ 12,144	\$ 12,325
2012	169	10,969	11,138
2013	21	10,271	10,292
2014	—	9,843	9,843
2015	—	9,651	9,651
2016-2020	—	47,694	47,694
2021-2025	—	32,560	32,560
2026-2030	—	28,317	28,317
2031-2035	—	23,769	23,769
2036-2040	—	17,944	17,944
<b>Total minimum payments.....</b>	<b>371</b>	<b>203,162</b>	<b>203,533</b>
<b>Less: interest and executory costs.....</b>	<b>(129)</b>	<b>(96,694)</b>	<b>(96,823)</b>
<b>Present value of net minimum payments.....</b>	<b>\$ 242</b>	<b>\$ 106,468</b>	<b>\$ 106,710</b>

<b>Fiscal Year Ending December 31</b>	<b>Public Service Authority</b>
2010	\$ 1,934
2011	1,610
2012	1,343
2013	1,023
2014	252
<b>Total minimum payments.....</b>	<b>6,162</b>
<b>Less: interest and executory costs.....</b>	<b>(563)</b>
<b>Present value of net minimum payments.....</b>	<b>\$ 5,599</b>

<b>Fiscal Year Ending June 30</b>	<b>State Ports Authority</b>
2011	\$ 7
2012	8
2013	4
<b>Total minimum payments.....</b>	<b>19</b>
<b>Less: interest and executory costs.....</b>	<b>(2)</b>
<b>Present value of net minimum payments.....</b>	<b>\$ 17</b>

Assets under capital leases recorded in the accompanying government-wide statement of net assets at June 30, 2010, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Public Service Authority	State Ports Authority
Land and non-depreciable improvements.....	\$ —	\$ 9,742	\$ 9,742	\$ —	\$ —
Buildings and improvements.....	—	166,479	166,479	88,400	—
Machinery and equipment.....	782	12,822	13,604	—	26
Works of art and historical treasures.....	—	362	362	—	—
<b>Assets acquired under capital leases before accumulated amortization.....</b>	<b>782</b>	<b>189,405</b>	<b>190,187</b>	<b>88,400</b>	<b>26</b>
Less: accumulated amortization.....	(355)	(43,112)	(43,467)	(87,400)	(8)
<b>Assets acquired under capital leases, net.....</b>	<b>\$ 427</b>	<b>\$ 146,293</b>	<b>\$ 146,720</b>	<b>\$ 1,000</b>	<b>\$ 18</b>

For the primary government's fiscal year ended June 30, 2010, minimum rental payments under operating leases were \$85.407 million and contingent rental payments were \$9.709 million. The State's contingent rental payments are for copiers, with expense being determined on a cost-per-copy basis.

For the Public Service Authority, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled \$4.200 million. For the State Ports Authority, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled \$920 thousand. For the Lottery Commission, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled \$875 thousand.

At June 30, 2010, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government	Component Unit Lottery Commission
2011	\$ 48,447	\$ 754
2012	42,365	706
2013	31,910	635
2014	19,443	655
2015	13,043	673
2016-2020	27,565	523
2021-2025	7,921	—
2026-2030	4,257	—
2031-2035	1,882	—
2036-2040	300	—
<b>Total minimum payments.....</b>	<b>\$ 197,133</b>	<b>\$ 3,946</b>

Fiscal Year Ending December 31	Public Service Authority
2010	\$ 600
2011	600
2012	600
2013	600
2014	600
<b>Total minimum payments.....</b>	<b>\$ 3,000</b>

**b. Facilities Leased to Others**

At June 30, 2010, the State Ports Authority, a major discretely presented component unit, had leased to non-State parties certain land and facilities having a cost of approximately \$565.321 million and related accumulated depreciation of \$259.770 million. Future minimum rental payments to be received at June 30, 2010, under these operating leases were as follows (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>State Ports Authority</u>
2011	\$ 24,702
2012	20,528
2013	20,735
2014	16,218
2015	6,100
2016-2020	12,742
2021-2025	—
2026-2030	—
<b>Total.....</b>	<b>\$ 101,025</b>

**NOTE 12: BONDS AND NOTES PAYABLE**

**a. General Obligation Bonds**

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds (expressed in thousands) outstanding at June 30, 2010, were:

<b>Governmental Activities</b>	
Capital improvement bonds, 3.00% to 5.50%, maturing serially through 2019.....	\$ 355,264
State highway bonds, 2.00% to 6.00%, maturing serially through 2023.....	510,365
State school facilities bonds, 3.00% to 5.00%, maturing serially through 2018.....	375,742
Infrastructure Bank bonds, 3.00% to 5.00%, maturing serially through 2028.....	50,026
State economic development bonds, 1.00% to 6.75%, maturing serially through 2031.....	417,633
Research university infrastructure bonds, 3.00% to 6.25%, maturing serially through 2025.....	190,594
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025.....	50,424
<b>Subtotal—governmental activities.....</b>	<b>1,950,048</b>
<b>Business-type Activities, Higher Education Fund</b>	
State institution bonds, 2.50% to 6.00%, maturing serially through 2030.....	387,464
<b>Total—general obligation bonds payable.....</b>	<b>\$ 2,337,512</b>

At June 30, 2010, \$6.344 million of capital improvement bonds, \$42.185 million of State economic development bonds, and \$7.065 million of State research university infrastructure bonds were authorized but unissued.

At June 30, 2010, future debt service requirements (expressed in thousands) for general obligation bonds were:

Year Ending June 30	Governmental Activities		Business-type Activities (Higher Education Fund)	
	Principal	Interest	Principal	Interest
2011	\$ 190,165	\$ 82,226	\$ 23,330	\$ 16,057
2012	185,940	71,379	23,915	15,041
2013	191,025	62,836	24,845	14,041
2014	191,275	54,610	25,855	13,026
2015	199,185	46,377	26,800	11,947
2016-2020	632,115	126,649	124,325	42,744
2021-2025	291,735	28,633	96,395	18,485
2026-2030	29,255	3,104	42,040	3,220
2031	3,255	53	—	—
<b>Total debt service requirements.....</b>	<b>1,913,950</b>	<b>\$ 475,867</b>	<b>387,505</b>	<b>\$ 134,561</b>
Unamortized premiums.....	54,634		742	
Deferred amount on refunding...	(18,536)		(783)	
<b>Total principal outstanding.....</b>	<b>\$ 1,950,048</b>		<b>\$ 387,464</b>	

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities. The Higher Education Fund, a major enterprise fund, pays the debt service for general obligation bonds recorded in that fund.

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, 2010, was \$44.136 million in total for all institution bonds, \$32.385 million for highway bonds, \$132.182 million for general obligation bonds excluding institution and highway bonds, \$2.990 million for economic development bonds, and \$6.626 million for research university infrastructure bonds. During the fiscal year ended June 30, 2010, the State issued \$170.000 million of economic development bonds which are not subject to the limitation on maximum annual debt service. This bond issue has been excluded from the debt service limit calculations. South Carolina State University exceeded its legal debt service limit on its State institution bonds by approximately \$644 thousand at June 30, 2010. The University will adjust tuition fees in subsequent years to cover the debt requirement.

#### b. Limited Obligation Bonds

Limited obligation bonds are not backed by the full faith, credit, and taxing power of the State. Limited obligation bonds outstanding at June 30, 2010, which are reported in the internal service funds, totaled \$6.435 million and mature serially through 2016. Interest rates on these bonds ranged from 4.30% to 6.10%.

At June 30, 2010, there were no limited obligation bonds authorized but unissued.

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

At June 30, 2010, future debt service requirements (expressed in thousands) for limited obligation bonds were:

Year Ending June 30	Governmental Activities (Internal Service Funds)	
	Principal	Interest
2011	\$ 1,280	\$ 322
2012	1,345	256
2013	1,420	186
2014	1,495	110
2015	735	32
2016	185	9
<b>Total debt service requirements.....</b>	<b>6,460</b>	<b>\$ 915</b>
Unamortized discounts.....	(25)	
<b>Total principal outstanding.....</b>	<b>\$ 6,435</b>	

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

### c. Revenue, Tobacco Authority, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Tobacco Settlement Revenue Management Authority (Tobacco Authority), Infrastructure Bank, and other bonds and notes (expressed in thousands) outstanding at June 30, 2010, were:

	<u>Bonds</u>	<u>Notes</u>
<b>Primary Government:</b>		
<b>Governmental Activities:</b>		
Infrastructure Bank bonds, 3.00% to 5.75%, maturing serially through 2038.....	\$ 2,051,545	\$ —
Tobacco Authority bonds, 5.00%, maturing serially through 2018.....	120,653	—
Heritage Trust Revenue bonds, 4.00% to 4.25%, maturing in 2022.....	17,163	—
Education Department note, 4.01%, maturing in 2011.....	—	144
Educational Television Commission note, 2.96%, maturing in 2014.....	—	227
Corrections Department notes, 5.25% to 5.97%, maturing through 2020.....	—	19,905
Probation Parole and Pardon Department note, 4.04%, maturing in 2012.....	—	100
Criminal Justice Academy note, 3.14%, maturing through 2016.....	—	9,345
Budget and Control Board bond and notes, 3.70% to 4.08%, maturing through 2018.....	16,088	31,223
<b>Totals—governmental activities.....</b>	<b>2,205,449</b>	<b>60,944</b>
<b>Business-type Activities:</b>		
Higher Education Fund bonds and notes, 1.28% to 7.17%, maturing serially through 2040.....	690,836	123,375
Housing Authority Fund bonds and note, 2.85% to 8.30%, maturing serially through 2041.....	819,384	—
Medical University Hospital Authority bonds and notes, 2.18% to 6.15%, maturing through 2035.....	451,561	38,530
Education Assistance Authority Fund bonds, 3.40% to 5.10%, maturing serially through 2030.....	894,700	—
Nonmajor enterprise funds:		
Nonmajor enterprise fund bonds and notes, 2.10% to 7.50%, maturing through 2038.....	59,685	57,374
<b>Totals—business-type activities.....</b>	<b>2,916,166</b>	<b>219,279</b>
<b>Totals—primary government.....</b>	<b>\$ 5,121,615</b>	<b>\$ 280,223</b>
<b>Major Discretely Presented Component Units:</b>		
Public Service Authority bonds, 2.00% to 8.37%, maturing serially through 2042.....	\$ 4,595,190	\$ —
State Ports Authority bonds and notes, 0.31% to 5.50%, maturing serially through 2027.....	\$ 98,511	\$ 1,294
Connector 2000 Association, Inc. bonds, 5.25% to 6.30%, maturing serially through 2038.....	\$ 319,015	\$ —

### Debt Derivatives

#### Transportation Infrastructure Bank

During a prior fiscal year, the Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, entered into interest rate exchange agreements with a termination date of October 1, 2031, to enhance savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. On June 18, 2008, the Bank exercised the option to modify the interest rate exchange from the Auction Rate mode to a Variable Rate Demand Obligation mode. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.86% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.93% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate on such notional amount. For the fiscal year ended June 30, 2010, the Bank made variable bond interest payments of \$855 thousand and fixed rate payments on the exchange agreement of \$14.045 million. The Bank received variable swap payments on the exchange agreement of \$640 thousand. The June 30, 2010, mark to market value of this swap was negative \$76.759 million, representing a change in fair value of negative \$20.678 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net assets.



*Medical University Hospital Authority*

The Medical University Hospital Authority of the Medical University of South Carolina (MUHA), a blended component unit and major enterprise fund, entered into an Enhanced Total Return Contract (ETRC) with a bank to assist in minimizing the difference between the interest rate related to the Series A Tax Exempt Serial Bonds that mature February 15, 2027 through August 15, 2028 and the Series A Tax Exempt Term Bond that matures August 15, 2034, and reinvest earnings related to those respective bonds during the construction period of the replacement hospital facility. The ETRC essentially converted MUHA's borrowing costs for the related bonds from a fixed rate to a variable rate instrument based on the Bond Market Association index, subject to a cap of 4.93%. This part of ETRC expired on the contractual termination date of June 1, 2008.

The ETRC also included an option for the bank to obtain reimbursement from MUHA for the negative difference, if any, between the amortized purchase price of the bonds underlying the ETRC and the bonds' market value adjusted for the bank's cumulative net settlement receipts (if any) under the ETRC. Under the option terms, MUHA received from the bank a premium of 0.85% of the notional amount of the underlying bonds. MUHA's liability related to the net settlement of the option was subject to a cap of \$8.750 million and was secured with funds deposited by MUHA in an escrow account. The option, and thus all existing provisions of the ETRC, was terminated by MUHA and the bank on December 1, 2009, at which time MUHA made the final net settlement payment to the bank in the maximum amount of \$8.750 million.

During the implementation period of GASB Statement No. 53, the ETRC was considered an investment derivative instrument which was fully terminated by MUHA on December 1, 2009. As such, changes in its fair value were required to be recognized in MUHA's Statement of Revenues, Expenses, and Changes in Net Assets. However, since the ETRC reached its capped maximum negative value of \$8.750 million as of June 30, 2009, its termination and net settlement in fiscal year 2010 did not have an impact on MUHA's income for fiscal year 2009-2010. Because it related to periods prior to fiscal year 2009-2010, the \$8.750 million decline in the fair value of the ETRC as of June 30, 2009, has been recognized as an adjustment to the beginning balance of MUHA's net assets.

*University Medical Associates*

University Medical Associates of the Medical University of South Carolina (UMA) is a blended component unit and nonmajor enterprise fund. On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2008 Bonds) in the amount of \$65.085 million in conjunction with the refunding of its 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities (SAVRS). The proceeds of the Series 2008 Bonds were used to fully redeem the 1999 A&B SAVRS and pay certain costs of issuance. The Series 2008 Bonds mature in various installments ranging from \$1.700 million to \$3.925 million beginning on July 1, 2019 with final maturity on July 1, 2037.

In addition to issuing the Series 2008 Bonds, UMA borrowed \$37.915 million via a taxable term loan payable. UMA used the proceeds from the Series 2008 Bonds and the term loan, along with \$9.644 million of cash from the existing debt service reserve funds, to advance refund outstanding SAVRS direct note obligations of \$85.100 million, terminate previous swap agreements with a fair value of \$23.482 million, and pay issue costs of \$1.062 million. This refunding resulted in an economic gain of \$4.165 million and an increase in cash flows of \$4.811 million due to extending the term by ten years. The deferred refunding costs of \$26.737 million, including the swap termination payment, are being amortized over the shorter life of the refunded debt (ending May 15, 2027) using the effective interest method.

UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on the Series 2008 Bonds in an effort to convert its variable rate debt to a synthetic fixed rate of 2.10% on the bonds. The Series 2008 Bonds swap agreement was issued on December 5, 2008, with an effective date of December 18, 2008, and matures on July 1, 2037. The notional amount as of June 30, 2010 is \$62.085 million, which equals the principal outstanding. Under the Series 2008 Bonds swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67% of the one month LIBOR rate. The variable rate in effect at June 30, 2010 was 0.15%. The fair value of the Series 2008 Bonds' swap was \$1.459 million as of June 30, 2010. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Consistent with the guidance provided by GASB Statement No. 53, the positive fair value of the Series 2008 Bonds' cash flow hedge swap has been recorded on the Statement of Net Assets as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the Series 2008 Bonds' cash flow hedge swap from June 30, 2009 of \$3.150 million is not recognized in these financial statements.

On December 18, 2008, UMA borrowed \$37.915 million via a taxable term loan payable to cover the taxable portion of the refunding of the aforementioned SAVRS. The proceeds of the loan were used to fully redeem the outstanding 1994 and

## State of South Carolina

1997 SAVRS, terminate the previously outstanding swap agreements, and pay certain costs of issuance. The note is payable in level monthly principal installments of \$316 thousand through January 1, 2019 plus interest.

UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on the term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.87%. The swap agreement related to the term loan was issued on December 5, 2008, with an effective date of December 18, 2008, and matures January 1, 2019. The notional amount as of June 30, 2010 was \$32.544 million, which equaled the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the 2008 term loan in effect at June 30, 2010 was 1.65%. The fair value of the term loan swap was negative \$709 thousand as of June 30, 2010. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Consistent with the guidance provided by GASB Statement No. 53, the negative fair value of the term loan cash flow hedge swap has been recorded on the Statement of Net Assets as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the term loan cash flow hedge swap from June 30, 2009 of \$1.382 million is not recognized in these financial statements.

As of June 30, 2010, debt service requirements of the UMA variable rate debt and net swap payments (expressed in thousands), assuming current interest rates remain the same for their term, were as follows:

Year Ending June 30	Variable Rate Debt		Interest Rate Swaps, Net	Totals
	Principal	Interest		
2011	\$ 3,792	\$ 600	\$ 1,871	\$ 6,263
2012	3,792	537	1,783	6,112
2013	3,792	475	1,695	5,962
2014	3,791	412	1,607	5,810
2015	3,791	349	1,519	5,659
2016-2020	18,786	865	6,247	25,898
2021-2025	13,430	366	4,557	18,353
2026-2030	14,905	260	3,239	18,404
2031-2035	17,100	139	1,726	18,965
2036-2038	11,450	17	218	11,685
<b>Totals.....</b>	<b>\$ 94,629</b>	<b>\$ 4,020</b>	<b>\$ 24,462</b>	<b>\$ 123,111</b>

### State Ports Authority

In December 2005, the State Ports Authority, a major discretely presented component unit, entered into two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2010 were \$61.128 million and \$26.197 million. The payments began August 1, 2008 and continue until the contracts expire on July 1, 2026. In June 2008, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of the interest rate swaps entered into in 2005. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate beginning on August 1, 2008 and the first day of each succeeding month up to and including July 1, 2026, when the contract expires. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is \$87.325 million at June 30, 2010. As of June 30, 2010, the swaps had a negative fair value of approximately \$5.088 million. The unrealized loss related to these agreements recorded at June 30, 2010 is \$715 thousand and is included in interest expense.

### Pledged Revenues for Payment of Debt

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

**Primary Government:****Governmental Activities:**

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

Tobacco Authority bonds: tobacco settlement revenues recorded in the nonmajor governmental funds

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

Corrections Department note: farm facility revenues

Budget and Control Board bonds: loan repayments

**Business-type Activities:**

Higher education bonds and notes: various specific higher education revenues

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

Education Assistance Authority bonds: loan repayments and United States Commissioner of Education funds in the Education Assistance Authority Fund, a major enterprise fund

**Major Discretely Presented Component Units:**

Public Service Authority bonds: Public Service Authority revenues

State Ports Authority bonds: State Ports Authority revenues

Connector 2000 Association, Inc. bonds: toll revenues

For its business-type activities, the State separately identifies amounts of pledged revenues available at June 30, 2010, in the statement of revenues, expenses, and changes in fund net assets for proprietary funds.

**Debt Service Requirements**

At June 30, 2010, future debt service requirements (expressed in thousands) for revenue, Tobacco Authority, Infrastructure Bank, and other bonds and notes of the primary government were as follows:

Year Ending June 30	Primary Government			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 62,730	\$ 103,562	\$ 120,323	\$ 126,682
2012	66,316	100,430	104,776	121,746
2013	74,294	96,995	96,122	118,305
2014	91,312	93,216	71,065	114,010
2015	106,328	88,781	78,698	110,584
2016-2020	466,919	366,510	377,246	495,480
2021-2025	384,375	260,971	939,741	383,821
2026-2030	454,785	167,434	708,434	207,264
2031-2035	454,990	57,617	424,501	90,360
2036-2040	49,900	3,434	115,870	10,883
2041	—	—	120,000	—
<b>Total debt service requirements.....</b>	<b>2,211,949</b>	<b>\$ 1,338,950</b>	<b>3,156,776</b>	<b>\$ 1,779,135</b>
Net unamortized premiums.....	83,210		21,688	
Deferred amount on refunding.....	(28,766)		(43,019)	
<b>Total principal outstanding.....</b>	<b>\$ 2,266,393</b>		<b>\$ 3,135,445</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 major discretely presented component units. At December 31, 2009, the carrying value of the Public Service Authority's debt was \$4.385 billion while the fair value was approximately \$4.400 billion. At June 30, 2010, the carrying value of the State Ports Authority debt was \$99.266 million while the fair value was approximately \$94.810 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.

At June 30, 2010, future debt service requirements (expressed in thousands) for bonds and notes of the State's major discretely presented component units were as follows:

Year Ending December 31	Public Service Authority		Connector 2000 Assoc.	
	Principal	Interest	Principal	Interest
2010	\$ 122,655	\$ 230,777	\$ 7,300	\$ 3,411
2011	126,920	229,390	8,100	3,358
2012	129,993	222,827	9,900	3,303
2013	175,200	215,470	10,500	3,243
2014	429,075	198,146	11,000	3,180
2015-2019	1,120,739	791,380	73,100	14,851
2020-2024	864,981	527,447	105,700	12,747
2025-2029	557,827	365,885	146,400	9,987
2030-2034	544,428	211,337	182,300	6,343
2035-2039	533,090	71,502	178,900	1,731
2040-2042	30,925	684	—	—
<b>Total debt service requirements.....</b>	<b>4,635,833</b>	<b>\$ 3,064,845</b>	<b>733,200</b>	<b>\$ 62,154</b>
Unamortized premiums (discounts)...	127,791		(414,185)	
Deferred amount on refunding.....	(168,434)		—	
<b>Total principal outstanding.....</b>	<b>\$ 4,595,190</b>		<b>\$ 319,015</b>	

Year Ending June 30	State Ports Authority	
	Principal	Interest
2011	\$ 4,255	\$ 4,995
2012	4,470	4,756
2013	4,695	4,505
2014	4,849	4,252
2015	4,835	3,989
2016-2020	28,220	15,736
2021-2025	36,365	7,117
2026-2027	11,560	164
<b>Total debt service requirements.....</b>	<b>99,249</b>	<b>\$ 45,514</b>
Unamortized premiums.....	556	
<b>Total principal outstanding.....</b>	<b>\$ 99,805</b>	

#### Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2010, in governmental functions for these entities as follows (expressed in thousands):

	Amount
General government.....	\$ 17,245
Transportation.....	135,272
<b>Total allocated interest expense..</b>	<b>\$ 152,517</b>

The amount shown above in the general government function relates to bonds that a blended component unit issued.

#### d. Bond Anticipation Notes

At June 30, 2010, \$30.000 million in short-term general obligation bond anticipation notes and \$51.100 million in short-term revenue bond anticipation notes were outstanding in the Higher Education Fund, a major enterprise fund. These notes are due on or before June 30, 2011.

#### e. Defeased Bonds

During its fiscal year ended December 31, 2009, the Public Service Authority, a major discretely presented component unit, issued \$115.000 million in 2009 Tax-Exempt Refunding Series A revenue bonds with an average interest rate of 4.83% to refund \$119.600 million in revenue bonds with an average interest rate of 5.06%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8.700 million. This difference, reported in the

accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next 23 years by approximately \$10.800 million and to obtain an economic gain of approximately \$3.700 million.

Also during its fiscal year ended December 31, 2009, the Public Service Authority issued \$39.700 million in 2009 Tax-Exempt Refunding Series D revenue bonds with an average interest rate of 4.52% to refund \$40.800 million in revenue bonds with an average interest rate of 5.59%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1.000 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations during the year 2009 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next 4 years by approximately \$2.300 million and to obtain an economic gain of approximately \$2.100 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has not recorded the defeased bonds in the accompanying financial statements. At June 30, 2010, the following outstanding bonds of the primary government (expressed in thousands) were considered defeased:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Totals— Primary Government</b>
Capital improvement bonds.....	\$ 40,310	\$ —	\$ 40,310
State highway bonds.....	195,775	—	195,775
Infrastructure Bank bonds.....	311,460	—	311,460
Tobacco Authority bonds.....	335,270	—	335,270
Higher Education Fund bonds..	—	112,774	112,774
<b>Totals.....</b>	<b>\$ 882,815</b>	<b>\$ 112,774</b>	<b>\$ 995,589</b>

In addition, at December 31, 2009, \$155.780 million of bonds associated with the Public Service Authority were considered defeased.

#### **f. Arbitrage Rebate Payable**

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2010, reported as other liabilities for governmental activities is an arbitrage rebate liability of \$3.593 million associated with the State's General Obligation Debt and a \$683 thousand arbitrage rebate liability associated with revenue bonds of the Local Government Infrastructure Fund (a major governmental fund). The Higher Education Fund (a major enterprise fund) and the Education Assistance Authority Fund (a major enterprise fund) have also incurred arbitrage rebate liabilities in connection with student loan and revenue bonds sold in previous years. Arbitrage rebates payable at June 30, 2010, are reported as other liabilities of \$509 thousand in the Higher Education Fund, and as other liabilities payable from restricted assets of \$1.349 million in the Education Assistance Authority Fund.

#### **g. 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 Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2010, the outstanding balance of bonds issued was \$357.587 million.

The Jobs-Economic Development Authority, a nonmajor 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, 2010, the outstanding balance of bonds issued after June 30, 1995, was \$4.558 billion. The original amount of bonds issued prior to that date is not available.

The Housing Authority Fund, a major 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, 2010, the outstanding balance of bonds issued was \$290.168 million.

### **h. Commercial Paper Notes and Letters of Credit**

Note 13 Changes in Liabilities, displays the activity of commercial paper notes and lines of credit during the fiscal year ended June 30, 2010, including beginning and ending balances (if any) as well as all draws and repayments. The Public Service Authority presents its outstanding amounts as commercial paper notes, but all other amounts outstanding on lines of credit at June 30, 2010 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The University Medical Associates of the Medical University of South Carolina (UMA), a blended component unit and nonmajor enterprise fund, secured its Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds by an irrevocable direct-pay letter of credit issued in the initial stated amount of \$62.799 million. This amount included initial principal and accrued interest components. UMA is obligated to repay amounts drawn under the letter of credit as set forth in the Reimbursement and Security Agreement, dated as of December 1, 2008. Also, UMA has a line of credit with a maximum borrowing limit of \$10.000 million, on which UMA could draw for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year 2009-2010, there were no advances under this line of credit. In June 2010, this line of credit expired and was renewed with basically the same terms.

The Public Service Authority, a discretely presented component unit, has recorded a \$276.551 million liability for commercial paper notes at its fiscal year ended December 31, 2009. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has a \$450.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2009.

The Ports Authority, a discretely presented component unit, has a \$10.000 million revolving line of credit from a commercial bank. There are no borrowings under the line of credit as of June 30, 2010.

### **i. Advances from Federal Government**

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

At June 30, 2010, the outstanding balance of these advances was \$886.662 million. Principal payments are required to begin on September 30, 2011, with interest accruing at an interest rate of approximately 4% beginning on January 1, 2011. The loan is considered noncurrent since the first principal payment is due one or more years after June 30, 2010.

Under Section 1201 of Title XII of the Social Security Act, if a balance of advances to a State is outstanding on January 1, in two consecutive years and not fully repaid prior to November 10 of the second year, employers subject to contributions under such state's unemployment compensation law will be subject to additional Federal unemployment taxes determined by a formula of reductions in credit against the tax. Such credit reduction will apply beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances. The credit reductions, pursuant to Section 3302(c)(2) of FUTA, increase employers' Federal tax liability each year. The amount equal to the reduced credits, excluding penalty and interest, will be applied to reduce the State's balance of advances.

The State has implemented comprehensive changes to the Unemployment Insurance (UI) tax structure specifically designed to assist in putting the Fund back on the path to solvency. State unemployment tax rates for future years will be structured to raise revenues that more accurately address the demands on the Fund and the changing economic environment in which the Fund operates. While the Fund remains in Federal loan status, required tax revenues will consist of estimated benefit payouts for the subsequent year, an amount required to repay the principal on all outstanding federal advances over five years, and an additional surcharge designated to pay accrued interest on outstanding advances. As the expected level of state UI benefits continues to decrease, a greater proportion of state UI tax revenues will be available to repay the advanced funds.

As of November 30, 2010, the Fund has not taken any additional advances. Increased tax collections coupled with decreases in the number of individuals eligible for and claiming state UI benefits have enabled the Fund to operate without obtaining additional advances from the federal government since April 2010. Management plans to continue to borrow from the Federal government as needed, to fund its deficits for the foreseeable future; however, it is estimated that no additional advances will be required until December 2010. The Federal government has not established a maximum amount that the Fund can borrow.

**j. Subsequent Events**

In November 2010, the State's primary government entered into a \$1.972 million Master Lease note, which will be reported in the State's governmental activities. On November 16, 2010, the Board of Directors of the Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, approved the issuance of \$203.580 million in revenue bonds.

Since June 30, 2010, the State's Higher Education Fund, a major enterprise fund, issued \$65.855 million in athletic facilities revenue bonds and \$26.375 million in athletic facilities revenue refunding bonds. The State Housing Finance and Development Authority, a major enterprise fund, issued \$100.000 million in Homeownership Revenue Bonds on July 1, 2010. The Housing Authority expects to issue an additional \$80.000 million in Homeownership Revenue Bonds in fiscal year 2011.

In November 2010, the South Carolina Student Loan Corporation issued bonds, the proceeds of which will be used to retire its finance loan with the Education Assistance Authority, a major enterprise fund. In turn, the Education Assistance Authority will use the proceeds of the finance loan repayment to retire all of its auction rate bonds outstanding. The balance of these auction rate bonds was \$809.700 million at June 30, 2010. The South Carolina Student Loan Corporation expects to have proceeds available from its closing on November 30. The bonds of the Education Assistance Authority will be paid on the next available auction date after November 30.

Subsequent to its fiscal year end, the Public Service Authority, a major discretely presented component unit, has issued \$234.861 million in revenue obligations, \$231.060 million in revenue refunding obligations, and \$44.766 million in tax-exempt revenue mini-bonds.

**NOTE 13: CHANGES IN LIABILITIES****a. Long-Term Liabilities**

Changes in major classes of long-term liabilities (expressed in thousands) for the fiscal year ended June 30, 2010, were:

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
Policy claims.....	\$ 660,394	\$ 1,740,191	\$ (1,749,751)	\$ 650,834	\$ 471,752
Notes payable.....	\$ 35,820	\$ 31,672	\$ (6,548)	\$ 60,944	\$ 12,640
General obligation bonds payable.....	\$ 1,845,745	\$ 569,860	\$ (501,655)	\$ 1,913,950	\$ 190,165
Unamortized discounts and premiums.....	17,698	39,427	(2,491)	54,634	—
Deferred amount on refunding.....	(5,933)	(14,194)	1,591	(18,536)	—
Total general obligation bonds payable...	\$ 1,857,510	\$ 595,093	\$ (502,555)	\$ 1,950,048	\$ 190,165
Tobacco Authority bonds payable.....	\$ 200,000	\$ —	\$ (63,035)	\$ 136,965	\$ —
Unamortized discount.....	(5,984)	—	1,886	(4,098)	—
Deferred amount on refunding.....	(17,836)	—	5,622	(12,214)	—
Total Tobacco Authority bonds payable...	\$ 176,180	\$ —	\$ (55,527)	\$ 120,653	\$ —
Revenue bonds payable.....	\$ 35,210	\$ —	\$ (2,640)	\$ 32,570	\$ 2,760
Unamortized discounts and premiums.....	772	—	(91)	681	—
Total revenue bonds payable.....	\$ 35,982	\$ —	\$ (2,731)	\$ 33,251	\$ 2,760
Infrastructure Bank bonds payable.....	\$ 2,037,360	\$ 88,590	\$ (144,480)	\$ 1,981,470	\$ 47,330
Unamortized discounts and premiums.....	78,500	10,086	(1,959)	86,627	—
Deferred amount on refunding.....	(23,996)	—	7,444	(16,552)	—
Total Infrastructure Bank bonds payable...	\$ 2,091,864	\$ 98,676	\$ (138,995)	\$ 2,051,545	\$ 47,330
Limited obligation bonds payable.....	\$ 7,660	\$ —	\$ (1,200)	\$ 6,460	\$ 1,280
Unamortized discounts and premiums.....	(31)	—	6	(25)	—
Total limited obligation bonds payable.....	\$ 7,629	\$ —	\$ (1,194)	\$ 6,435	\$ 1,280
Capital leases payable.....	\$ 404	\$ —	\$ (162)	\$ 242	\$ 117
Compensated absences payable.....	\$ 219,949	\$ 119,604	\$ (125,440)	\$ 214,113	\$ 116,109
National Guard Retirement System net pension obligation payable.....	\$ 9,234	\$ 366	\$ (252)	\$ 9,348	\$ —
Judgments and contingencies payable.....	\$ 33,568	\$ —	\$ (10,036)	\$ 23,532	\$ 10,494
Arbitrage payable.....	\$ 2,754	\$ 1,522	\$ —	\$ 4,276	\$ 3,560

The National Guard Retirement System net pension obligation payable, judgments and contingencies payable, and arbitrage payable are included in *other liabilities* in the accompanying financial statements.

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



	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Business-type Activities</b>					
Policy claims.....	\$ 155,574	\$ 23,454	\$ (40,373)	\$ 138,655	\$ 13,054
Advances from Federal government.....	\$ 344,881	\$ 541,781	\$ —	\$ 886,662	\$ —
Notes payable.....	\$ 273,894	\$ 6,048	\$ (52,448)	\$ 227,494	\$ 34,270
Unamortized discounts and premiums.....	78	—	(6)	72	—
Deferred amount on refunding.....	(9,798)	—	1,511	(8,287)	—
Total notes payable.....	\$ 264,174	\$ 6,048	\$ (50,943)	\$ 219,279	\$ 34,270
General obligation bonds payable.....	\$ 354,310	\$ 54,000	\$ (20,805)	\$ 387,505	\$ 23,330
Unamortized discounts and premiums.....	806	—	(64)	742	—
Deferred amount on refunding.....	(864)	—	81	(783)	—
Total general obligation bonds payable...	\$ 354,252	\$ 54,000	\$ (20,788)	\$ 387,464	\$ 23,330
Revenue bonds payable.....	\$ 2,996,602	\$ 245,010	\$ (312,330)	\$ 2,929,282	\$ 86,053
Unamortized discounts and premiums.....	20,837	2,102	(1,323)	21,616	—
Deferred amount on refunding.....	(36,350)	17	1,601	(34,732)	—
Total revenue bonds payable.....	\$ 2,981,089	\$ 247,129	\$ (312,052)	\$ 2,916,166	\$ 86,053
Capital leases payable.....	\$ 87,224	\$ 29,075	\$ (9,831)	\$ 106,468	\$ 5,615
Compensated absences payable.....	\$ 143,475	\$ 93,374	\$ (89,292)	\$ 147,557	\$ 79,029
Arbitrage payable.....	\$ 3,519	\$ 25	\$ (1,686)	\$ 1,858	\$ 301

	Balances at January 1, 2009	Increases	Decreases	Balances at December 31, 2009	Amounts Due Within One Year
<b>Major Component Units:</b>					
<b>Public Service Authority</b>					
Policy claims.....	\$ 2,120	\$ 2,027	\$ (2,394)	\$ 1,753	\$ 1,753
Revenue bonds payable.....	\$ 4,109,025	\$ 918,126	\$ (391,318)	\$ 4,635,833	\$ 122,655
Unamortized discounts and premiums.....	107,843	31,014	(11,066)	127,791	—
Deferred amount on refunding.....	(185,839)	(9,564)	26,969	(168,434)	—
Total revenue bonds payable.....	\$ 4,031,029	\$ 939,576	\$ (375,415)	\$ 4,595,190	\$ 122,655
Capital leases payable.....	\$ 7,983	\$ 1,686	\$ (4,070)	\$ 5,599	\$ 1,685
Compensated absences payable.....	\$ 17,213	\$ 2,304	\$ (1,482)	\$ 18,035	\$ —
<b>Connector 2000 Association, Inc.</b>					
Revenue bonds payable.....	\$ 739,900	\$ —	\$ (6,700)	\$ 733,200	\$ 7,300
Unamortized discounts and premiums.....	(428,848)	14,663	—	(414,185)	—
Total revenue bonds payable.....	\$ 311,052	\$ 14,663	\$ (6,700)	\$ 319,015	\$ 7,300

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010	Amounts Due Within One Year
<b>State Ports Authority</b>					
Notes payable.....	\$ 1,639	\$ —	\$ (345)	\$ 1,294	\$ 345
Revenue bonds payable.....	\$ 101,660	\$ —	\$ (3,705)	\$ 97,955	\$ 3,910
Unamortized discounts and premiums.....	602	—	(46)	556	—
Total revenue bonds payable.....	\$ 102,262	\$ —	\$ (3,751)	\$ 98,511	\$ 3,910
Capital leases payable.....	\$ 23	\$ —	\$ (6)	\$ 17	\$ 6
Compensated absences payable.....	\$ 2,672	\$ 1,323	\$ (1,806)	\$ 2,189	\$ 2,189
<b>Lottery Commission</b>					
Compensated absences payable.....	\$ 858	\$ 506	\$ (658)	\$ 706	\$ 590

**b. Short-Term Debt**

The State's Higher Education Fund may issue Bond Anticipation Notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority, a major discretely presented component unit, may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2010, included: BANS in the Higher Education Fund, a major enterprise fund; commercial paper notes in the Public Service Authority; and letters of credit in the nonmajor enterprise funds. Short-term debt activity during the fiscal year (expressed in thousands) was as follows:

	Balances at July 1, 2009	Increases	Decreases	Balances at June 30, 2010
<b>Primary Government:</b>				
<b>Business-type Activities</b>				
General obligation bond anticipation notes payable.....	\$ 30,000	\$ 30,000	\$ (30,000)	\$ 30,000
Revenue bond anticipation notes payable.....	\$ 53,100	\$ 51,100	\$ (53,100)	\$ 51,100
Letters of credit.....	\$ —	\$ —	\$ —	\$ —
<b>Major Component Unit:</b>				
<b>Public Service Authority</b>				
Commercial paper notes.....	\$ 152,807	\$ 180,719	\$ (56,975)	\$ 276,551

## NOTE 14: RESERVATIONS AND DESIGNATIONS OF FUND BALANCES IN GOVERNMENTAL FUNDS

Reserved components of fund balances represent amounts in governmental funds that are legally segregated or that the State cannot appropriate. Designated portions of unreserved fund balances reflect tentative plans for future use of available financial resources.

The unreserved component of fund balance equals the total fund balance less reserved amounts.

At June 30, 2010, the following amounts of fund balance in governmental funds (expressed in thousands) were reserved:

	General	Departmental General Operating	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund balances reserved for:</b>						
General reserve fund.....	\$ 110,883	\$ —	\$ —	\$ —	\$ —	\$ 110,883
Inventories.....	7,924	14,209	—	5,161	3	27,297
Prepaid items.....	—	—	—	6,302	—	6,302
Interfund receivables.....	—	381	321,113	—	11,030	332,524
Appropriations to be carried forward .....	64,283	—	—	—	—	64,283
Endowments .....	—	—	—	—	3,270	3,270
Long-term loans and notes receivable .....	—	1,158	497,338	4,275	32,939	535,710
Debt requirements.....	—	—	1,163,122	—	55,833	1,218,955
School building aid .....	1,555	—	—	—	51,119	52,674
<b>Total reserved fund balances.....</b>	<b>\$ 184,645</b>	<b>\$ 15,748</b>	<b>\$ 1,981,573</b>	<b>\$ 15,738</b>	<b>\$ 154,194</b>	<b>\$ 2,351,898</b>

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

### a. Reserved

#### General Reserve Fund

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 previous 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, 2010, the Reserve was \$110.883 million which was \$80.889 million below the full funding amount.

#### 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 Prepaid Items

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

#### Reserved for Interfund Receivables and Reserved for Long-Term Loans and Notes Receivable

Long-term loans and notes receivable and long-term interfund receivables are assets that do not represent expendable available resources. 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. It uses the reserve for appropriations to be carried forward if the General Assembly has authorized the carry-forward of General Fund appropriations to the next fiscal year.

## Reserved for Endowments

This reserve recognizes restrictions on donated resources.

## Reserved for Debt Requirements

When financing agreements or bond indentures require a reservation, the State records an amount as reserved for debt requirements.

## Reserved for School Building Aid

If the State promises to pay a school district to build school buildings or to retire debt on such buildings, it records an amount as reserved for school building aid. The State has recorded such amounts, which are not available for appropriation, in its General Fund and its nonmajor governmental funds.

### b. Designated, Reported in Special Revenue Funds

The total designated amount reported on the governmental funds balance sheet for nonmajor special revenue funds is designated for scholarships. The amount is for the Teacher Loan Program, reported within the nonmajor governmental funds. This program makes loans to students. The State cancels 20.0% to 33.0% of the loan for each year that the borrower teaches in a critical-need area. Borrowers who do not teach in such an area must repay their loans.

### c. Designated, Reported in the Capital Projects Fund

The total designated amount reported on the governmental funds balance sheet for the State's Capital Projects Fund, a nonmajor governmental fund, is designated for capital expenditures.

## NOTE 15: INTERFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2010 (expressed in thousands):

Funds	Due From	Due To
General		
Departmental General Operating.....	\$ 5	\$ 25,886
Local Government Infrastructure.....	—	8,597
Department of Transportation Special Revenue.....	—	7,909
State Tobacco Settlement.....	8	—
Nonmajor governmental funds.....	36,226	30,100
Higher Education.....	—	2,843
Unemployment Compensation.....	8,448	226
Nonmajor enterprise funds.....	80	—
Internal service.....	975	7,697
Fiduciary.....	—	32,550
	<u>45,742</u>	<u>115,808</u>
Departmental General Operating		
General.....	25,886	5
Local Government Infrastructure.....	—	135
Department of Transportation Special Revenue.....	44	9
Nonmajor governmental funds.....	2,318	2,976
Higher Education.....	—	11,893
Nonmajor enterprise funds.....	—	599
Internal service.....	122	12,936
Fiduciary.....	—	19,151
	<u>28,370</u>	<u>47,704</u>
Local Government Infrastructure		
General.....	8,597	—
Departmental General Operating.....	135	—
Department of Transportation Special Revenue.....	8,209	15,491
Internal service.....	—	2
Fiduciary.....	—	53
	<u>16,941</u>	<u>15,546</u>

<b>Funds</b>	<b>Due From</b>	<b>Due To</b>
Department of Transportation Special Revenue Fund		
General.....	7,909	—
Departmental General Operating.....	9	44
Local Government Infrastructure.....	15,491	8,209
Nonmajor governmental funds.....	—	5
Higher Education.....	80	—
Internal service.....	435	1,985
Fiduciary.....	—	5,929
	<u>23,924</u>	<u>16,172</u>
State Tobacco Settlement		
General.....	—	8
	<u>—</u>	<u>8</u>
Nonmajor Governmental Funds		
General.....	30,100	36,226
Departmental General Operating.....	2,976	2,318
Department of Transportation Special Revenue.....	5	—
Nonmajor governmental funds.....	3,167	3,167
Higher Education.....	55	41,581
Nonmajor enterprise funds.....	92	695
Internal service.....	1,532	627
Fiduciary.....	—	932
	<u>37,927</u>	<u>85,546</u>
Higher Education		
General.....	2,843	—
Departmental General Operating.....	11,893	—
Department of Transportation Special Revenue.....	—	80
Nonmajor governmental funds.....	41,581	55
Hospital Authority.....	—	8,636
Nonmajor enterprise funds.....	—	27,646
Internal service.....	—	12,604
Fiduciary.....	—	7,605
	<u>56,317</u>	<u>56,626</u>
Unemployment Compensation Benefits		
General.....	226	8,448
Internal service.....	2	—
	<u>228</u>	<u>8,448</u>
Housing Authority		
Internal service.....	—	14
	<u>—</u>	<u>14</u>
Medical University Hospital Authority		
Higher Education.....	8,636	—
Nonmajor enterprise funds.....	287	—
	<u>8,923</u>	<u>—</u>
Nonmajor Enterprise Funds		
General.....	—	80
Departmental General Operating.....	599	—
Nonmajor governmental funds.....	695	92
Higher Education.....	27,646	—
Hospital Authority.....	—	287
Internal service.....	9	68
Fiduciary.....	—	99
	<u>28,949</u>	<u>626</u>

<b>Funds</b>	<b>Due From</b>	<b>Due To</b>
Internal Service		
General.....	7,697	975
Departmental General Operating.....	12,936	122
Local Government Infrastructure.....	2	—
Department of Transportation Special Revenue.....	1,985	435
Nonmajor governmental funds.....	627	1,532
Higher Education.....	12,604	—
Unemployment Compensation.....	—	2
Housing Authority.....	14	—
Nonmajor enterprise funds.....	68	9
Internal service.....	295	295
Fiduciary.....	16,403	1,421
	<u>52,631</u>	<u>4,791</u>
Fiduciary		
General.....	32,550	—
Departmental General Operating.....	19,151	—
Local Government Infrastructure.....	53	—
Department of Transportation Special Revenue.....	5,929	—
Nonmajor governmental funds.....	932	—
Higher Education.....	7,605	—
Nonmajor enterprise funds.....	99	—
Internal service.....	1,421	16,403
Fiduciary.....	38,703	38,703
	<u>106,443</u>	<u>55,106</u>
<b>Totals.....</b>	<b>\$ 406,395</b>	<b>\$ 406,395</b>

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30.

<b>Funds</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>	<b>Receivables Long-term Portion</b>
General			
Departmental General Operating.....	\$ 4,560	\$ —	\$ —
Nonmajor governmental funds.....	340	—	—
Higher Education.....	114	—	—
Internal service.....	500	—	—
	<u>5,514</u>	<u>—</u>	<u>—</u>
Departmental General Operating			
General.....	—	4,560	—
Nonmajor governmental funds.....	—	453	—
Higher Education.....	781	22	381
Nonmajor enterprise funds.....	—	330	—
Internal service.....	500	—	—
	<u>1,281</u>	<u>5,365</u>	<u>381</u>
Local Government Infrastructure			
Department of Transportation Special Revenue.....	343,692	—	321,113
Department of Transportation Special Revenue Fund			
Local Government Infrastructure.....	—	343,692	—

<b>Funds</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>	<b>Receivables Long-term Portion</b>
<b>Nonmajor Governmental Funds</b>			
General.....	—	340	—
Departmental General Operating.....	453	—	304
Nonmajor governmental funds.....	4,040	4,040	20
Higher Education.....	1,629	—	1,148
Nonmajor enterprise funds.....	9,227	—	9,228
Internal service.....	541	15,400	330
	<u>15,890</u>	<u>19,780</u>	<u>11,030</u>
<b>Higher Education</b>			
General.....	—	114	—
Departmental General Operating.....	22	781	22
Nonmajor governmental funds.....	—	1,629	—
Nonmajor enterprise funds.....	—	29,006	—
	<u>22</u>	<u>31,530</u>	<u>22</u>
<b>Medical University Hospital Authority</b>			
Nonmajor enterprise funds.....	—	2,055	—
<b>Nonmajor Enterprise Funds</b>			
Departmental General Operating.....	330	—	—
Nonmajor governmental funds.....	—	9,227	—
Higher Education.....	29,006	—	29,007
Hospital Authority.....	2,055	—	2,055
Internal service.....	—	6,837	—
	<u>31,391</u>	<u>16,064</u>	<u>31,062</u>
<b>Internal Service</b>			
General.....	—	500	—
Departmental General Operating.....	—	500	—
Nonmajor governmental funds.....	15,400	541	13,780
Nonmajor enterprise funds.....	6,837	—	6,837
	<u>22,237</u>	<u>1,541</u>	<u>20,617</u>
<b>Totals.....</b>	<b><u>\$ 420,027</u></b>	<b><u>\$ 420,027</u></b>	<b><u>\$ 384,225</u></b>

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

- \$343.692 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- \$29.007 million owed by the Medical University of South Carolina reported within the Higher Education Fund, a major enterprise fund, to the nonmajor enterprise funds, in relation to internal leasing arrangements.
- \$15.400 million owed by the nonmajor governmental funds to the internal service funds. The nonmajor governmental funds borrowed the money to purchase and renovate new headquarters facilities for the State Department of Public Safety.
- \$9.228 million owed by the nonmajor enterprise funds to the nonmajor governmental funds. Patriots Point Development Authority borrowed the money for the purpose of funding repairs to the destroyer *USS Laffey*.
- \$6.837 million owed by the nonmajor enterprise funds to the internal service funds. The nonmajor enterprise funds lent the money received to a county for infrastructure within a residential development.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2010 (expressed in thousands):

<b>Funds</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General Fund</b>		
Departmental General Operating.....	\$ 52,166	\$ 161,165
Local Government Infrastructure.....	—	1,254
Department of Transportation Special Revenue.....	—	111
Nonmajor governmental funds.....	18,757	370,785
Higher Education.....	—	617,933
Unemployment Compensation Benefits.....	1,408	470
Nonmajor enterprise funds.....	12	12
Internal service.....	—	272
	<u>72,343</u>	<u>1,152,002</u>
<b>Departmental General Operating</b>		
General.....	161,165	52,166
Local Government Infrastructure.....	21,269	20
Department of Transportation Special Revenue.....	41	—
Nonmajor governmental funds.....	45,042	10,206
Higher Education.....	17,909	14,678
Unemployment Compensation Benefits.....	200	—
Housing Authority.....	28	—
Nonmajor enterprise funds.....	1,621	32
Internal service.....	10,017	4,137
	<u>257,292</u>	<u>81,239</u>
<b>Local Government Infrastructure</b>		
General.....	1,254	—
Departmental General Operating.....	20	21,269
Department of Transportation Special Revenue.....	—	1,000
	<u>1,274</u>	<u>22,269</u>
<b>Department of Transportation Special Revenue Fund</b>		
General.....	111	—
Departmental General Operating.....	—	41
Local Government Infrastructure.....	1,000	—
Nonmajor governmental funds.....	—	48
	<u>1,111</u>	<u>89</u>
<b>Nonmajor Governmental Funds</b>		
General.....	370,785	18,757
Departmental General Operating.....	10,206	45,042
Department of Transportation Special Revenue.....	48	—
Higher Education.....	22,533	62,984
Housing Authority.....	—	400
Nonmajor enterprise funds.....	104	695
Internal service.....	19	422
	<u>403,695</u>	<u>128,300</u>
<b>Higher Education</b>		
General.....	617,933	—
Departmental General Operating.....	14,678	17,909
Nonmajor governmental funds.....	62,984	22,533
Medical University Hospital Authority.....	—	248
Nonmajor enterprise funds.....	47,570	2,230
	<u>743,165</u>	<u>42,920</u>
<b>Unemployment Compensation Benefits</b>		
General.....	470	1,408
Departmental General Operating.....	—	200
	<u>470</u>	<u>1,608</u>



<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Housing Authority		
Departmental General Operating.....	—	28
Nonmajor governmental funds.....	400	—
	<u>400</u>	<u>28</u>
Medical University Hospital Authority		
Higher Education.....	248	—
	<u>248</u>	<u>—</u>
Nonmajor Enterprise Funds		
General.....	12	12
Departmental General Operating.....	32	1,621
Nonmajor governmental funds.....	695	104
Higher Education.....	2,230	47,570
	<u>2,969</u>	<u>49,307</u>
Internal Service		
General.....	272	—
Departmental General Operating.....	4,137	10,017
Nonmajor governmental funds.....	422	19
Internal service.....	493	493
	<u>5,324</u>	<u>10,529</u>
<b>Totals.....</b>	<b>\$ 1,488,291</b>	<b>\$ 1,488,291</b>

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds. During the fiscal year ended June 30, 2010, transfers included \$343.584 million of tax revenues from the Tax Relief Trust Fund, reported as part of the State's General Fund, transferred to the Homestead Exemption Fund for subsequent distribution for property tax relief.

## NOTE 16: PROPRIETARY FUND REVENUES—ALLOWANCES AND DISCOUNTS

In the financial statements, the State presents its revenues net of allowances for uncollectible accounts receivable and contractual adjustments. Note 5 reports these allowances.

*Scholarship allowances* in the Higher Education Fund represent the sum of differences between stated charges for goods and services provided to students and amounts billed to students and/or third parties making payments on behalf of students. For the fiscal year ended June 30, 2010, scholarship allowances reduced the revenues of the Higher Education Fund by the following amounts (expressed in thousands):

	<u>Scholarship Allowances</u>
Charges for services.....	\$ 564,246
Operating revenues pledged for revenue bonds.....	29,469
<b>Total .....</b>	<b>\$ 593,715</b>

For the fiscal year ended June 30, 2010, the State's enterprise funds presented \$1.274 billion included in net charges for services after provisions for contractual and other adjustments in the amount of \$1.698 billion and uncollectible accounts in the amount of \$89.025 million.

## **NOTE 17: DONOR-RESTRICTED ENDOWMENTS AND PLEDGES**

### **a. Donor-Restricted Endowments**

The State's permanent funds (nonmajor governmental funds) and the Higher Education Fund, a major enterprise fund, maintain donor-restricted endowments. Net appreciation consists of realized and unrealized increases in the fair value of an endowment's assets over the historic dollar value of the assets.

At June 30, 2010, \$4.484 million of the amount reported as *restricted net assets, expendable for education*, represented net appreciation on investments of donor-restricted endowments available for authorization for expenditure by governing boards of the higher education institutions. In addition, \$263 thousand of the amount reported as *restricted net assets, expendable for other*, represented net appreciation on investments of donor-restricted endowments of permanent funds.

The South Carolina Uniform Prudent Management of Institutional Funds Act (Title 34, Chapter 6, of the South Carolina Code of Laws, which is referred to below as "the Act") permits an agency's/institution's governing board to authorize for expenditure all of an endowment's net appreciation, unless the applicable gift instrument indicates the donor's intention that net appreciation not be expended. The Act requires that the authorized expenditure be limited to the uses, benefits, purposes, and duration for which the endowment was established and that the institution's governing board exercise ordinary business care and prudence in authorizing the expenditure of net appreciation.

Specific policies for authorizing and spending endowment investment income vary among the agencies and institutions that hold endowments. Generally, the governing boards establish these policies. Among those agencies/institutions that recorded investment income in donor-restricted endowments during the fiscal year ended June 30, 2010, the predominant policy was to authorize the spending of 4.00% to 5.00% of the fair value of total endowment assets annually.

### **b. Pledges**

The State's Higher Education Fund, a major enterprise fund, and related blended component units reported as nonmajor enterprise funds, recognize receivables and revenues for pledges or promises of cash or other assets from nongovernmental entities when all eligibility requirements are met, provided that the promise is verifiable and the resources are measurable and probable of collection. The financial statements report these amounts as accounts receivable. However, various benefactors have established split interest agreements with The Citadel Trust, Inc., a nonmajor enterprise fund. Among these agreements are a charitable remainder uni-trust and a charitable remainder trust. The Citadel, a higher education institution reported in the Higher Education Fund, will receive a specified portion of the assets remaining under these agreements at the benefactors' deaths. The parties who manage the assets associated with these agreements are not included within the State of South Carolina's financial reporting entity. The State's financial statements do not report these trust assets because the ultimate amounts that the State will receive were not deemed to be measurable at June 30, 2010, and the eligibility requirements for the gifts have not been met.

## **NOTE 18: SEGMENT INFORMATION**

The Housing Authority provides low-cost housing to the State's citizens by issuing bonds/notes and by administering federal contracts and grants. The State issues various separate revenue bonds to finance activities within the Single Family Finance program of its Housing Authority Fund, a major enterprise fund. Covenants of the following revenue bonds within the Single Family Finance program require separate accounting and financial reporting: (a) Single Family, (b) Mortgage Revenue, (c) Homeownership Bond and (d) Revenue Reserve. Investors in these bonds rely solely on the revenue generated by the individual activities for repayment. Accordingly, condensed financial statements (expressed in thousands) for these segments for the fiscal year ended June 30, 2010, are presented on the following pages:

## CONDENSED STATEMENT OF NET ASSETS

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve
<b>Assets</b>				
Current restricted assets.....	\$ 21,729	\$ 63,496	\$ —	\$ 10,053
Other current assets.....	33	395	—	12
Noncurrent restricted assets.....	181,631	611,828	121,118	28,551
Other noncurrent assets.....	639	4,714	375	—
Total assets.....	<u>204,032</u>	<u>680,433</u>	<u>121,493</u>	<u>38,616</u>
<b>Liabilities</b>				
Current liabilities payable from restricted assets.....	16,396	45,886	—	—
Other current liabilities.....	—	4	1,077	65,166
Noncurrent liabilities.....	88,841	566,850	120,000	—
Total liabilities.....	<u>105,237</u>	<u>612,740</u>	<u>121,077</u>	<u>65,166</u>
<b>Net assets</b>				
Restricted and expendable for:				
Debt service.....	13,610	30,120	—	—
Bond reserves.....	3,209	7,622	—	—
Special programs.....	81,976	29,952	416	38,551
<b>Total net assets.....</b>	<b><u>\$ 98,795</u></b>	<b><u>\$ 67,694</u></b>	<b><u>\$ 416</u></b>	<b><u>\$ 38,551</u></b>

CONDENSED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve
<b>Operating revenues:</b>				
Pledged revenues:				
Interest on loans.....	\$ 7,669	\$ 37,360	\$ —	\$ 483
Income on deposit.....	248	2,587	26	126
Other revenues:				
Administrative fees and other.....	47	556	—	141
Total operating revenues.....	<u>7,964</u>	<u>40,503</u>	<u>26</u>	<u>750</u>
<b>Operating expenses:</b>				
Bond issuance cost amortization.....	33	443	—	—
Other operating expenses.....	5,627	34,492	—	208
Total operating expenses.....	<u>5,660</u>	<u>34,935</u>	<u>—</u>	<u>208</u>
Operating income.....	<u>2,304</u>	<u>5,568</u>	<u>26</u>	<u>542</u>
<b>Transfers:</b>				
Transfers in.....	—	3,213	390	7,773
Transfers out.....	<u>(11,471)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase in net assets.....	(9,167)	8,781	416	8,315
Beginning net assets.....	107,962	58,912	—	30,236
<b>Ending net assets.....</b>	<b><u>\$ 98,795</u></b>	<b><u>\$ 67,693</u></b>	<b><u>\$ 416</u></b>	<b><u>\$ 38,551</u></b>

# CONDENSED STATEMENT OF CASH FLOWS

	Single Family	Mortgage Revenue	Homeownership Bond	Revenue Reserve
Net cash provided (used) by:				
Operating activities.....	\$ 1,255	\$ 72,028	\$ —	\$ (26,895)
Noncapital financing activities.....	(16,813)	(118,029)	121,092	7,771
Investing activities.....	254	2,571	26	(7,491)
Net increase (decrease).....	(15,304)	(43,430)	121,118	(26,615)
Beginning cash and cash equivalents.....	40,324	123,041	—	23,472
<b>Ending cash and cash equivalents.....</b>	<b>\$ 25,020</b>	<b>\$ 79,611</b>	<b>\$ 121,118</b>	<b>\$ (3,143)</b>

Because the above separately identifiable activities provide essentially similar services to the Authority's customers, they are not considered to be different activities for financial reporting purposes. Accordingly, all of the Housing Authority's activities are reported as a single fund and as a single business-type activity in the accompanying financial statements.

## NOTE 19: JOINT VENTURE AND JOINT OPERATION

### a. Joint Venture

In May 1997, the Public Service Authority (the Authority), a major discretely presented component unit, along with two unrelated publicly owned electric utilities formed a wholesale power marketing joint venture called The Energy Authority (TEA). Subsequently, three additional unrelated entities joined TEA. The Authority engages in gas hedging activities through TEA to reduce the cost of fuel inventories. The Authority now has a 25% ownership interest, which it records as an equity investment. TEA provides services to its 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, 2009, the Authority received distributions of \$8.065 million from TEA and recognized \$9.301 million in reductions to power costs and increases in electric revenues.

The Authority has provided certain guarantees and has pledged certain collateral to support TEA's transactions. The Authority's Board of Directors has approved the use of up to \$89.700 million to support TEA's activities.

At December 31, 2009, the Authority had a payable to TEA of \$4.400 million for power and gas purchases. In addition, the Authority had a receivable due from TEA of approximately \$3.700 million for power sales and sales of excess gas capacity.

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

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

### b. Joint Operation

The Summer Nuclear Station is a joint operation owned by the Public Service Authority (the Authority), a major 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 capital assets of \$522.700 million, accumulated depreciation of \$301.700 million, and expenses of \$64.000 million, which represent its interest in this joint operation. The Summer Nuclear Station is not a separate legal entity and does not prepare separate financial statements.

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 2006 estimated the Authority's share of decommissioning costs for the Summer Nuclear Station as \$178.900 million in 2006 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 2006 site-specific study and the NRC's imposed minimum requirement. Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled \$155.000 million (adjusted to market) at December 31, 2009, 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.

On May 22, 2008, the Authority and SCE&G entered into an agreement for the design and construction of two 1,100 megawatt nuclear generating units at the existing Summer Nuclear Station site. The Authority's Board of Directors approved spending up to \$1.900 billion on this project through December 31, 2011.

## **NOTE 20: RELATED PARTY TRANSACTIONS**

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

During the fiscal year ended June 30, 2010, the Educational Television Endowment of South Carolina, Inc., disbursed \$4.419 million on behalf of the Departmental General Operating Fund, a major governmental fund, for programs, development, advertising, and other costs.

The following organizations are related to the Higher Education Fund, a major enterprise fund: the University of South Carolina Development Foundation; the University of South Carolina Business Partnership Foundation; the University of South Carolina Research Foundation; the Greater University of South Carolina Alumni Association; the Carolina Piedmont Foundation, Inc.; the Lancaster County Educational Foundation, Inc.; the Clemson University Research Foundation; the Clemson University Continuing Education and Conference Complex Corporation; the Clemson Advancement Foundation for Design and Building; the MUSC Foundation of the Medical University of South Carolina; the Medical University of South Carolina Foundation for Research Development; the Coastal Educational Foundation, Inc.; the Coastal Carolina University Student Housing Foundation; the Horry County Higher Education Commission; the College of Charleston Foundation; the Winthrop University Foundation; the Winthrop University Real Estate Foundation; the Francis Marion University Foundation; the Francis Marion University Student Housing LLC; The Citadel Foundation; The Citadel Alumni Association; The Citadel's Brigadier Foundation; South Carolina State Educational Foundation; the Lander Foundation; Aiken Technical College Foundation, Inc.; Florence-Darlington Technical College Foundation; Horry-Georgetown Technical College Foundation; Greenville Tech Foundation, Inc.; Midlands Technical College Foundation; Orangeburg-Calhoun Technical College Foundation; Piedmont Technical College Foundation; Spartanburg Technical College Foundation; Tri-County Technical College Foundation; Trident Technical College Enterprise Campus Authority; and York Technical College Foundation. During the fiscal year ended June 30, 2010, the State entered into various transactions with these organizations. Approximate amounts within the State's Higher Education Fund that represent transactions with these related parties include: receivable from foundations—\$78.282 million; donations of cash and other assets from foundations—\$160.012 million; expenditures paid to foundations—\$5.131 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations—\$4.957 million.

The Education Assistance Authority Fund, a major enterprise fund, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2010, the enterprise fund entered into various transactions with SLC. Approximate amounts within the enterprise fund that represent these transactions include: accounts receivable from SLC—\$907.929 million; program revenue from SLC—\$16.456 million; reimbursements to SLC for administrative costs—\$6.765 million; and payable to SLC—\$19.848 million.

## **NOTE 21: MAJOR DISCRETELY PRESENTED COMPONENT UNITS**

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

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled \$20.511 million during the Authority's fiscal year ended December 31, 2009.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of \$45.000 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of \$1.000 million during the fiscal year ended June 30, 2010.

The South Carolina Lottery for Education Act requires the Lottery Commission to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund, a nonmajor governmental fund. The Commission transferred \$270.509 million during the fiscal year ended June 30, 2010; the Commission owed an additional \$25.634 million to the Fund at June 30, 2010.

## **b. Concentrations of Credit Risk**

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

### **Public Service Authority**

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectibility of all accounts receivable. The Authority's sales to its two major customers for its fiscal year ended December 31, 2009, were as follows (expressed in thousands):

<b>Customer</b>	<b>Revenue</b>	<b>% of Total Sales Revenue</b>
Central Electric Power Cooperative, Inc.....	\$ 997,000	59%
Alumax of South Carolina, Inc.....	169,000	10%

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

### **State Ports Authority**

During the fiscal year ended June 30, 2010, of the State Ports Authority's total revenues, three customers accounted for approximately 15%, 13%, and 12% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

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

Due from Component Units was \$163.236 million and Due to Primary Government was \$163.054 million, a difference of \$182 thousand. This situation occurred because the Public Service Authority and the Connector 2000 Association, Inc. report using a fiscal year ending December 31. At June 30, 2010, the Public Service Authority owed the General Fund its semi-annual payment of \$9.620 million in lieu of taxes, which is reported as Due from Component Units. At December 31, 2009, the Connector 2000 Association, Inc. owed the Department of Transportation Special Revenue Fund \$9.438 million for maintenance costs, which is reported as Due to Primary Government.

## **NOTE 22: CONTINGENCIES AND COMMITMENTS**

### **a. Litigation**

#### **Primary Government**

Among the unresolved legal actions in which the State was involved at June 30, 2010, are seven cases that challenge the legality of certain taxes. In the event of unfavorable outcomes for these cases, the State does not expect the ultimate liability to exceed \$160.912 million. Although State losses in these cases could reduce future revenues, the preceding estimates do not include any impact on future revenues.

The South Carolina Retirement Systems (the Systems) has been involved in three lawsuits, which are putative class actions, involving legislation (Act No. 153, 2005 S.C. Acts and Joint Resolutions) requiring that employees who return to work after retirement (including employees participating in the Teacher and Employee Retention Incentive [TERI] Program) resume making contributions into the retirement system. In the first suit, the plaintiffs alleged that requiring such contributions constituted a breach of contract, an impairment of contractual rights, an unlawful taking of property and was precluded by promissory estoppel. A circuit court judge has certified the class of this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court denied all other claims for relief made by the Plaintiffs, including their contract causes of action. This matter is in appeal to the S.C. Supreme Court. It is premature to estimate any potential loss associated with this order; however, as of June 30, 2010, the Systems had collected approximately \$44.5 million in the form of retirement contributions from members who retired prior to July 1, 2005 and returned to work. If the Plaintiffs were to prevail, these contributions would be refunded to the members and no future contributions could be collected from them. The Systems and the State believe their defense is meritorious and intend to vigorously contest these claims. The second putative class action case filed in August, 2005, alleges that the law requiring working retirees in the Police Officers Retirement System (PORS) to make employee contributions is unconstitutional and illegal. This is the companion case of the case above. A circuit court judge has certified the class of this case and issued an order on the merits in the matter granting the Plaintiffs relief based on the equitable theory of estoppel. The circuit court

denied all other claims for relief made by the Plaintiffs, including their contract causes of action. This matter is in appeal to the S.C. Supreme Court. It is premature to estimate any potential loss associated with this order; however, as of June 30, 2010, the Systems had collected approximately \$14.3 million in the form of retirement contributions from members who retired prior to July 1, 2005 and returned to work. If the Plaintiffs were to prevail, these contributions would be refunded to the members and no future contributions could be collected from them. The Systems and the State believe their defense is meritorious and intend to vigorously contest these claims. The third putative class action was filed in federal court in August, 2010. It seeks relief based on causes of action similar to those that were raised and disposed of in the two cases described above. Additionally, the plaintiffs all retired after Act No. 153, 2005 S.C. Acts and Joint Resolutions, was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. As of June 30, 2010, the Systems had collected approximately \$71.5 million in the form of retirement contributions from members who are retired and returned to work on or after July 1, 2005. The Systems and the State believe their defense is meritorious and intend to vigorously contest these claims.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of the above matters, the State's estimated liability would be approximately \$16.6 million.

While the State is uncertain as to the ultimate outcome of any of the above-described lawsuits, it believes its positions are meritorious and 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 Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate appealed to the Supreme Court and the case was argued in June 2008. The Court has not yet issued an Opinion. In a second unrelated case, the plaintiffs allege that a State Dentistry Board's actions interfered with their businesses. The State has filed a motion for summary judgment. In the event the State loses this case, the loss amount may not be limited by the State Tort Claims Act and may exceed the allowable reimbursement from the State's self-insurance fund. In a third unrelated case, the plaintiffs contend that a lack of funding has resulted in the unconstitutional treatment of prison inmates with mental illnesses.

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

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 10a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

#### Major Discretely Presented Component Unit—Public Service Authority

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

Landowners located along the Santee River contend that the Authority is liable for damage to their real estate because of flooding that has occurred since the U. S. Army Corps of Engineers completed its Cooper River Rediversion Project in 1985. A 1997 trial returned a jury verdict against the Authority on certain causes of action. The Authority appealed the decision and the case was remanded to District Court. The Authority has entered into a settlement agreement with the plaintiffs, which will involve mediation of the claims and a non-jury hearing regarding those claims which cannot be resolved through mediation. Pursuant to this agreement, the claims of five landowners have been resolved with the Authority paying \$15.6 million for those claims. The claims of seven landowners were tried in July 2009. The court entered a judgment in the amount of \$55 million plus prejudgment interest at eight percent compounded annually. The Authority's motion to reconsider was denied and the Court entered an amended judgment. The Authority paid the judgment amount, approximately \$206 million including interest. The contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project. The Authority will seek recovery from the Corps with regard to payment of these claims. No estimate of potential loss to the Authority can be made at this time.

### **b. Tobacco Settlement Revenue Management Authority**

The Tobacco Settlement Revenue Management Authority (the Authority), a blended component unit and nonmajor governmental fund established in 2001, is a public body and an instrumentality of the State. State law transferred to the Authority all of the State's rights and interests under the Master Settlement Agreement (the MSA) and the Consent Decree and Final Judgment between all participating states and the participating tobacco manufacturers. These rights include the State of South Carolina's share of all tobacco settlement revenues (TSRs) actually received after June 30, 2001, or to be received in the future under the MSA.

The Authority issued asset-backed term bonds in 2001, which were defeased on June 26, 2008, in part by issuing asset-backed refunding bonds. The payment of such refunding bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors, including cigarette consumption and the continued financial capability of the original participating manufacturers. Such bonds are secured by, and payable solely from, TSRs and investment earnings pledged under the bond indenture and amounts established and held in accordance with the bond indenture. The term bonds are payable only from the Authority's assets. If the Authority has no assets, it will not pay any principal or interest on the bonds. The TSRs represent the Authority's only source of funds for payments on the bonds; the Authority has no taxing power.

Various parties have instituted litigation alleging, among other things, that the MSA violates certain provisions of federal and State laws. Certain of these actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. In the event of an adverse court ruling, the Authority may not have adequate financial resources to make payment on the bonds.

### **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 only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any such disallowances relating to the fiscal year ended June 30, 2010, or earlier years will not have a material impact on the State's financial statements.

### **d. Other Loan Guarantees**

The South Carolina Education Assistance Authority, a major enterprise fund, guarantees student loans. At June 30, 2010, these loans totaled \$3.813 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% of the loans in repayment status, the United States Department of Education decreases the reinsurance rate. The State's default rate during the fiscal year ended June 30, 2010, was less than 1%.

The nonmajor enterprise funds guarantee a portion of a mortgage debt up to a maximum of \$1.531 million.

### **e. Purchase Commitments**

#### **Major Discretely Presented Component Unit—Public Service Authority**

At December 31, 2009, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$2.170 billion for coal. In addition, minimum obligations under three purchased power contracts as of December 31, 2009, were approximately \$65.100 million with a remaining term of twenty-five years, \$38.400 million with delivery beginning 2011 with a term of four years, and \$685.000 million with delivery beginning 2012 with a term of twenty years. Also at December 31, 2009, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of \$259.000 million over the next fourteen years. The enrichment and fabrication component of these commitments from 2010 through 2013 totaling \$33.300 million is contingent upon the operating requirements of the nuclear unit.

The Authority amended a service agreement in the approximate amount of \$103.500 million. The agreement provides a service director, initial spare parts, parts and services for specified maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. In exchange for reduced pricing and added features, the contract term was extended through 2024, but can be terminated at the end of 2015. Also, the Authority has entered into network integration transmission service agreements totaling approximately \$8.191 million annually through July 2023.

#### **Major Discretely Presented Component Unit—Lottery Commission**

At June 30, 2010, the Lottery Commission had remaining commitments of \$56.539 million under service contracts expiring in 2019. The contracts provide, among other things, services and equipment to operate the on-line lottery.



**f. Commitments to Provide Grants and Other Financial Assistance**

The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has agreements with various counties to provide financial assistance totaling \$2.358 billion for certain highway and transportation facilities projects. At June 30, 2010, the remaining commitments for these agreements totaled \$909.198 million.

At June 30, 2010, the Department of Commerce had outstanding commitments of \$285.387 million to provide funds to local governmental entities. These commitments included grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, \$35.305 million will be funded by federal grants and 1.220 million will be funded with private aid.

At June 30, 2010, the Budget and Control Board had outstanding commitments of \$142.324 million to provide loans and grants for water and wastewater projects and energy efficiency improvement projects. Federal grants will fund \$61.334 million of this commitment.

At June 30, 2010, the Division of Aeronautics had outstanding commitments of \$1.979 million for grants made to municipal and county airports for capital improvements.

At June 30, 2010, the State Board for Technical and Comprehensive Education had outstanding commitments of \$8.288 million to provide training for new and expanding business and industry in the State.

At June 30, 2010, the Department of Public Safety had outstanding commitments of \$34.836 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which \$34.663 million will be funded by federal grants.

At June 30, 2010, the South Carolina Law Enforcement Division had outstanding commitments of \$55.181 million, all of which will be funded by federal grants.

The State Housing Finance and Development Authority had \$1.785 million in outstanding commitments for special initiatives under the Program Fund at June 30, 2010. The Housing Trust Fund, reported within the nonmajor governmental funds, had financial award commitments outstanding of \$7.938 million at June 30, 2010, for affordable housing projects and developments.

**g. Connector 2000 Association, Inc.—Going Concern**

During its fiscal year ended December 31, 2001, the Connector 2000 Association, Inc., a major discretely presented component unit, opened the Southern Connector toll road to public traffic and began toll collections. Since commencing operations, the Southern Connector has experienced significantly lower traffic counts than those projected during the planning phase of the project. Because the Association pledged these toll collections for debt service payments on its toll road revenue bonds, the Association's debt service capability also is affected. Debt service on the bonds increased sharply beginning in January 2008 as principal began to mature. Through 2009, the shortfall was covered by withdrawals from the Debt Service Reserve Accounts maintained by the Trustee under the indenture.

The Association has been unable to comply with the bond revenue covenant since January 2005. As of January 1, 2008 (after 36 consecutive months), the Association is in technical default under the bond indenture. The Association received a notice of default from the Trustee in January 2008 and again in May 2009. The bond documents provide the Trustee with certain specific remedies in the event of such default. As of June 2010, the Association had not received any communications from the Trustee initiating any proceedings under the Specific Remedies provision of the bond indenture.

In February 2008, the Association hired a special financial consultant to explore alternatives related to its existing capital structure. Based on the findings of the financial analysis, the Association announced in April 2009, that a long-term concession agreement with a new toll road operator does not appear feasible, nor does a conventional refunding of the Association's existing bonds by issuing or incurring new debt. The consultant informed the Association that restructuring the bonds outside of bankruptcy would be extremely difficult.

The Association also hired an engineering consultant to perform an investment grade traffic and revenue study to inform the concession or restructuring process. In May 2009, in response to the study's findings, the Association requested SCDOT revise the toll rate schedule for the Southern Connector Toll Road. SCDOT granted the Association's request in August 2009.

On June 12, 2009, SCDOT asserted that an Event of Default had occurred under Section 14.1(d) of the License Agreement. The License Agreement permits SCDOT to terminate the License Agreement upon the occurrence of an Event of Default. SCDOT did not terminate the agreement and agreed to give the Association at least 90 days prior written notice of the effective date of any such termination. In consideration of the 90 day notice, the Association agreed to diligently undertake efforts to restructure its indebtedness and to include in its proposed debt adjustment plan the funding of repairs and replacements to the Southern Connector.

The Association presented to the Senior Bond Trustee, the Subordinate Trustee, SCDOT and the Restricted Owners a draft debt adjustment plan (the Association's Plan) dated August 2009. This plan was structured to return the greatest value to the owners of the Senior Bonds as possible under the constraints of the remaining term of the License Agreement, the obligation to repair and resurface the road, and the projected toll revenues and operating expenses based upon the engineering

study. Under the Association's Plan, the Subordinate Bonds would not receive any payment since the Senior Bonds would not receive full payment.

The Senior Bond Trustee and its counsel then engaged a financial advisor to review the Association's Plan. The Senior Bond Trustee, the Subordinate Bond Trustee, and the Restricted Owners rejected the Association's Plan. The financial advisor met with the Association, SCDOT, and others and developed an alternative plan, which was presented to the Association, SCDOT, and the Restricted Owners in October 2009. The plan was based on the engineers' projections, proposed to exchange two series of securities for the outstanding principal and interest owing on the Association's Senior Bonds, called for a 35-year extension of the License Agreement, and included provisions to fund a substantial portion of the projected road resurfacing and repair costs out of toll revenues under the extended License Agreement. Although the plan did not address repayment of the Subordinate Bonds, implementation of the plan under the assumptions set forth therein would permit the Association to use toll revenues to repay a portion of the amounts currently owed to the Subordinate Bondholders during the remaining term of the extended License Agreement after the securities exchanged for the Senior Bonds were repaid.

In compliance with the provisions of the Continuing Disclosure Agreement with the Trustee, the Association filed Event Notice No. 2010-1 in January 2010. This notice announced that (a) traffic on the Southern Connector was inadequate to permit the Association to collect sufficient toll revenues to pay debt service on the Bonds which came due on January 1, 2010 and (b) as a result of the payment default, the Association has been advised that the rating on the Series 1998A Bonds and the Series 1998B Bonds will be further reduced by Standard & Poor's Rating Group from the then current rating of "C" to "D". The Series 1998C Bonds have never been rated by any nationally recognized municipal credit rating agency.

In May 2010, the Association was informed by the Senior Bond Trustee and SCDOT that they did not expect to obtain approval of legislation deemed by SCDOT to be necessary to authorize SCDOT to extend the term of the License Agreement. Based upon these developments, the Association then pursued discussions with the Senior Bond Trustee, the financial advisor and the Restricted Owners regarding a debt adjustment plan which could be implemented over the remaining term of the License Agreement without any extension. These efforts resulted in the Restricted Owners and the Association developing the terms of a debt adjustment plan.

In an effort to obtain consent from all interested parties, the Association presented the debt adjustment plan to SCDOT. SCDOT informed the Association in June 2010 that SCDOT would not agree to the debt adjustment plan. Efforts to solicit or negotiate acceptable changes to the debt adjustment plan failed. As a result of the foregoing, in June 2010, the Association filed a petition for adjustment of its obligations in the U.S. Bankruptcy Court for the State of South Carolina.

As a result of the above, there is substantial doubt about the Association's ability to continue as a going concern.

### **h. Unemployment Compensation Benefits Fund—Liquidity**

To date, the Unemployment Compensation Fund, a major enterprise fund, has generated substantial operating losses and has been required to use all of its cash resources to fund its operations. Due to the increasing unemployment rate and the resulting increased amount of unemployment benefits, and the increased length of time over which the benefits are paid, the Fund has been required to obtain advances from the Federal Unemployment Fund, the balance of which is \$886.662 million as of June 30, 2010.

Management plans to continue to borrow from the Federal government to fund its deficits for the foreseeable future. The State has implemented comprehensive changes to the Unemployment Insurance (UI) tax structure specifically designed to assist in putting the Fund back on the path to solvency. See Note 12, subsection i.

## **NOTE 23: INVESTMENT MARKET UNCERTAINTY**

As of June 30, 2010, the State's investment portfolio has incurred a decrease in the values reported in the accompanying financial statements. However, as the values of individual investments fluctuate with market conditions, the amount of investment gains that the State may recognize in its future financial statements, if any, cannot be determined. The State believes that any investments that experience increase in value will be temporary unrealized gains as they have the intent and ability to hold such investments until maturity.

## **NOTE 24: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2010, the Social Rehabilitation Services function within Other Budgeted Funds had \$228.149 million of expenditures in excess of appropriations at the level of legal control. These over-expenditures were mostly associated with the Federal Food Stamp Assistance Program. The Department of Social Services (DSS) had sufficient budgetary-basis revenue and cash to provide for all of its budgetary-basis expenditures, but failed to obtain formal authorization from Office of State Budget for the over expenditures. DSS has been converted to the new state-wide accounting system that contains edits that would not allow DSS to record these type of expenditures without receiving the proper budgetary authorization.

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**REQUIRED  
SUPPLEMENTARY INFORMATION—  
Other than Management’s Discussion and Analysis  
(Unaudited)**

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**REQUIRED SUPPLEMENTARY INFORMATION****Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****BUDGETARY GENERAL FUND****For the Fiscal Year Ended June 30, 2010****(Expressed in Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance from Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
<b>Regular sources</b>				
Retail sales tax.....	\$ 2,192,353	\$ 2,137,180	\$ 2,190,976	\$ 53,796
Income tax, individual.....	2,469,023	2,037,184	2,170,910	133,726
Income tax, corporation.....	128,927	114,463	109,557	(4,906)
Total income and sales tax.....	4,790,303	4,288,827	4,471,443	182,616
Admissions tax.....	27,467	27,467	26,164	(1,303)
Aircraft tax.....	5,115	5,115	5,357	242
Alcoholic liquor tax.....	57,362	57,362	57,463	101
Bank tax.....	7,425	7,425	15,672	8,247
Beer and wine tax.....	107,385	107,385	99,230	(8,155)
Tobacco tax.....	28,000	28,000	35,257	7,257
Coin-operated device tax.....	1,518	1,518	1,723	205
Corporation license tax.....	92,132	90,340	73,413	(16,927)
Departmental revenue (primarily fees for services).....	43,108	43,108	63,753	20,645
Documentary tax.....	37,966	37,966	31,003	(6,963)
Earned on investments.....	67,000	51,000	41,707	(9,293)
Estate tax.....	—	—	73	73
Insurance tax.....	173,600	173,650	158,647	(15,003)
Motor transport fees.....	10	10	1	(9)
Motor vehicle licenses.....	15,658	15,627	12,362	(3,265)
Private car lines tax.....	4,034	4,034	3,957	(77)
Public Service Authority.....	16,340	16,340	18,588	2,248
Retailers' license tax.....	884	884	799	(85)
Savings and loan association tax.....	2,002	2,003	3,422	1,419
Workers' compensation insurance tax.....	14,656	14,656	12,945	(1,711)
Total regular sources.....	5,491,965	4,972,717	5,132,979	160,262
<b>Miscellaneous sources</b>				
Circuit and family court fines.....	10,664	10,664	9,724	(940)
Debt service reimbursement.....	188	188	536	348
Indirect cost recoveries.....	16,680	16,680	16,086	(594)
Mental health fees.....	3,200	3,200	3,400	200
Parole and probation supervision fees.....	3,393	3,393	3,393	—
Unclaimed property fund transfer.....	12,000	12,000	12,000	—
Nonrecurring revenue.....	13,912	13,912	63,778	49,866
Total miscellaneous sources.....	60,037	60,037	108,917	48,880
<b>Total revenues.....</b>	<b>5,552,002</b>	<b>5,032,754</b>	<b>5,241,896</b>	<b>209,142</b>

**REQUIRED SUPPLEMENTARY INFORMATION****Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)**

BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance from Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
Legislative.....	\$ 38,051	\$ 35,345	\$ 29,826	\$ 5,519
Judicial.....	25,228	22,791	22,783	8
Executive and administrative.....	138,117	130,327	114,943	15,384
Educational.....	2,902,666	2,677,640	2,668,008	9,632
Health.....	1,413,739	1,259,754	1,027,887	231,867
Social rehabilitation services.....	128,009	133,853	132,591	1,262
Correctional and public safety.....	501,030	489,241	487,143	2,098
Conservation, natural resources, and development.....	138,892	125,223	109,280	15,943
Regulatory.....	46,167	45,327	45,298	29
Transportation.....	5,093	9,035	3,147	5,888
Debt service.....	197,274	197,274	194,729	2,545
Aid to subdivisions.....	270,638	280,659	280,606	53
<b>Total expenditures.....</b>	<b>5,804,904</b>	<b>5,406,469</b>	<b>5,116,241</b>	<b>290,228</b>
<b>Excess of revenues over (under) expenditures—budgetary basis.....</b>	<b>(252,902)</b>	<b>(373,715)</b>	<b>125,655</b>	<b>499,370</b>
<b>Fund balance at beginning of year— budgetary basis.....</b>	<b>120,512</b>	<b>120,512</b>	<b>120,512</b>	<b>—</b>
<b>Fund balance (deficit) at end of year— budgetary basis.....</b>	<b>\$ (132,390)</b>	<b>\$ (253,203)</b>	<b>\$ 246,167</b>	<b>\$ 499,370</b>

**REQUIRED SUPPLEMENTARY INFORMATION****Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****OTHER BUDGETED FUNDS****For the Fiscal Year Ended June 30, 2010****(Expressed in Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance from Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Federal.....	\$ 7,857,662	\$ 8,993,569	\$ 8,042,528	\$ (951,041)
Earmarked.....	4,581,224	5,331,333	4,016,701	(1,314,632)
Restricted.....	2,495,150	2,899,320	2,682,813	(216,507)
<b>Total revenues.....</b>	<b>14,934,036</b>	<b>17,224,222</b>	<b>14,742,042</b>	<b>(2,482,180)</b>
<b>Expenditures:</b>				
Legislative.....	2,946	3,822	2,026	1,796
Judicial.....	31,574	42,950	34,629	8,321
Executive and administrative.....	451,611	719,691	505,671	214,020
Educational.....	4,804,506	5,889,838	4,427,597	1,462,241
Health.....	6,093,156	6,402,498	5,749,022	653,476
Social rehabilitation services.....	1,578,479	1,660,830	1,888,979	(228,149)
Correctional and public safety.....	210,561	362,072	225,304	136,768
Conservation, natural resources, and development.....	364,608	543,093	347,408	195,685
Regulatory.....	284,916	432,682	353,252	79,430
Transportation.....	1,201,365	1,532,181	1,374,155	158,026
Other.....	81,039	81,039	81,039	—
<b>Total expenditures.....</b>	<b>15,104,761</b>	<b>17,670,696</b>	<b>14,989,082</b>	<b>2,681,614</b>
<b>Net increase (decrease) in fund balance— budgetary basis.....</b>	<b>(170,725)</b>	<b>(446,474)</b>	<b>(247,040)</b>	<b>199,434</b>
<b>Fund balance at beginning of year— budgetary basis.....</b>	<b>1,937,896</b>	<b>1,937,896</b>	<b>1,937,896</b>	<b>—</b>
<b>Fund balance at end of year—budgetary basis.....</b>	<b>\$ 1,767,171</b>	<b>\$ 1,491,422</b>	<b>\$ 1,690,856</b>	<b>\$ 199,434</b>

## Notes to the Required Supplementary Information--Budgetary

### NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

#### a. Budgetary Funds

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

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

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

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

#### b. Perspective Differences

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

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

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

#### a. Budgetary General Fund

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

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

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

The Appropriation Act for the 2009-2010 fiscal year directs the Budget and Control Board to reduce the Budgetary General Fund's appropriations during the year if necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

### b. Other Budgeted Funds

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

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

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

### NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Act for the 2009-2010 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

### NOTE 4: BASIS OF BUDGETING

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

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

- (i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 16.
- (ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
- (iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.
- (iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.
- (v) All other revenues are recorded only when the State receives the related cash.



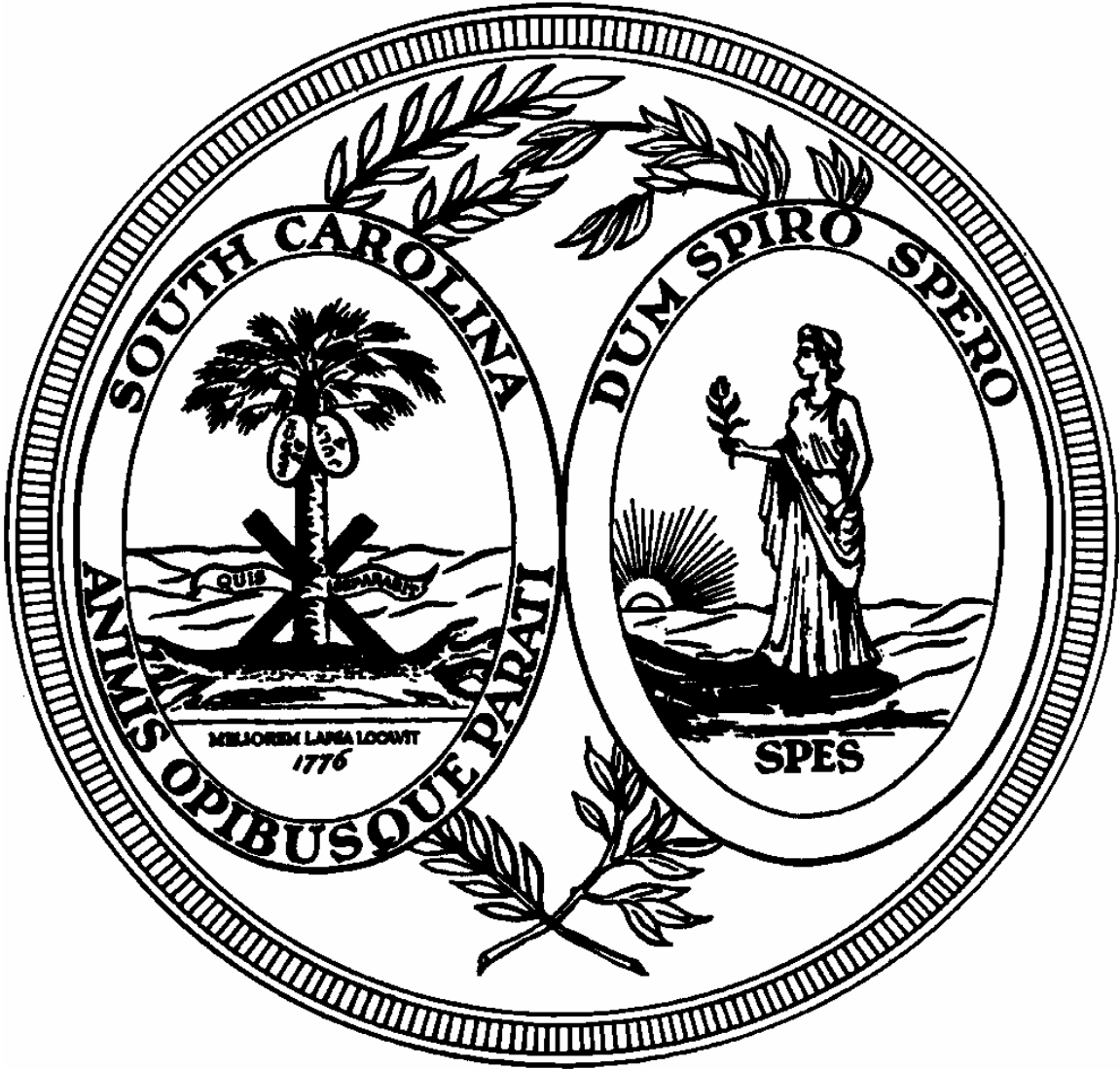
**NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES**

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. These differences (expressed in thousands) for the fiscal year ended June 30, 2010, were as follows:

<i>Budgetary funds</i> .....	<i>Budgetary General Fund</i>	<i>Other Budgeted Funds</i>	<i>Major Special Revenue Funds</i>			
	<i>General Fund</i>	<i>Not Applicable</i>	<i>Departmental General Operating</i>	<i>Local Government Infrastructure</i>	<i>Department of Transportation Special Revenue</i>	<i>State Tobacco Settlement</i>
<b>GAAP funds</b> .....						
Net increase (decrease) in fund balance—budgetary basis .....	\$ 125,655	\$ (247,040)	\$ —	\$ —	\$ —	\$ —
Perspective differences:						
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds .....	—	81,272	—	—	—	—
Other Budgeted Funds net decrease allocated among the State's major governmental GAAP funds .....	3,345	165,768	(58,660)	(7,273)	(102,553)	(627)
Basis of accounting differences .....	(51,765)	—	97,452	579	29,588	(73)
Entity differences .....	(34,109)	—	(5,293)	70,540	—	(9,143)
<b>Net increase (decrease) in fund balance—GAAP basis</b> .....	<u>\$ 43,126</u>	<u>\$ —</u>	<u>\$ 33,499</u>	<u>\$ 63,846</u>	<u>\$ (72,965)</u>	<u>\$ (9,843)</u>

**NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2010, the Social Rehabilitation Services function within Other Budgeted Funds had \$228.149 million of expenditures in excess of appropriations at the level of legal control. These over-expenditures were mostly associated with the Federal Food Stamp Assistance Program. The Department of Social Services had sufficient budgetary-basis revenue and cash to provide for all of its budgetary-basis expenditures, but failed to obtain formal authorization from Office of State Budget for the over expenditures.



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**SUPPLEMENTARY  
INFORMATION**

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## Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, and two permanent funds. The State does not use debt service funds because it does not accumulate resources to pay future years' general long-term debt principal and interest; instead, the State finances such payments directly from the current year's resources.

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

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

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

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

### a. Nonmajor Special Revenue Funds

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

*Education Improvement Act Fund.* This fund accounts for the special additional 1% 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.

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

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

*Homestead Exemption Fund.* This fund accounts for a special additional 1% sales tax to be used for property tax relief reimbursements. The State allocates these revenues to counties and municipalities in accordance with State law.

*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.

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

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

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

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

#### **b. Capital Projects Fund**

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

#### **c. Permanent Funds**

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

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

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

# Combining Balance Sheet

## NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

(Expressed in Thousands)

### SPECIAL

	Education Improvement Act	Children's Education Endowment	Waste Management	Accommodations and Local Option Sales Tax	Homestead Exemption	Medicaid Expansion
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 68,318	\$ 18,031	\$ 236,522	\$ 136,834	\$ 4,666	\$ 24,538
Invested securities lending collateral.....	490	962	12,095	1,755	—	604
Receivables, net:						
Accounts.....	118	—	500	3	—	—
Accrued interest.....	2,726	115	1,497	149	169	168
Sales and other taxes.....	56,185	—	—	67,655	47,893	876
Loans and notes.....	21,980	—	—	—	—	—
Due from Federal government and other grantors.....	—	—	—	—	—	—
Due from other funds.....	1,101	—	—	107	21,309	—
Due from component units.....	—	—	—	—	—	—
Interfund receivables.....	4,000	—	—	—	—	—
Inventories.....	—	—	3	—	—	—
Restricted assets:						
Cash and cash equivalents.....	—	—	—	—	—	—
Other.....	—	—	—	—	—	—
<b>Total assets.....</b>	<b>\$ 154,918</b>	<b>\$ 19,108</b>	<b>\$ 250,617</b>	<b>\$ 206,503</b>	<b>\$ 74,037</b>	<b>\$ 26,186</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
<b>Liabilities:</b>						
Accounts payable.....	\$ 5,604	\$ —	\$ 2,024	\$ 38	\$ —	\$ —
Accrued salaries and related expenditures.....	770	—	236	—	—	—
Retainages payable.....	—	—	—	—	—	—
Tax refunds payable.....	350	—	—	105	338	—
Intergovernmental payables.....	2,142	189	513	246,081	25,778	—
Due to other funds.....	1,615	2,435	10,255	319	—	24,435
Interfund payables.....	313	—	—	—	—	—
Deferred revenues.....	—	—	—	—	—	24,338
Securities lending collateral.....	541	1,061	13,336	1,935	—	665
Other liabilities .....	29	—	—	—	—	—
<b>Total liabilities.....</b>	<b>11,364</b>	<b>3,685</b>	<b>26,364</b>	<b>248,478</b>	<b>26,116</b>	<b>49,438</b>
<b>Fund balances (deficits):</b>						
Reserved for:						
Inventories.....	—	—	3	—	—	—
Interfund receivables.....	—	—	—	—	—	—
Endowments.....	—	—	—	—	—	—
Long-term loans and notes receivable.....	20,089	—	—	—	—	—
Debt requirements.....	—	—	—	—	—	—
School building aid.....	51,119	—	—	—	—	—
Unreserved:						
Designated for scholarships.....	14,055	—	—	—	—	—
Designated for capital expenditures.....	—	—	—	—	—	—
Undesignated.....	58,291	15,423	224,250	(41,975)	47,921	(23,252)
<b>Total fund balances (deficits).....</b>	<b>143,554</b>	<b>15,423</b>	<b>224,253</b>	<b>(41,975)</b>	<b>47,921</b>	<b>(23,252)</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 154,918</b>	<b>\$ 19,108</b>	<b>\$ 250,617</b>	<b>\$ 206,503</b>	<b>\$ 74,037</b>	<b>\$ 26,186</b>

**REVENUE**

Tobacco Settlement Revenue Management Authority	Education Lottery	Public Tele- communi- cations	Other Special Revenue	Totals	CAPITAL PROJECTS	Bequests	Wildlife Endowment	Totals	TOTALS
\$ 6,766	\$ 114,283	\$ 41,597	\$ 81,543	\$ 733,098	\$ 438,789	\$ 1,430	\$ 3,316	\$ 4,746	\$ 1,176,633
—	6,303	2,075	1,181	25,465	22,610	38	93	131	48,206
—	—	—	151	772	—	—	—	—	772
—	1,275	260	234	6,593	2,066	12	32	44	8,703
—	—	—	966	173,575	328	—	—	—	173,903
—	—	—	14,063	36,043	—	—	—	—	36,043
—	—	—	—	—	449	—	—	—	449
—	8,555	1,930	3,807	36,809	1,118	—	—	—	37,927
—	25,634	—	—	25,634	—	—	—	—	25,634
—	—	—	2,663	6,663	9,227	—	—	—	15,890
—	—	—	—	3	—	—	—	—	3
17,215	—	—	—	17,215	—	—	—	—	17,215
38,618	—	—	—	38,618	—	—	—	—	38,618
<b>\$ 62,599</b>	<b>\$ 156,050</b>	<b>\$ 45,862</b>	<b>\$ 104,608</b>	<b>\$ 1,100,488</b>	<b>\$ 474,587</b>	<b>\$ 1,480</b>	<b>\$ 3,441</b>	<b>\$ 4,921</b>	<b>\$ 1,579,996</b>

\$ 162	\$ 273	\$ 1,423	\$ 479	\$ 10,003	\$ 40,329	\$ —	\$ —	\$ —	\$ 50,332
—	26	—	762	1,794	13	—	23	23	1,830
—	—	—	—	—	470	—	—	—	470
—	—	—	3	796	—	—	—	—	796
—	378	9,849	3,634	288,564	—	—	—	—	288,564
450	17,949	322	5,780	63,560	21,976	—	10	10	85,546
—	4,027	—	—	4,340	15,440	—	—	—	19,780
—	—	—	61	24,399	104	—	—	—	24,503
—	6,949	2,289	1,302	28,078	24,930	42	103	145	53,153
—	—	—	—	29	—	—	—	—	29
<b>612</b>	<b>29,602</b>	<b>13,883</b>	<b>12,021</b>	<b>421,563</b>	<b>103,262</b>	<b>42</b>	<b>136</b>	<b>178</b>	<b>525,003</b>

—	—	—	—	3	—	—	—	—	3
—	—	—	1,802	1,802	9,228	—	—	—	11,030
—	—	—	—	—	—	714	2,556	3,270	3,270
—	—	—	12,850	32,939	—	—	—	—	32,939
55,833	—	—	—	55,833	—	—	—	—	55,833
—	—	—	—	51,119	—	—	—	—	51,119
—	—	—	—	14,055	—	—	—	—	14,055
—	—	—	—	—	362,097	—	—	—	362,097
6,154	126,448	31,979	77,935	523,174	—	724	749	1,473	524,647
<b>61,987</b>	<b>126,448</b>	<b>31,979</b>	<b>92,587</b>	<b>678,925</b>	<b>371,325</b>	<b>1,438</b>	<b>3,305</b>	<b>4,743</b>	<b>1,054,993</b>
<b>\$ 62,599</b>	<b>\$ 156,050</b>	<b>\$ 45,862</b>	<b>\$ 104,608</b>	<b>\$ 1,100,488</b>	<b>\$ 474,587</b>	<b>\$ 1,480</b>	<b>\$ 3,441</b>	<b>\$ 4,921</b>	<b>\$ 1,579,996</b>

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

## NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	SPECIAL					
	Education Improvement Act	Children's Education Endowment	Waste Management	Accommodations and Local Option Sales Tax	Homestead Exemption	Medicaid Expansion
<b>Revenues:</b>						
Taxes:						
Retail sales and use.....	\$ 550,122	\$ —	\$ 1,702	\$ 597,746	\$ 504,734	\$ —
Other.....	—	1,144	—	1	—	265,271
Licenses, fees, and permits.....	138	—	26,807	—	—	—
Interest and other investment income.....	3,268	690	7,114	760	1,313	759
Federal.....	1	—	—	—	—	—
Departmental services.....	—	—	396	—	—	—
Contributions.....	—	—	—	—	—	6,713
Fines and penalties.....	—	—	428	—	—	—
Tobacco legal settlement.....	—	—	—	—	—	—
Other.....	478	—	2,010	—	—	—
<b>Total revenues.....</b>	<b>554,007</b>	<b>1,834</b>	<b>38,457</b>	<b>598,507</b>	<b>506,047</b>	<b>272,743</b>
<b>Expenditures:</b>						
Current:						
General government.....	8,368	—	63	—	—	—
Education.....	72,893	7,466	—	—	—	—
Health and environment.....	585	—	29,145	—	—	311,639
Social services.....	133	—	—	—	—	—
Administration of justice.....	775	—	—	—	—	—
Resources and economic development.....	—	—	—	—	—	—
Capital outlay.....	—	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Intergovernmental.....	444,802	6,956	5,512	591,584	854,555	—
<b>Total expenditures.....</b>	<b>527,556</b>	<b>14,422</b>	<b>34,720</b>	<b>591,584</b>	<b>854,555</b>	<b>311,639</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>26,451</b>	<b>(12,588)</b>	<b>3,737</b>	<b>6,923</b>	<b>(348,508)</b>	<b>(38,896)</b>
<b>Other financing sources (uses):</b>						
Bonds and notes issued.....	—	—	—	—	—	—
Premiums on bonds issued.....	—	—	—	—	—	—
Transfers in.....	988	5,038	—	3	350,343	—
Transfers out.....	(1,424)	(7)	(11,411)	(6,550)	—	—
<b>Total other financing sources (uses).....</b>	<b>(436)</b>	<b>5,031</b>	<b>(11,411)</b>	<b>(6,547)</b>	<b>350,343</b>	<b>—</b>
<b>Net change in fund balances.....</b>	<b>26,015</b>	<b>(7,557)</b>	<b>(7,674)</b>	<b>376</b>	<b>1,835</b>	<b>(38,896)</b>
<b>Fund balances (deficit) at beginning of year (restated).....</b>	<b>117,539</b>	<b>22,980</b>	<b>231,927</b>	<b>(42,351)</b>	<b>46,086</b>	<b>15,644</b>
<b>Fund balances (deficits) at end of year.....</b>	<b>\$ 143,554</b>	<b>\$ 15,423</b>	<b>\$ 224,253</b>	<b>\$ (41,975)</b>	<b>\$ 47,921</b>	<b>\$ (23,252)</b>



REVENUE					PERMANENT				
Tobacco Settlement Revenue Management Authority	Education Lottery	Public Tele- communi- cations	Other Special Revenue	Totals	CAPITAL PROJECTS	Bequests	Wildlife Endowment	Totals	TOTALS
\$ —	\$ —	\$ —	\$ —	\$ 1,654,304	\$ —	\$ —	\$ —	\$ —	\$ 1,654,304
—	—	—	26,217	292,633	59	—	—	—	292,692
—	—	65,355	19,751	112,051	—	—	230	230	112,281
7	5,844	1,278	1,083	22,116	11,924	71	187	258	34,298
—	—	—	99	100	10,975	—	—	—	11,075
—	—	8,758	1,063	10,217	207	—	—	—	10,424
—	275,901	—	151	282,765	—	—	—	—	282,765
—	—	—	21,735	22,163	35	—	—	—	22,198
68,709	—	—	—	68,709	—	—	—	—	68,709
—	529	20,098	445	23,560	87	—	—	—	23,647
<b>68,716</b>	<b>282,274</b>	<b>95,489</b>	<b>70,544</b>	<b>2,488,618</b>	<b>23,287</b>	<b>71</b>	<b>417</b>	<b>488</b>	<b>2,512,393</b>
781	2,500	85,999	30,219	127,930	21	—	—	—	127,951
—	238,259	—	—	318,618	—	3	—	3	318,621
—	186	—	30	341,585	—	11	—	11	341,596
—	—	—	9,308	9,441	—	—	—	—	9,441
—	1	—	13,392	14,168	—	—	—	—	14,168
—	—	—	5,150	5,150	—	—	273	273	5,423
—	—	—	—	—	151,555	—	—	—	151,555
63,035	—	—	47	63,082	1,100	—	—	—	64,182
10,000	—	—	6	10,006	1,520	—	—	—	11,526
—	54,460	9,122	18,905	1,985,896	—	—	—	—	1,985,896
<b>73,816</b>	<b>295,406</b>	<b>95,121</b>	<b>77,057</b>	<b>2,875,876</b>	<b>154,196</b>	<b>14</b>	<b>273</b>	<b>287</b>	<b>3,030,359</b>
<b>(5,100)</b>	<b>(13,132)</b>	<b>368</b>	<b>(6,513)</b>	<b>(387,258)</b>	<b>(130,909)</b>	<b>57</b>	<b>144</b>	<b>201</b>	<b>(517,966)</b>
—	—	—	—	—	301,672	—	—	—	301,672
—	—	—	—	—	3,385	—	—	—	3,385
532	1,088	—	10,575	368,567	35,128	—	—	—	403,695
(2,310)	(6,656)	(481)	(4,180)	(33,019)	(95,281)	—	—	—	(128,300)
<b>(1,778)</b>	<b>(5,568)</b>	<b>(481)</b>	<b>6,395</b>	<b>335,548</b>	<b>244,904</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>580,452</b>
<b>(6,878)</b>	<b>(18,700)</b>	<b>(113)</b>	<b>(118)</b>	<b>(51,710)</b>	<b>113,995</b>	<b>57</b>	<b>144</b>	<b>201</b>	<b>62,486</b>
<b>68,865</b>	<b>145,148</b>	<b>32,092</b>	<b>92,705</b>	<b>730,635</b>	<b>257,330</b>	<b>1,381</b>	<b>3,161</b>	<b>4,542</b>	<b>992,507</b>
<b>\$ 61,987</b>	<b>\$ 126,448</b>	<b>\$ 31,979</b>	<b>\$ 92,587</b>	<b>\$ 678,925</b>	<b>\$ 371,325</b>	<b>\$ 1,438</b>	<b>\$ 3,305</b>	<b>\$ 4,743</b>	<b>\$ 1,054,993</b>

## General Reserve Fund Activity

### BUDGETARY GENERAL FUND

#### Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund. The reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year.

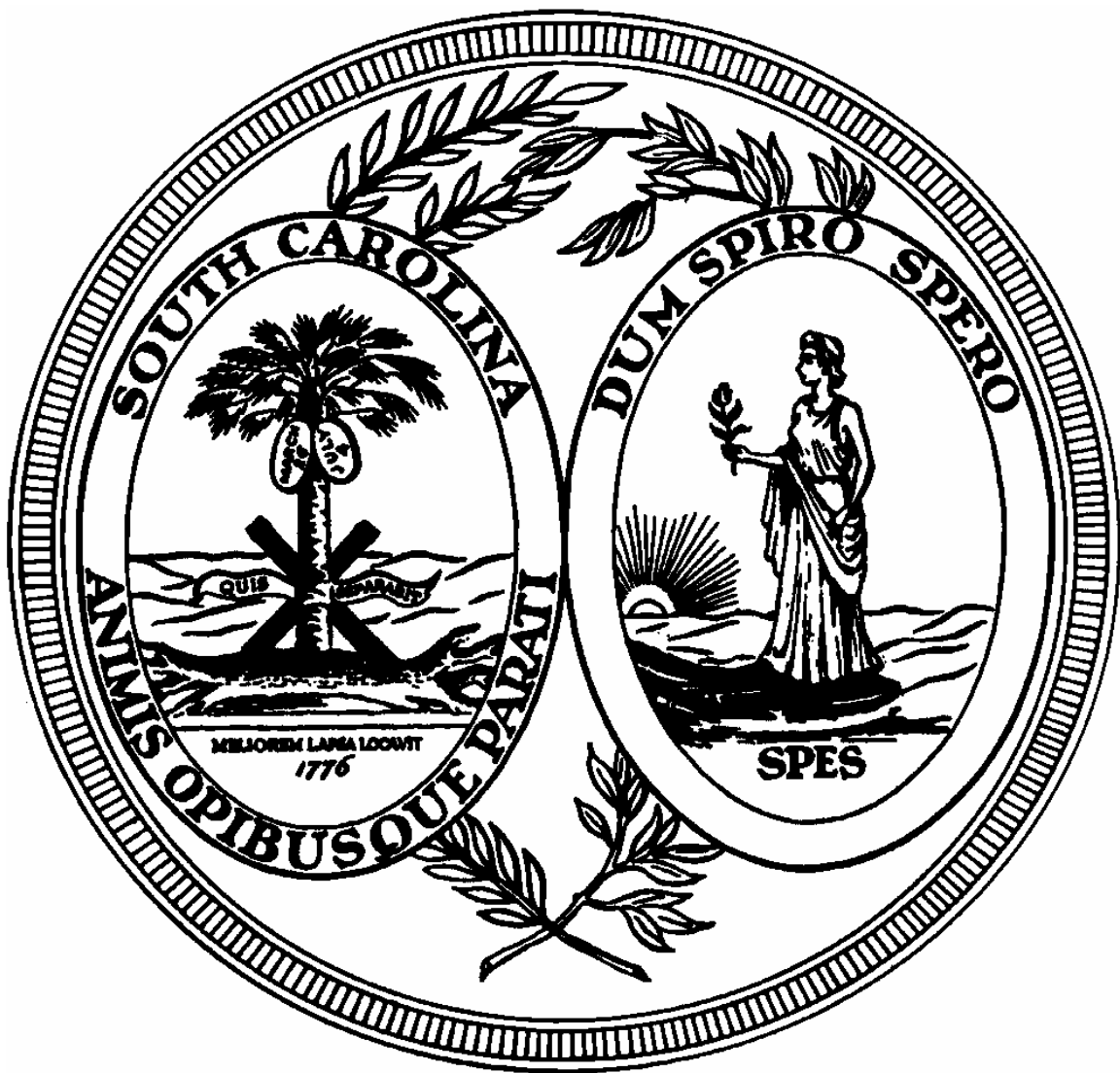
If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

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

<b>Fiscal Year Ended June 30</b>	<b>Start-of- Year Balance</b>	<b>Deposits</b>	<b>Withdrawals</b>	<b>End-of-Year Balance</b>	<b>Full-Funding Amount<sup>a</sup></b>	<b>Actual End-of- Year % Funded<sup>b</sup></b>
2001	145,371	2,545	(87,393)	60,523	147,916	41%
2002	60,523	2,286	(62,809)	—	150,202	0%
2003	—	38,797	(38,797)	—	152,410	0%
2004	—	74,455	(49,300)	25,155	147,708	17%
2005	25,155	50,000	—	75,155	149,034	50%
2006	75,155	78,333	—	153,488	153,488	100%
2007	153,488	14,244	—	167,732	167,732	100%
2008	167,732	19,049	(91,658)	95,123	186,781	51%
2009	95,123	12,974	(108,097)	—	199,755	0%
2010	—	110,883	—	110,883	191,772	58%

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

<sup>b</sup>Equals (End-of-Year Balance/Full-Funding Amount) expressed as a percentage.



## Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Assets—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Assets—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

### a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

*Patients' Compensation Fund.* This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

*Patriots Point Development Authority Fund.* 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.

*Second Injury Fund.* This fund serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment.

*Tuition Prepayment Program Fund.* This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

*The Citadel Trust, Inc., Fund.* The Citadel Trust was formed for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel, a higher education institution reported in the Higher Education Fund, a major enterprise fund.

*University of South Carolina Trust Fund (the Trust).* The Trust operates exclusively for the benefit of the University of South Carolina's School of Medicine to augment and aid education, research, and service in the field of health sciences. The University of South Carolina is a higher education institution reported in the Higher Education Fund, a major enterprise fund. The Trust's fiscal year ends December 31, and the accompanying supplementary information includes the Trust's financial information for the fiscal year ended December 31, 2009.

*University Medical Associates Fund (UMA).* UMA was established to promote and support educational, medical, scientific, and research purposes of the Medical University of South Carolina (MUSC), a higher education institution reported in the Higher Education Fund, a major enterprise fund. UMA promotes the recruitment and retention of superior faculty at MUSC.

*Medical University Facilities Corporation Fund (MUFC).* MUFC was established to obtain financing for the Medical University of South Carolina to purchase land, an office building, and a parking garage.

*CHS Development Company Fund.* The Company was established to provide financing for the Medical University of South Carolina by developing and leasing property.

*Enterprise Campus Authority.* The Authority was established to provide for the management, development, and operation of the Enterprise Campus of Midlands Technical College. Midlands Technical College is a higher education institution reported in the Higher Education Fund, a major enterprise fund.

*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, the Jobs-Economic Development Authority, the Canteens Fund, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

#### **b. Internal Service Funds**

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

*Insurance Reserve Fund.* This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

*Employee Insurance Programs Fund.* This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

*State Accident Fund.* This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

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

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

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

*Pension Administration Fund.* This fund administers the public employee retirement systems. Revenues of the fund primarily consist of assessments charged to the pension trust funds.

*Prison Industries Fund.* This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

*Other Internal Service Funds.* These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

# Combining Statement of Net Assets

## NONMAJOR ENTERPRISE FUNDS

June 30, 2010

(Expressed in Thousands)

	<u>Patients'</u> <u>Compensation</u>	<u>Patriots Point</u> <u>Development</u> <u>Authority</u>	<u>Second</u> <u>Injury</u>	<u>Tuition</u> <u>Prepayment</u> <u>Program</u>	<u>The Citadel</u> <u>Trust, Inc.</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 5,878	\$ 2,838	\$ 355	\$ 161,794	\$ 181
Investments.....	17,720	—	—	—	1,418
Invested securities lending collateral.....	—	169	2,981	2,016	—
Receivables, net:					
Accounts.....	—	543	—	—	3
Contributions.....	—	—	—	—	15
Participants.....	—	—	—	2,168	—
Accrued interest.....	155	6	—	535	90
Patient accounts.....	—	—	—	—	—
Loans and notes.....	—	—	—	—	—
Due from other funds.....	9	—	—	—	—
Inventories.....	—	294	—	—	—
Restricted assets:					
Cash and cash equivalents.....	—	—	54,463	—	1,259
Investments.....	—	—	—	—	7,690
Loans receivable.....	—	—	—	—	80
Other.....	—	—	292	—	309
Prepaid items.....	327	9	—	—	36
Other current assets.....	—	—	306	—	—
Total current assets.....	<u>24,089</u>	<u>3,859</u>	<u>58,397</u>	<u>166,513</u>	<u>11,081</u>
Long-term assets:					
Investments.....	—	—	—	—	3,796
Receivables, net:					
Contributions.....	—	—	—	—	14
Participants.....	—	—	—	6,338	—
Interfund receivables.....	—	—	—	—	—
Restricted assets:					
Cash and cash equivalents.....	—	—	—	—	2,411
Investments.....	—	—	—	—	43,419
Loans receivable.....	—	—	—	—	141
Other.....	—	—	—	—	101
Prepaid items.....	—	—	—	—	—
Other long-term assets.....	—	—	—	—	12
Deferred charges.....	—	—	—	—	—
Non-depreciable capital assets.....	389	5,043	—	—	2,182
Depreciable capital assets, net.....	—	19,201	11	—	—
Total long-term assets.....	<u>389</u>	<u>24,244</u>	<u>11</u>	<u>6,338</u>	<u>52,076</u>
<b>Total assets.....</b>	<b><u>24,478</u></b>	<b><u>28,103</u></b>	<b><u>58,408</u></b>	<b><u>172,851</u></b>	<b><u>63,157</u></b>

University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ 5,299	\$ 99,940	\$ —	\$ —	\$ —	\$ 45,003	\$ 321,288
6,307	22,244	—	—	—	250	47,939
—	—	—	—	—	2,208	7,374
5,078	835	—	—	8	824	7,291
—	—	—	—	—	—	15
—	—	—	—	—	—	2,168
—	—	7	—	—	288	1,081
3,070	32,227	—	—	—	—	35,297
—	—	—	—	—	23	23
—	22,829	2,029	1,011	1,777	1,294	28,949
—	—	—	—	—	3,578	3,872
—	—	1,387	10	—	7	57,126
—	—	316	3,287	—	—	11,293
—	—	—	—	—	—	80
—	—	—	—	—	128	729
—	338	—	156	—	131	997
—	1,211	64	61	—	—	1,642
<u>19,754</u>	<u>179,624</u>	<u>3,803</u>	<u>4,525</u>	<u>1,785</u>	<u>53,734</u>	<u>527,164</u>
—	17,739	—	—	—	200	21,735
—	—	—	—	—	—	14
—	—	—	—	—	—	6,338
—	2,055	9,706	19,300	—	330	31,391
—	—	—	1,739	—	—	4,150
—	—	213	—	—	—	43,632
—	—	—	—	—	6,837	6,978
—	—	—	—	—	—	101
—	9,293	—	1,959	—	—	11,252
—	4,323	258	—	—	—	4,593
—	967	155	761	—	—	1,883
—	7,852	—	—	2,836	21,730	40,032
<u>13,363</u>	<u>39,602</u>	<u>—</u>	<u>—</u>	<u>4,284</u>	<u>6,416</u>	<u>82,877</u>
<u>13,363</u>	<u>81,831</u>	<u>10,332</u>	<u>23,759</u>	<u>7,120</u>	<u>35,513</u>	<u>254,976</u>
<u>33,117</u>	<u>261,455</u>	<u>14,135</u>	<u>28,284</u>	<u>8,905</u>	<u>89,247</u>	<u>782,140</u>

Continued on Next Page

# Combining Statement of Net Assets

## NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2010

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program	The Citadel Trust, Inc.
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable.....	\$ 39	\$ 4	\$ —	\$ —	\$ 66
Accrued salaries and related expenses.....	35	274	97	—	1
Accrued interest payable.....	—	—	—	—	—
Tuition benefits payable.....	—	—	—	22,701	—
Policy claims.....	13,054	—	—	—	—
Due to other funds.....	—	85	—	—	—
Unearned revenues.....	6,903	202	—	—	—
Securities lending collateral.....	—	188	3,287	2,026	—
Liabilities payable from restricted assets:					
Accrued interest payable.....	—	—	—	—	—
Other.....	—	—	54,907	—	—
Notes payable.....	—	—	—	—	—
Revenue bonds payable.....	—	—	—	—	—
Capital leases payable.....	—	—	—	—	—
Compensated absences payable.....	13	16	87	—	3
Other current liabilities.....	370	—	—	—	9
Total current liabilities.....	20,414	769	58,378	24,727	79
Long-term liabilities:					
Tuition benefits payable.....	—	—	—	156,444	—
Policy claims.....	125,601	—	—	—	—
Interfund payables.....	—	9,227	—	—	—
Unearned revenues.....	—	413	—	—	—
Other liabilities payable from restricted assets.....	—	—	—	—	—
Notes payable.....	—	—	—	—	—
Revenue bonds payable.....	—	—	—	—	—
Capital leases payable.....	—	—	—	—	—
Compensated absences payable.....	—	268	19	—	—
Other long-term liabilities.....	—	—	—	—	14
Total long-term liabilities.....	125,601	9,908	19	156,444	14
<b>Total liabilities.....</b>	<b>146,015</b>	<b>10,677</b>	<b>58,397</b>	<b>181,171</b>	<b>93</b>
<b>NET ASSETS (DEFICITS)</b>					
Invested in capital assets, net of related debt.....	389	15,045	11	—	2,182
Restricted:					
Expendable:					
Education.....	—	—	—	—	22,493
Capital projects.....	—	—	—	—	1,178
Debt service.....	—	—	—	—	—
Nonexpendable:					
Education.....	—	—	—	—	31,567
Unrestricted.....	(121,926)	2,381	—	(8,320)	5,644
<b>Total net assets (deficits).....</b>	<b>\$ (121,537)</b>	<b>\$ 17,426</b>	<b>\$ 11</b>	<b>\$ (8,320)</b>	<b>\$ 63,064</b>



University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ 8,765	\$ 3,098	\$ —	\$ —	\$ —	\$ 761	\$ 12,733
113	15,190	—	—	—	357	16,067
—	229	140	633	—	—	1,002
—	—	—	—	—	—	22,701
—	—	—	—	—	—	13,054
—	287	—	—	—	254	626
—	—	16	—	—	33	7,154
—	—	—	—	—	2,434	7,935
—	—	—	—	—	128	128
—	—	—	—	—	—	54,907
—	3,863	1,300	1,300	—	—	6,463
425	—	797	—	—	—	1,222
121	27	—	—	—	—	148
1,404	2,137	—	—	—	402	4,062
—	3,094	—	—	—	—	3,473
<u>10,828</u>	<u>27,925</u>	<u>2,253</u>	<u>1,933</u>	<u>—</u>	<u>4,369</u>	<u>151,675</u>
—	—	—	—	—	—	156,444
—	—	—	—	—	—	125,601
—	—	—	—	—	6,837	16,064
—	—	—	—	—	—	413
—	—	—	—	—	6	6
—	20,514	4,470	25,927	—	—	50,911
6,375	46,276	5,812	—	—	—	58,463
520	—	—	—	—	—	520
—	1,425	—	—	—	186	1,898
411	2,168	258	—	—	—	2,851
<u>7,306</u>	<u>70,383</u>	<u>10,540</u>	<u>25,927</u>	<u>—</u>	<u>7,029</u>	<u>413,171</u>
<u>18,134</u>	<u>98,308</u>	<u>12,793</u>	<u>27,860</u>	<u>—</u>	<u>11,398</u>	<u>564,846</u>
5,922	11,681	—	—	7,120	28,146	70,496
—	—	—	—	—	—	22,493
—	—	—	—	—	—	1,178
—	—	1,342	424	—	—	1,766
—	—	—	—	—	—	31,567
9,061	151,466	—	—	1,785	49,703	89,794
<u>\$ 14,983</u>	<u>\$ 163,147</u>	<u>\$ 1,342</u>	<u>\$ 424</u>	<u>\$ 8,905</u>	<u>\$ 77,849</u>	<u>\$ 217,294</u>

# Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program	The Citadel Trust, Inc.
<b>Operating revenues:</b>					
Charges for services.....	\$ 22,708	\$ 8,490	\$ 1,645	\$ 593	\$ —
Contributions.....	—	—	—	(1,151)	—
Interest and other investment income.....	—	—	—	35,629	7,448
Operating revenues pledged for revenue bonds.....	—	—	—	—	—
Federal operating grants and contracts.....	—	—	—	—	—
Other operating revenues.....	—	—	—	—	—
<b>Total operating revenues.....</b>	<b>22,708</b>	<b>8,490</b>	<b>1,645</b>	<b>35,071</b>	<b>7,448</b>
<b>Operating expenses:</b>					
General operations and administration.....	2,008	7,855	1,686	—	165
Benefits and claims.....	316	—	—	—	—
Tuition plan disbursements.....	—	—	—	910	—
Depreciation and amortization.....	—	778	5	—	—
Other operating expenses.....	—	398	29	—	—
<b>Total operating expenses.....</b>	<b>2,324</b>	<b>9,031</b>	<b>1,720</b>	<b>910</b>	<b>165</b>
<b>Operating income (loss).....</b>	<b>20,384</b>	<b>(541)</b>	<b>(75)</b>	<b>34,161</b>	<b>7,283</b>
<b>Nonoperating revenues (expenses):</b>					
Interest income.....	718	135	70	45	—
Contributions.....	—	208	—	—	2,423
Federal grants and contracts.....	—	24	—	—	—
Local/private grants and contracts.....	—	—	—	—	320
Interest expense.....	—	—	—	—	—
Net other nonoperating revenues (expenses).....	—	(269)	—	—	292
<b>Total nonoperating revenues (expenses).....</b>	<b>718</b>	<b>98</b>	<b>70</b>	<b>45</b>	<b>3,035</b>
<b>Income (loss) before other revenues, expenses, and transfers.....</b>	<b>21,102</b>	<b>(443)</b>	<b>(5)</b>	<b>34,206</b>	<b>10,318</b>
Additions to endowments.....	—	—	—	—	2,265
Transfers in.....	—	—	—	—	—
Transfers out.....	—	(28)	—	(528)	(5,327)
<b>Change in net assets.....</b>	<b>21,102</b>	<b>(471)</b>	<b>(5)</b>	<b>33,678</b>	<b>7,256</b>
<b>Net assets (deficits) at beginning of year (restated).....</b>	<b>(142,639)</b>	<b>17,897</b>	<b>16</b>	<b>(41,998)</b>	<b>55,808</b>
<b>Net assets (deficits) at end of year.....</b>	<b>\$ (121,537)</b>	<b>\$ 17,426</b>	<b>\$ 11</b>	<b>\$ (8,320)</b>	<b>\$ 63,064</b>

University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ 34,685	\$ 299,257	\$ —	\$ —	\$ —	\$ 27,781	\$ 395,159
—	—	—	—	—	—	(1,151)
—	—	33	—	—	16	43,126
—	—	830	1,066	—	—	1,896
—	—	—	—	—	70	70
26,104	12,490	—	—	99	333	39,026
<b>60,789</b>	<b>311,747</b>	<b>863</b>	<b>1,066</b>	<b>99</b>	<b>28,200</b>	<b>478,126</b>
62,077	233,036	—	—	25	23,954	330,806
—	—	—	—	—	—	316
—	—	—	—	—	—	910
1,095	3,135	64	217	113	593	6,000
—	—	737	1,294	—	151	2,609
<b>63,172</b>	<b>236,171</b>	<b>801</b>	<b>1,511</b>	<b>138</b>	<b>24,698</b>	<b>340,641</b>
<b>(2,383)</b>	<b>75,576</b>	<b>62</b>	<b>(445)</b>	<b>(39)</b>	<b>3,502</b>	<b>137,485</b>
1,079	5,229	—	—	—	2,912	10,188
—	—	—	—	—	—	2,631
—	—	—	—	—	—	24
—	—	—	—	—	—	320
(334)	(4,374)	—	—	—	(322)	(5,030)
—	(6,009)	—	—	—	287	(5,699)
<b>745</b>	<b>(5,154)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,877</b>	<b>2,434</b>
<b>(1,638)</b>	<b>70,422</b>	<b>62</b>	<b>(445)</b>	<b>(39)</b>	<b>6,379</b>	<b>139,919</b>
—	—	—	—	—	—	2,265
—	—	—	690	1,540	739	2,969
—	(42,206)	(37)	—	—	(1,181)	(49,307)
<b>(1,638)</b>	<b>28,216</b>	<b>25</b>	<b>245</b>	<b>1,501</b>	<b>5,937</b>	<b>95,846</b>
<b>16,621</b>	<b>134,931</b>	<b>1,317</b>	<b>179</b>	<b>7,404</b>	<b>71,912</b>	<b>121,448</b>
<b>\$ 14,983</b>	<b>\$ 163,147</b>	<b>\$ 1,342</b>	<b>\$ 424</b>	<b>\$ 8,905</b>	<b>\$ 77,849</b>	<b>\$ 217,294</b>

# Combining Statement of Cash Flows

## NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program
<b>Cash flows from operating activities:</b>				
Receipts from customers, patients, and third-party payers.....	\$ 19,820	\$ 4,578	\$ —	\$ —
Assessments received.....	—	—	114,302	—
Tuition plan contributions received.....	—	—	—	1,111
Other operating cash receipts.....	—	3,596	345	36,393
Claims and benefits paid.....	(17,236)	—	(102,936)	—
Payments to suppliers for goods and services.....	(1,518)	(3,572)	(202)	—
Payments to employees.....	(362)	(3,702)	(1,031)	—
Other operating cash payments.....	—	(1,219)	(491)	(11,556)
<b>Net cash provided by (used in) operating activities.....</b>	<b>704</b>	<b>(319)</b>	<b>9,987</b>	<b>25,948</b>
<b>Cash flows from noncapital financing activities:</b>				
Proceeds from sale of noncapital debt.....	—	—	—	—
Principal paid on noncapital debt.....	—	—	—	—
Interest payments on noncapital debt.....	—	—	—	—
Gifts and grants for other than capital purposes.....	—	—	—	—
Other cash receipts .....	—	—	—	—
Other cash payments .....	—	—	—	—
Transfers in.....	—	—	—	—
Transfers out .....	—	—	—	(528)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(528)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets.....	(102)	(10,920)	—	—
Principal payments on capital debt.....	—	—	—	—
Interest payments on capital debt.....	—	—	—	—
Proceeds from issuance of interfund loan.....	—	9,200	—	—
Proceeds from sale or disposal of capital assets.....	—	—	—	—
Capital grants and gifts received.....	—	—	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(102)</b>	<b>(1,720)</b>	<b>—</b>	<b>—</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments.....	18,822	—	—	—
Purchase of investments .....	(24,028)	—	—	—
Interest and dividends on investments.....	566	110	3,106	(544)
Collection of escrow payments from borrower.....	—	—	—	—
<b>Net cash provided by (used in) investing activities.....</b>	<b>(4,640)</b>	<b>110</b>	<b>3,106</b>	<b>(544)</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(4,038)</b>	<b>(1,929)</b>	<b>13,093</b>	<b>24,876</b>
<b>Cash and cash equivalents at beginning of year (restated).....</b>	<b>9,916</b>	<b>4,767</b>	<b>41,725</b>	<b>136,918</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 5,878</b>	<b>\$ 2,838</b>	<b>\$ 54,818</b>	<b>\$ 161,794</b>

The Citadel Trust, Inc.	University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ —	\$ 34,865	\$ 280,565	\$ —	\$ —	\$ —	\$ 26,150	\$ 365,978
—	—	—	—	—	—	—	114,302
—	—	—	—	—	—	—	1,111
—	26,809	23,083	—	—	25	983	91,234
—	—	—	—	—	—	—	(120,172)
(69)	(17,421)	(86,854)	—	—	(25)	(19,076)	(128,737)
(96)	(41,065)	(142,788)	—	—	—	(5,394)	(194,438)
—	—	—	—	—	—	(24)	(13,290)
<b>(165)</b>	<b>3,188</b>	<b>74,006</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,639</b>	<b>115,988</b>
—	—	—	—	—	—	(1,457)	(1,457)
—	—	(1,850)	—	—	—	(372)	(2,222)
—	—	(1,301)	—	—	—	—	(1,301)
4,968	—	(9,914)	—	—	—	70	(4,876)
199	—	—	—	—	—	—	199
—	—	—	—	—	—	(251)	(251)
—	—	—	—	690	—	739	1,429
(5,327)	—	(42,206)	(37)	—	—	(1,181)	(49,279)
<b>(160)</b>	<b>—</b>	<b>(55,271)</b>	<b>(37)</b>	<b>690</b>	<b>—</b>	<b>(2,452)</b>	<b>(57,758)</b>
—	(778)	(5,760)	—	—	—	(1,518)	(19,078)
—	(531)	(2,028)	(1,986)	(1,235)	—	—	(5,780)
—	(331)	(1,384)	(753)	(1,331)	—	—	(3,799)
—	—	—	—	—	—	—	9,200
—	—	—	—	—	—	5	5
—	—	—	—	—	—	77	77
<b>—</b>	<b>(1,640)</b>	<b>(9,172)</b>	<b>(2,739)</b>	<b>(2,566)</b>	<b>—</b>	<b>(1,436)</b>	<b>(19,375)</b>
55,997	2,163	7,264	3,218	6,372	—	—	93,836
(56,920)	(2,026)	(24,649)	(1,312)	(8,004)	—	(450)	(117,389)
809	151	991	859	1,007	—	2,498	9,553
—	—	—	—	—	—	1,827	1,827
<b>(114)</b>	<b>288</b>	<b>(16,394)</b>	<b>2,765</b>	<b>(625)</b>	<b>—</b>	<b>3,875</b>	<b>(12,173)</b>
<b>(439)</b>	<b>1,836</b>	<b>(6,831)</b>	<b>(11)</b>	<b>(2,501)</b>	<b>—</b>	<b>2,626</b>	<b>26,682</b>
<b>4,290</b>	<b>3,463</b>	<b>106,771</b>	<b>1,398</b>	<b>4,250</b>	<b>—</b>	<b>42,384</b>	<b>355,882</b>
<b>\$ 3,851</b>	<b>\$ 5,299</b>	<b>\$ 99,940</b>	<b>\$ 1,387</b>	<b>\$ 1,749</b>	<b>\$ —</b>	<b>\$ 45,010</b>	<b>\$ 382,564</b>

Continued on Next Page

# Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program
<b>Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss).....	\$ 20,384	\$ (541)	\$ (75)	\$ 34,161
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization .....	—	778	5	—
Provision for bad debts.....	—	—	—	—
Net (increase) decrease in the fair value of investments.....	—	—	—	—
Amounts received for payment of claims.....	—	—	112,587	—
Payment of claims.....	—	—	(102,591)	—
Other nonoperating revenues.....	—	42	—	—
Other nonoperating expenses.....	—	—	—	—
<b>Effect of change in operating assets and liabilities:</b>				
Accounts receivable, net.....	(1)	(248)	—	168
Receivable from participants, net.....	—	—	—	2,262
Loans receivable.....	—	—	—	—
Due from other funds.....	(8)	—	—	3
Inventories.....	—	(11)	—	—
Other assets .....	181	—	70	—
Accounts payable.....	(129)	(281)	(3)	—
Accrued salaries and related expenses.....	9	(3)	(1)	—
Tuition benefits payable.....	—	—	—	(10,646)
Policy claims.....	(16,920)	—	—	—
Due to other funds.....	—	19	—	—
Unearned revenues .....	(2,888)	(77)	—	—
Compensated absences payable .....	4	3	(5)	—
Other liabilities.....	72	—	—	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ 704</b>	<b>\$ (319)</b>	<b>\$ 9,987</b>	<b>\$ 25,948</b>
<b>Noncash capital, investing, and financing activities:</b>				
Borrowing under capital leases.....	\$ —	\$ —	\$ —	\$ —
Increase in fair value of investments.....	66,749	—	70	—
	<b>\$ 66,749</b>	<b>\$ —</b>	<b>\$ 70</b>	<b>\$ —</b>

The Citadel Trust, Inc.	University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ 7,283	\$ (2,383)	\$ 75,576	\$ 62	\$ (445)	\$ (39)	\$ 3,502	\$ 137,485
—	1,095	3,135	64	217	113	593	6,000
—	—	22,495	—	—	—	—	22,495
(7,448)	—	—	—	—	—	—	(7,448)
—	—	—	—	—	—	—	112,587
—	—	—	—	—	—	—	(102,591)
—	—	4,973	(863)	(1,066)	—	744	3,830
—	—	—	737	1,294	—	(23)	2,008
—	704	(22,859)	—	—	10	145	(22,081)
—	—	—	—	—	—	—	2,262
—	180	—	—	—	—	—	180
—	—	(13,564)	—	—	—	(1,603)	(15,172)
—	—	—	—	—	—	(274)	(285)
—	—	657	—	—	—	(11)	897
—	3,858	3,594	—	—	—	(24)	7,015
—	116	—	—	—	—	7	128
—	—	—	—	—	—	—	(10,646)
—	—	—	—	—	—	—	(16,920)
—	—	(89)	—	—	(84)	(366)	(520)
—	—	—	—	—	—	—	(2,965)
—	80	88	—	—	—	(51)	119
—	(462)	—	—	—	—	—	(390)
<u>\$ (165)</u>	<u>\$ 3,188</u>	<u>\$ 74,006</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,639</u>	<u>\$ 115,988</u>
\$ —	\$ 748	\$ 143	\$ —	\$ —	\$ —	\$ —	\$ 891
4,980	1,253	4,269	—	—	—	—	77,321
<u>\$ 4,980</u>	<u>\$ 2,001</u>	<u>\$ 4,412</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 78,212</u>

# Combining Statement of Net Assets

## INTERNAL SERVICE FUNDS

June 30, 2010

(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 62,233	\$ 182,772	\$ 170,898	\$ 29,880	\$ 535
Invested securities lending collateral.....	8,552	9,774	9,302	57	—
Receivables, net:					
Accounts .....	17,697	45,750	79,313	205	—
Accrued interest.....	4,403	17	1,133	8	—
Due from other funds.....	301	35,649	1,933	9,616	1,506
Due from component units.....	—	19	—	15	—
Inventories.....	—	—	—	703	1,551
Prepaid items.....	18,057	—	14	—	—
Total current assets.....	111,243	273,981	262,593	40,484	3,592
Long-term assets:					
Investments.....	374,579	—	—	—	—
Accounts receivable, net.....	—	—	84	146	—
Interfund receivables.....	6,837	—	—	15,400	—
Other long-term assets.....	—	—	482	—	—
Deferred charges.....	—	—	—	89	—
Non-depreciable capital assets.....	—	—	—	6,897	—
Depreciable capital assets, net.....	66	28	37	97,820	3
Total long-term assets.....	381,482	28	603	120,352	3
<b>Total assets.....</b>	<b>492,725</b>	<b>274,009</b>	<b>263,196</b>	<b>160,836</b>	<b>3,595</b>



<u>Motor Pool</u>	<u>Pension Adminis- tration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ 9,967	\$ 2,602	\$ 1,045	\$ 212	\$ 460,144
—	133	—	—	27,818
730	—	1,011	—	144,706
—	33	—	—	5,594
2,877	—	745	4	52,631
8	—	—	—	42
26	—	3,779	—	6,059
—	—	—	—	18,071
<u>13,608</u>	<u>2,768</u>	<u>6,580</u>	<u>216</u>	<u>715,065</u>
—	—	—	—	374,579
346	—	—	—	576
—	—	—	—	22,237
—	—	—	—	482
—	—	—	—	89
—	—	—	—	6,897
<u>11,038</u>	<u>558</u>	<u>5,630</u>	<u>—</u>	<u>115,180</u>
<u>11,384</u>	<u>558</u>	<u>5,630</u>	<u>—</u>	<u>520,040</u>
<u>24,992</u>	<u>3,326</u>	<u>12,210</u>	<u>216</u>	<u>1,235,105</u>

# Combining Statement of Net Assets

## INTERNAL SERVICE FUNDS (Continued)

June 30, 2010

(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable.....	\$ 620	\$ 685	\$ 565	\$ 2,290	\$ 109
Accrued salaries and related expenses.....	291	449	279	1,255	—
Accrued interest payable.....	—	—	—	456	—
Retainages payable.....	—	—	—	248	—
Intergovernmental payables.....	—	—	—	167	—
Policy claims.....	230,011	156,969	76,772	—	—
Due to other funds.....	78	9	4	2,643	4
Unearned revenues.....	59,168	12,283	88,116	—	—
Securities lending collateral.....	9,430	10,777	10,257	62	—
Notes payable.....	—	—	—	14	—
Revenue bonds payable.....	—	—	—	1,620	—
Limited obligation bonds payable.....	—	—	—	1,280	—
Compensated absences payable.....	136	201	269	1,219	—
Other current liabilities.....	—	—	9,547	—	—
Total current liabilities.....	299,734	181,373	185,809	11,254	113
Long-term liabilities:					
Policy claims.....	—	—	151,373	—	—
Interfund payables.....	—	—	—	541	1,000
Notes payable.....	—	—	—	11	—
Revenue bonds payable.....	—	—	—	14,467	—
Limited obligation bonds payable.....	—	—	—	5,155	—
Compensated absences payable.....	162	302	80	1,110	—
Total long-term liabilities.....	162	302	151,453	21,284	1,000
<b>Total liabilities.....</b>	<b>299,896</b>	<b>181,675</b>	<b>337,262</b>	<b>32,538</b>	<b>1,113</b>
<b>NET ASSETS (DEFICITS)</b>					
Invested in capital assets, net of related debt.....	66	28	37	82,259	3
Restricted:					
Expendable:					
Loan programs.....	20,000	—	—	—	—
Insurance programs.....	172,763	92,306	—	—	—
Unrestricted.....	—	—	(74,103)	46,039	2,479
<b>Total net assets (deficits).....</b>	<b>\$ 192,829</b>	<b>\$ 92,334</b>	<b>\$ (74,066)</b>	<b>\$ 128,298</b>	<b>\$ 2,482</b>

<u>Motor Pool</u>	<u>Pension Adminis- tration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ 1,056	\$ 567	\$ 589	\$ 2	\$ 6,483
90	771	901	15	4,051
217	—	—	—	673
—	—	—	—	248
—	—	—	—	167
—	—	—	—	463,752
100	504	1,441	8	4,791
—	—	—	—	159,567
—	146	—	—	30,672
3,582	—	—	—	3,596
—	—	—	—	1,620
—	—	—	—	1,280
88	724	270	19	2,926
—	—	—	—	9,547
<u>5,133</u>	<u>2,712</u>	<u>3,201</u>	<u>44</u>	<u>689,373</u>
—	—	—	—	151,373
—	—	—	—	1,541
3,985	—	—	—	3,996
—	—	—	—	14,467
—	—	—	—	5,155
80	659	246	17	2,656
<u>4,065</u>	<u>659</u>	<u>246</u>	<u>17</u>	<u>179,188</u>
<u>9,198</u>	<u>3,371</u>	<u>3,447</u>	<u>61</u>	<u>868,561</u>
3,652	558	5,630	—	92,233
—	—	—	—	20,000
—	—	—	—	265,069
12,142	(603)	3,133	155	(10,758)
<u>\$ 15,794</u>	<u>\$ (45)</u>	<u>\$ 8,763</u>	<u>\$ 155</u>	<u>\$ 366,544</u>

# Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
<b>Operating revenues:</b>					
Charges for services.....	\$ 70,395	\$ 1,683,291	\$ 87,631	\$ 65,163	\$ 5,686
Interest and other investment income.....	—	—	—	765	—
Licenses, fees, and permits.....	—	—	—	66	—
Other operating revenues.....	—	105,470	—	—	—
<b>Total operating revenues.....</b>	<b>70,395</b>	<b>1,788,761</b>	<b>87,631</b>	<b>65,994</b>	<b>5,686</b>
<b>Operating expenses:</b>					
General operations and administration.....	60,745	155,192	4,712	60,453	4,954
Benefits and claims.....	51,466	1,645,980	70,659	—	—
Depreciation and amortization.....	51	53	120	5,880	1
Other operating expenses.....	—	—	4,631	514	7
<b>Total operating expenses.....</b>	<b>112,262</b>	<b>1,801,225</b>	<b>80,122</b>	<b>66,847</b>	<b>4,962</b>
<b>Operating income (loss).....</b>	<b>(41,867)</b>	<b>(12,464)</b>	<b>7,509</b>	<b>(853)</b>	<b>724</b>
<b>Nonoperating revenues (expenses):</b>					
Interest income.....	35,554	8,424	8,810	70	—
Interest expense.....	—	—	—	(1,061)	—
Net other nonoperating revenues.....	5	—	50	2,817	2
<b>Total nonoperating revenues (expenses).....</b>	<b>35,559</b>	<b>8,424</b>	<b>8,860</b>	<b>1,826</b>	<b>2</b>
<b>Income (loss) before other revenues and transfers.....</b>	<b>(6,308)</b>	<b>(4,040)</b>	<b>16,369</b>	<b>973</b>	<b>726</b>
Transfers in.....	—	60	—	3,433	815
Transfers out.....	(2,281)	(265)	—	(3,449)	—
<b>Change in net assets.....</b>	<b>(8,589)</b>	<b>(4,245)</b>	<b>16,369</b>	<b>957</b>	<b>1,541</b>
<b>Net assets (deficits) at beginning of year.....</b>	<b>201,418</b>	<b>96,579</b>	<b>(90,435)</b>	<b>127,341</b>	<b>941</b>
<b>Net assets (deficits) at end of year.....</b>	<b>\$ 192,829</b>	<b>\$ 92,334</b>	<b>\$ (74,066)</b>	<b>\$ 128,298</b>	<b>\$ 2,482</b>

<b>Motor Pool</b>	<b>Pension Adminis- tration</b>	<b>Prison Industries</b>	<b>Other Internal Service</b>	<b>Totals</b>
\$ 23,823	\$ 21,687	\$ 14,263	\$ 193	\$ 1,972,132
—	(41)	—	—	724
—	—	—	—	66
1	—	—	—	105,471
<b>23,824</b>	<b>21,646</b>	<b>14,263</b>	<b>193</b>	<b>2,078,393</b>
16,348	19,897	21,144	405	343,850
—	—	—	—	1,768,105
10,689	187	265	—	17,246
2	160	11	—	5,325
<b>27,039</b>	<b>20,244</b>	<b>21,420</b>	<b>405</b>	<b>2,134,526</b>
<b>(3,215)</b>	<b>1,402</b>	<b>(7,157)</b>	<b>(212)</b>	<b>(56,133)</b>
—	223	—	—	53,081
(371)	—	—	—	(1,432)
320	77	2,898	—	6,169
<b>(51)</b>	<b>300</b>	<b>2,898</b>	<b>—</b>	<b>57,818</b>
<b>(3,266)</b>	<b>1,702</b>	<b>(4,259)</b>	<b>(212)</b>	<b>1,685</b>
1,011	—	5	—	5,324
(3,992)	(523)	—	(19)	(10,529)
<b>(6,247)</b>	<b>1,179</b>	<b>(4,254)</b>	<b>(231)</b>	<b>(3,520)</b>
<b>22,041</b>	<b>(1,224)</b>	<b>13,017</b>	<b>386</b>	<b>370,064</b>
<b>\$ 15,794</b>	<b>\$ (45)</b>	<b>\$ 8,763</b>	<b>\$ 155</b>	<b>\$ 366,544</b>

# Combining Statement of Cash Flows

## INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
<b>Cash flows from operating activities:</b>				
Receipts from customers.....	\$ 56,607	\$ 1,235,196	\$ 17,976	\$ —
Internal activity—payments from other funds.....	12,101	428,121	75,353	66,136
Other operating cash receipts.....	—	94,350	18,911	3,012
Claims paid.....	(50,873)	(1,635,661)	(69,037)	—
Payments to suppliers for goods and services.....	(52,985)	(180,836)	(4,725)	(40,440)
Payments to employees.....	(3,359)	(5,507)	(3,733)	(25,672)
Internal activity—payments to other funds.....	(13)	—	(7,558)	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>(38,522)</b>	<b>(64,337)</b>	<b>27,187</b>	<b>3,036</b>
<b>Cash flows from noncapital financing activities:</b>				
Principal payments received from other funds.....	3,457	—	—	—
Principal payments made to other funds.....	—	—	—	(1,540)
Receipt of interest from other funds.....	372	—	—	—
Transfers in.....	—	60	—	3,433
Transfers out.....	(2,281)	(265)	—	(3,449)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>1,548</b>	<b>(205)</b>	<b>—</b>	<b>(1,556)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets.....	(7)	(17)	(7)	(2,711)
Principal payments on limited obligation bonds.....	—	—	—	(1,830)
Principal payments on capital debt.....	—	—	—	(1,280)
Interest payments on capital debt.....	—	—	—	(966)
<b>Net cash used in capital financing activities.....</b>	<b>(7)</b>	<b>(17)</b>	<b>(7)</b>	<b>(6,787)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments.....	125,917	—	—	—
Purchase of investments.....	(62,378)	—	—	—
Interest on investments.....	14,560	7,466	8,636	—
<b>Net cash provided by investing activities.....</b>	<b>78,099</b>	<b>7,466</b>	<b>8,636</b>	<b>—</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>41,118</b>	<b>(57,093)</b>	<b>35,816</b>	<b>(5,307)</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>21,115</b>	<b>239,865</b>	<b>135,082</b>	<b>35,187</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 62,233</b>	<b>\$ 182,772</b>	<b>\$ 170,898</b>	<b>\$ 29,880</b>

Central Supplies and Equipment	Motor Pool	Pension Adminis- tration	Prison Industries	Other Internal Service	Totals
\$ —	\$ —	\$ —	\$ 14,263	\$ 193	\$ 1,324,235
5,686	24,938	21,686	—	—	634,021
—	—	121	2,898	—	119,292
—	—	(4,669)	—	—	(1,760,240)
(6,122)	(14,093)	(13,977)	(3,362)	—	(316,540)
—	(1,598)	(1,654)	(15,366)	(285)	(57,174)
—	—	—	—	(85)	(7,656)
<b>(436)</b>	<b>9,247</b>	<b>1,507</b>	<b>(1,567)</b>	<b>(177)</b>	<b>(64,062)</b>
—	—	—	—	—	3,457
(500)	—	—	—	—	(2,040)
—	—	—	—	—	372
815	1,011	—	5	—	5,324
—	(3,992)	(523)	—	(19)	(10,529)
<b>315</b>	<b>(2,981)</b>	<b>(523)</b>	<b>5</b>	<b>(19)</b>	<b>(3,416)</b>
—	(1,539)	(228)	—	—	(4,509)
—	—	—	—	—	(1,830)
—	(3,487)	—	—	—	(4,767)
—	—	—	—	—	(966)
<b>—</b>	<b>(5,026)</b>	<b>(228)</b>	<b>—</b>	<b>—</b>	<b>(12,072)</b>
—	—	—	—	—	125,917
—	—	—	—	—	(62,378)
—	—	165	—	—	30,827
<b>—</b>	<b>—</b>	<b>165</b>	<b>—</b>	<b>—</b>	<b>94,366</b>
<b>(121)</b>	<b>1,240</b>	<b>921</b>	<b>(1,562)</b>	<b>(196)</b>	<b>14,816</b>
<b>656</b>	<b>8,727</b>	<b>1,681</b>	<b>2,607</b>	<b>408</b>	<b>445,328</b>
<b>\$ 535</b>	<b>\$ 9,967</b>	<b>\$ 2,602</b>	<b>\$ 1,045</b>	<b>\$ 212</b>	<b>\$ 460,144</b>

Continued on Next Page

# Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss).....	\$ (41,867)	\$ (12,464)	\$ 7,509	\$ (853)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization.....	51	53	120	5,880
Other nonoperating revenues.....	—	—	51	2,993
<b>Effect of change in operating assets and liabilities:</b>				
Accounts receivable, net.....	3,536	(8,879)	(2,078)	144
Accrued interest.....	—	—	—	17
Due from other funds .....	(301)	(22,275)	—	(3,595)
Inventories.....	—	—	—	2
Other assets.....	102	—	5	—
Accounts payable.....	1,839	—	19,546	(2,421)
Accrued salaries and related expenses.....	11	(105)	(2)	(149)
Accrued interest payable.....	—	—	—	(82)
Retainages payable.....	—	—	—	248
Policy claims.....	3,177	(28,868)	—	—
Due to other funds.....	(83)	—	—	1,134
Unearned revenues .....	(4,922)	8,310	2,028	—
Compensated absences payable.....	(65)	(109)	8	(282)
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ (38,522)</b>	<b>\$ (64,337)</b>	<b>\$ 27,187</b>	<b>\$ 3,036</b>
<b>Noncash capital, investing, and financing activities:</b>				
Increase in fair value of investments.....	\$ —	\$ —	\$ —	\$ —
<b>Total noncash capital, investing, and financing activities.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>



Central Supplies and Equipment	Motor Pool	Pension Adminis- tration	Prison Industries	Other Internal Service	Totals
\$ 724	\$ (3,215)	\$ 1,402	\$ (7,157)	\$ (212)	\$ (56,133)
1	10,689	187	265	—	17,246
—	—	162	2,898	—	6,104
—	(118)	—	2,273	—	(5,122)
—	—	(1)	—	—	16
(836)	1,234	—	(380)	30	(26,123)
(32)	(2)	—	(64)	—	(96)
—	876	—	—	—	983
(293)	(235)	(394)	502	—	18,544
—	—	12	153	—	(80)
—	—	—	—	—	(82)
—	—	—	—	—	248
—	—	—	—	—	(25,691)
—	37	107	(7)	1	1,189
—	—	—	—	—	5,416
—	(19)	32	(50)	4	(481)
<u>\$ (436)</u>	<u>\$ 9,247</u>	<u>\$ 1,507</u>	<u>\$ (1,567)</u>	<u>\$ (177)</u>	<u>\$ (64,062)</u>
\$ —	\$ —	\$ 17	\$ —	\$ —	\$ 17
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>

## Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

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

- Combining Statement of Plan Net Assets—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Assets—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Assets—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Assets—Private-Purpose Trust Funds
- Combining Statement of Fiduciary Net Assets—Agency Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

### a. Pension and Other Post-Employment Benefit Trust Funds

*South Carolina Retirement System.* This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

*Police Officers' Retirement System.* This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

*General Assembly Retirement System.* This is a single-employer pension system that benefits members of the South Carolina General Assembly.

*Judges' and Solicitors' Retirement System.* This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

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

*South Carolina Retiree Health Insurance Trust Fund.* This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

*Long-term Disability Insurance Trust Fund.* This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

### b. Private-Purpose Trust Funds

*College Savings Plan Fund.* The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

*Other Private-Purpose Trust Funds.* This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

### c. Agency Funds

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

*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 Statement of Plan Net Assets

## PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2010

(Expressed in Thousands)

### PENSION TRUST

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 3,473,930	\$ 487,115	\$ 6,954	\$ 19,663	\$ 3,695
Receivables:					
Accounts.....	—	—	—	—	—
Contributions.....	153,539	18,264	41	757	3
Employer long-term.....	340	12	—	—	—
Accrued interest.....	55,179	7,701	93	309	39
Unsettled investment sales.....	920,106	131,595	1,448	5,129	637
Other investment receivables.....	2,441	338	4	13	2
Total receivables.....	1,131,605	157,910	1,586	6,208	681
Due from other funds.....	7,697	367	1	67	—
Investments, at fair value:					
Short term securities.....	495	71	1	3	—
Debt-domestic.....	3,384,091	483,997	5,327	18,864	2,343
Debt-international.....	2,467,288	352,874	3,883	13,754	1,709
Equity-domestic.....	1,407,616	201,319	2,216	7,846	975
Equity-international.....	255	36	—	1	1
Alternatives.....	9,101,529	1,301,710	14,326	50,736	6,302
Financial and other.....	—	—	—	—	—
Total investments.....	16,361,274	2,340,007	25,753	91,204	11,330
Invested securities lending collateral.....	282,044	40,338	444	1,572	195
Capital assets, net.....	2,902	297	8	14	—
Prepaid items.....	838	119	2	4	1
<b>Total assets.....</b>	<b>21,260,290</b>	<b>3,026,153</b>	<b>34,748</b>	<b>118,732</b>	<b>15,902</b>
<b>LIABILITIES</b>					
Accounts payable.....	14,861	2,126	24	82	10
Accounts payable—unsettled investment purchases.....	803,024	114,849	1,264	4,477	556
Due to other funds.....	37,795	837	70	—	1
Deferred retirement benefits.....	322,350	—	—	743	—
Securities lending collateral.....	372,821	53,321	587	2,078	258
Other liabilities.....	28,302	3,546	33	126	24
<b>Total liabilities.....</b>	<b>1,579,153</b>	<b>174,679</b>	<b>1,978</b>	<b>7,506</b>	<b>849</b>
<b>NET ASSETS</b>					
Held in trust for pension and other post-employment benefits.....	<u>\$ 19,681,137</u>	<u>\$ 2,851,474</u>	<u>\$ 32,770</u>	<u>\$ 111,226</u>	<u>\$ 15,053</u>

<b>OPEB TRUST</b>		
<b>South Carolina Retiree Health Insurance Trust Fund</b>	<b>Long-term Disability Insurance Trust Fund</b>	<b>Totals</b>
\$ 96,284	\$ 6,298	\$ 4,093,939
—	42	42
—	—	172,604
—	—	352
4,901	333	68,555
—	—	1,058,915
—	—	2,798
4,901	375	1,303,266
41,682	—	49,814
—	—	570
345,825	22,572	4,263,019
—	—	2,839,508
—	—	1,619,972
—	—	293
—	—	10,474,603
17,218	3,476	20,694
363,043	26,048	19,218,659
19,898	—	344,491
—	—	3,221
—	—	964
<b>525,808</b>	<b>32,721</b>	<b>25,014,354</b>
—	—	17,103
—	—	924,170
16,372	31	55,106
—	—	323,093
21,940	—	451,005
—	—	32,031
<b>38,312</b>	<b>31</b>	<b>1,802,508</b>
<b>\$ 487,496</b>	<b>\$ 32,690</b>	<b>\$ 23,211,846</b>

# Combining Statement of Changes in Plan Net Assets

## PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

### PENSION TRUST

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
<b>Additions:</b>					
Contributions:					
Employer.....	\$ 819,480	\$ 123,205	\$ 2,598	\$ 8,414	\$ 4,052
Employee.....	561,261	77,051	544	2,343	—
Total contributions.....	1,380,741	200,256	3,142	10,757	4,052
Investment income:					
Interest income and net appreciation in investments.....	2,653,338	368,322	4,711	14,875	1,892
Securities lending income.....	4,817	675	8	26	4
Total investment income.....	2,658,155	368,997	4,719	14,901	1,896
Less investment expense:					
Investment expense.....	44,462	6,288	75	249	30
Securities lending expense.....	1,030	143	2	6	1
Net investment income.....	2,612,663	362,566	4,642	14,646	1,865
Assets moved between pension trust funds.....	—	1,266	36	114	—
<b>Total additions.....</b>	<b>3,993,404</b>	<b>564,088</b>	<b>7,820</b>	<b>25,517</b>	<b>5,917</b>
<b>Deductions:</b>					
Regular retirement benefits.....	1,856,661	223,473	6,512	13,869	3,624
Supplemental retirement benefits.....	957	42	—	—	—
Deferred retirement benefits.....	156,800	—	—	299	—
Refunds of retirement contributions to members.....	75,814	13,673	4	—	—
Death benefit claims.....	19,921	2,019	6	11	—
Accidental death benefits.....	—	1,462	—	—	—
Other post-employment benefits.....	—	—	—	—	—
Depreciation.....	107	11	1	—	—
Administrative expense.....	18,070	2,566	32	101	13
Assets moved between pension trust funds.....	1,416	—	—	—	—
<b>Total deductions.....</b>	<b>2,129,746</b>	<b>243,246</b>	<b>6,555</b>	<b>14,280</b>	<b>3,637</b>
<b>Change in net assets .....</b>	<b>1,863,658</b>	<b>320,842</b>	<b>1,265</b>	<b>11,237</b>	<b>2,280</b>
<b>Net assets at beginning of year.....</b>	<b>17,817,479</b>	<b>2,530,632</b>	<b>31,505</b>	<b>99,989</b>	<b>12,773</b>
<b>Net assets at end of year.....</b>	<b>\$ 19,681,137</b>	<b>\$ 2,851,474</b>	<b>\$ 32,770</b>	<b>\$ 111,226</b>	<b>\$ 15,053</b>

<b>OPEB TRUST</b>		
<b>South Carolina Retiree Health Insurance Trust Fund</b>	<b>Long-term Disability Insurance Trust Fund</b>	<b>Totals</b>
\$ 296,502	\$ 6,850	\$ 1,261,101
—	—	641,199
296,502	6,850	1,902,300
35,137	3,033	3,081,308
155	5	5,690
35,292	3,038	3,086,998
—	—	51,104
69	2	1,253
35,223	3,036	3,034,641
—	—	1,416
<b>331,725</b>	<b>9,886</b>	<b>4,938,357</b>
—	—	2,104,139
—	—	999
—	—	157,099
—	—	89,491
—	—	21,957
—	—	1,462
284,042	6,606	290,648
—	—	119
90	31	20,903
—	—	1,416
<b>284,132</b>	<b>6,637</b>	<b>2,688,233</b>
<b>47,593</b>	<b>3,249</b>	<b>2,250,124</b>
<b>439,903</b>	<b>29,441</b>	<b>20,961,722</b>
<b>\$ 487,496</b>	<b>\$ 32,690</b>	<b>\$ 23,211,846</b>

# Combining Statement of Fiduciary Net Assets

## PRIVATE-PURPOSE TRUST FUNDS

June 30, 2010

(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ —	\$ 17,164	\$ 17,164
Receivables, net:			
Accrued interest.....	748	170	918
Unsettled investment sales.....	1,045	—	1,045
Investments.....	1,114,175	—	1,114,175
Invested securities lending collateral .....	—	511	511
Other assets.....	—	4,975	4,975
<b>Total assets.....</b>	<b>1,115,968</b>	<b>22,820</b>	<b>1,138,788</b>
<b>LIABILITIES</b>			
Accounts payable.....	1,350	619	1,969
Accounts payable—unsettled investment purchases.....	330	—	330
Securities lending collateral.....	—	564	564
<b>Total liabilities.....</b>	<b>1,680</b>	<b>1,183</b>	<b>2,863</b>
<b>NET ASSETS</b>			
Held in trust for other purposes.....	<u>\$ 1,114,288</u>	<u>\$ 21,637</u>	<u>\$ 1,135,925</u>



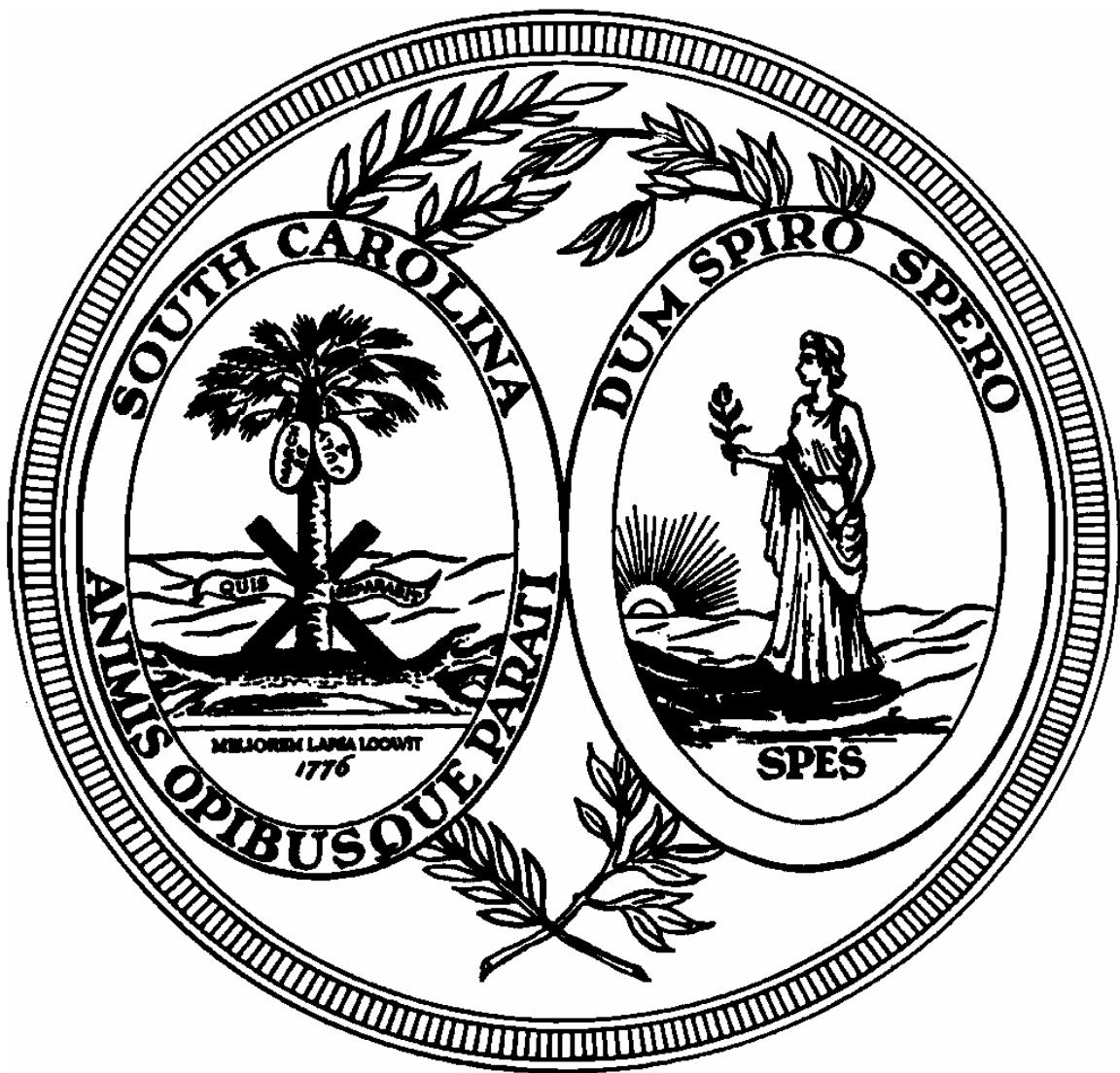
# Combining Statement of Changes in Fiduciary Net Assets

## PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
<b>Additions:</b>			
Licenses, fees, and permits.....	\$ —	\$ 150	\$ 150
Tuition plan deposits.....	83,048	—	83,048
Interest income.....	101,587	760	102,347
<b>Total additions.....</b>	<b>184,635</b>	<b>910</b>	<b>185,545</b>
<b>Deductions:</b>			
Administrative expense.....	7,872	4,326	12,198
Payments in accordance with trust agreements.....	—	128	128
Other expenses.....	—	123	123
<b>Total deductions.....</b>	<b>7,872</b>	<b>4,577</b>	<b>12,449</b>
<b>Change in net assets.....</b>	<b>176,763</b>	<b>(3,667)</b>	<b>173,096</b>
<b>Net assets at beginning of year .....</b>	<b>937,525</b>	<b>25,304</b>	<b>962,829</b>
<b>Net assets at end of year.....</b>	<b>\$ 1,114,288</b>	<b>\$ 21,637</b>	<b>\$ 1,135,925</b>



# Combining Statement of Assets and Liabilities

## AGENCY FUNDS

June 30, 2010

(Expressed in Thousands)

	Insurance Company Deposits	Payroll Clearing	Other Agency	Totals
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ —	\$ 5,903	\$ 225,548	\$ 231,451
Receivables, net:				
Accounts.....	—	44	2,666	2,710
Accrued interest.....	—	—	1,222	1,222
Taxes.....	—	—	200	200
Due from other funds.....	—	50,709	5,920	56,629
Investments.....	—	—	29,023	29,023
Securities held in lieu of surety bonds.....	266,805	—	—	266,805
Invested securities lending collateral .....	—	—	9,812	9,812
<b>Total assets.....</b>	<b>\$ 266,805</b>	<b>\$ 56,656</b>	<b>\$ 274,391</b>	<b>\$ 597,852</b>
<b>LIABILITIES</b>				
Accounts payable.....	\$ —	\$ 13,449	\$ 14,779	\$ 28,228
Tax refunds payable.....	—	—	3,363	3,363
Intergovernmental payables.....	—	—	12,913	12,913
Deposits.....	—	—	3,372	3,372
Amounts held in custody for others.....	266,805	43,207	229,146	539,158
Securities lending collateral.....	—	—	10,818	10,818
<b>Total liabilities.....</b>	<b>\$ 266,805</b>	<b>\$ 56,656</b>	<b>\$ 274,391</b>	<b>\$ 597,852</b>

# Combining Statement of Changes in Assets and Liabilities

## AGENCY FUNDS

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>INSURANCE COMPANY DEPOSITS</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ —	\$ 3,799	\$ 3,799	\$ —
Securities held in lieu of surety bonds.....	270,604	—	3,799	266,805
<b>Total assets.....</b>	<b>\$ 270,604</b>	<b>\$ 3,799</b>	<b>\$ 7,598</b>	<b>\$ 266,805</b>
<b>Liabilities:</b>				
Amounts held in custody for others.....	\$ 270,604	\$ —	\$ 3,799	\$ 266,805
<b>Total liabilities.....</b>	<b>\$ 270,604</b>	<b>\$ —</b>	<b>\$ 3,799</b>	<b>\$ 266,805</b>
<b>PAYROLL CLEARING</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 13,306	\$ 1,073,263	\$ 1,080,666	\$ 5,903
Accounts receivable.....	37	44	37	44
Due from other funds.....	46,836	50,709	46,836	50,709
<b>Total assets.....</b>	<b>\$ 60,179</b>	<b>\$ 1,124,016</b>	<b>\$ 1,127,539</b>	<b>\$ 56,656</b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 167	\$ 13,449	\$ 167	\$ 13,449
Amounts held in custody for others.....	60,012	920,641	937,446	43,207
<b>Total liabilities.....</b>	<b>\$ 60,179</b>	<b>\$ 934,090</b>	<b>\$ 937,613</b>	<b>\$ 56,656</b>

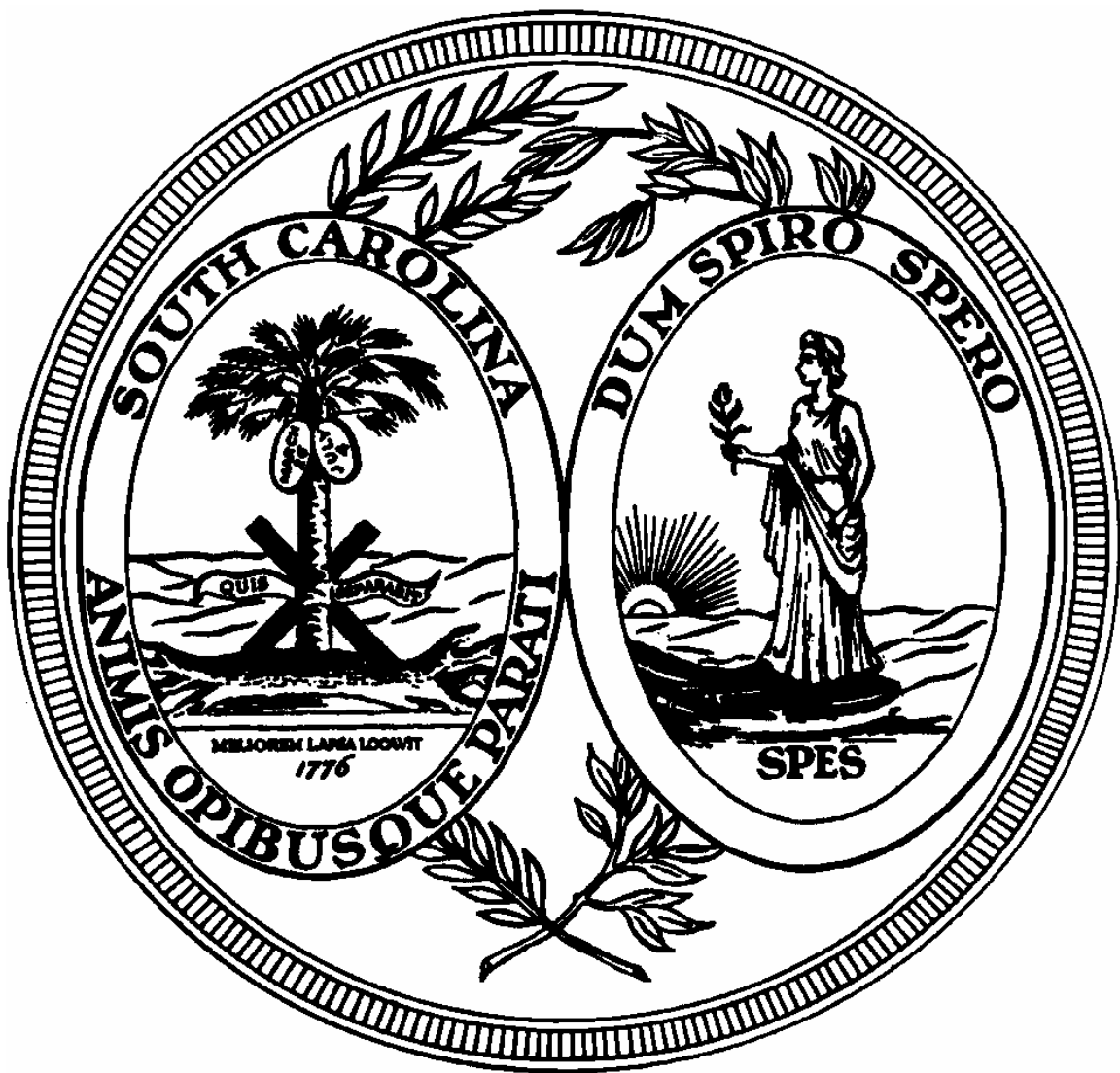
# Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>OTHER AGENCY</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 190,822	\$ 2,517,323	\$ 2,482,597	\$ 225,548
Accounts receivable.....	7,023	2,838	7,195	2,666
Accrued interest receivable.....	1,060	1,222	1,060	1,222
Taxes receivable.....	1,877	200	1,877	200
Due from other funds.....	12,599	5,920	12,599	5,920
Investments.....	34,775	—	5,752	29,023
Invested securities lending collateral.....	21,559	9,812	21,559	9,812
<b>Total assets.....</b>	<b>\$ 269,715</b>	<b>\$ 2,537,315</b>	<b>\$ 2,532,639</b>	<b>\$ 274,391</b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 11,256	\$ 29,040	\$ 25,517	\$ 14,779
Tax refunds payable.....	1,462	3,363	1,462	3,363
Intergovernmental payables.....	9,112	13,488	9,687	12,913
Deposits.....	3,228	3,372	3,228	3,372
Amounts held in custody for others.....	221,773	2,077,711	2,070,338	229,146
Securities lending collateral.....	22,884	10,818	22,884	10,818
<b>Total liabilities.....</b>	<b>\$ 269,715</b>	<b>\$ 2,137,792</b>	<b>\$ 2,133,116</b>	<b>\$ 274,391</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 204,128	\$ 3,594,385	\$ 3,567,062	\$ 231,451
Accounts receivable.....	7,060	2,882	7,232	2,710
Accrued interest receivable.....	1,060	1,222	1,060	1,222
Taxes receivable.....	1,877	200	1,877	200
Due from other funds.....	59,435	56,629	59,435	56,629
Investments.....	34,775	—	5,752	29,023
Securities held in lieu of surety bonds.....	270,604	—	3,799	266,805
Invested securities lending collateral.....	21,559	9,812	21,559	9,812
<b>Total assets.....</b>	<b>\$ 600,498</b>	<b>\$ 3,665,130</b>	<b>\$ 3,667,776</b>	<b>\$ 597,852</b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 11,423	\$ 42,489	\$ 25,684	\$ 28,228
Tax refunds payable.....	1,462	3,363	1,462	3,363
Intergovernmental payables.....	9,112	13,488	9,687	12,913
Deposits.....	3,228	3,372	3,228	3,372
Amounts held in custody for others.....	552,389	2,998,352	3,011,583	539,158
Securities lending collateral.....	22,884	10,818	22,884	10,818
<b>Total liabilities.....</b>	<b>\$ 600,498</b>	<b>\$ 3,071,882</b>	<b>\$ 3,074,528</b>	<b>\$ 597,852</b>



## Discretely Presented Component Units

Note 1a in the notes to the financial statements explains the relationship of component units to the primary government and the differences between blended component units and discretely presented component units. Note 1b in the notes to the financial statements explains that the State has designated four of its discretely presented component units as major component units. Government-wide financial statements for each of the four major component units are included in the basic financial statements (immediately preceding the notes to the financial statements).

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Assets—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units
- Balance Sheet—South Carolina First Steps to School Readiness Board of Trustees
- Statement of Revenues, Expenditures, and Changes in Fund Balances—South Carolina First Steps to School Readiness Board of Trustees

The paragraphs below describe the State's nonmajor discretely presented component units:

*The Clemson University Foundation* is a non-profit, tax-exempt public charity that was established to raise and manage private gifts for the advancement and benefit of Clemson University.

*The University of South Carolina Educational Foundation (the Foundation)* is an eleemosynary corporation operating for the benefit and support of the University of South Carolina. The Foundation establishes and implements long-range fund raising programs to assist in the expansion and improvement of the educational functions of the University.

*The South Carolina Medical Malpractice Liability Joint Underwriting Association (the Association)* was established to provide medical malpractice insurance on a self supporting basis. The financial information presented in the accompanying supplemental information is for the Association's fiscal year ended December 31, 2009.

*The South Carolina First Steps to School Readiness Board of Trustees (First Steps)* was established in 1999 as a non-profit, tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The corporation was created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the South Carolina First Steps to School Readiness initiative for improving early childhood development.

The State presents fund financial statements for First Steps, a nonmajor discretely presented component unit, because that organization does not issue separately audited financial statements of its own. First Steps uses accounting principles that apply to special revenue funds. As such, it uses the current financial resources measurement focus and the modified accrual basis of accounting.

*The Children's Trust Fund of South Carolina, Inc. (the Fund)* is a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Fund's purpose is to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The financial information presented in the accompanying supplemental information is for the Fund's fiscal year ended September 30, 2009.

# Combining Statement of Net Assets

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2010

(Expressed in Thousands)

	Clemson University Foundation	University of South Carolina Educational Foundation	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents.....	\$ 253	\$ 3,281	\$ 8,647	\$ 4,187	\$ 77	\$ 16,445
Investments.....	—	6,868	58,842	—	797	66,507
Invested securities lending collateral.....	—	—	—	188	—	188
Receivables, net						
Accounts .....	663	82	3,312	28	6	4,091
Contributions .....	2,982	483	—	—	1	3,466
Accrued interest .....	—	3	581	56	—	640
Loans and notes .....	—	25	—	—	—	25
Due from Federal government and other grantors..	—	—	—	—	309	309
Restricted assets:						
Cash and cash equivalents.....	21,511	—	—	—	—	21,511
Prepaid items.....	—	—	—	—	15	15
Other current assets.....	140	—	—	—	—	140
Deferred charges.....	—	—	1,257	—	—	1,257
Total current assets.....	25,549	10,742	72,639	4,459	1,205	114,594
Long-term assets:						
Investments.....	357,156	247,497	—	—	—	604,653
Receivables, net:						
Accounts.....	1,674	654	—	—	—	2,328
Contributions.....	22,371	17,195	—	—	—	39,566
Loans and notes.....	—	30	—	—	—	30
Other long-term assets.....	12	—	—	—	17	29
Non-depreciable capital assets.....	8,971	—	—	—	—	8,971
Depreciable capital assets, net.....	682	38	71	2	4	797
Total long-term assets.....	390,866	265,414	71	2	21	656,374
<b>Total assets.....</b>	<b>416,415</b>	<b>276,156</b>	<b>72,710</b>	<b>4,461</b>	<b>1,226</b>	<b>770,968</b>



# Combining Statement of Net Assets

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 2010

(Expressed in Thousands)

	Clemson University Foundation	University of South Carolina Educational Foundation	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable.....	\$ 1,121	\$ 1,494	\$ 528	\$ 212	\$ 9	\$ 3,364
Accrued salaries and related expenses.....	—	—	—	80	—	80
Intergovernmental payables.....	—	—	—	80	69	149
Policy claims.....	—	—	29,000	—	—	29,000
Due to primary government.....	103,535	23,335	—	1,112	—	127,982
Unearned revenues and deferred credits.....	—	—	15,514	—	26	15,540
Securities lending collateral.....	—	—	—	208	—	208
Accounts payable from restricted assets.....	432	—	—	—	—	432
Notes payable.....	—	8	—	—	—	8
Compensated absences payable.....	—	—	—	53	—	53
Other current liabilities.....	—	397	—	—	—	397
Total current liabilities.....	105,088	25,234	45,042	1,745	104	177,213
Long-term liabilities:						
Policy claims.....	—	—	128,664	—	—	128,664
Amounts held in custody for others.....	2,058	—	73	—	—	2,131
Notes payable.....	—	22	—	—	—	22
Compensated absences payable.....	—	—	—	49	7	56
Other long-term liabilities.....	5,599	2,414	—	—	—	8,013
Total long-term liabilities.....	7,657	2,436	128,737	49	7	138,886
<b>Total liabilities.....</b>	<b>112,745</b>	<b>27,670</b>	<b>173,779</b>	<b>1,794</b>	<b>111</b>	<b>316,099</b>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt.....	9,653	38	71	2	4	9,768
Restricted:						
Expendable:						
Education.....	87,855	85,257	—	2,665	—	175,777
Other.....	—	—	2,159	—	—	2,159
Nonexpendable, education.....	198,543	156,225	—	—	—	354,768
Unrestricted.....	7,619	6,966	(103,299)	—	1,111	(87,603)
<b>Total net assets (deficit).....</b>	<b>\$ 303,670</b>	<b>\$ 248,486</b>	<b>\$ (101,069)</b>	<b>\$ 2,667</b>	<b>\$ 1,115</b>	<b>\$ 454,869</b>

## Combining Statement of Activities

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Clemson University Foundation.....	\$ 23,698	\$ —	\$ 52,482	\$ —
University of South Carolina Educational Foundation.....	25,029	—	50,324	—
South Carolina Medical Malpractice Liability Joint Underwriting Association.....	17,157	35,741	6,127	—
South Carolina First Steps to School Readiness Board of Trustees.....	20,871	390	18,164	2
Children's Trust Fund of S.C., Inc.....	1,712	—	1,826	—
<b>Totals.....</b>	<b>\$ 88,467</b>	<b>\$ 36,131</b>	<b>\$ 128,923</b>	<b>\$ 2</b>

<b>Net Revenue (Expense)</b>	<b>Net Assets (Deficit) Beginning of Year</b>	<b>Net Assets (Deficit) End of Year</b>
\$ 28,784	\$ 274,886	\$ 303,670
25,295	223,191	248,486
24,711	(125,780)	(101,069)
(2,315)	4,982	2,667
114	1,001	1,115
<b>\$ 76,589</b>	<b>\$ 378,280</b>	<b>\$ 454,869</b>

## Balance Sheet

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS

BOARD OF TRUSTEES

June 30, 2010

(Expressed in Thousands)

### ASSETS

Cash and cash equivalents.....	\$	4,187
Invested securities lending collateral.....		188
Accounts receivable.....		28
Accrued interest receivable.....		56
<b>Total assets.....</b>	<b>\$</b>	<b>4,459</b>

### LIABILITIES AND FUND BALANCE

#### Liabilities:

Accounts payable.....	\$	212
Accrued salaries and related expenditures.....		80
Intergovernmental payables.....		80
Due to primary government.....		1,112
Securities lending collateral.....		208

**Total liabilities.....** **1,692**

#### Fund Balance:

**Unreserved, undesignated.....** **2,767**

**Total liabilities and fund balance.....** **\$ 4,459**

### Reconciliation of the Balance Sheet to the Combining Statement of Net Assets Nonmajor Discretely Presented Component Units

**Total fund balance .....** **\$ 2,767**

Amounts reported for First Steps in the Combining Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the Balance  
Sheet. These assets consist of:

Capital assets.....	\$	56
Accumulated depreciation.....		(54)
<b>Total capital assets.....</b>		<b>2</b>

Compensated absences payable are not due and payable  
in the current period and therefore are not reported in the  
Balance Sheet..... **(102)**

**Net assets .....** **\$ 2,667**

# Statement of Revenues, Expenditures, and Changes in Fund Balance

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS  
BOARD OF TRUSTEES

For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

## Revenues:

Interest and other investment income.....	\$	388
Federal.....		200
State operating grants and contracts.....		17,360
Departmental services.....		390
Contributions.....		216
<b>Total revenues.....</b>		<b>18,554</b>

## Expenditures:

Current: Education.....		10,145
Intergovernmental .....		10,711
<b>Total expenditures.....</b>		<b>20,856</b>

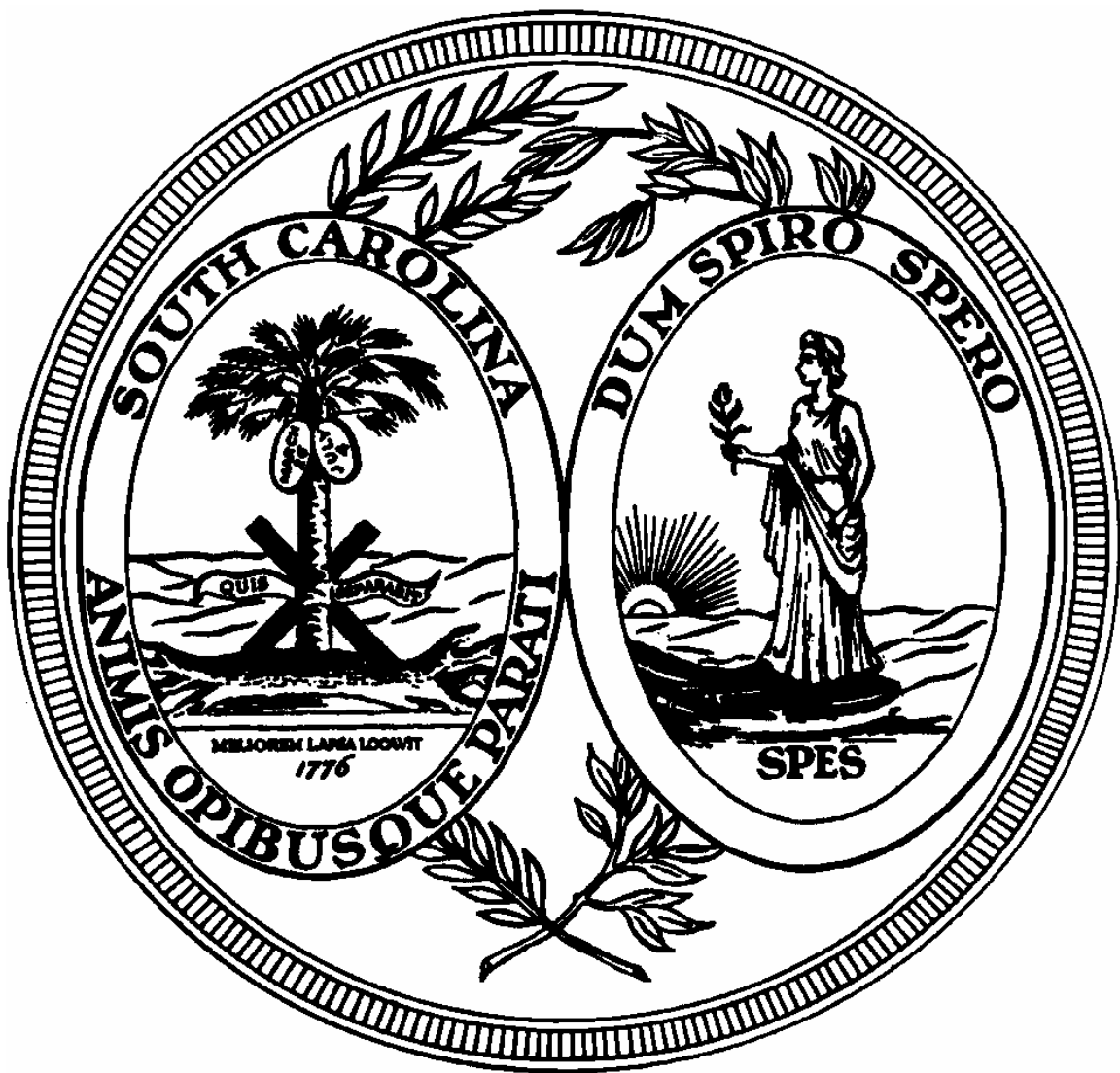
<b>Excess of expenditures over revenues.....</b>		<b>(2,302)</b>
<b>Fund balance at beginning of year.....</b>		<b>5,069</b>
<b>Fund balance at end of year.....</b>	<b>\$</b>	<b>2,767</b>

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Combining Statement of Activities Nonmajor Discretely Presented Component Units

<b>Net change in fund balance .....</b>	<b>\$</b>	<b>(2,302)</b>
---	-----------	----------------

Amounts reported for First Steps in the Combining Statement of  
Activities are different because:

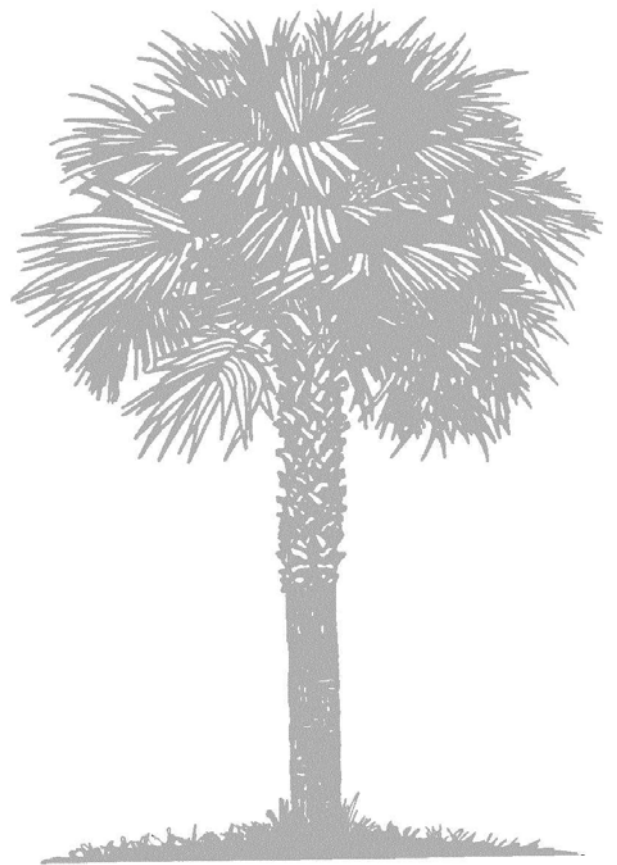
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.....		2
Compensated absences expenses reported in the Combining Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. Increase in compensated absences payable.....		(15)
<b>Change in net assets.....</b>	<b>\$</b>	<b>(2,315)</b>



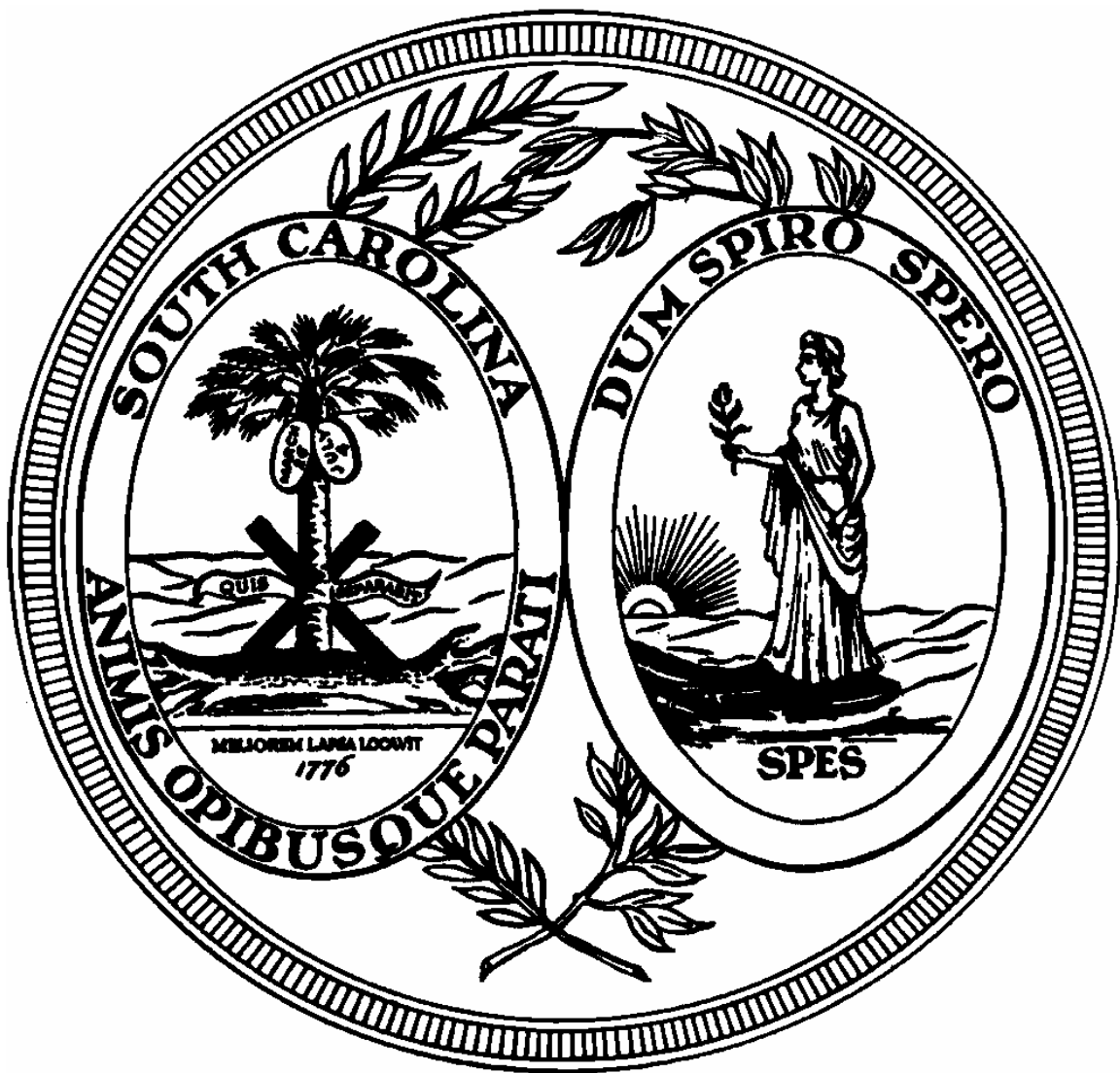
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# *Statistical Section* *(Unaudited)*

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





# Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina’s overall financial health.

**CONTENTS**

	<u>Page</u>
Financial Trends	210
These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.	
Revenue Capacity	224
These schedules contain information to help the reader assess the State’s most significant revenue sources, the personal income tax and the retail sales tax.	
Debt Capacity	230
These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future.	
Demographic and Economic Information	249
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.	
Operating Information	254
These schedules contain service and capital asset data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs.	

**SOURCES**

Unless otherwise noted, the information in these schedules is derived from the State’s Comprehensive Annual Financial Report for the relevant fiscal year.

## Net Assets by Component

Last Nine Fiscal Years <sup>a</sup>

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year		
	2002	2003	2004
<b>Governmental activities</b>			
Invested in capital assets, net of related debt.....	\$ 7,621,846	\$ 8,077,945	\$ 8,534,931
Restricted.....	2,431,538	2,385,607	2,445,033
Unrestricted.....	(1,002,579)	(1,103,579)	(960,949)
<b>Total governmental activities net assets.....</b>	<b>\$ 9,050,805</b>	<b>\$ 9,359,973</b>	<b>\$ 10,019,015</b>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt.....	\$ 1,551,604	\$ 1,648,504	\$ 1,695,208
Restricted.....	1,291,069	1,187,558	1,186,958
Unrestricted.....	159,956	217,017	270,380
<b>Total business-type activities net assets.....</b>	<b>\$ 3,002,629</b>	<b>\$ 3,053,079</b>	<b>\$ 3,152,546</b>
<b>Primary government</b>			
Invested in capital assets, net of related debt.....	\$ 9,173,450	\$ 9,726,449	\$ 10,230,139
Restricted.....	3,722,607	3,573,165	3,631,991
Unrestricted.....	(842,623)	(886,562)	(690,569)
<b>Total primary government net assets.....</b>	<b>\$ 12,053,434</b>	<b>\$ 12,413,052</b>	<b>\$ 13,171,561</b>

<sup>a</sup> Accrual-basis financial information for the State as a whole is available beginning with the fiscal year ended June 30, 2002, the year GASB Statement 34 was implemented.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

**Ended June 30**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 8,880,082	\$ 9,386,248	\$ 9,728,397	\$ 10,044,439	\$ 10,276,019	\$ 10,966,666
2,735,158	3,089,099	3,498,173	3,597,084	3,351,317	3,195,396
(172,175)	445,362	603,503	46,185	(161,946)	(371,761)
<b>\$ 11,443,065</b>	<b>\$ 12,920,709</b>	<b>\$ 13,830,073</b>	<b>\$ 13,687,708</b>	<b>\$ 13,465,390</b>	<b>\$ 13,790,301</b>
\$ 1,778,072	\$ 1,973,060	\$ 2,133,862	\$ 2,315,357	\$ 2,429,521	\$ 2,539,652
1,232,819	1,253,359	1,406,468	1,381,777	1,123,060	1,225,352
360,037	442,758	594,033	646,266	399,730	322,575
<b>\$ 3,370,928</b>	<b>\$ 3,669,177</b>	<b>\$ 4,134,363</b>	<b>\$ 4,343,400</b>	<b>\$ 3,952,311</b>	<b>\$ 4,087,579</b>
\$ 10,658,154	\$ 11,359,308	\$ 11,862,259	\$ 12,359,796	\$ 12,705,540	\$ 13,506,318
3,967,977	4,342,458	4,904,641	4,978,861	4,474,377	4,420,748
187,862	888,120	1,197,536	692,451	237,784	(49,186)
<b>\$ 14,813,993</b>	<b>\$ 16,589,886</b>	<b>\$ 17,964,436</b>	<b>\$ 18,031,108</b>	<b>\$ 17,417,701</b>	<b>\$ 17,877,880</b>

## Changes in Net Assets

Last Nine Fiscal Years <sup>a</sup>

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year		
	2002	2003	2004
<b>Expenses</b>			
<b>Governmental activities:</b>			
General government.....	\$ 1,749,351	\$ 1,485,190	\$ 1,587,442
Education.....	920,695	1,110,675	1,228,354
Health and environment.....	3,888,356	4,240,170	4,588,137
Social services.....	798,409	846,818	942,591
Administration of justice.....	693,478	676,157	628,227
Resources and economic development.....	221,644	202,982	192,000
Transportation.....	340,405	473,086	531,667
Intergovernmental <sup>b</sup> .....	3,807,548	3,686,361	3,813,383
Unallocated interest expense.....	71,883	76,130	67,614
<b>Total governmental activities expenses.....</b>	<b>12,491,769</b>	<b>12,797,569</b>	<b>13,579,415</b>
<b>Business-type activities:</b>			
Higher education.....	2,270,359	2,460,589	2,527,649
Higher education institution support.....	717,480	728,103	757,252
Unemployment compensation benefits.....	526,954	546,389	493,619
Financing of housing facilities.....	125,422	133,632	137,671
Medical malpractice insurance.....	78,949	50,113	30,733
Financing of student loans.....	36,748	41,409	39,641
Tuition prepayment program.....	33,862	27,208	30,620
Patriots Point development.....	6,717	6,986	6,976
Insurance claims processing.....	1,467	1,603	1,586
Other.....	28,362	25,452	22,659
<b>Total business-type activities expenses.....</b>	<b>3,826,320</b>	<b>4,021,484</b>	<b>4,048,406</b>
<b>Total primary government expenses.....</b>	<b>16,318,089</b>	<b>16,819,053</b>	<b>17,627,821</b>

**Ended June 30**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 1,725,343	\$ 2,642,678	\$ 3,430,569	\$ 4,521,252	\$ 4,331,740	\$ 4,475,571
1,280,791	2,452,623	4,078,954	4,401,108	4,109,666	4,400,125
4,767,155	6,025,626	4,897,060	5,209,149	5,825,749	6,007,179
992,960	1,347,522	1,152,324	1,300,347	1,533,666	1,847,028
629,185	873,911	742,064	789,071	774,533	760,379
197,351	272,777	367,727	407,392	372,073	351,882
664,125	1,166,910	1,018,800	941,924	940,226	1,179,611
3,848,454	—	—	—	—	—
67,705	100,109	108,401	102,825	98,728	81,838
<b>14,173,069</b>	<b>14,882,156</b>	<b>15,795,899</b>	<b>17,673,068</b>	<b>17,986,381</b>	<b>19,103,613</b>
2,679,238	2,871,493	3,120,278	3,405,491	3,396,191	3,520,564
800,151	881,583	965,686	1,121,483	1,200,456	1,252,222
366,820	365,091	390,087	449,775	1,332,402	2,026,866
147,021	150,626	158,031	174,152	180,555	238,191
47,432	52,598	24,809	13,259	(6,724)	2,324
43,567	61,472	61,537	77,249	52,699	36,694
26,653	38,849	8,100	(5,844)	10,598	910
6,638	6,911	7,061	7,848	8,622	9,300
1,655	1,536	1,553	1,677	1,699	1,720
29,055	24,172	27,458	27,614	30,634	25,563
<b>4,148,230</b>	<b>4,454,331</b>	<b>4,764,600</b>	<b>5,272,704</b>	<b>6,207,132</b>	<b>7,114,354</b>
<b>18,321,299</b>	<b>19,336,487</b>	<b>20,560,499</b>	<b>22,945,772</b>	<b>24,193,513</b>	<b>26,217,967</b>

Continued on Next Page

## Changes in Net Assets (Continued)

Last Nine Fiscal Years <sup>a</sup>

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year		
	2002	2003	2004
<b>Program Revenues</b>			
<b>Governmental activities:</b>			
Charges for services:			
General government.....	\$ 1,233,641	\$ 1,020,219	\$ 1,231,619
Other activities.....	511,095	480,021	368,240
Operating grants and contributions.....	4,472,482	5,139,624	5,656,373
Capital grants and contributions.....	514,815	516,167	584,722
<b>Total governmental activities program revenues.....</b>	<b>6,732,033</b>	<b>7,156,031</b>	<b>7,840,954</b>
<b>Business-type activities:</b>			
Charges for services:			
Higher education.....	1,290,521	1,543,441	1,724,447
Higher education institution support.....	708,450	742,754	769,118
Unemployment compensation benefits.....	266,678	374,112	367,632
Other activities.....	136,854	153,085	148,827
Operating grants and contributions.....	523,672	429,283	422,971
Capital grants and contributions.....	29,635	47,381	47,136
<b>Total business-type activities program revenues.....</b>	<b>2,955,810</b>	<b>3,290,056</b>	<b>3,480,131</b>
<b>Total primary government activities program revenues.....</b>	<b>9,687,843</b>	<b>10,446,087</b>	<b>11,321,085</b>
<b>Net Expenses</b>			
Governmental activities.....	(5,759,736)	(5,641,538)	(5,738,461)
Business-type activities.....	(870,510)	(731,428)	(568,275)
<b>Total primary government net expense.....</b>	<b>(6,630,246)</b>	<b>(6,372,966)</b>	<b>(6,306,736)</b>

Ended June 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,390,695	\$ 1,530,670	\$ 1,617,400	\$ 1,694,147	\$ 1,654,616	\$ 1,945,319
425,896	472,511	453,957	466,621	463,801	411,485
6,052,454	5,773,902	5,848,554	6,313,817	7,045,052	8,274,731
650,384	621,512	503,633	333,255	382,979	570,743
<b>8,519,429</b>	<b>8,398,595</b>	<b>8,423,544</b>	<b>8,807,840</b>	<b>9,546,448</b>	<b>11,202,278</b>
1,858,869	2,000,940	2,116,206	2,337,123	2,454,076	2,377,719
833,452	905,000	984,723	1,075,408	1,201,181	1,314,062
309,975	333,423	339,715	343,104	791,037	1,575,257
171,522	176,324	173,689	206,113	189,406	154,051
419,672	478,462	577,625	438,376	409,628	1,042,850
55,166	74,224	86,807	47,226	52,809	100,884
<b>3,648,656</b>	<b>3,968,373</b>	<b>4,278,765</b>	<b>4,447,350</b>	<b>5,098,137</b>	<b>6,564,823</b>
<b>12,168,085</b>	<b>12,366,968</b>	<b>12,702,309</b>	<b>13,255,190</b>	<b>14,644,585</b>	<b>17,767,101</b>
(5,653,640)	(6,483,561)	(7,372,355)	(8,865,228)	(8,439,933)	(7,901,335)
(499,574)	(485,958)	(485,835)	(825,354)	(1,108,995)	(549,531)
<b>(6,153,214)</b>	<b>(6,969,519)</b>	<b>(7,858,190)</b>	<b>(9,690,582)</b>	<b>(9,548,928)</b>	<b>(8,450,866)</b>

Continued on Next Page

## Changes in Net Assets (Continued)

Last Nine Fiscal Years <sup>a</sup>

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year		
	2002	2003	2004
<b>General Revenues and Other Changes in Net Assets</b>			
<b>Governmental activities:</b>			
Taxes:			
Individual income tax.....	\$ 2,357,050	\$ 2,282,464	\$ 2,416,437
Retail sales and use tax.....	2,788,909	2,820,520	3,009,485
Other taxes.....	1,271,326	1,323,521	1,390,893
Unrestricted grants and contributions.....	37,744	82,721	80,333
Unrestricted investment income.....	79,119	29,535	18,723
Tobacco legal settlement.....	88,290	80,042	74,180
Other revenues.....	70,137	71,621	75,967
Special and extraordinary items.....	—	—	—
Transfers.....	(862,126)	(782,874)	(668,515)
<b>Total governmental activities.....</b>	<b>5,830,449</b>	<b>5,907,550</b>	<b>6,397,503</b>
<b>Business-type activities:</b>			
Additions to endowments.....	—	—	—
Special and extraordinary items.....	(6,851)	(996)	(773)
Transfers.....	862,126	782,874	668,515
<b>Total business-type activities.....</b>	<b>855,275</b>	<b>781,878</b>	<b>667,742</b>
<b>Total primary government.....</b>	<b>6,685,724</b>	<b>6,689,428</b>	<b>7,065,245</b>
<b>Change in Net Assets</b>			
Governmental activities.....	70,713	266,012	659,042
Business-type activities.....	(15,235)	50,450	99,467
<b>Total primary government.....</b>	<b>\$ 55,478</b>	<b>\$ 316,462</b>	<b>\$ 758,509</b>

<sup>a</sup> Accrual-basis financial information for the State as a whole is available beginning with the fiscal year ended June 30, 2002, the year GASB Statement 34 was implemented.

<sup>b</sup> Beginning with the fiscal year ended June 30, 2006, intergovernmental expenses are no longer reported as a function in the government-wide statements.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office



## Ended June 30

2005	2006	2007	2008	2009	2010
\$ 2,762,538	\$ 3,156,028	\$ 3,349,358	\$ 3,341,265	\$ 2,805,998	\$ 2,659,728
3,221,466	3,613,754	3,803,732	4,236,156	3,908,318	3,855,095
1,469,701	1,753,214	1,787,974	1,838,101	1,682,300	1,616,347
26,391	18,664	15,642	19,279	23,896	205,965
32,628	69,438	134,196	156,974	86,639	41,555
73,231	67,841	79,912	83,494	95,115	68,709
71,090	67,012	61,926	57,256	301,321	433,166
—	—	—	5,611	—	—
(714,238)	(784,746)	(951,021)	(1,015,273)	(685,972)	(653,389)
<b>6,942,807</b>	<b>7,961,205</b>	<b>8,281,719</b>	<b>8,722,863</b>	<b>8,217,615</b>	<b>8,227,176</b>
—	—	—	19,118	31,934	30,480
(556)	(539)	—	—	—	—
714,238	784,746	951,021	1,015,273	685,972	653,389
<b>713,682</b>	<b>784,207</b>	<b>951,021</b>	<b>1,034,391</b>	<b>717,906</b>	<b>683,869</b>
<b>7,656,489</b>	<b>8,745,412</b>	<b>9,232,740</b>	<b>9,757,254</b>	<b>8,935,521</b>	<b>8,911,045</b>
1,289,167	1,477,644	909,364	(142,365)	(222,318)	325,841
214,108	298,249	465,186	209,037	(391,089)	134,338
<b>\$ 1,503,275</b>	<b>\$ 1,775,893</b>	<b>\$ 1,374,550</b>	<b>\$ 66,672</b>	<b>\$ (613,407)</b>	<b>\$ 460,179</b>

## Fund Balances

### GOVERNMENTAL FUNDS

#### Last Ten Fiscal Years

(Modified accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2001	2002	2003	2004
<b>General Fund</b>				
Reserved.....	\$ 153,079	\$ 67,611	\$ 57,982	\$ 90,605
Unreserved.....	(173,802)	(207,562)	(204,352)	(97,632)
<b>Total General Fund.....</b>	<b>(20,723)</b>	<b>(139,951)</b>	<b>(146,370)</b>	<b>(7,027)</b>
<b>All other governmental funds</b>				
Reserved.....	875,445	1,521,120	1,644,870	1,902,990
Unreserved, reported in:				
Special revenue funds.....	2,308,638	1,435,046	1,083,312	961,307
Capital projects fund.....	125,157	112,525	104,289	178,711
Permanent funds <sup>a</sup> .....	—	579	839	970
<b>Total all other governmental funds.....</b>	<b>3,309,240</b>	<b>3,069,270</b>	<b>2,833,310</b>	<b>3,043,978</b>
<b>Total fund balances, governmental funds.....</b>	<b>\$ 3,288,517</b>	<b>\$ 2,929,319</b>	<b>\$ 2,686,940</b>	<b>\$ 3,036,951</b>

<sup>a</sup> Prior to fiscal year 2002, activities of the permanent funds were reported in nonexpendable trust funds which are not included in the schedule.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

## Ended June 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 142,662	\$ 280,169	\$ 413,157	\$ 341,773	\$ 231,201	\$ 184,645
345,437	833,676	679,780	(9,977)	(125,972)	(36,290)
<u>488,099</u>	<u>1,113,845</u>	<u>1,092,937</u>	<u>331,796</u>	<u>105,229</u>	<u>148,355</u>
1,942,261	2,027,383	2,153,086	2,077,825	2,124,977	2,167,253
1,224,530	614,501	1,454,483	1,258,938	806,524	726,389
183,763	307,633	240,134	234,123	248,130	362,097
983	496,290	1,070	1,209	1,502	1,473
<u>3,351,537</u>	<u>3,445,807</u>	<u>3,848,773</u>	<u>3,572,095</u>	<u>3,181,133</u>	<u>3,257,212</u>
<u><u>\$ 3,839,636</u></u>	<u><u>\$ 4,559,652</u></u>	<u><u>\$ 4,941,710</u></u>	<u><u>\$ 3,903,891</u></u>	<u><u>\$ 3,286,362</u></u>	<u><u>\$ 3,405,567</u></u>

## Changes in Fund Balances

### GOVERNMENTAL FUNDS

#### Last Ten Fiscal Years

(Modified accrual basis of accounting, dollars in thousands)

	2001	2002	2003
<b>Revenues</b>			
Taxes:			
Individual income.....	\$ 2,492,877	\$ 2,340,840	\$ 2,287,989
Retail sales and use.....	2,705,207	2,771,191	2,817,138
Other.....	1,244,551	1,244,487	1,292,376
Licenses, fees, and permits.....	309,017	270,005	390,390
Interest and other investment income.....	246,987	194,743	157,858
Federal.....	4,180,091	4,596,726	5,014,039
Local and private grants.....	—	9,299	9,330
State grants.....	—	—	—
Departmental services.....	564,562	638,330	703,823
Contributions.....	159,803	178,427	335,846
Fines and penalties.....	74,959	82,893	81,532
Tobacco legal settlement.....	73,747	88,291	86,313
Other.....	100,828	121,945	124,038
<b>Total revenues.....</b>	<b>12,152,629</b>	<b>12,537,177</b>	<b>13,300,672</b>
<b>Expenditures</b>			
Current:			
General government.....	488,865	491,678	475,705
Education.....	443,540	485,133	632,906
Health and environment.....	4,200,086	4,218,410	4,512,620
Social services.....	720,602	803,313	844,927
Administration of justice.....	716,462	644,270	644,896
Resources and economic development.....	198,351	180,203	162,798
Transportation.....	324,207	435,384	559,466
Capital outlay.....	663,500	627,588	525,284
Debt service:			
Principal retirement.....	139,977	185,031	231,533
Interest and fiscal charges.....	102,435	226,568	236,281
Intergovernmental.....	4,132,596	4,530,261	4,469,022
<b>Total expenditures.....</b>	<b>12,130,621</b>	<b>12,827,839</b>	<b>13,295,438</b>

**For the Fiscal Year Ended June 30**

<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 2,408,756	\$ 2,765,012	\$ 3,127,734	\$ 3,337,312	\$ 3,360,054	\$ 2,828,668	\$ 2,658,700
2,996,073	3,225,931	3,631,350	3,805,628	4,254,318	3,908,318	3,855,095
1,373,468	1,437,920	1,740,273	1,762,708	1,810,088	1,653,678	1,586,023
415,445	462,186	493,527	519,707	522,131	502,811	468,758
75,349	122,958	157,015	273,949	315,962	225,837	172,561
5,659,928	5,975,208	5,949,905	5,770,911	6,015,003	6,801,787	8,475,813
9,183	9,924	11,448	9,715	52,347	50,523	40,287
—	3,469	65	—	—	—	—
668,252	640,350	727,251	638,441	747,419	746,106	232,079
534,455	681,174	406,031	373,238	331,689	379,042	434,832
105,601	107,197	111,480	113,340	121,359	120,705	163,389
74,180	73,231	67,841	79,912	83,493	95,115	68,709
86,796	84,203	98,457	126,857	129,096	376,747	446,384
<b>14,407,486</b>	<b>15,588,763</b>	<b>16,522,377</b>	<b>16,811,718</b>	<b>17,742,959</b>	<b>17,689,337</b>	<b>18,602,630</b>
533,227	613,314	633,822	857,359	824,171	752,983	711,761
652,102	680,676	752,980	811,465	872,898	811,215	820,352
4,931,105	5,129,240	5,143,590	5,243,672	5,564,099	6,219,832	5,963,035
874,703	999,624	1,048,720	1,143,967	1,271,986	1,529,925	1,831,650
574,404	582,748	637,444	698,429	751,182	716,476	686,975
154,066	179,635	198,445	231,468	256,526	205,489	163,858
614,220	629,430	779,985	742,299	715,538	655,964	902,784
531,822	607,683	623,365	342,857	220,744	384,197	470,201
220,265	243,050	250,785	264,967	789,639	353,204	713,643
239,553	252,889	257,609	254,938	341,027	220,309	200,409
4,594,739	4,678,620	4,985,632	5,113,092	6,178,735	5,869,496	6,109,264
<b>13,920,206</b>	<b>14,596,909</b>	<b>15,312,377</b>	<b>15,704,513</b>	<b>17,786,545</b>	<b>17,719,090</b>	<b>18,573,932</b>

Continued on Next Page

## Changes in Fund Balances

### GOVERNMENTAL FUNDS (Continued)

#### Last Ten Fiscal Years

(Modified accrual basis of accounting, dollars in thousands)

	2001	2002	2003
<b>Excess of revenues over (under) expenditures.....</b>	<b>\$ 22,008</b>	<b>\$ (290,662)</b>	<b>\$ 5,234</b>
<b>Other financing sources (uses)</b>			
Bonds and notes issued.....	1,992,249	646,571	492,895
Refunding bonds issued.....	—	—	105,415
Accrued interest on refunding bonds issued.....	—	—	—
Premiums on bonds issued.....	—	14,858	11,323
Discounts on bonds issued.....	—	(1,461)	—
Capital leases.....	315	140	1,088
Receipts from swap counter-parties.....	—	—	—
Payment of termination fee to swap counter-party.....	—	—	—
Payments to refunded bond escrow agent.....	—	—	(106,267)
Transfers in.....	261,620	348,088	408,663
Transfers out.....	(1,311,278)	(1,207,429)	(1,160,730)
<b>Total other financing sources (uses).....</b>	<b>942,906</b>	<b>(199,233)</b>	<b>(247,613)</b>
<b>Decrease in reserve for inventories <sup>a</sup>.....</b>	<b>(5,119)</b>	<b>—</b>	<b>—</b>
<b>Net change in fund balances.....</b>	<b>\$ 959,795</b>	<b>\$ (489,895)</b>	<b>\$ (242,379)</b>
<b>Debt service as a percentage of noncapital expenditures.....</b>	<b>b</b>	<b>3.5%</b>	<b>3.7%</b>

<sup>a</sup> Effective July 1, 2001, the State began applying the consumption method to its inventories in governmental funds, rather than the purchases method.

<sup>b</sup> Debt service as a percentage of noncapital expenditures calculations is available beginning with the fiscal year ended June 30, 2002, the year GASB Statement 34 was implemented.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

## For the Fiscal Year Ended June 30

2004	2005	2006	2007	2008	2009	2010
\$ 487,280	\$ 991,854	\$ 1,210,000	\$ 1,107,205	\$ (43,586)	\$ (29,753)	\$ 28,698
467,795	303,820	289,475	306,991	—	91,521	301,672
524,860	448,160	221,045	102,015	275,730	—	388,450
—	—	—	—	957	—	—
11,334	41,225	22,222	9,456	—	4,541	49,600
—	—	—	(8)	(8,249)	—	(87)
—	700	250	—	513	19	—
—	—	—	—	7,599	—	—
—	—	—	—	(7,599)	—	—
(524,606)	(332,801)	(241,235)	(118,350)	(251,180)	—	—
552,574	205,963	488,833	384,755	1,099,105	759,447	735,715
(1,206,111)	(915,263)	(1,270,574)	(1,410,006)	(2,111,109)	(1,443,304)	(1,383,899)
<b>(174,154)</b>	<b>(248,196)</b>	<b>(489,984)</b>	<b>(725,147)</b>	<b>(994,233)</b>	<b>(587,776)</b>	<b>91,451</b>
—	—	—	—	—	—	—
<b>\$ 313,126</b>	<b>\$ 743,658</b>	<b>\$ 720,016</b>	<b>\$ 382,058</b>	<b>\$ (1,037,819)</b>	<b>\$ (617,529)</b>	<b>\$ 120,149</b>
3.5%	3.6%	3.5%	3.4%	6.5%	3.3%	5.3%

## Personal Income by Industry

Last Ten Calendar Years  
(Dollars in millions)

Sources	2000	2001 <sup>b</sup>	2002	2003
Farm earnings.....	\$ 525	\$ 647	\$ 226	\$ 540
Agricultural services, forestry, fishing, and other.....	289	310	299	307
Mining.....	100	88	86	91
Construction.....	5,599	5,823	5,824	6,153
Manufacturing.....	14,711	14,340	14,320	14,830
Transportation and public utilities.....	3,070	3,225	3,260	3,456
Wholesale trade.....	3,136	3,279	3,396	3,411
Retail trade.....	6,260	6,407	6,562	6,879
Finance, insurance, and real estate.....	4,753	4,957	5,319	5,568
Services.....	21,812	22,560	23,626	24,824
Federal government, civilian.....	1,874	1,843	1,984	2,023
Military.....	2,168	2,209	2,484	2,775
State and local government.....	10,671	11,178	11,557	12,064
Other <sup>a</sup> .....	25,945	27,349	28,059	27,739
<b>Total personal income.....</b>	<b>\$ 100,913</b>	<b>\$ 104,215</b>	<b>\$ 107,002</b>	<b>\$ 110,660</b>
<b>Average effective rate <sup>c</sup> .....</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>

<sup>a</sup> Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

<sup>b</sup> The employment classification coding system changed from the Standard Industrial Code basis to the North American Classification System in calendar year 2001. Prior calendar years were not reclassified.

<sup>c</sup> The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

<sup>d</sup> Information not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Calendar Year					
2004	2005	2006	2007	2008	2009
\$ 639	\$ 649	\$ 461	\$ 287	\$ 493	\$ 451
333	320	345	341	327	325
97	99	107	102	116	100
6,527	6,980	7,814	7,727	6,817	5,408
14,568	14,650	15,016	15,083	15,288	14,114
3,650	3,834	4,124	4,118	4,175	4,007
3,788	4,164	4,521	4,922	5,023	4,588
7,178	7,479	7,823	8,033	7,801	7,413
5,743	6,235	6,711	6,768	6,605	6,558
26,920	28,458	30,572	32,534	33,533	32,982
2,221	2,327	2,470	2,615	2,777	2,902
3,068	3,282	3,432	3,693	4,023	4,360
12,550	13,378	14,086	15,077	16,134	16,511
29,966	32,537	36,715	40,750	45,258	47,782
<b>\$ 117,248</b>	<b>\$ 124,392</b>	<b>\$ 134,197</b>	<b>\$ 142,050</b>	<b>\$ 148,370</b>	<b>\$ 147,501</b>
2.1%	2.2%	2.2%	2.1%	1.9%	d

## Taxable Sales by Industry

Last Ten Fiscal Years  
(Expressed in millions)

Sources	For the Fiscal Year			
	2001	2002	2003	2004
Retail trade.....	\$ 32,845	\$ 33,980	\$ 34,692	\$ 38,118
Services.....	4,213	4,119	4,222	4,552
Transportation, communication, and utilities.....	3,420	3,533	3,587	4,054
Wholesale trade.....	3,105	3,002	3,041	2,950
Other.....	902	843	863	1,073
<b>Total taxable sales.....</b>	<b>\$ 44,485</b>	<b>\$ 45,477</b>	<b>\$ 46,405</b>	<b>\$ 50,747</b>

## Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year			
	2001	2002	2003	2004
Retail trade.....	73.8%	74.7%	74.8%	75.1%
Services.....	9.5%	9.1%	9.1%	9.0%
Transportation, communication, and utilities.....	7.7%	7.8%	7.7%	8.0%
Wholesale trade.....	7.0%	6.6%	6.5%	5.8%
Other.....	2.0%	1.8%	1.9%	2.1%
<b>Total taxable sales.....</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Sales tax rate<sup>a</sup>.....</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>

<sup>a</sup> Excludes the 2% accommodations tax and the local option sales tax; includes the 4% retail sales tax (5% beginning June 1, 2007) and 1% Education Improvement Act sales tax.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

**Ended June 30**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 41,133	\$ 44,258	\$ 47,331	\$ 44,061	\$ 38,129	\$ 37,132
4,747	5,172	5,426	5,754	5,189	4,976
4,175	4,682	5,041	5,229	5,292	5,403
3,173	3,466	2,851	2,869	2,519	2,338
1,390	1,781	1,935	1,748	1,539	1,276
<b>\$ 54,618</b>	<b>\$ 59,359</b>	<b>\$ 62,584</b>	<b>\$ 59,661</b>	<b>\$ 52,668</b>	<b>\$ 51,125</b>

**Ended June 30**

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
75.3%	74.6%	75.6%	73.9%	72.4%	72.6%
8.7%	8.7%	8.7%	9.6%	9.9%	9.7%
7.6%	7.9%	8.1%	8.8%	10.0%	10.6%
5.8%	5.8%	4.5%	4.8%	4.8%	4.6%
2.6%	3.0%	3.1%	2.9%	2.9%	2.5%
<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>5.0%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>

## Personal Income Tax Rates

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets		Average Effective Rate <sup>a</sup>
			Low	High	
2000	2.5% – 7.0%	6	2,360	11,800	2.1%
2001	2.5% – 7.0%	6	2,400	12,000	2.1%
2002	2.5% – 7.0%	6	2,440	12,200	2.1%
2003	2.5% – 7.0%	6	2,460	12,300	2.1%
2004	2.5% – 7.0%	6	2,500	12,500	2.1%
2005	2.5% – 7.0%	6	2,530	12,650	2.2%
2006	2.5% – 7.0%	6	2,570	12,850	2.2%
2007	0.0% – 7.0%	6	2,630	13,150	2.1%
2008	0.0% – 7.0%	6	2,670	13,350	1.9%
2009	0.0% – 7.0%	6	2,740	13,700	<sup>b</sup>

<sup>a</sup> The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

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

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

## Personal Income Tax Filers and Liability by Income Level

Calendar Years 2008 and 1999

(Dollars, except Income Level, expressed in thousands)

2008 <sup>a</sup>				
State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	80,790	3.9%	\$ 1,096,400	38.3%
\$75,001 - \$100,000	64,773	3.1%	340,105	11.9%
\$50,001 - \$75,000	140,736	6.8%	503,216	17.6%
\$25,001 - \$50,000	303,555	14.7%	591,918	20.7%
\$10,001 - \$25,000	368,311	17.8%	261,193	9.1%
\$10,000 and lower	1,109,733	53.7%	68,930	2.4%
<b>Total</b>	<b>2,067,898</b>	<b>100.0%</b>	<b>\$ 2,861,762</b>	<b>100.0%</b>

1999				
State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	42,153	2.4%	\$ 587,571	28.9%
\$75,001 - \$100,000	35,366	2.0%	174,650	8.6%
\$50,001 - \$75,000	111,038	6.3%	367,816	18.1%
\$25,001 - \$50,000	311,767	17.6%	568,583	28.0%
\$10,001 - \$25,000	400,625	22.6%	277,934	13.7%
\$10,000 and lower	871,325	49.1%	54,455	2.7%
<b>Total</b>	<b>1,772,274</b>	<b>100.0%</b>	<b>\$ 2,031,009</b>	<b>100.0%</b>

<sup>a</sup> Information for 2009 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Dollars in thousands unless otherwise indicated)

	2001	2002	2003	2004
<b>Governmental Activities</b>				
General obligation bonds.....	\$ 2,054,526	\$ 2,204,129	\$ 2,239,207	\$ 2,266,261
Limited obligation bonds.....	34,003	30,597	27,040	23,304
Tobacco Authority bonds.....	934,530	902,920	869,870	845,630
Infrastructure Bank bonds.....	832,575	1,193,046	1,463,582	1,725,514
Revenue bonds.....	—	—	26,034	24,802
Notes payable.....	7,026	4,398	7,395	8,884
Capital leases.....	10,042	8,185	4,106	3,256
Total governmental activities.....	<u>3,872,702</u>	<u>4,343,275</u>	<u>4,637,234</u>	<u>4,897,651</u>
<b>Business-Type Activities</b>				
General obligation bonds.....	96,310	134,235	208,968	242,740
General obligation bonds anticipation notes payable....	—	8,400	—	—
Revenue bonds.....	1,283,584	1,417,382	1,480,054	1,542,828
Revenue bonds anticipation notes payable.....	—	16,400	28,025	44,310
Advances from Federal government.....	—	—	—	—
Notes payable.....	176,703	157,216	163,134	207,276
Certificates of participation payable.....	19,010	18,036	13,525	—
Capital leases.....	47,782	46,633	65,445	54,585
Total business-type activities.....	<u>1,623,389</u>	<u>1,798,302</u>	<u>1,959,151</u>	<u>2,091,739</u>
<b>Total primary government.....</b>	<b><u>\$ 5,496,091</u></b>	<b><u>\$ 6,141,577</u></b>	<b><u>\$ 6,596,385</u></b>	<b><u>\$ 6,989,390</u></b>
 <b>Debt as a percentage of personal income.....</b>	 5.3%	 5.7%	 6.0%	 6.0%
 <b>Debt per capita expressed in actual dollars.....</b>	 \$1,353	 \$1,497	 \$1,591	 \$1,664

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

Source: South Carolina Comptroller General's Office

## For the Fiscal Year Ended June 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,298,253	\$ 2,405,119	\$ 2,214,865	\$ 2,016,952	\$ 1,857,510	\$ 1,950,048
19,392	15,291	10,985	9,352	7,629	6,435
820,905	796,900	769,755	242,891	176,180	120,653
1,947,393	1,917,706	2,162,973	2,125,640	2,091,864	2,051,545
23,521	22,169	41,044	38,598	35,982	33,251
10,311	21,021	15,622	20,362	35,820	60,944
2,856	1,894	939	672	404	242
<u>5,122,631</u>	<u>5,180,100</u>	<u>5,216,183</u>	<u>4,454,467</u>	<u>4,205,389</u>	<u>4,223,118</u>
230,423	249,514	356,795	351,481	354,252	387,464
—	—	—	30,000	30,000	30,000
2,312,032	2,532,352	2,709,144	2,928,641	2,981,089	2,916,166
9,345	6,855	4,500	—	53,100	51,100
—	—	—	—	344,881	886,662
224,080	249,674	253,357	341,009	264,174	219,279
—	—	—	—	—	—
<u>52,555</u>	<u>44,987</u>	<u>46,069</u>	<u>48,048</u>	<u>87,224</u>	<u>106,468</u>
<u>2,828,435</u>	<u>3,083,382</u>	<u>3,369,865</u>	<u>3,699,179</u>	<u>4,114,720</u>	<u>4,597,139</u>
<u><b>\$ 7,951,066</b></u>	<u><b>\$ 8,263,482</b></u>	<u><b>\$ 8,586,048</b></u>	<u><b>\$ 8,153,646</b></u>	<u><b>\$ 8,320,109</b></u>	<u><b>\$ 8,820,257</b></u>
6.4%	6.2%	6.0%	5.5%	5.6%	a
\$1,868	\$1,904	\$1,941	\$1,811	\$1,824	a

## Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Dollars in thousands unless otherwise indicated)

	2001	2002	2003
<b>Governmental Activities</b>			
Capital improvement bonds.....	\$ 893,941	\$ 931,044	\$ 919,382
State highway bonds.....	672,135	651,135	630,730
State school facilities bonds.....	488,450	621,950	689,095
Infrastructure Bank bonds.....	—	—	—
State economic development bonds.....	—	—	—
Research university infrastructure bonds.....	—	—	—
Air carrier hub terminal facilities bonds.....	—	—	—
Total governmental activities.....	2,054,526	2,204,129	2,239,207
<b>Business-Type Activities</b>			
State institution bonds.....	96,310	134,235	208,968
<b>Total primary government.....</b>	<b>\$ 2,150,836</b>	<b>\$ 2,338,364</b>	<b>\$ 2,448,175</b>
 <b>Debt as a percentage of personal income.....</b>	 2.1%	 2.2%	 2.2%
 <b>Debt per capita expressed in actual dollars.....</b>	 \$529	 \$570	 \$590

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

Source: South Carolina Comptroller General's Office



## For the Fiscal Year Ended June 30

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 917,949	\$ 801,626	\$ 693,815	\$ 603,762	\$ 514,410	\$ 424,080	\$ 355,264
609,939	725,434	699,669	663,582	622,145	548,278	510,365
650,565	611,126	567,873	523,305	476,498	427,355	375,742
60,333	58,785	57,171	55,491	53,742	51,921	50,026
27,475	101,282	238,109	227,992	217,449	206,371	417,633
—	—	148,482	140,733	132,708	199,505	190,594
—	—	—	—	—	—	50,424
<u>2,266,261</u>	<u>2,298,253</u>	<u>2,405,119</u>	<u>2,214,865</u>	<u>2,016,952</u>	<u>1,857,510</u>	<u>1,950,048</u>
 242,740	 230,423	 249,514	 356,795	 351,481	 354,252	 387,464
<b><u>\$ 2,509,001</u></b>	<b><u>\$ 2,528,676</u></b>	<b><u>\$ 2,654,633</u></b>	<b><u>\$ 2,571,660</u></b>	<b><u>\$ 2,368,433</u></b>	<b><u>\$ 2,211,762</u></b>	<b><u>\$ 2,337,512</u></b>
 2.1%	 2.0%	 2.0%	 1.8%	 1.6%	 1.5%	 a
 \$597	 \$594	 \$612	 \$581	 \$526	 \$485	 a

# Computation of Legal Debt Margin

June 30, 2010

(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.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

## INSTITUTION BONDS

Institution	Prior Year Revenues	90% Computation	Maximum Debt Service	Margin
The Citadel.....	\$ 671	\$ 604	\$ 258	\$ 346
Clemson University.....	19,607	17,646	6,025	11,621
Coastal Carolina University.....	6,817	6,135	5,404	731
College of Charleston.....	1,653	1,488	573	915
Lander University.....	22,061	19,855	1,368	18,487
Medical University of South Carolina.....	8,612	7,751	5,073	2,678
South Carolina State University <sup>a</sup> .....	2,305	2,075	2,719	(644)
University of South Carolina.....	21,688	19,519	11,946	7,573
Winthrop University.....	6,463	5,817	4,873	944
Midlands Technical College.....	3,200	2,880	1,395	1,485
<b>Totals.....</b>	<b>\$ 93,077</b>	<b>\$ 83,770</b>	<b>\$ 39,634</b>	<b>\$ 44,136</b>

## HIGHWAY BONDS

2008-2009 Budgetary General Fund revenues pledged for highway bonds.....	\$ 15,213
2008-2009 other revenues pledged for highway bonds.....	607,331
2008-2009 revenues pledged for highway bonds.....	622,544
15% of 2008-2009 revenues pledged for highway bonds.....	93,382
Less: maximum annual debt service for highway bonds <sup>b</sup> .....	60,997
<b>Legal debt service margin at June 30, 2010--highway bonds.....</b>	<b>\$ 32,385</b>

**Computation of Legal Debt Margin (Continued)****June 30, 2010****(Expressed in Thousands)****GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)<sup>e</sup>**

2008-2009 Budgetary General Fund revenues .....	\$ 5,544,173
Less: 2008-2009 Budgetary General Fund revenues pledged for highway bonds <sup>c</sup> .....	15,213
2008-2009 net Budgetary General Fund revenues.....	<u>5,528,960</u>
6% of 2008-2009 net Budgetary General Fund revenues.....	331,738
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes <sup>d</sup> .....	<u>199,556</u>
<b>Legal debt service margin at June 30, 2010--general obligation bonds excluding institution and highway bonds and bond anticipation notes.....</b>	<b><u>\$ 132,182</u></b>

**ECONOMIC DEVELOPMENT BONDS<sup>f</sup>**

2008-2009 Budgetary General Fund revenues .....	\$ 5,544,173
Less: 2008-2009 Budgetary General Fund revenues pledged for highway bonds <sup>c</sup> .....	15,213
2008-2009 net Budgetary General Fund revenues.....	<u>5,528,960</u>
0.5% of 2008-2009 net Budgetary General Fund revenues.....	27,645
Less: maximum annual debt service for economic development bonds <sup>d</sup> .....	<u>24,655</u>
<b>Legal debt service margin at June 30, 2010--economic development bonds.....</b>	<b><u>\$ 2,990</u></b>

**RESEARCH UNIVERSITY INFRASTRUCTURE BONDS**

2008-2009 Budgetary General Fund revenues .....	\$ 5,544,173
Less: 2008-2009 Budgetary General Fund revenues pledged for highway bonds <sup>c</sup> .....	15,213
2008-2009 net Budgetary General Fund revenues.....	<u>5,528,960</u>
0.5% of 2008-2009 net Budgetary General Fund revenues.....	27,645
Less: maximum annual debt service for research university infrastructure bonds <sup>b</sup> .....	<u>21,019</u>
<b>Legal debt service margin at June 30, 2010--research university infrastructure bonds.....</b>	<b><u>\$ 6,626</u></b>

<sup>a</sup> South Carolina State University exceeded its legal debt service limit on its State institution bonds by approximately \$644 thousand at June 30, 2010. The University will adjust tuition fees in subsequent years to cover the debt requirement.

<sup>b</sup> As of June 30, 2010, the maximum annual debt service will occur in the fiscal year ending June 30, 2011.

<sup>c</sup> For the fiscal year ended June 30, 2010, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

<sup>d</sup> As of June 30, 2010, the maximum annual debt service will occur in the fiscal year ending June 30, 2023.

<sup>e</sup> During the fiscal year ended June 30, 2010, the State issued \$50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than \$50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

<sup>f</sup> During the fiscal year ended June 30, 2010, the State issued \$170 million of Economic Development bonds which are not subject to the limitation on maximum annual debt service. This is based on the provisions of Section 11-41-60 of the South Carolina Code of Laws. This \$170 million bond issue has been excluded from the debt service limit calculations.

Source: South Carolina Comptroller General's Office

## Legal Debt Margin Information

Last Ten Fiscal Years  
(Dollars in thousands)

	2001	2002	2003
<b>State Institution Bonds</b>			
<b>The Citadel</b>			
Debt service limitation.....	\$ 449	\$ 475	\$ 505
Debt service applicable to limit.....	206	461	460
<b>Legal debt margin at June 30.....</b>	<b>\$ 243</b>	<b>\$ 14</b>	<b>\$ 45</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>54.1%</b>	<b>2.9%</b>	<b>8.9%</b>
<b>Clemson University</b>			
Debt service limitation.....	\$ 3,211	\$ 3,893	\$ 4,359
Debt service applicable to limit.....	1,542	1,542	4,046
<b>Legal debt margin at June 30.....</b>	<b>\$ 1,669</b>	<b>\$ 2,351</b>	<b>\$ 313</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>52.0%</b>	<b>60.4%</b>	<b>7.2%</b>
<b>Coastal Carolina University</b>			
Debt service limitation.....	\$ 519	\$ —	\$ 757
Debt service applicable to limit.....	340	—	696
<b>Legal debt margin at June 30.....</b>	<b>\$ 179</b>	<b>\$ —</b>	<b>\$ 61</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>34.5%</b>	<b>—</b>	<b>8.1%</b>
<b>College of Charleston</b>			
Debt service limitation.....	\$ —	\$ —	\$ 2,250
Debt service applicable to limit.....	—	—	573
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,677</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>74.5%</b>
<b>Francis Marion University</b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	—	—	—
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Lander University</b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	—	—	—
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 503	\$ 506	\$ 515	\$ 527	\$ 527	\$ 584	\$ 604
460	457	457	258	258	258	258
<u><b>\$ 43</b></u>	<u><b>\$ 49</b></u>	<u><b>\$ 58</b></u>	<u><b>\$ 269</b></u>	<u><b>\$ 269</b></u>	<u><b>\$ 326</b></u>	<u><b>\$ 346</b></u>
<b>8.5%</b>	<b>9.7%</b>	<b>11.3%</b>	<b>51.0%</b>	<b>51.0%</b>	<b>55.8%</b>	<b>57.3%</b>
\$ 6,188	\$ 6,193	\$ 6,408	\$ 7,860	\$ 10,747	\$ 13,981	\$ 17,646
4,800	4,800	4,800	6,025	6,025	6,025	6,025
<u><b>\$ 1,388</b></u>	<u><b>\$ 1,393</b></u>	<u><b>\$ 1,608</b></u>	<u><b>\$ 1,835</b></u>	<u><b>\$ 4,722</b></u>	<u><b>\$ 7,956</b></u>	<u><b>\$ 11,621</b></u>
<b>22.4%</b>	<b>22.5%</b>	<b>25.1%</b>	<b>23.3%</b>	<b>43.9%</b>	<b>56.9%</b>	<b>65.9%</b>
\$ 778	\$ 871	\$ 1,210	\$ 1,519	\$ 1,818	\$ 5,754	\$ 6,135
696	696	696	1,435	1,425	1,420	5,404
<u><b>\$ 82</b></u>	<u><b>\$ 175</b></u>	<u><b>\$ 514</b></u>	<u><b>\$ 84</b></u>	<u><b>\$ 393</b></u>	<u><b>\$ 4,334</b></u>	<u><b>\$ 731</b></u>
<b>10.5%</b>	<b>20.1%</b>	<b>42.5%</b>	<b>5.5%</b>	<b>21.6%</b>	<b>75.3%</b>	<b>11.9%</b>
\$ 3,776	\$ 3,793	\$ 1,186	\$ 1,107	\$ 1,310	\$ 1,343	\$ 1,488
573	573	573	573	573	573	573
<u><b>\$ 3,203</b></u>	<u><b>\$ 3,220</b></u>	<u><b>\$ 613</b></u>	<u><b>\$ 534</b></u>	<u><b>\$ 737</b></u>	<u><b>\$ 770</b></u>	<u><b>\$ 915</b></u>
<b>84.8%</b>	<b>84.9%</b>	<b>51.7%</b>	<b>48.2%</b>	<b>56.3%</b>	<b>57.3%</b>	<b>61.5%</b>
\$ —	\$ —	\$ 185	\$ 191	\$ 191	\$ —	\$ —
—	—	156	156	—	—	—
<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 29</b></u>	<u><b>\$ 35</b></u>	<u><b>\$ 191</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>
<b>—</b>	<b>—</b>	<b>15.7%</b>	<b>18.3%</b>	<b>100.0%</b>	<b>—</b>	<b>—</b>
\$ 10,771	\$ 11,107	\$ 12,342	\$ 13,588	\$ 14,425	\$ 17,105	\$ 19,855
788	775	1,388	1,383	1,379	1,368	1,368
<u><b>\$ 9,983</b></u>	<u><b>\$ 10,332</b></u>	<u><b>\$ 10,954</b></u>	<u><b>\$ 12,205</b></u>	<u><b>\$ 13,046</b></u>	<u><b>\$ 15,737</b></u>	<u><b>\$ 18,487</b></u>
<b>92.7%</b>	<b>93.0%</b>	<b>88.8%</b>	<b>89.8%</b>	<b>90.4%</b>	<b>92.0%</b>	<b>93.1%</b>

Continued on Next Page

## Legal Debt Margin Information (Continued)

Last Ten Fiscal Years  
(Dollars in thousands)

	2001	2002	2003
<b>State Institution Bonds</b>			
<b>Medical University of South Carolina</b>			
Debt service limitation.....	\$ 4,347	\$ 5,064	\$ 5,894
Debt service applicable to limit.....	3,631	4,300	4,938
<b>Legal debt margin at June 30.....</b>	<b>\$ 716</b>	<b>\$ 764</b>	<b>\$ 956</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>16.5%</b>	<b>15.1%</b>	<b>16.2%</b>
<b>South Carolina State University</b>			
Debt service limitation.....	\$ —	\$ —	\$ 611
Debt service applicable to limit.....	—	—	318
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 293</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>48.0%</b>
<b>University of South Carolina</b>			
Debt service limitation.....	\$ 7,026	\$ 7,651	\$ 8,794
Debt service applicable to limit.....	4,361	6,987	6,522
<b>Legal debt margin at June 30.....</b>	<b>\$ 2,665</b>	<b>\$ 664</b>	<b>\$ 2,272</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>37.9%</b>	<b>8.7%</b>	<b>25.8%</b>
<b>Winthrop University</b>			
Debt service limitation.....	\$ 878	\$ 798	\$ 1,071
Debt service applicable to limit.....	568	665	910
<b>Legal debt margin at June 30.....</b>	<b>\$ 310</b>	<b>\$ 133</b>	<b>\$ 161</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>35.3%</b>	<b>16.7%</b>	<b>15.0%</b>
<b>Central Carolina Technical College</b>			
Debt service limitation.....	\$ 203	\$ 243	\$ 655
Debt service applicable to limit.....	202	202	202
<b>Legal debt margin at June 30.....</b>	<b>\$ 1</b>	<b>\$ 41</b>	<b>\$ 453</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>0.5%</b>	<b>16.9%</b>	<b>69.2%</b>
<b>Greenville Technical College</b>			
Debt service limitation.....	\$ 148	\$ 161	\$ —
Debt service applicable to limit.....	112	106	—
<b>Legal debt margin at June 30.....</b>	<b>\$ 36</b>	<b>\$ 55</b>	<b>\$ —</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>24.3%</b>	<b>34.2%</b>	<b>—</b>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 6,098	\$ 6,480	\$ 7,560	\$ 7,560	\$ 7,560	\$ 7,560	\$ 7,751
5,776	5,747	5,657	5,128	5,128	5,107	5,073
<u><b>\$ 322</b></u>	<u><b>\$ 733</b></u>	<u><b>\$ 1,903</b></u>	<u><b>\$ 2,432</b></u>	<u><b>\$ 2,432</b></u>	<u><b>\$ 2,453</b></u>	<u><b>\$ 2,678</b></u>
<b>5.3%</b>	<b>11.3%</b>	<b>25.2%</b>	<b>32.2%</b>	<b>32.2%</b>	<b>32.4%</b>	<b>34.6%</b>
\$ 610	\$ 656	\$ 963	\$ 940	\$ 2,201	\$ 2,491	\$ 2,075
318	318	318	2,731	2,731	2,724	2,719
<u><b>\$ 292</b></u>	<u><b>\$ 338</b></u>	<u><b>\$ 645</b></u>	<u><b>\$ (1,791)</b></u>	<u><b>\$ (530)</b></u>	<u><b>\$ (233)</b></u>	<u><b>\$ (644)</b></u>
<b>47.9%</b>	<b>51.5%</b>	<b>67.0%</b>	<b>-190.5%</b>	<b>-24.1%</b>	<b>-9.4%</b>	<b>-31.0%</b>
\$ 9,009	\$ 10,316	\$ 12,704	\$ 14,136	\$ 16,726	\$ 17,209	\$ 19,519
7,054	7,054	7,054	11,287	11,287	11,946	11,946
<u><b>\$ 1,955</b></u>	<u><b>\$ 3,262</b></u>	<u><b>\$ 5,650</b></u>	<u><b>\$ 2,849</b></u>	<u><b>\$ 5,439</b></u>	<u><b>\$ 5,263</b></u>	<u><b>\$ 7,573</b></u>
<b>21.7%</b>	<b>31.6%</b>	<b>44.5%</b>	<b>20.2%</b>	<b>32.5%</b>	<b>30.6%</b>	<b>38.8%</b>
\$ 1,399	\$ 2,969	\$ 4,244	\$ 5,074	\$ 5,432	\$ 5,701	\$ 5,817
1,318	1,318	3,077	3,059	3,879	4,873	4,873
<u><b>\$ 81</b></u>	<u><b>\$ 1,651</b></u>	<u><b>\$ 1,167</b></u>	<u><b>\$ 2,015</b></u>	<u><b>\$ 1,553</b></u>	<u><b>\$ 828</b></u>	<u><b>\$ 944</b></u>
<b>5.8%</b>	<b>55.6%</b>	<b>27.5%</b>	<b>39.7%</b>	<b>28.6%</b>	<b>14.5%</b>	<b>16.2%</b>
\$ 763	\$ 743	\$ 759	\$ 689	\$ 689	\$ 780	\$ —
202	202	202	202	200	200	—
<u><b>\$ 561</b></u>	<u><b>\$ 541</b></u>	<u><b>\$ 557</b></u>	<u><b>\$ 487</b></u>	<u><b>\$ 489</b></u>	<u><b>\$ 580</b></u>	<u><b>\$ —</b></u>
<b>73.5%</b>	<b>72.8%</b>	<b>73.4%</b>	<b>70.7%</b>	<b>71.0%</b>	<b>74.4%</b>	<b>—</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>	<u><b>\$ —</b></u>
<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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## Legal Debt Margin Information (Continued)

Last Ten Fiscal Years  
(Dollars in thousands)

	2001	2002	2003
<b><u>State Institution Bonds</u></b>			
<b>Midlands Technical College</b>			
Debt service limitation.....	\$ 1,565	\$ 900	\$ 1,019
Debt service applicable to limit.....	832	832	827
<b>Legal debt margin at June 30.....</b>	<b>\$ 733</b>	<b>\$ 68</b>	<b>\$ 192</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>46.8%</b>	<b>7.6%</b>	<b>18.8%</b>
<b>Tri-County Technical College</b>			
Debt service limitation.....	\$ 888	\$ 934	\$ 968
Debt service applicable to limit.....	735	735	735
<b>Legal debt margin at June 30.....</b>	<b>\$ 153</b>	<b>\$ 199</b>	<b>\$ 233</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>17.2%</b>	<b>21.3%</b>	<b>24.1%</b>
<b><u>State Highway Bonds</u></b>			
Debt service limitation.....	\$ 81,779	\$ 80,208	\$ 82,238
Debt service applicable to limit.....	60,283	60,283	60,226
<b>Legal debt margin at June 30.....</b>	<b>\$ 21,496</b>	<b>\$ 19,925</b>	<b>\$ 22,012</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>26.3%</b>	<b>24.8%</b>	<b>26.8%</b>
<b><u>General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes</u></b>			
Debt service limitation.....	\$ 247,869	\$ 251,161	\$ 243,631
Debt service applicable to limit.....	195,116	221,644	218,653
<b>Legal debt margin at June 30.....</b>	<b>\$ 52,753</b>	<b>\$ 29,517</b>	<b>\$ 24,978</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>21.3%</b>	<b>11.8%</b>	<b>10.3%</b>
<b><u>Economic Development Bonds</u></b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	—	—	—
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b><u>Research University Infrastructure Bonds</u></b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	—	—	—
<b>Legal debt margin at June 30.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>

Source: South Carolina Comptroller General's Office



<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,019 827 <u>\$ 192</u> 18.8%	\$ 1,345 827 <u>\$ 518</u> 38.5%	\$ 1,620 827 <u>\$ 793</u> 49.0%	\$ 1,620 1,395 <u>\$ 225</u> 13.9%	\$ 1,620 1,395 <u>\$ 225</u> 13.9%	\$ 1,369 1,395 <u>\$ (26)</u> -1.9%	\$ 2,880 1,395 <u>\$ 1,485</u> 51.6%
\$ 1,358 735 <u>\$ 623</u> 45.9%	\$ 968 735 <u>\$ 233</u> 24.1%	\$ 939 735 <u>\$ 204</u> 21.7%	\$ 970 735 <u>\$ 235</u> 24.2%	\$ 1,046 735 <u>\$ 311</u> 29.7%	\$ — — <u>\$ —</u> —	\$ — — <u>\$ —</u> —
\$ 83,574 60,412 <u>\$ 23,162</u> 27.7%	\$ 87,988 71,766 <u>\$ 16,222</u> 18.4%	\$ 90,101 71,766 <u>\$ 18,335</u> 20.3%	\$ 96,128 71,766 <u>\$ 24,362</u> 25.3%	\$ 101,853 71,766 <u>\$ 30,087</u> 29.5%	\$ 98,037 64,078 <u>\$ 33,959</u> 34.6%	\$ 93,382 60,997 <u>\$ 32,385</u> 34.7%
\$ 270,334 233,275 <u>\$ 37,059</u> 13.7%	\$ 278,531 226,157 <u>\$ 52,374</u> 18.8%	\$ 332,122 230,124 <u>\$ 101,998</u> 30.7%	\$ 370,495 225,409 <u>\$ 145,086</u> 39.2%	\$ 397,558 221,525 <u>\$ 176,033</u> 44.3%	\$ 382,086 198,074 <u>\$ 184,012</u> 48.2%	\$ 331,738 199,556 <u>\$ 132,182</u> 39.8%
\$ 24,576 2,198 <u>\$ 22,378</u> 91.1%	\$ 25,321 9,632 <u>\$ 15,689</u> 62.0%	\$ 27,677 21,342 <u>\$ 6,335</u> 22.9%	\$ 30,875 21,284 <u>\$ 9,591</u> 31.1%	\$ 33,130 21,229 <u>\$ 11,901</u> 35.9%	\$ 31,841 21,229 <u>\$ 10,612</u> 33.3%	\$ 27,645 24,655 <u>\$ 2,990</u> 10.8%
\$ — — <u>\$ —</u> —	\$ — — <u>\$ —</u> —	\$ 27,677 13,980 <u>\$ 13,697</u> 49.5%	\$ 30,875 13,882 <u>\$ 16,993</u> 55.0%	\$ 33,130 13,777 <u>\$ 19,353</u> 58.4%	\$ 31,841 21,019 <u>\$ 10,822</u> 34.0%	\$ 27,645 21,019 <u>\$ 6,626</u> 24.0%

# Pledged Revenue Coverage

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Budget and Control Board—Revenue Bonds					
2004	\$ 2,226	\$ 1,140	\$ 1,086	\$ 2,226	1.00
2005	2,242	1,190	1,052	2,242	1.00
2006	2,276	1,260	1,016	2,276	1.00
2007	2,298	1,320	978	2,298	1.00
2008	2,324	1,385	939	2,324	1.00
2009	2,367	1,470	897	2,367	1.00
2010	2,371	1,540	831	2,371	1.00
The Citadel—Revenue Bonds					
2001	\$ 3,979	\$ 955	\$ 1,094	\$ 2,049	1.94
2002	4,343	990	1,048	2,038	2.13
2003	4,901	1,040	1,000	2,040	2.40
2004	5,025	1,080	949	2,029	2.48
2005	5,228	1,145	896	2,041	2.56
2006	5,507	1,725	1,339	3,064	1.80
2007	5,346	1,610	1,268	2,878	1.86
2008	6,056	1,680	1,202	2,882	2.10
2009	6,899	1,750	1,130	2,880	2.40
2010	7,790	1,820	1,063	2,883	2.70
The Citadel—Athletic Facilities Revenue Bonds					
2004	\$ 2,823	\$ 154	\$ 133	\$ 287	9.84
2005	2,897	162	126	288	10.06
2006	3,456	670	357	1,027	3.37
2007	3,833	690	708	1,398	2.74
2008	4,201	719	1,001	1,720	2.44
2009	5,886	1,255	1,308	2,563	2.30
2010	6,132	1,495	1,242	2,737	2.24
Clemson University—Plant Improvement Bonds					
2001	\$ 1,204	\$ 515	\$ 324	\$ 839	1.44
2002	1,177	570	292	862	1.37
2003	1,002	590	266	856	1.17
2004	1,003	615	242	857	1.17
2005	1,005	635	216	851	1.18
2006	1,003	665	190	855	1.17
2007	985	690	162	852	1.16
2008	1,061	720	132	852	1.25
2009	1,147	750	101	851	1.35
2010	1,117	790	67	857	1.30
Clemson University—Athletic Facilities Revenue Bonds					
2002	\$ 3,360	\$ 1,025	\$ 823	\$ 1,848	1.82
2003	4,299	985	871	1,856	2.32
2004	3,726	1,040	1,105	2,145	1.74
2005	3,761	1,095	1,059	2,154	1.75
2006	5,875	1,155	1,404	2,559	2.30
2007	10,531	1,220	1,635	2,855	3.69

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Clemson University—Athletic Facilities Revenue Bonds (Continued)					
2008	8,747	1,490	1,585	3,075	2.84
2009	6,392	1,565	1,524	3,089	2.07
2010	3,584	1,640	1,460	3,100	1.16
Clemson University—Revenue Bonds					
2001	\$ 9,116	\$ 2,340	\$ 2,398	\$ 4,738	1.92
2002	10,760	2,445	2,290	4,735	2.27
2003	12,141	2,435	2,157	4,592	2.64
2004	11,865	2,555	3,048	5,603	2.12
2005	13,170	2,605	3,126	5,731	2.30
2006	13,149	3,505	3,233	6,738	1.95
2007	14,761	4,000	3,204	7,204	2.05
2008	16,130	4,185	3,016	7,201	2.24
2009	14,569	4,385	2,816	7,201	2.02
2010	17,557	4,590	2,293	6,883	2.55
Coastal Carolina University—Revenue Bonds					
2001	\$ 3,127	\$ 635	\$ 1,554	\$ 2,189	1.43
2002	3,352	675	1,520	2,195	1.53
2003	3,159	710	1,485	2,195	1.44
2004	2,832	640	1,445	2,085	1.36
2005	2,798	790	1,323	2,113	1.32
2006	6,184	825	1,272	2,097	2.95
2007	10,624	1,190	907	2,097	5.07
2008	8,383	970	1,076	2,046	4.10
2009	10,605	1,010	1,032	2,042	5.19
2010	6,243	1,060	985	2,045	3.05
College of Charleston—Revenue Bonds					
2001	\$ 2,916	\$ 1,330	\$ 1,074	\$ 2,404	1.21
2002	2,959	1,410	1,005	2,415	1.23
2003	4,177	1,160	2,147	3,307	1.26
2004	8,913	2,050	2,748	4,798	1.86
2005	13,522	2,815	4,193	7,008	1.93
2006	14,492	3,070	4,085	7,155	2.03
2007	17,683	3,180	4,008	7,188	2.46
2008	15,839	4,400	7,448	11,848	1.34
2009	19,594	5,015	8,134	13,149	1.49
2010	22,798	5,215	7,974	13,189	1.73
Infrastructure Bank Bonds					
2005	\$ 147,206	\$ 27,855	\$ 89,313	\$ 117,168	1.26
2006	166,443	37,940	93,409	131,349	1.27
2007	195,754	41,070	90,284	131,354	1.49
2008	194,969	44,355	103,541	147,896	1.32
2009	207,747	40,750	99,446	140,196	1.48
2010	213,689	46,275	99,624	145,899	1.46

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue		Debt Service Requirements			Coverage Ratio	
	Available for Debt Service		Principal	Interest	Total		
Lander University—2002 Higher Education Facilities Revenue Bonds							
2003	\$	1,352	\$	165	\$	259	5.22
2004		1,394		170		256	5.45
2005		1,507		180		258	5.84
2006		1,479		185		255	5.80
2007		1,759		195		256	6.87
2008		1,094		200		252	4.34
2009		2,225		210		253	8.80
2010		2,625		215		248	10.59
South Carolina State University—Revenue Bonds							
2001	\$	976	\$	355	\$	702	1.39
2002		556		370		695	0.80
2003		1,505		385		691	2.18
2004		1,780		415		699	2.55
2005		1,888		430		697	2.71
2006		569		334		507	1.12
2007		1,785		552		1,373	1.30
2008		2,638		396		2,493	1.06
2009		3,015		759		2,807	1.07
2010		3,470		940		3,145	1.10
Spartanburg Technical College—1999 Special Student Fee Capital Improvement Bonds							
2001	\$	332	\$	153	\$	298	1.11
2002		389		160		298	1.31
2003		377		168		298	1.27
2004		365		177		298	1.22
2005		339		185		298	1.14
2006		355		195		298	1.19
2007		348		204		298	1.17
2008		382		215		298	1.28
2009		400		225		298	1.34
2010		341		236		298	1.14
Spartanburg Technical College—2001 Special Student Fee Capital Improvement Bonds							
2002	\$	370	\$	129	\$	244	1.52
2003		312		127		244	1.28
2004		287		133		244	1.18
2005		282		139		244	1.16
2006		297		147		244	1.22
2007		291		154		244	1.19
2008		319		161		244	1.31
2009		334		169		244	1.37
2010		247		177		244	1.01

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Spartanburg Technical College—2004 Special Student Fee Capital Improvement Bonds					
2005	\$ 447	\$ 200	\$ 165	\$ 365	1.22
2006	495	215	177	392	1.26
2007	454	235	169	404	1.12
2008	797	255	161	416	1.92
2009	520	275	151	426	1.22
2010	468	295	142	437	1.07
Spartanburg Technical College—2005 Special Student Fee Capital Improvement Bonds					
2006	\$ 455	\$ 84	\$ 57	\$ 141	3.23
2007	308	165	116	281	1.10
2008	338	170	111	281	1.20
2009	355	177	104	281	1.26
2010	311	184	97	281	1.11
Tobacco Settlement Revenue Management Authority Bonds					
2002	\$ 86,079	\$ —	\$ 61,311	\$ 61,311	1.40
2003	86,313	—	58,888	58,888	1.47
2004	74,180	—	56,354	56,354	1.32
2005	73,232	—	54,496	54,496	1.34
2006	67,841	—	52,601	52,601	1.29
2007	79,912	—	50,761	50,761	1.57
2008	83,493	390,735	48,540	439,275	0.19
2009	95,115	75,730	13,787	89,517	1.06
2010	68,709	63,035	10,000	73,035	0.94
University of South Carolina Aiken Campus—1999 Auxiliary Revenue Bonds					
2001	\$ 386	\$ 165	\$ 221	\$ 386	1.00
2002	389	175	214	389	1.00
2003	387	180	207	387	1.00
2004	389	190	199	389	1.00
2005	392	200	192	392	1.00
2006	389	205	184	389	1.00
2007	390	215	175	390	1.00
2008	391	225	166	391	1.00
2009	391	235	156	391	1.00
2010	391	245	146	391	1.00
University of South Carolina Aiken Campus—2006 Auxiliary Revenue Bonds					
2006	\$ 121	\$ —	\$ 142	\$ 142	0.85
2007	1,045	475	570	1,045	1.00
2008	1,042	490	552	1,042	1.00
2009	1,043	510	533	1,043	1.00
2010	1,044	530	514	1,044	1.00

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
University of South Carolina Columbia Campus—2000 Auxiliary Revenue Bonds					
2001	\$ 1,449	\$ 270	\$ 1,179	\$ 1,449	1.00
2002	1,470	305	1,165	1,470	1.00
2003	1,469	320	1,149	1,469	1.00
2004	1,473	340	1,133	1,473	1.00
2005	1,470	355	1,115	1,470	1.00
2006	485	375	110	485	1.00
2007	486	395	91	486	1.00
2008	486	415	71	486	1.00
2009	490	440	50	490	1.00
2010	485	460	25	485	1.00
University of South Carolina Columbia Campus—2003 Parking Facilities Revenue Bonds					
2004	\$ 399	\$ 235	\$ 178	\$ 413	0.97
2005	412	210	202	412	1.00
2006	406	215	191	406	1.00
2007	401	220	181	401	1.00
2008	395	225	170	395	1.00
2009	395	230	165	395	1.00
2010	393	235	158	393	1.00
University of South Carolina Columbia Campus—2004 Auxiliary Revenue Bonds					
2005	\$ 1,838	\$ 725	\$ 1,202	\$ 1,927	0.95
2006	1,919	505	1,414	1,919	1.00
2007	1,919	525	1,394	1,919	1.00
2008	1,923	550	1,373	1,923	1.00
2009	1,924	570	1,354	1,924	1.00
2010	1,930	595	1,335	1,930	1.00
University of South Carolina Columbia Campus—2005 Auxiliary Revenue Bonds					
2006	\$ 669	\$ 185	\$ 484	\$ 669	1.00
2007	744	225	519	744	1.00
2008	743	235	508	743	1.00
2009	745	245	500	745	1.00
2010	746	255	491	746	1.00
University of South Carolina Columbia Campus—2005 Auxiliary Refunding Revenue Bonds					
2006	\$ 2,606	\$ 1,330	\$ 1,566	\$ 2,896	0.90
2007	3,102	1,200	2,035	3,235	0.96
2008	3,461	1,465	1,996	3,461	1.00
2009	3,445	1,500	1,945	3,445	1.00
2010	3,458	1,565	1,893	3,458	1.00
University of South Carolina Columbia Campus—2008 Auxiliary Revenue Bonds					
2008	\$ 274	\$ —	\$ 531	\$ 531	0.52
2009	3,445	260	3,185	3,445	1.00
2010	4,247	1,070	3,177	4,247	1.00

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
University of South Carolina Spartanburg Campus—1997 Auxiliary Revenue Bonds					
2001	\$ 372	\$ 150	\$ 222	\$ 372	1.00
2002	374	160	214	374	1.00
2003	376	170	206	376	1.00
2004	372	175	197	372	1.00
2005	373	185	188	373	1.00
2006	216	195	21	216	1.00
2007	221	210	11	221	1.00
2008	—	—	—	—	—
2009	—	—	—	—	—
2010	—	—	—	—	—
University of South Carolina Spartanburg Campus—2009 Auxiliary Revenue Bonds					
2009	\$ 263	\$ —	\$ 320	\$ 320	0.82
2010	1,813	535	1,278	1,813	1.00
Winthrop University—Facilities Revenue Bonds					
2001	\$ 267	\$ 54	\$ 35	\$ 89	3.00
2002	266	58	31	89	2.99
2003	883	401	237	638	1.38
2004	944	395	237	632	1.49
2005	2,211	413	219	632	3.50
2006	2,133	637	306	943	2.26
2007	2,882	670	274	944	3.05
2008	2,768	694	245	939	2.95
2009	3,109	729	215	944	3.29
2010	3,218	1,081	444	1,525	2.11
Winthrop University—2001 Athletic Facilities Revenue Bonds					
2002	\$ 458	\$ 120	\$ 67	\$ 187	2.45
2003	486	120	105	225	2.16
2004	501	120	99	219	2.29
2005	498	120	94	214	2.33
2006	490	120	88	208	2.36
2007	496	120	83	203	2.44
2008	489	120	77	197	2.48
2009	492	120	72	192	2.56
2010	492	120	66	186	2.65

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Operating		Less:		Net Funds	Debt Service Requirements			Coverage Ratio						
	Revenues	Loan Payments	Operating Expenses		Available for Debt Service	Principal	Interest	Total							
Education Assistance Authority															
2005	\$	39,372	\$	398,326	\$	(19,165)	\$	418,533	\$	20,995	\$	13,443	\$	34,438	12.15
2006		49,980		783,634		(26,266)		807,348		48,035		24,063		72,098	11.20
2007		56,178		634,371		(15,216)		675,333		51,770		35,936		87,706	7.70
2008		63,971		322,194		(14,838)		371,327		147,354		49,288		196,642	1.89
2009		36,814		112,191		(12,737)		136,268		—		39,007		39,007	3.49
2010		15,392		273,367		(8,392)		280,367		201,350		8,821		210,171	1.33
Housing Authority															
2005	\$	39,921	\$	118,016	\$	(1,983)	\$	155,954	\$	64,225	\$	29,938	\$	94,163	1.66
2006		41,202		99,633		(2,775)		138,060		70,715		30,892		101,607	1.36
2007		49,133		66,425		(3,747)		111,811		59,186		31,764		90,950	1.23
2008		53,607		70,133		(3,882)		119,858		41,720		38,182		79,902	1.50
2009		52,555		111,259		(4,560)		159,254		42,335		41,050		83,385	1.91
2010		49,243		103,980		(3,545)		149,678		65,075		39,245		104,320	1.43

Note: All prior fiscal year data that is available has been presented.

Source: South Carolina Comptroller General's Office



# Demographic Statistics

Last Ten Calendar Years

<u>Year</u>	<u>Population at July 1 <sup>a</sup></u>	<u>Per Capita Income <sup>b</sup></u>	<u>Average Annual Unemployment Rate <sup>c</sup></u>
2000	4,023,570	\$ 25,080	3.6%
2001	4,062,701	25,652	5.2%
2002	4,103,934	26,073	6.0%
2003	4,146,474	26,688	6.7%
2004	4,201,306	27,908	6.8%
2005	4,256,199	29,226	6.8%
2006	4,339,399	30,925	6.4%
2007	4,424,232	32,107	5.6%
2008	4,503,280	32,947	6.9%
2009	4,561,242	32,338	11.7%

<sup>a</sup> Source: U.S. Census Bureau

<sup>b</sup> Per capita income is calculated by dividing total personal income by population.

<sup>c</sup> Source: U.S. Department of Labor

## Employment by Industry

Latest Completed Calendar Year and Nine Years Prior

Sources	2000		2009	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Contract construction.....	114,600	6.2%	87,500	4.8%
Manufacturing:				
Durable goods.....	159,900	8.6%	117,400	6.4%
Nondurable goods.....	176,600	9.5%	96,500	5.3%
Transportation, communication, and public utilities.....	94,900	5.1%	87,600	4.8%
Wholesale and retail trade:				
Wholesale.....	62,800	3.4%	65,800	3.6%
Retail.....	237,000	12.7%	223,400	12.3%
Finance, insurance and real estate.....	87,500	4.7%	101,600	5.6%
Services and mining.....	602,900	32.4%	692,200	38.0%
Government:				
Federal.....	31,400	1.7%	31,400	1.7%
State and local.....	291,500	15.7%	317,900	17.5%
<b>Total wage and salary employment.....</b>	<b>1,859,100</b>	<b>100.0%</b>	<b>1,821,300</b>	<b>100.0%</b>

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

## Ten Largest Employers

**Latest Completed Calendar Year and Eight Years Prior<sup>a</sup>**  
**(Listed alphabetically)**

<b>2001</b>	<b>2009</b>
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Michelin North America, Inc.	Greenville Hospital System
Springs Industries, Inc.	Michelin North America, Inc.
U.S. Department of Defense	Palmetto Health Alliance, Inc.
U.S. Postal Service	U.S. Department of Defense
University of South Carolina	U.S. Postal Service
Wal-Mart Associates, Inc.	University of South Carolina
Westinghouse Savannah River	Wal-Mart Associates, Inc.

<sup>a</sup> The ten largest employers prior to calendar year 2001 are unavailable.

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

# Government Employees By Function

Last Ten Fiscal Years

Function	Permanent Employees			
	2001	2002	2003	2004
Governmental activities:				
General government.....	5,562	5,243	5,115	6,136
Education.....	3,321	3,255	3,116	3,054
Health and environment.....	14,246	13,849	13,610	13,341
Social services.....	5,147	4,489	4,196	3,693
Administration of justice.....	12,049	11,336	10,966	9,620
Resources and economic development.....	2,178	2,005	1,892	1,727
Transportation.....	4,975	4,954	4,826	4,960
Business-type activities:				
Higher education.....	20,375	20,335	20,420	20,523
Higher education institutional support.....	5,066	5,158	5,291	5,555
Financing of housing facilities.....	110	116	114	117
Medical malpractice insurance.....	3	3	3	4
Financing of student loans.....	43	53	66	63
Tuition prepayment program.....	2	2	2	2
Patriots Point development.....	70	71	66	69
Insurance claims processing.....	21	21	23	23
Other .....	36	37	35	32
<b>Totals.....</b>	<b>73,204</b>	<b>70,927</b>	<b>69,741</b>	<b>68,919</b>

Source: South Carolina Comptroller General's Office

as of June 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
6,195	6,267	6,457	6,532	6,307	6,108
3,053	2,922	3,014	3,084	2,990	2,968
13,010	12,461	12,237	12,286	11,487	10,998
3,618	3,627	3,904	3,998	3,990	3,689
9,417	9,747	10,098	10,280	9,954	9,631
1,746	1,776	1,818	1,856	1,738	1,675
5,002	4,794	4,880	5,065	5,050	5,006
20,893	21,195	21,962	22,403	22,263	22,250
5,676	5,990	4,133	4,569	6,008	6,164
114	112	116	116	123	123
5	5	5	4	5	5
67	69	66	69	67	59
2	2	2	2	2	2
68	67	67	67	62	66
23	19	22	20	21	20
34	32	36	35	37	39
<u>68,923</u>	<u>69,085</u>	<u>68,817</u>	<u>70,386</u>	<u>70,104</u>	<u>68,803</u>

# Operating Indicators By Function

Last Six Fiscal Years <sup>a</sup>

	2005	2006	2007
<b>General government</b>			
Individual income tax returns processed	2,112,766	2,172,409	2,273,202
Corporate income tax returns processed	156,784	155,228	164,855
Department of Motor Vehicles transactions	12,670,522	13,474,463	13,331,078
Workers' compensation cases reviewed	111,869	127,848	82,603
<b>Education</b>			
Public school enrollment	680,635	694,155	698,290
Average operating miles per school bus	15,600	15,685	16,000
State Museum visitors	148,752	145,845	141,202
<b>Health and environment</b>			
Medicaid eligible participants	983,981	932,708	902,308
Women, Infant and Children (WIC) participants	108,341	107,413	112,467
Community mental health center clients	90,733	89,480	87,641
<b>Social services</b>			
Average food stamp households per month	216,602	225,456	231,053
Child Protective Services investigations	17,186	16,898	18,168
<b>Administration of justice</b>			
Adult prison average daily population	22,970	22,964	23,437
Juvenile facility average daily population	1,074	1,043	985
<b>Resources and economic development</b>			
Dept of Commerce capital investment projects	105	137	139
Welcome Center visitors	2,525,294	2,454,311	2,378,630
Hunting and fishing licenses processed	704,882	781,882	811,025
Watercraft registrations	396,915	415,993	433,158
<b>Transportation</b>			
Miles of surface repair	173,620	163,829	167,551
Miles of roadway inspections	270,024	313,530	332,559
<b>Higher education and support</b>			
Total headcount enrollment	172,386	174,686	176,415
Degrees awarded	24,826	25,622	26,063
<b>Unemployment compensation benefits</b>			
Initial claims	313,629	299,975	304,464
Total benefit weeks claimed	2,129,960	1,930,718	1,998,836
<b>Financing of housing facilities</b>			
Mortgage loans managed	12,314	13,504	15,815
Families receiving rental assistance	20,478	20,872	20,129
<b>Medical malpractice insurance</b>			
Membership total	7,166	7,050	6,320
<b>Financing of student loans</b>			
Number of student loans outstanding	332,794	323,536	351,024
<b>Tuition prepayment program</b>			
Individual accounts	6,262	6,452	6,388
<b>State maritime museum</b>			
Museum visitors and other area patrons	240,811	260,827	259,425
<b>Insurance claims processing</b>			
Second Injury Fund claims paid	4,520	3,860	3,951
<b>Other</b>			
Public railway carloads (calendar year)	88,242	88,245	82,036

<sup>a</sup> Prior fiscal year data is not readily available.

Source: South Carolina Comptroller General's Office

<b>2008</b>	<b>2009</b>	<b>2010</b>
2,421,786	2,393,919	2,379,693
166,237	185,200	183,224
13,234,198	12,430,183	11,989,686
77,961	63,493	53,407
701,749	707,739	712,240
15,651	15,600	15,663
131,731	154,487	156,810
903,397	934,090	975,275
124,033	134,618	133,942
87,762	88,999	88,726
248,314	287,867	346,807
18,560	17,621	18,805
23,958	24,081	24,105
910	858	739
179	190	161
2,281,295	2,123,161	2,323,877
839,696	840,956	958,014
430,377	429,532	429,233
158,512	162,938	178,084
342,981	401,426	448,492
180,479	187,253	200,204
26,237	26,835	27,705
292,661	545,137	386,818
1,964,982	4,206,476	4,331,564
17,734	17,518	16,831
20,100	19,955	19,931
5,466	4,568	4,230
189,292	386,748	371,205
6,315	6,239	6,135
264,326	264,244	268,965
3,661	3,404	3,118
95,521	92,136	64,554

# Capital Assets By Function

Last Six Fiscal Years <sup>a</sup>

	2005	2006	2007	2008
<b>General government</b>				
Buildings and facilities	33	33	33	32
State armories	65	65	62	63
Fleet vehicles	2,357	2,687	3,515	3,831
Motor vehicle district offices	69	69	69	69
<b>Education</b>				
School buses	6,453	5,788	6,274	6,420
Television transmitters	11	11	11	11
Vocational training/client centers	35	35	35	35
<b>Health and environment</b>				
Mental health hospitals	111	111	137	154
Community mental health centers	60	60	59	47
Regional special needs centers	5	5	5	5
<b>Social services</b>				
Buildings and facilities	66	66	66	66
<b>Administration of justice</b>				
Adult correctional institutions	29	29	28	28
Juvenile correctional facilities	7	7	7	7
Highway patrol district offices	7	7	7	7
Highway patrol vehicles	1,222	1,055	1,004	1,237
<b>Resources and economic development</b>				
Acres of State parks	81,168	81,168	81,807	81,824
Acres of State forests	91,600	91,600	91,466	91,466
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
Vehicles and boats	1,575	1,538	1,026	1,280
<b>Transportation</b>				
Miles of State highways	66,252	66,240	66,242	66,248
Weigh stations	9	9	9	9
Traffic cameras	179	250	300	300
Miles of cable median barriers	442	470	470	476
<b>Higher education</b>				
Number of campuses	33	33	33	33
Buildings-universities	815	810	787	773
Buildings-technical colleges	282	277	286	297
Buildings-student residences	335	340	373	388
<b>State maritime museum</b>				
Vintage aircraft	4	4	4	4
Historical period exhibits	3	15	15	15
<b>Other</b>				
Rail yards	3	3	3	3
State-owned locomotives	13	13	13	10

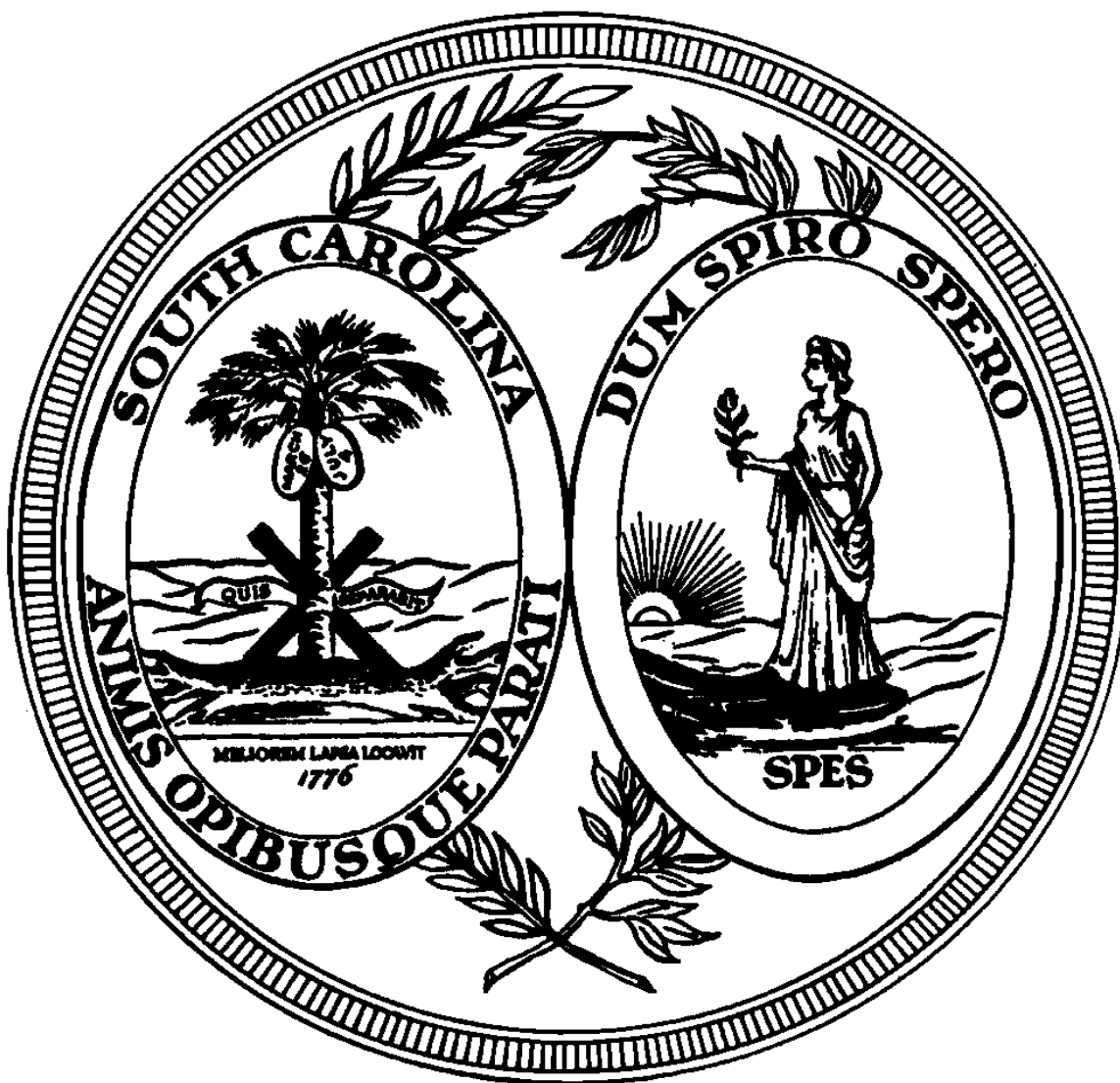
<sup>a</sup> Prior fiscal year data is not readily available.



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2009	2010
32	32
65	63
3,599	3,316
69	69
6,117	5,677
11	11
35	35
150	151
49	47
5	5
66	66
28	28
7	7
7	7
1,162	1,162
82,813	83,118
92,552	92,552
53	53
3	3
1,203	1,121
66,256	66,262
9	9
320	350
476	476
33	33
792	833
302	303
327	300
4	4
15	15
3	3
10	10

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Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information:  
Total printing cost was \$277.32; 100 copies were printed at a cost of \$2.77 each.