



FRONT COVER

Sunrise on the South Carolina shore

Cover photo and layout provided by the University of South Carolina Office of University Creative Services



Prepared by the Comptroller General's Office



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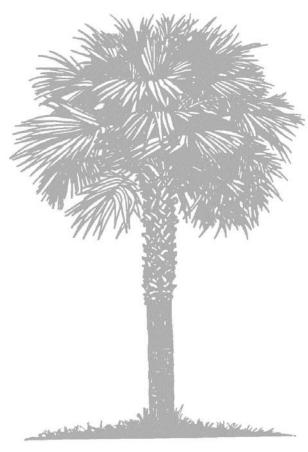
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Introductory Section



Letter of Transmittal Certificate of Achievement Principal State Officials Organizational Chart

State of South Carolina



COMPTROLLER GENERAL

Office of Comptroller General

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JAMES M. HOLLY CHIEF OF STAFF

December 8, 2011

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, 2011. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year. Its presentation is designed for conformity with the Governmental Accounting Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program from which the June 30, 2010 report received the Award of Excellence.

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, 2011. 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 4.6 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 funds, 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.

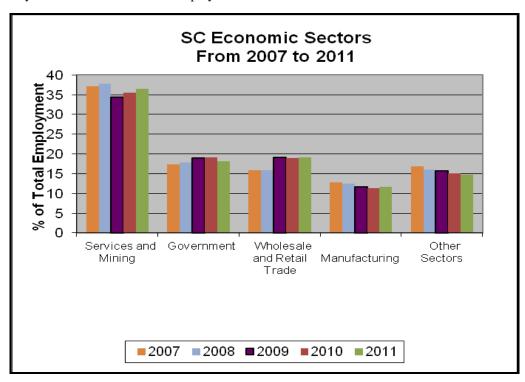
South Carolina's annual Appropriations Act includes legally adopted budgets for the Budgetary General Fund and for Total Funds. The initial budget appears in the annual Appropriations Act. After the budget year begins, the State Budget and Control Board, comprised of five key executive and legislative 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.

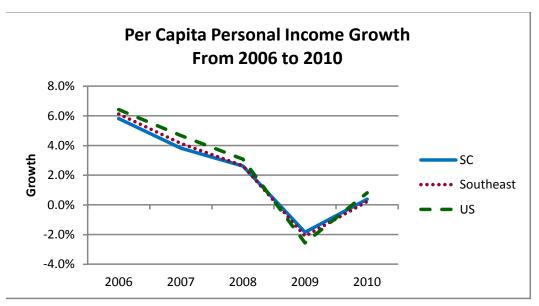
STATE ECONOMY

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 2011, South Carolina gained 13,500 jobs over the same period in 2010; however, the State has yet to recover from the tremendous overall 92,700 job loss that occurred in 2009. Real estate closings were down 11.1% coupled with a construction job loss of 3.0% and an 8.0% decrease in building permits compared to 2010. Despite the downturn in real estate, foreclosures are down 12.8% over last year. Manufacturing jobs gained 3.7% as opposed to being down 12.8% last year. The strongest boost in jobs was in the professional and business services sector that gained 8,900 jobs, an increase of 4.14% over last year.

The State's June 2011 unemployment rate of 10.5% improved 0.2% over the prior year. However, it continues to be higher than the national unemployment rate of 9.2%. Out of 46 counties in South Carolina, only Lexington County was below the national unemployment rate.





South Carolina's per capita income for the 2010 calendar year increased to \$32,460, or 0.4% above 2009. The increase was consistent with the increases experienced nationally, 2.8%, and by the southeast region's per capita results, 2.4%.

Despite continued difficult economic times, the South Carolina Department of Commerce was involved in recruiting 20,453 new jobs and \$4.1 billion in capital investment during calendar year 2010. Of all the 2010 projects recruited, 20.1% of the jobs went to rural areas of the State where only 22.0% 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, 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 that 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 release for budgetary use 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. For the fiscal year ending June 30, 2012,

the amount required to be held in the General Reserve Fund will gradually increase 0.5% every year until the fund reaches 5%. Also, the 2% Capital Reserve Fund will no longer be available to offset anticipated deficits. The foregoing percentages are multiplied against the General Fund revenue for the latest completed fiscal year.

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 unrestricted, unassigned fund balance.

The State ended the with a positive General Fund balance of \$711.742 million comprised of the unassigned surplus of \$296.136 million, legislatively approved agency carryover appropriations of \$70.597 million, the Contingency Reserve of \$71.001 million, the Capital Reserve of \$107.683 million, and the General Reserve Fund of \$166.325 million. The surplus was then reduced \$173.804 million that was held for appropriation until after September 1, 2011 resulting in remaining unassigned surplus of \$122.332 million. Although an unassigned surplus is a positive development, the Legislature must continue to recommit to the State's historically conservative budgeting practices.

MAJOR INITIATIVES

Finance and Budgeting

The Legislature approved new higher education financial transparency measures that require each public institution of higher learning to maintain a transaction register featuring a complete record of all funds expended, from whatever source for whatever purpose. The register must be prominently posted on the institution's internet website and made available for public viewing and downloading.

The Legislature approved the "Spending Accountability Act of 2011" which establishes new requirements for it to take roll call votes in the consideration of legislation that records the name and votes of legislators in the journals of the Senate and House of Representatives. The legislation provides for the Annual General Appropriation Bill to be considered section-by-section with a recorded roll-call vote required for the adoption of each section by the legislative body.

Economic Development and Employment

The Legislature approved legislation relating to the order fulfillment center proposed for Lexington County by online retailer Amazon that establishes a temporary exemption from the collection and remitting state sales and use taxes for a distribution facility meeting the criteria that include minimum job creation and capital investment requirements. The exemption extends until January 1, 2016, unless the distribution facility fails to meet conditions such as maintaining the required number of full-time jobs with comprehensive health plan benefits or unless Congress enacts new federal legislation regarding the collection of state sales taxes. The legislation includes requirements for notifying South Carolina purchasers that they may owe use taxes on items bought online.

Lawmakers passed a bill revising the provision of the South Caroline Real Property Valuation reform Act of 2006 that requires the assessed value of real property to be determined for tax purposes at the time property is sold or undergoes another assessable transfer of interest. The legislation revises point-of-sale reassessment for commercial property, second homes, and all other parcels subject to the six percent property tax assessment ratio by providing a new tax exemption to offset dramatic fluctuations in tax liability.

The Legislature approved a joint resolution designating the South Carolina Jobs-Economic Development Authority to coordinate the State Small Business Credit Initiative with the Federal Small Business Jobs Act of 2010. This act provides direct financial support to the State for use in programs designed to increase access to credit for small businesses.

Election Process

As a result of the population shifts recorded in the 2010 U.S. Census, a new congressional district was created through a redistricting plan established by the Legislature. Redistricting is required every ten years to reflect population changes reflected in the latest U.S. Census. The new district is the seventh congressional district that is centered in Horry County and runs along the North Carolina border and will add a seventh member of the U.S. House of Representatives from the State of South Carolina.

The Legislature approved legislation establishing a photograph identification requirement for voting. The legislation requires voters to verify their identity at time of voting by producing a valid and current photographic identification. The State Election Commission must establish a voter education program about the new provisions.

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, 2010. This was the twenty-third consecutive year that the State of South Carolina 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 the University of South Carolina for providing the attractive cover for this year's CAFR.

Sincerely,

Richard Eckstrom, CPA Comptroller General



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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, 2010

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.



Dirich C. Handon

President

Executive Director

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

Ken Ard, 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
Nikki R. Haley, Chairman, Governor
Curtis M. Loftis, State Treasurer
Richard Eckstrom, Comptroller General
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
W. Brian White, Chairman, House Ways and Means Committee

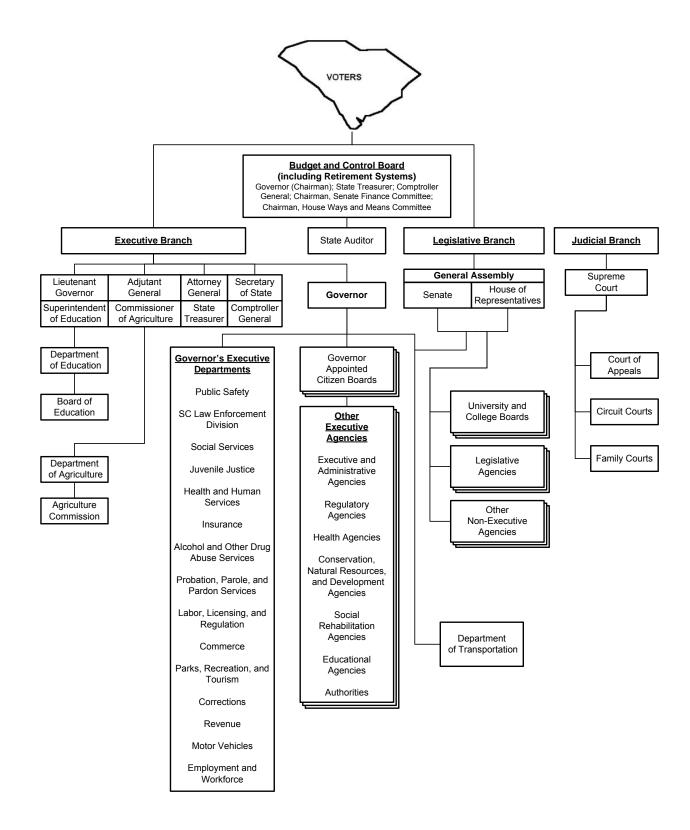
Ken Ard, President of the Senate and Lieutenant Governor Mark Hammond, Secretary of State Alan Wilson, Attorney General Mitchell M. Zais, State Superintendent of Education Major General Robert E. Livingston, Jr, Adjutant General Hugh E. Weathers, Commissioner of Agriculture

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





Financial Section



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





Independent Auditors' Report

The Honorable Nikki R. Haley, 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, 2011, 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.

| | Clifton C | Audited by Gunderson rately | _ | Audited by |
|--------------------------|-----------------|-----------------------------|-----------------|------------------|
| | Total Assets | Total Revenue | Total Assets | Total Revenue |
| Government-wide | | | | |
| Governmental activities | - | - | 68 | 18 |
| Business-type activities | • | - | 98 | 100 |
| Component units | - | - | 100 | 100 |
| Fund Statements | | | | |
| Governmental Funds | - | - | 20 | 9 |
| Enterprise Funds | - | • | 98 | 100 |
| Internal Service Funds | - | - | 88 | 94 |
| Fiduciary Funds | 84 | 50 | 15 | 50 |

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.

State of South Carolina December 8, 2011 Page 2

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, 2011, 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 8, 2011 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 8, 2011 Baltimore, Maryland December 8, 2011

Clifton Genderson LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS—

Required Supplementary Information (Unaudited)

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, 2011. 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 to aid in understanding the operations of the State.

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 basis 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:

<u>Statement of net assets</u>: 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, other factors need to be considered such as the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

<u>Statement of activities</u>: 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 indicates 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 support its programs.

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

<u>Governmental activities</u>: 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 provide resources to support most of these services.

<u>Business-type activities</u>: 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.

<u>Component units</u>: 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. Complete financial statements for these component units can also be obtained 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 financial related legal requirements. The State reports three types of *funds*:

<u>Governmental funds</u>: 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, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

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

<u>Proprietary funds</u>: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (<u>enterprise funds</u>) or other State agencies and other governments (<u>internal service funds</u>). Proprietary funds use the <u>accrual basis of accounting</u> like businesses use. The State reports all of its enterprise funds (proprietary funds providing services to outside customers) as <u>business-type activities</u> 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 <u>governmental activities</u> in the government-wide financial statements.

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

<u>Fiduciary funds</u>: The State is the trustee, or <u>fiduciary</u>, 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 <u>exclude</u> these activities from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net assets it reports in fiduciary funds are used for the 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 provide additional and pertinent information to the financial statement amounts. The notes on pages 68 through 144 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 151 to the required supplementary information is a reconciliation that provides and explains 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 146 through 151 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, 2011
(Expressed in Thousands)

| | | | nmenta | al | | Busine | | е | | | tals— | | Total Percentage |
|---|------|------------|---------|------------|----|-----------|--------|-----------|----|------------|--------|--------------------|---------------------|
| | | ACT | ivities | (Restated) | | ACTIV | /ities | | | Primary (| Change | | |
| | 2011 | | , | 2010 | | 2011 | | 2010 | | 2011 | | (Restated) 2010 | 2010-2011 |
| Assets | | | | 2010 | | | | 2010 | _ | 2011 | | 2010 | 2010 2011 |
| Current and other assets | \$ | 8.149.913 | \$ | 8,068,502 | \$ | 5.248.061 | \$ | 5,480,890 | \$ | 13.397.974 | \$ | 13,549,392 | (1.1%) |
| Capital assets | | 14,578,201 | | 14,212,229 | | 4,530,494 | | 4,401,142 | | 19,108,695 | | 18,613,371 | 2.7% |
| Total assets | | 22,728,114 | | 22,280,731 | | 9,778,555 | | 9,882,032 | | 32,506,669 | | 32,162,763 | 1.1% |
| Liabilities | | | | | | | | | | | | | |
| Long-term liabilities | | 4,233,363 | | 4,292,318 | | 3,893,249 | | 4,791,991 | | 8,126,612 | | 9,084,309 | (10.5%) |
| Other liabilities | | 3,695,466 | | 4,190,761 | | 1,105,583 | | 1,002,462 | | 4,801,049 | | 5,193,223 | (7.6%) |
| Total liabilities | | 7,928,829 | | 8,483,079 | | 4,998,832 | | 5,794,453 | | 12,927,661 | | 14,277,532 | (9.5%) |
| Net Assets | | | | | | | | | | | | | |
| Invested in capital assets, net of debt | | 10,766,855 | | 10,966,666 | | 2,628,292 | | 2,539,652 | | 13,395,147 | | 13,506,318 | (0.8%) |
| Restricted | | 3,273,224 | | 3,202,747 | | 1,443,470 | | 1,225,352 | | 4,716,694 | | 4,428,099 | 6.5% |
| Unrestricted | | 759,206 | | (371,761) | | 707,961 | | 322,575 | | 1,467,167 | | (49, 186) | (3082.9%) |
| Total net assets | \$ | 14,799,285 | \$ | 13,797,652 | \$ | 4,779,723 | \$ | 4,087,579 | \$ | 19,579,008 | \$ | 17,885,231 | 9.5% |

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 2010-2011 accounting year, the State's net assets totaled \$19.579 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 balance of \$1.467 billion at June 30, 2011. This represents an increase of \$1.516 billion over the prior year. Some of this increase resulted from a \$1.131 billion increase in the unrestricted net assets reported for the State's governmental activities, which reported \$759.206 million in unrestricted net assets for the current fiscal year versus a \$371.761 million deficit in the prior year. The improvement from a deficit is attributable to a change in accounting principles, as discussed in Note 2 and increased revenues in the current fiscal year; see section "Budgetary General Fund Highlights" on page 29 for further detail.

The State's business-type activities reported a \$707.961 million unrestricted net asset balance. This resulted from net positive balances of \$1.399 billion associated with higher education and certain other business-type activities. However, that positive balance was partially offset by a \$583.425 million accumulated deficit in the State-run unemployment compensation fund, a \$106.173 million accumulated deficit in the State-run medical malpractice insurance program, and a \$1.157 million accumulated deficit in the State-run college tuition prepayment program.

Fxhihit 2 Government-wide Changes in Net Assets For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| | | nmental vities | | ess-type vities | | Totals— Primary Government | | | |
|--|---------------|-------------------|------------------|--------------------|-------------------|-------------------------------|-----------|--|--|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-2011 | | |
| Revenues | | | | | | | | | |
| Program revenues: | | | | | | | | | |
| Charges for services | \$ 2,463,209 | \$ 2,356,804 | \$ 6,375,802 | \$ 5,421,089 | \$ 8,839,011 | \$ 7,777,893 | 13.6% | | |
| Operating grants and contributions | 8,118,411 | 8,274,731 | 1,115,603 | 1,042,850 | 9,234,014 | 9,317,581 | (0.9%) | | |
| Capital grants and contributions | 615,292 | 570,743 | 96,366 | 100,884 | 711,658 | 671,627 | 6.0% | | |
| General revenues: | | | | | | | | | |
| Individual income tax | 2,880,504 | 2,659,728 | _ | _ | 2,880,504 | 2,659,728 | 8.3% | | |
| Retail sales and use tax | 3,969,218 | 3,855,095 | _ | _ | 3,969,218 | 3,855,095 | 3.0% | | |
| Other taxes | 1,835,036 | 1,616,347 | _ | _ | 1,835,036 | 1,616,347 | 13.5% | | |
| Unrestricted grants and contributions | 223,959 | 205,965 | _ | _ | 223,959 | 205,965 | 8.7% | | |
| Unrestricted investment income | 15,097 | 41,555 | _ | _ | 15,097 | 41,555 | (63.7%) | | |
| Tobacco legal settlement | 69,808 | 68,709 | _ | _ | 69,808 | 68,709 | 1.6% | | |
| Other | 571,998 | 433,166 | _ | _ | 571,998 | 433,166 | 32.1% | | |
| Total revenues | 20,762,532 | 20,082,843 | 7,587,771 | 6,564,823 | 28,350,303 | 26,647,666 | 6.4% | | |
| Expenses | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | 4,462,454 | 4,475,571 | _ | _ | 4.462.454 | 4,475,571 | (0.3%) | | |
| Education | 4,004,703 | 4,400,125 | _ | _ | 4,004,703 | 4,400,125 | (9.0%) | | |
| Health and environment | | 6,007,179 | _ | _ | 6,584,487 | 6,007,179 | 9.6% | | |
| Social services | 1,900,026 | 1,847,028 | _ | _ | 1,900,026 | 1,847,028 | 2.9% | | |
| Administration of justice | | 760,379 | _ | _ | 746,462 | 760,379 | (1.8%) | | |
| Resources and economic development | 221.075 | 351.882 | _ | _ | 221.075 | 351,882 | (37.2%) | | |
| Transportation | 1,203,952 | 1,179,611 | _ | _ | 1,203,952 | 1,179,611 | 2.1% | | |
| Other | 90.848 | 81.838 | _ | _ | 90,848 | 81,838 | 11.0% | | |
| Business-type activities: | 00,040 | 01,000 | | | 00,040 | 01,000 | 11.070 | | |
| Higher education | _ | _ | 3,684,769 | 3,520,564 | 3,684,769 | 3,520,564 | 4.7% | | |
| Higher education institution support a | | | 1,321,213 | 1,252,222 | 1,321,213 | 1,252,222 | 5.5% | | |
| Unemployment compensation benefits | _ | _ | 2,171,063 | 2,026,866 | 2,171,063 | 2,026,866 | 7.1% | | |
| Financing of housing facilities | _ | _ | 272.880 | 238,191 | 272,880 | 238,191 | 14.6% | | |
| Medical malpractice insurance | _ | _ | 2,7591 | 2,324 | 2,7591 | 2,324 | 11.5% | | |
| Financing of student loans | | _ | 21,847 | 36,694 | 21,847 | 36.694 | (40.5%) | | |
| | | _ | | | | 910 | 422.0% | | |
| Tuition prepayment program | | _ | 4,750 | 910 | 4,750 | | | | |
| Other | 19.214.007 | 40 402 642 | 35,540 | 36,583 | 35,540 | 36,583 | (2.9%) | | |
| Total expenses | 19,214,007 | 19,103,613 | 7,514,653 | 7,114,354 | 26,728,660 | 26,217,967 | 1.9% | | |
| Excess (deficiency) before additions to endowments and transfers | 1,548,525 | 979,230 | 73,118 | (549,531) | 1,621,643 | 429,699 | 277.4% | | |
| Gain on early retirement of debt | | _ | 35.189 | - | 35.189 | | _ ` | | |
| Additions to endowments | | _ | 35,189 36.945 | 30.480 | 35, 169 36.945 | 30.480 | 21.2% | | |
| Net transfers | (546,892) | (653,389) | 546,892 | 653,389 | 30,945 | 30,460 | ∠1.∠70 | | |
| | | | | | 4 000 777 | 400 470 | | | |
| Increase (decrease) in net assets | 1,001,633 | 325,841 | 692,144 | 134,338 | 1,693,777 | 460,179 | 268.1% | | |
| Net assets, beginning of year | 13,790,301 | 13,465,390 | 4,087,579 | 3,952,311 | 17,877,880 | 17,417,701 | 2.6% | | |
| Restatement of beginning net assets b | 7,351 | (930) | | 930 | 7,351 | | _ | | |
| Net assets, end of year | \$ 14,799,285 | \$ 13,790,301 | \$ 4,779,723 | \$ 4,087,579 | \$ 19,579,008 | \$ 17,877,880 | 9.5% | | |

Changes in Net Assets

The State's total net assets increased \$1.694 billion or 9.5% 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 \$1.002 billion or 7.3%. Revenue increased from last year by \$679.689 million or 3.4%, which is an increase of \$685.055 million or 7.7% in general revenue and a decrease of \$5.366 million or 0.1% 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.

 ^a The higher education institution support activity represents certain associations, foundations, and authorities created for the benefit of the State's higher education institutions.
 ^b 2011 restatement due to correction of an error. See Note 2, Accounting and Reporting Changes, on page 82 of the financial statements. In 2010, the restatement was a result of a change in reporting entity.

Expenses associated with governmental activities increased by \$110.394 million or 0.1% for the fiscal year ended June 30, 2011. 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, 2011, the State used \$16.751 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Governmental activities reported \$546.892 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 2010-2011 fiscal year:

- Operating grants and contributions decreased by \$156.320 million or 1.9%. The decrease was primarily due to reductions in the amount available for education and public health programs through Federal Stimulus program funds.
- General tax revenues increased \$553.588 million or 6.8% from last year. Individual income tax revenues increased 8.3%, retail sales and use tax revenues increased 3.0%, and other taxes revenues increased 13.5%. Tax collections increased during fiscal year 2010-2011 due to increased enforcement and improvements in the national economy.
- General government expenses decreased \$13.117 million or 0.3%, which is attributable to budgetary constraints mandated by the State Legislature.
- Education expenses decreased \$395.587 million or 9.0% from last year. The decrease can be attributed to budgetary
 constraints mandate by the State Legislature and decreases in the expiration of temporary Federal Stimulus program
 support.
- Health and environmental expenses increased \$577.308 or 9.6% can be attributable to an increase in revenue from charges for services that is driven by demand for services.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2011

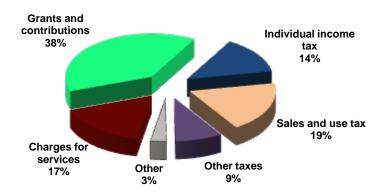
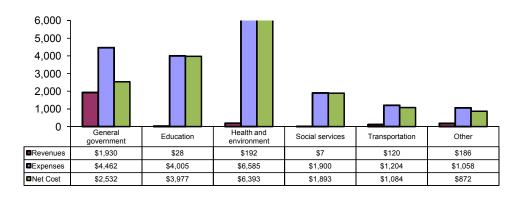


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2011
(In Millions)



Business-type Activities

Net assets of the State's business-type activities increased \$692.144 million or 16.9%.

Revenues from business-type activities included charges for services of 84.0% and grants and contributions, including federal aid of 16.0%. Expenses from business-type activities were mostly to provide higher education services and support of 66.6%, unemployment compensation benefits of 28.9%, and financing of housing facilities of 3.6%.

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. The \$546.892 reported as net transfers in *Exhibit 2* consists primarily of the appropriations and other transfers to the Higher Education Fund, which totaled \$615.015 million for the year ended June 30, 2011, and 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 \$144.197 million during the 2010-2011 fiscal year. This increase resulted from continued high unemployment rates in the state. The expenses did not increase at the same rate experienced in the 2009-2010 fiscal year as some economic improvement was experienced with declines in the fourth quarter of the fiscal year in applications for unemployment benefits.

Financial Analysis of the State's Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial 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, 2011.

Exhibit 5 Governmental Fund Balances As of June 30, 2011 (Expressed in Thousands)

| | General Fund | P | artmental rogram ervices | Local overnment rastructure | Tra | partment of nsportation cial Revenue | State Tobacco Settlement | | Gov | lonmajor vernmental Funds | Go | Total vernmental Funds |
|------------------------|-----------------|----|--------------------------------|-----------------------------------|-----|--|--------------------------------|---------|-----|---------------------------------|----|------------------------------|
| Non-spendable | \$ 86,993 | \$ | 5,900 | \$ 737,676 | \$ | 13,643 | \$ | _ | \$ | 32,986 | \$ | 877,198 |
| Restricted | 1,077 | | 86,044 | 1,803,505 | | 10,000 | | 22,804 | | 375,011 | | 2,298,441 |
| Committed | 582,085 | | 89,985 | _ | | 36,612 | | _ | | 623 | | 709,305 |
| Assigned | 349,619 | | _ | _ | | _ | | _ | | 104,298 | | 453,917 |
| Unassigned | 478,756 | | (1,356) | (633,988) | | (321,035) | | | | (43,723) | | (521,346) |
| Totals | \$ 1,498,530 | \$ | 180,573 | \$ 1,907,193 | \$ | (260,780) | \$ | 22,804 | \$ | 469,195 | \$ | 3,817,515 |
| Change from prior year | \$ 375,766 | \$ | 69,476 | \$ 257,300 | \$ | (71,457) | \$ | (8,063) | \$ | (218,425) | \$ | 404,597 |
| Percentage change | 33.5% | | 62.5% | 15.6% | | (37.7%) | | (26.1%) | | (31.8%) | | 11.9% |

At June 30, 2011, total ending fund balance for the State's governmental funds was \$3.818 billion, which represents an increase of \$404.597 million or 11.9% from the prior year. Included in this total is a deficit in *unrestricted*, *unassigned* fund balance of \$688.055 million. The General Fund reports \$312.431 million as unrestricted, unassigned and available with no constraints for spending in the coming year. Approximately 60.0% of the total fund balance for governmental funds are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision. The remaining fund balance is *non-spendable*, *committed*, *or assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes. The following paragraphs discuss the activities of the governmental funds with significant changes in fund balance:

The General Fund is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. During the 2010-2011 accounting year, the total fund balance of the General Fund increased \$375.766 million or 33.5% from the prior year, as restated for the effects of implementation of new accounting principles as discussed in Note 2. Overall, revenues were greater than the previous year by \$2.963 billion, 50.1%, primarily as a result of the accounting principle change. Increases in the current fiscal year were experienced in individual income taxes of \$243.247 million, 9.2%, sales and use taxes of \$1.144 billion, 52.0%, and other taxes of \$469.685 million, 67.0%, from prior year. The increase in expenditures of \$3.138 billion, 65.6%, is below the increase in revenue indicating a continued controlling of costs and spending reductions mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources supplement payment of the services that the State traditionally has provided to its citizens providing expansion when possible. During the 2010-2011 accounting year, the total fund balance increased by \$69.476 million or 62.5% from the prior year, as restated for the effects of implementation of new accounting principles as discussed in Note 2. Changes in the activity reported in this fund as a result of the new accounting principle implemented resulted in the large increase expressed as a percentage of the prior year balance. The primary source of revenue for the fund is Federal which accounts for 95.1% of the total revenue reported.

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 \$71.457 million or 37.7% during 2010-2011 leaving a deficit fund balance of \$260.780 million at the end of the fiscal year. The decrease in fund balance was caused by a reduction in anticipated funding from the Federal government, with only a 5.1% increase over the prior year compared with a 42.0% increase in 2009-2010 over its prior year, and continued increases in the costs of operation, repairs and maintenance, and capital improvements.

Proprietary Funds

Exhibit 6 shows the components of net assets for the State's various proprietary funds at June 30, 2011.

Exhibit 6 Proprietary Fund Net Assets As of June 30, 2011 (Expressed in Thousands)

| | | | | | | | Enter | prise Funds | | | | | | | | |
|--|----|--|----|-----------|----|-------------------------------|---|----------------------------------|----------|--------------------------------|----|---------------------------------------|----|--|---------------------------------------|------------------------------|
| | | | | | | | | Medical | | | | | | | | |
| Fund Net Assets | | Higher Education | | | | | Housing University Housing Hospital Authority Authority | | Hospital | Education Assistance Authority | | Nonmajor Enterprise | | Total Enterprise | | Internal Service Funds |
| Invested in capital assets (net of related debt) Restricted, expendable Restricted, nonexpendable Unrestricted | \$ | 2,449,361 750,998 189,610 887,237 | \$ | | \$ | 880 283,970 — 44,184 | \$ | 78,732 92,972 — 148,505 | \$ | 98 58,789 — 80,628 | \$ | 99,221 28,406 38,725 133,129 | \$ | 2,628,292 1,215,135 228,335 710,258 | \$ 87,618 405,486 — 3,665 | |
| Totals | \$ | 4,277,206 | \$ | (583,425) | \$ | 329,034 | \$ | 320,209 | \$ | 139,515 | \$ | 299,481 | \$ | 4,782,020 | \$ 496,769 | |
| Change from prior year | \$ | 390,520 | \$ | 176,123 | \$ | 13,203 | \$ | 23,794 | \$ | (4,790) | \$ | 82,187 | \$ | 681,037 | \$ 130,225 | |
| Percentage change | _ | 10.0% | | 23.2% | | 4.2% | | 8.0% | | (3.3%) | | 37.8% | | 16.6% | 35.5% | |

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, increased by \$176.123 million or 23.2% over the prior year. As discussed in Note 22h on page 144, 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 \$967.068 million at June 30, 2011. Management has the option to borrow additional funds from the Federal government if necessary to fund its deficits. Additional information on the Advances and plans for repayment are included in Note 12i and j.

The net assets of the State's nonmajor enterprise funds increased by \$82.187 million or 37.8%. This increase was due in part to positive operating results for the *Patients' Compensation Fund*, increased charges for services coupled with controlled costs in the *University of South Carolina Trust*, 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 increase in net assets of \$130.225 million or 35.5% over the prior year resulted from increases in charges for services in the Employee Insurance Programs and improved cost containment in the State Accident Fund. Management's actions were in response to rising healthcare costs and the potential for future operating deficits. 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 2010–2011 accounting year were \$5.121 billion. Because of continual review of tax revenue collections and improvements in economic conditions, the Board of Economic Advisors (BEA) revised the revenue estimate during the course of the year to a total of \$5.507 billion. Actual revenues at June 30, 2011, were \$125.766 million or 2.3% over the BEA's adjusted revenue estimate which was also represented an increase in collections over the prior year of \$390.931 million or 7.5%. Individual income and sales tax collections, the fund's primary revenue sources, ended the year favorably over the adjusted estimate by \$117.422 million and \$16.194 million, respectively.

Actual expenditures were \$465.575 million less than actual revenues because revenue collections exceeded the expectations of the BEA, to which the expenditure budget is balanced, primarily in the fourth quarter of the fiscal year. In addition, \$228.126 million of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2010-2011 ended with a budgetary surplus. After replenishing the General Reserve Fund, Capital Reserve Fund, and Contingency Reserve Fund by \$55.442 million, \$107.683 million, and \$71.001 million, respectively, the State ended the year with an accumulated budgetary general fund balance of \$711.742 million, comprised of a general reserve of \$166.325 million, capital reserve of \$107.683 million, contingency reserve of \$71.001 million, \$70.597 million in carried-forward appropriations and an unassigned surplus of \$296.136 million.

See the *Required Supplementary Information* section on pages 145 through 151 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2010-2011 accounting year, the State had \$19.109 billion invested in capital assets. This represented a net increase (including additions and deductions) of \$495.324 million, or 2.7%, 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 | | | | | Busine Activ | e | | Гotals—Prima | Percentage Change | | |
|---------------------------------------|----------------------------|------------|----|------------|----|-----------------|----|-----------|--------------|----------------------|------------------|-----------|
| | | 2011 | | 2010 | | 2011 | | 2010 | _ | 2011 | 2010 | 2010-2011 |
| Land and improvements | \$ | 1,889,729 | \$ | 1,789,136 | \$ | 407,376 | \$ | 385,555 | \$ | 2,297,105 | \$ 2,174,691 | 5.6% |
| Infrastructure | | 8,310,547 | | 7,981,897 | | _ | | _ | | 8,310,547 | 7,981,897 | 4.1% |
| Buildings and improvements | | 1,208,840 | | 968,567 | | 3,362,656 | | 3,365,444 | | 4,571,496 | 4,334,011 | 5.5% |
| Vehicles | | 89,197 | | 123,716 | | 16,394 | | 15,779 | | 105,591 | 139,495 | (24.3%) |
| Machinery and equipment | | 112,916 | | 123,599 | | 330,748 | | 347,004 | | 443,664 | 470,603 | (5.7%) |
| Works of art and historical treasures | | 5,294 | | 5,340 | | 38,340 | | 38,639 | | 43,634 | 43,979 | (0.8%) |
| Construction in progress | | 2,896,402 | | 3,156,544 | | 365,557 | | 238,346 | | 3,261,959 | 3,394,890 | (3.9%) |
| Intangible assets | | 65,276 | | 63,430 | | 9,423 | | 10,375 | | 74,699 | 73,805 | 1.2% |
| Total | \$ | 14,578,201 | \$ | 14,212,229 | \$ | 4,530,494 | \$ | 4,401,142 | \$ | 19,108,695 | \$ 18,613,371 | 2.7% |

Growth in capital asset investment continues to struggle as funding has been limited to agency appropriations without the use of the Capital Reserve Fund. The Capital Reserve Fund has been used in prior years to offset operating deficits. The growth of 2.7% is an increase over the prior year growth of 2.2% or \$398.138 million but remains below the growth realized in the 2009 fiscal year of 3.0% or \$525.537 million, which was compared with a 4.5% growth in the 2008 fiscal year. During the current year, vehicle fleets have continued to decrease due to general aging and irreparability, as reflected in the net book value through depreciation.

See Note 7 in the notes to the financial statements on page 97 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2011, the State had \$6.852 billion in bonds and notes outstanding—a decrease of \$975.026 million, or 12.5%, over last year (see *Exhibit 8*).

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

| | Govern Activ | menta ities | al | Busine Activ | ss-typ | e | | Totals—Prima | Percentage Change | |
|------------------------------|-----------------|----------------|-----------|-----------------|--------|-----------|----|--------------|----------------------|-----------|
| | 2011 | | 2010 | 2011 | 2010 | | | 2011 | 2010 | 2010-2011 |
| Backed by the State: | <u>_</u> | | | | | • | • | | | |
| General obligation bonds | \$ 1,756,397 | \$ | 1,950,048 | \$ 484,500 | \$ | 387,464 | \$ | 2,240,897 | \$ 2,337,512 | (4.1%) |
| Bond anticipation notes | _ | | _ | 30,000 | | 30,000 | | 30,000 | 30,000 | 0.0% |
| Backed by specific revenues: | | | | | | | | | | |
| Revenue bonds and notes | 80,572 | | 94,195 | 2,262,796 | | 3,135,445 | | 2,343,368 | 3,229,640 | (27.4%) |
| Infrastructure Bank bonds | 2,135,772 | | 2,051,545 | _ | | _ | | 2,135,772 | 2,051,545 | 4.1% |
| Tobacco Authority bonds | 63,161 | | 120,653 | _ | | _ | | 63,161 | 120,653 | (47.7%) |
| Limited obligation bonds | 5,161 | | 6,435 | _ | | _ | | 5,161 | 6,435 | (19.8%) |
| Bond anticipation notes | _ | | _ | 33,500 | | 51,100 | | 33,500 | 51,100 | (34.4%) |
| Total | \$ 4,041,063 | \$ | 4,222,876 | \$ 2,810,796 | \$ | 3,604,009 | \$ | 6,851,859 | \$ 7,826,885 | (12.5%) |

The repayment of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of \$181.813 million. Activity in the debt reported by the governmental activities included issuance of general obligation bonds in the amount of \$123.590 million of capital improvement bonds and \$192.275 million of state school facilities bonds and revenue bonds issued by the Infrastructure Bank in the amount of \$563.830 million for highway improvements. Of the proceeds from the revenue bond issuances, \$360.250 million was used to restructure for redemption an earlier bond issuance in accordance with its provisions.

New debt reported in business-type activities included the issuance of general obligation state institution bonds by Clemson University, the Medical University of South Carolina, the University of South Carolina, and Midlands Technical College in the amounts of \$62.370 million, \$18.950 million, \$44.040 million, and \$15.000 million, respectively. 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 Citadel, University of South Carolina, and Winthrop University, institutions within the Higher Education Fund issued new revenue bonds of \$13.535 million, \$78.695 million, and \$5.200 million, respectively. Adding to the increase was \$56.000 million in revenue bonds issued by the Housing Authority, a major enterprise fund.

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, 2011, the highest rating that these services assign. The State's bond rating from Standard & Poor's was "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, 2011, 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: \$41.721 million for institution bonds (*Institution bonds* are general obligation bonds that benefit the State's Higher Education Fund.), \$34.898 million for highway bonds, \$130.334 million for general obligation bonds (excluding institution and highway bonds), \$1.493 million for economic development bonds, and \$5.328 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements on page 115 of this report for additional information about the State's long-term debt.

Economic Factors and Next Year's Budget

The "Rainy Day Account"

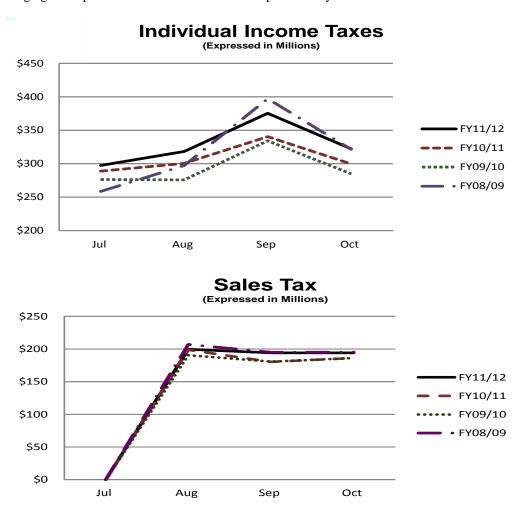
At June 30, 2011, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of \$166.325 million which increased from the prior year by \$55.442 million appropriated by the 2010-2011 Appropriations Act. The balance is fully funded in accordance with the State's Constitution. The 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 3.0% of the Budgetary General Fund's revenues for the fiscal year 2010-2011. This requirement has been increased to 5.0% with funding in increments of one-half of one percent annually beginning in fiscal year 2011-2012.

Budgetary General Fund for the 2011-2012 Accounting Year

For fiscal year 2011-2012, estimated General Fund revenue published in the 2011-2012 Appropriations Act was \$5.476 billion, or \$157.165 million less than fiscal year 2010–2011 actual revenue collections. The State's Board of Economic Advisors subsequently increased its estimate by \$273.700 million.

Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2011-2012 were \$2.119 billion, an increase of \$90.494 million or 4.5% over the same period for fiscal year 2010-2011. Although favorable in comparison to the prior year, the same collections are below the \$235.167 million difference in fiscal year 2007-2008, prior to the most recent recession. Currently, total individual income taxes collected have increased \$83.646 million or 6.8% over the prior year which is comparable to the collections in fiscal year 2008-2009. Sales taxes have also increased \$22.775 million or 4.0% from fiscal year 2010-2011 bringing the experiences in line with those of the prior three years.



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

BASIC FINANCIAL STATEMENTS

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

| | | PR | IMAR' | Y GOVERNM | ENT | | | |
|--|----|------------|-------|-------------|-----|-----------|----|-----------|
| | Go | vernmental | Bus | siness-type | | | CO | MPONENT |
| | - | Activities | | Activities | | Totals | | UNITS |
| ASSETS | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ | 3,751,617 | \$ | 1,797,998 | \$ | 5,549,615 | \$ | 379,390 |
| Investments | | _ | | 153,426 | | 153,426 | | 89,788 |
| Invested securities lending collateral | | 18,562 | | 3,792 | | 22,354 | | 1,076 |
| Receivables, net: | | | | | | | | |
| Accounts | | 264,855 | | 108,468 | | 373,323 | | 255,009 |
| Contributions | | _ | | 2,902 | | 2,902 | | 5,762 |
| Participants | | _ | | 2,076 | | 2,076 | | _ |
| Accrued interest | | 21,084 | | 6,653 | | 27,737 | | 2,914 |
| Income taxes | | 334,183 | | _ | | 334,183 | | _ |
| Sales and other taxes | | 482,020 | | _ | | 482,020 | | _ |
| Student accounts | | _ | | 48,821 | | 48,821 | | _ |
| Patient accounts | | 18,256 | | 190,108 | | 208,364 | | _ |
| Loans and notes | | 32,357 | | 7,032 | | 39,389 | | 25 |
| Assessments | | _ | | 128,445 | | 128,445 | | _ |
| Due from Federal government and other grantors | | 860,373 | | 127,854 | | 988,227 | | 309 |
| Internal balances | | (21,668) | | 21,668 | | _ | | _ |
| Due from component units | | 44,480 | | 161,207 | | 205,687 | | _ |
| Due from primary government | | _ | | _ | | _ | | 167,541 |
| Inventories | | 31,678 | | 39,858 | | 71,536 | | 594,164 |
| Restricted assets: | | | | | | | | |
| Cash and cash equivalents | | 96,962 | | 696,542 | | 793,504 | | 171,326 |
| Investments | | _ | | 49,505 | | 49,505 | | 109,340 |
| Loans receivable | | _ | | 23,893 | | 23,893 | | _ |
| Other | | 77,536 | | 15,167 | | 92,703 | | _ |
| Prepaid items | | 56,035 | | 33,583 | | 89,618 | | 19,042 |
| Other current assets | | _ | | 11,052 | | 11,052 | | 238,837 |
| Deferred charges | | _ | | _ | | _ | | 1,219 |
| Total current assets | | 6,068,330 | | 3,630,050 | | 9,698,380 | • | 2,035,742 |

Statement of Net Assets (Continued)

| | PRIMARY GOVERNMENT | | | | | | | |
|--|--------------------|--|------|-----------|----|------------|----|------------|
| | Governmen | tal | Busi | ness-type | | | CO | MPONENT |
| | Activities | <u>. </u> | A | ctivities | | Totals | | UNITS |
| Long-term assets: | | | | | | | | |
| Investments | \$ 463,5 | 09 | \$ | 34,850 | \$ | 498,359 | \$ | 866,809 |
| Receivables, net: | | | | | | | | |
| Accounts | 33,7 | 31 | | 39,854 | | 73,585 | | 3,769 |
| Contributions | _ | | | 2,646 | | 2,646 | | 37,286 |
| Participants | _ | | | 6,309 | | 6,309 | | |
| Income taxes | 15,2 | 15 | | _ | | 15,215 | | |
| Sales and other taxes | 51,0 | 80 | | _ | | 51,080 | | |
| Student accounts | _ | | | 38 | | 38 | | |
| Patient accounts | 9,2 | 12 | | _ | | 9,212 | | |
| Loans and notes | 483,4 | 96 | | 101,578 | | 585,074 | | 30 |
| Due from Federal government and other grantors | 1,3 | 42 | | _ | | 1,342 | | _ |
| Restricted assets: | | | | | | | | |
| Cash and cash equivalents | 666,5 | 33 | | 279,796 | | 946,329 | | 333,228 |
| Investments | _ | | | 220,175 | | 220,175 | | 451,730 |
| Accounts receivable | 320,2 | 21 | | _ | | 320,221 | | _ |
| Loans receivable | _ | | | 812,078 | | 812,078 | | _ |
| Other | 3,8 | 65 | | 67,132 | | 70,997 | | _ |
| Prepaid items | 1,1 | 76 | | 13,865 | | 15,041 | | _ |
| Other long-term assets | 1,2 | 15 | | 12,183 | | 13,398 | | 59,405 |
| Deferred charges | 30,9 | 88 | | 28,994 | | 59,982 | | 726,283 |
| Investment in joint venture | _ | | | _ | | _ | | 10,769 |
| Non-depreciable capital assets | 4,719,1 | 24 | | 680,532 | | 5,399,656 | | 1,401,425 |
| Depreciable capital assets, net | 9,859,0 | 77 | | 3,849,962 | | 13,709,039 | | 4,245,153 |
| Total long-term assets | 16,659,7 | 84 | | 6,149,992 | | 22,809,776 | | 8,135,887 |
| Total assets | 22,728,1 | 14_ | | 9,780,042 | | 32,508,156 | | 10,171,629 |

Statement of Net Assets (Continued)

| | PR | | | |
|---|--------------|---------------|------------|------------|
| | Governmental | Business-type | | COMPONENT |
| | Activities | Activities | Totals | UNITS |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 692,975 | \$ 162,159 | \$ 855,134 | \$ 270,934 |
| Accrued salaries and related expenses | 119,050 | 108,616 | 227,666 | 10,434 |
| Accrued interest payable | 41,509 | 22,261 | 63,770 | 121,978 |
| Retainages payable | 1,477 | 9,655 | 11,132 | 4,178 |
| Tax refunds payable | 704,643 | 8,980 | 713,623 | _ |
| Payables-aid to individuals/families | 7,050 | _ | 7,050 | _ |
| Prizes payable | _ | _ | _ | 23,262 |
| Unemployment benefits payable | _ | 3,779 | 3,779 | _ |
| Intergovernmental payables | 599,186 | 14,288 | 613,474 | 373 |
| Tuition benefits payable | _ | 25,281 | 25,281 | _ |
| Policy claims | 469,421 | 16,539 | 485,960 | 28,263 |
| Due to component units | 167,541 | _ | 167,541 | _ |
| Due to primary government | _ | _ | _ | 206,410 |
| Unearned revenues and deferred credits | 425,652 | 159,669 | 585,321 | 13,882 |
| Deposits | _ | 10,446 | 10,446 | 17 |
| Amounts held in custody for others | _ | 7,189 | 7,189 | 359 |
| Securities lending collateral | 43,526 | 7,532 | 51,058 | 2,523 |
| Liabilities payable from restricted assets: | | | | |
| Accounts payable | _ | 1,368 | 1,368 | 470 |
| Accrued interest payable | 26,424 | 19,479 | 45,903 | 3,625 |
| Bonds payable | 53,210 | 24,930 | 78,140 | _ |
| Other | _ | 44,904 | 44,904 | _ |
| Advances from Federal government | _ | 183,375 | 183,375 | _ |
| Notes payable | 10,581 | 30,417 | 40,998 | 367 |
| General obligation bonds anticipation notes payable | _ | 30,000 | 30,000 | _ |
| Revenue bonds anticipation notes payable | _ | 33,500 | 33,500 | _ |
| General obligation bonds payable | 182,320 | 26,450 | 208,770 | _ |
| Revenue bonds payable | 2,885 | 49,996 | 52,881 | 373,206 |
| Limited obligation bonds payable | 1,345 | | 1,345 | |
| Capital leases payable | 143 | 5,323 | 5,466 | 1,451 |
| Commercial paper notes | _ | | | 159,338 |
| Compensated absences payable | 109,978 | 79,349 | 189,327 | 2,958 |
| Other current liabilities | 36,550 | 21,585 | 58,135 | 85,660 |
| Total current liabilities | 3,695,466 | 1,107,070 | 4,802,536 | 1,309,688 |

Statement of Net Assets (Continued)

| | PR | | | |
|--|-------------------------|-----------------------------|---------------|-----------------|
| | Governmental Activities | Business-type Activities | Totals | COMPONENT UNITS |
| Long-term liabilities: | | | | |
| Retainages payable | \$ 169 | \$ 305 | \$ 474 | \$ 13,061 |
| Tuition benefits payable | _ | 145,790 | 145,790 | _ |
| Policy claims | 187,208 | 105,554 | 292,762 | 114,434 |
| Unearned revenues and deferred credits | _ | 5,002 | 5,002 | 332,279 |
| Amounts held in custody for others | _ | _ | <u> </u> | 2,522 |
| Other liabilities payable from restricted assets | _ | 6 | 6 | |
| Advances from Federal government | _ | 783,693 | 783,693 | _ |
| Notes payable | 39,591 | 125,013 | 164,604 | 604 |
| General obligation bonds payable | 1,574,077 | 458,050 | 2,032,127 | _ |
| Tobacco Authority bonds payable | 63,161 | | 63,161 | _ |
| Infrastructure Bank bonds payable | 2,082,562 | _ | 2,082,562 | _ |
| Revenue bonds payable | 27,515 | 2,032,440 | 2,059,955 | 5,254,707 |
| Limited obligation bonds payable | 3,816 | _ | 3,816 | _ |
| Capital leases payable | 118 | 99,046 | 99,164 | 2,474 |
| Compensated absences payable | 100,775 | 72,340 | 173,115 | 18,703 |
| Other long-term liabilities | · · | 66,010 | 220,381 | 112,701 |
| Total long-term liabilities | | 3,893,249 | 8,126,612 | 5,851,485 |
| Total liabilities | 7,928,829 | 5,000,319 | 12,929,148 | 7,161,173 |
| NET ACCETO | | | | • |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 10,766,855 | 2,628,292 | 13,395,147 | 379,626 |
| Restricted: | | | | |
| Expendable: | | | | |
| Education | 86,153 | 256,596 | 342,749 | 232,573 |
| Health | 30,423 | _ | 30,423 | _ |
| Transportation | 32,709 | _ | 32,709 | _ |
| Capital projects | 263,500 | 451,296 | 714,796 | 80,254 |
| Debt service | 1,295,505 | 213,327 | 1,508,832 | 135,799 |
| Loan programs | 870,500 | 293,916 | 1,164,416 | _ |
| Waste management | 163,768 | _ | 163,768 | _ |
| Insurance programs | 385,486 | _ | 385,486 | _ |
| Other | 132,290 | _ | 132,290 | 207,466 |
| Nonexpendable: | | | | |
| Education | _ | 228,335 | 228,335 | 380,114 |
| Other | 12,890 | _ | 12,890 | _ |
| Unrestricted | 759,206 | 707,961 | 1,467,167 | 1,594,624 |
| Total net assets | \$ 14,799,285 | \$ 4,779,723 | \$ 19,579,008 | \$ 3,010,456 |

Statement of Activities

| | | | | | Progr | ram Revenues | 6 | | |
|--------------------------------------|----|------------|----|-------------------------|-------|--------------|----|--------------------------|-----------------------|
| | | | | N | | Operating | | Capital | Net |
| | | Expenses | C | Charges for Services | _ | rants and | _ | rants and ntributions | Revenues Expenses) |
| | _ | | | 00:11000 | | | | | _хропосој |
| <u>Functions</u> | | | | | | | | | |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ | 4,462,454 | \$ | 1,929,867 | \$ | 480,280 | \$ | (1,410) | \$ (2,053,717) |
| Education | | 4,004,703 | | 27,742 | | 1,140,183 | | 240 | (2,836,538) |
| Health and environment | | 6,584,487 | | 192,318 | | 4,495,530 | | 1,476 | (1,895,163) |
| Social services | | 1,900,026 | | 7,301 | | 1,743,484 | | _ | (149,241) |
| Administration of justice | | 746,462 | | 123,584 | | 43,918 | | 293 | (578,667) |
| Resources and economic development | | 221,075 | | 62,409 | | 68,998 | | 1,671 | (87,997) |
| Transportation | | 1,203,952 | | 119,988 | | 146,018 | | 613,022 | (324,924) |
| Unallocated interest expense | | 90,848 | | _ | | _ | | _ | (90,848) |
| Total governmental activities | | 19,214,007 | | 2,463,209 | | 8,118,411 | | 615,292 | (8,017,095) |
| Business-type activities: | | | | | | | | | |
| Higher education | | 3,684,769 | | 2,579,679 | | 774,688 | | 96,183 | (234,219) |
| Higher education institution support | | 1,321,213 | | 1,363,957 | | 85,510 | | _ | 128,254 |
| Unemployment compensation benefits | | 2,171,063 | | 2,298,971 | | 13,226 | | _ | 141,134 |
| Financing of housing facilities | | 272,880 | | 57,722 | | 228,435 | | _ | 13,277 |
| Medical malpractice insurance | | 2,591 | | 18,271 | | 150 | | _ | 15,830 |
| Financing of student loans | | 21,847 | | 16,398 | | 659 | | _ | (4,790) |
| Tuition prepayment program | | 4,750 | | 927 | | 11,478 | | _ | 7,655 |
| State maritime museum | | 8,614 | | 8,959 | | 120 | | _ | 465 |
| Insurance claims processing | | 1,648 | | 1,473 | | 171 | | _ | (4) |
| Other enterprise activities | | 25,278 | | 29,445 | | 1,166 | | 183 | 5,516 |
| Total business-type activities | | 7,514,653 | | 6,375,802 | | 1,115,603 | | 96,366 | 73,118 |
| Total primary government | \$ | 26,728,660 | \$ | 8,839,011 | \$ | 9,234,014 | \$ | 711,658 | \$ (7,943,977) |
| Component units: | | | | | | | | | |
| Public Service Authority | \$ | 1,802,124 | \$ | 1,894,902 | \$ | 3,723 | \$ | _ | \$ 96,501 |
| State Ports Authority | | 109,444 | | 122,125 | | 6,134 | | 2,975 | 21,790 |
| Connector 2000 Association, Inc | | 19,846 | | 5,333 | | 312 | | _ | (14,201) |
| Lottery Commission | | 1,050,713 | | 1,050,582 | | 43 | | _ | (88) |
| Other | | 73,088 | | 26,236 | | 183,672 | | _ | 136,820 |
| Total component units | \$ | 3,055,215 | \$ | 3,099,178 | \$ | 193,884 | \$ | 2,975 | \$ 240,822 |

Statement of Activities (Continued)

| | Primary Government | | | | | | | |
|--|-------------------------|-------------|----|-----------------------------|----|-------------|----|-------------------|
| | Governmental Activities | | | Business-type Activities | | Total | | omponent Units |
| Changes in net assets: | | | | | | | | |
| Net revenues (expenses) | \$ | (8,017,095) | \$ | 73,118 | \$ | (7,943,977) | \$ | 240,822 |
| General revenues: Taxes: | | | | | | | | |
| Individual income | | 2,880,504 | | _ | | 2,880,504 | | _ |
| Retail sales and use | | 3,969,218 | | _ | | 3,969,218 | | _ |
| Other | | 1,835,036 | | | | 1,835,036 | | |
| Total taxes | | 8,684,758 | | | | 8,684,758 | | |
| Unrestricted grants and contributions | | 223,959 | | _ | | 223,959 | | _ |
| Unrestricted investment income | | 15,097 | | _ | | 15,097 | | _ |
| Tobacco legal settlement | | 69,808 | | _ | | 69,808 | | _ |
| Other revenues | | 571,998 | | _ | | 571,998 | | _ |
| Gain on early extinguishment of debt | | _ | | 35,189 | | 35,189 | | _ |
| Additions to endowments | | _ | | 36,945 | | 36,945 | | _ |
| Transfers-internal activities | | (546,892) | | 546,892 | | | | |
| Total general revenues, additions to endowments, and transfers | | 9,018,728 | | 619,026 | | 9,637,754 | | |
| Change in net assets | | 1,001,633 | | 692,144 | | 1,693,777 | | 240,822 |
| Net assets at beginning of year (restated) | | 13,797,652 | | 4,087,579 | | 17,885,231 | | 2,769,634 |
| Net assets at end of year | \$ | 14,799,285 | \$ | 4,779,723 | \$ | 19,579,008 | \$ | 3,010,456 |

Balance Sheet

GOVERNMENTAL FUNDS

| | | General Fund | | epartmental Program Services | | Local overnment rastructure | Trai | eartment of nsportation sial Revenue |
|---|------|-----------------|----|------------------------------------|----|-----------------------------------|------|--|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | . \$ | 1,867,457 | \$ | 185.682 | \$ | 377,930 | \$ | 109,286 |
| Investments | • | 36,616 | Ψ | 308 | Ψ | — | Ψ | — |
| Invested securities lending collateral | | 11,044 | | 112 | | 2.895 | | 286 |
| Receivables, net: | - | ,• | | | | _,000 | | |
| Accounts | | 43,182 | | 98,329 | | 7,162 | | 3,741 |
| Accrued interest | | 8,544 | | 225 | | 4.644 | | 223 |
| Income taxes | | 349,398 | | _ | | | | |
| Sales and other taxes | | 430,211 | | 11.896 | | _ | | 8.712 |
| Patient accounts | | 27,468 | | — | | _ | | |
| Loans and notes | | 38,329 | | 483 | | 457,084 | | 4,981 |
| Due from Federal government | | 00,020 | | | | .0.,00. | | ., |
| and other grantors | | 7,515 | | 688,037 | | _ | | 164,273 |
| Due from other funds | | 58,948 | | 12,613 | | 17,222 | | 5,963 |
| Due from component units | | 9,724 | | _ | | _ | | |
| Interfund receivables | | 2,992 | | 5 | | 326,770 | | _ |
| Inventories | | 19,559 | | 2,381 | | _ | | 3.313 |
| Restricted assets: | | -, | | , | | | | -,- |
| Cash and cash equivalents | | _ | | _ | | 737,346 | | 10,562 |
| Accounts receivable | | _ | | _ | | 320,221 | | _ |
| Other | | _ | | _ | | 44,976 | | _ |
| Prepaid items. | | 30,643 | | 3.036 | | _ | | 5,781 |
| Other assets | | _ | | _ | | _ | | 771 |
| Total assets | - \$ | 2,941,630 | \$ | 1,003,107 | \$ | 2,296,250 | \$ | 317,892 |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | | 334,301 | \$ | 271,850 | \$ | 4,995 | \$ | 170,273 |
| Accrued salaries and related expenditures | | 78,150 | | 19,464 | | 34 | | 17,378 |
| Retainages payable | | 50 | | 624 | | _ | | 577 |
| Tax refunds payable | | 704,533 | | _ | | _ | | _ |
| Payable–aid to individuals/families | | 924 | | 6,126 | | _ | | _ |
| Intergovernmental payables | | 24,388 | | 300,048 | | _ | | _ |
| Due to other funds | | 69,886 | | 73,814 | | 30 | | 20,149 |
| Interfund payables | | 1,259 | | 335 | | _ | | 326,770 |
| Deferred revenues | | 149,428 | | 149,996 | | 377,210 | | 42,854 |
| Securities lending collateral | | 25,897 | | 262 | | 6,788 | | 671 |
| Other liabilities | | 54,284 | | 15 | | | | |
| Total liabilities | · | 1,443,100 | | 822,534 | | 389,057 | | 578,672 |
| Fund balances (deficit): | | | | | | | | |
| Nonspendable | | 86,993 | | 5,900 | | 737,676 | | 13,643 |
| Restricted | | 1,077 | | 86,044 | | 1,803,505 | | 10,000 |
| Committed | | 582,085 | | 89,985 | | _ | | 36,612 |
| Assigned | | 349,619 | | _ | | _ | | _ |
| Unassigned | | 478,756 | | (1,356) | | (633,988) | | (321,035) |
| Total fund balances (deficit) | | 1,498,530 | | 180,573 | | 1,907,193 | | (260,780) |
| Total liabilities and fund balances | \$ | 2,941,630 | \$ | 1,003,107 | \$ | 2,296,250 | \$ | 317,892 |

| | State Fobacco ettlement | | lonmajor vernmental Funds | | Totals |
|----------|-------------------------------|----------|---------------------------------|----------|----------------------|
| | | | | | |
| \$ | 22,762 | \$ | 610,726 | \$ | 3,173,843 36,924 |
| | 50 | | 1,077 | | 15,464 |
| | _ | | 2 | | 152,416 |
| | 109 | | 2,155 | | 15,900 |
| | _ | | - | | 349,398 |
| | _ | | 82,281 | | 533,100 |
| | _ | | | | 27,468 |
| | _ | | 14,976 | | 515,853 |
| | _ | | 1,890 | | 861,715 |
| | _ | | 4,006 | | 98,752 |
| | _ | | 34,754 | | 44,478 |
| | _ | | 10,585 | | 340,352 |
| | _ | | _ | | 25,253 |
| | _ | | 15,587 | | 763,495 |
| | _ | | _ | | 320,221 |
| | _ | | 36,425 | | 81,401 |
| | _ | | _ | | 39,460 |
| _ | | | | | 771 |
| \$ | 22,921 | \$ | 814,464 | \$ | 7,396,264 |
| | | | | | |
| \$ | _ | \$ | 14,245 | \$ | 795,664 |
| · | _ | Ť | 140 | • | 115,166 |
| | _ | | 147 | | 1,398 |
| | _ | | 110 | | 704,643 |
| | _ _ _ _ | | _ | | 7,050 |
| | _ | | 274,642 | | 599,078 |
| | _ | | 34,594 | | 198,473 |
| | _ | | 13,810 4,986 | | 342,174 |
| | — 117 | | 2,525 | | 724,474 36,260 |
| | _ ``` | | 70 | | 54,369 |
| | 117 | | 345,269 | | 3,578,749 |
| | | | | | |
| | _ | | 32,986 | | 877,198 |
| | 22,804 | | 375,011 | | 2,298,441 |
| | _ | | 623 | | 709,305 |
| | _ | | 104,298 (43,723) | | 453,917 (521,346) |
| | 22,804 | | 469,195 | | 3,817,515 |
| \$ | 22,921 | \$ | 814,464 | \$ | 7,396,264 |
| <u>Ψ</u> | ,JL I | <u>Ψ</u> | U 1 7, TUT | <u> </u> | 1,000,204 |

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

| Total fund balances-governmental funds | | \$ 3,817,515 |
|--|---|------------------|
| 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 | \$ 4,712,057 14,087,544 (4,332,414) | |
| Total capital assets | | 14,467,187 |
| 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 | | 26,814 |
| 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 | | 437,574 |
| 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 | | 496,769 |
| 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 | | 2,297 |
| 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 | (3,971,354) | |
| Notes payable | (46,235) | |
| Accrued interest | (67,390) | |
| Capital leases | (261) | |
| Compensated absences. | (205,224) | |
| Policy claims | (36,086) | |
| Derivative instrument liability Other | (67,332) (54,989) | |
| Total long-term liabilities | (54,969) | (4,448,871) |
| | | (1,110,011) |
| Net assets of governmental activities | | \$ 14,799,285 |



Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| Revenues: | Fund | Services | Government Infrastructure |
|---|----------------|------------|------------------------------|
| | | | • |
| Taxes: | | | |
| Individual income | . \$ 2,886,388 | \$ — | \$ 12,000 |
| Retail sales and use | . 3,343,926 | 2,573 | _ |
| Other | | 11,896 | _ |
| Licenses, fees, and permits | . 296,348 | 18,605 | 97,994 |
| Interest and other investment income | · | 188 | 54,434 |
| Federal | * | 7,560,826 | 26,310 |
| Local and private grants. | • | 6,457 | _ |
| Departmental services | • | 17,108 | 204 |
| Contributions. | • | 55,236 | 66,374 |
| Fines and penalties | * | 13,384 | _ |
| Tobacco legal settlement | • | | _ |
| Other | | 267,127 | 25 |
| | | 7,953,400 | 257,341 |
| Total revenues | . 8,871,374 | 7,953,400 | 257,341 |
| Expenditures: | | | |
| Current: | | | |
| General government | · | 81,775 | 496 |
| Education | · | 181,166 | _ |
| Health and environment | , -, | 4,685,503 | _ |
| Social services | , | 1,710,202 | _ |
| Administration of justice | , | 69,275 | _ |
| Resources and economic development | - / | 52,449 | 590 |
| Transportation | . 1,292 | 1,838 | 3,522 |
| Capital outlay | - | _ | _ |
| Debt service: | | | |
| Principal retirement | . 155,722 | 2,319 | 49,290 |
| Interest and fiscal charges | . 58,690 | 662 | 95,548 |
| Intergovernmental | . 3,729,847 | 1,176,083 | 48,111 |
| Total expenditures | 7,923,457 | 7,961,272 | 197,557 |
| Excess of revenues over (under) expenditures | . 947,917 | (7,872) | 59,784 |
| Other financing sources (uses): | | | |
| Bonds and notes issued | . — | _ | 203,580 |
| Refunding bonds issued | 315,865 | _ | 360,250 |
| Premiums on bonds issued | . 37,581 | _ | _ |
| Discounts on bonds issued | . — | _ | (5,314) |
| Capital leases | . 161 | 5 | _ |
| Payment to refunded bond escrow agent | (168,173) | _ | (360,250) |
| Redemption of refunded bonds | . (184,087) | _ | _ |
| Transfers in | . 120,769 | 116,934 | 7,940 |
| Transfers out | . (694,267) | (39,591) | (8,690) |
| Total other financing sources (uses) | . (572,151) | 77,348 | 197,516 |
| Net change in fund balances | . 375,766 | 69,476 | 257,300 |
| Fund balances (deficit) at beginning of year (restated) | . 1,122,764 | 111,097 | 1,649,893 |
| Fund balances (deficit) at end of year | \$ 1,498,530 | \$ 180,573 | \$ 1,907,193 |

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

| Department of Transportation Special Revenue | State Tobacco Settlement | Nonmajor Governmental Funds | Totals |
|--|--------------------------------|-----------------------------------|--------------|
| \$ — | \$ — | \$ — | \$ 2,898,388 |
| _ | _ | 622,719 | 3,969,218 |
| 542,515 | _ | 28,132 | 1,753,388 |
| _ | _ | 98,871 | 511,818 |
| 2,016 | 2,459 | (855) | 81,772 |
| 724,940 | _ | 10,640 | 8,404,416 |
| _ | _ | _ | 55,466 |
| 17,854 | _ | 6,199 | 625,124 |
| _ | _ | 276,244 | 437,570 |
| _ | _ | 9,001 | 122,790 |
| | _ | 69,808 | 69,808 |
| 8,649 | | 812 | 572,361 |
| 1,295,974 | 2,459 | 1,121,571 | 19,502,119 |
| | | | |
| _ | _ | 109,895 | 690,566 |
| _ | _ | 207,899 | 809,161 |
| _ | 10,022 | 1,595 | 6,867,229 |
| _ | _ | 10,744 | 1,878,099 |
| _ | _ | 67 | 681,808 |
| _ | _ | 326 | 173,047 |
| 860,720 | _ | _ | 867,372 |
| 347,823 | _ | 220,402 | 568,225 |
| 39,381 | _ | 66,549 | 313,261 |
| 42,449 | _ | 8,462 | 205,811 |
| 68,053 | | 683,627 | 5,705,721 |
| 1,358,426 | 10,022 | 1,309,566 | 18,760,300 |
| (62,452) | (7,563) | (187,995) | 741,819 |
| _ | _ | 1,927 | 205,507 |
| _ | _ | | 676,115 |
| _ | _ | _ | 37,581 |
| _ | _ | _ | (5,314) |
| _ | _ | _ | 166 |
| _ | _ | _ | (528,423) |
| _ | _ | _ | (184,087) |
| 1,057 | _ | 64,310 | 311,010 |
| (10,062) | (500) | (96,667) | (849,777) |
| (9,005) | (500) | (30,430) | (337,222) |
| (71,457) | (8,063) | (218,425) | 404,597 |
| (189,323) | 30,867 | 687,620 | 3,412,918 |
| \$ (260,780) | \$ 22,804 | \$ 469,195 | \$ 3,817,515 |

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, 2011 (Expressed in Thousands)

| Net change in fund balances-total governmental funds | | \$ 404,597 |
|---|------------------------------------|---------------|
| 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 Depreciation expense Excess of capital outlay over depreciation expense | \$ 637,544 (283,890) | 353,654 |
| 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 | | 25,158 |
| Losses on disposals of capital assets are reported as an expense in the statement of activities | | (5,980) |
| 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 Net bond premiums and discounts Net bond and note proceeds | (881,622) (32,267) | (913,889) |
| Bond issuance costs are expenditures in governmental funds, but are deferred assets in the statement of net assets | | 2,345 |
| Certain capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability | | (166) |
| 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 Note principal retirement Capital lease payments Payment to bond refunding agent | 476,506 9,044 147 528,423 | |
| Deferred loss on bond refunding Total long-term debt repayment | 11,651 | 1,025,771 |
| 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 | | 130.225 |
| 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. | | 130,223 |
| Increase in deferred revenues | | 16,627 |
| Eliminations relating to the consolidation of internal service funds resulted in a net increase in expenses | | (44.407) |
| for the business-type activities in the statement of activities | | (11,107) |

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, 2011 (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 | \$ (12,870) |
|--|----------------|
| Interest accreted on capital appreciation debt | (158) |
| Amortization of bond issuance costs | (2,184) |
| Net amortization of bond premiums and discounts | 5,730 |
| Amortization of deferred losses on refunding of debt | (8,797) |
| Amortization of derivative instruments | (225) |
| Net decrease in compensated absences payable | 3,307 |
| Increase in policy claims payable | (377) |
| Net increase in other payables | (10,028) |
| Total additional expenses | |

Change in net assets of governmental activities.....

(25,602)

\$ 1,001,633

PROPRIETARY FUNDS

June 30, 2011 (Expressed in Thousands)

| | | | ENTERPRISE |
|--|---------------------|------------------------------|----------------------|
| | Higher Education | Unemployment Compensation | Housing Authority |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,064,638 | \$ 265,638 | \$ 23,432 |
| Investments | 74,183 | _ | _ |
| Invested securities lending collateral | 2,512 | 18 | 99 |
| Receivables, net: | | | |
| Accounts | 45,240 | 18,126 | 921 |
| Contributions | 2,857 | _ | _ |
| Participants | — | _ | _ |
| Accrued interest | 5,727 | 37 | 89 |
| Student accounts | 48,821 | _ | _ |
| Patient accounts | — | _ | _ |
| Loans and notes | 1,927 | _ | 296 |
| Assessments | — | 128,445 | _ |
| Due from Federal government and other grantors | 123,130 | 3,594 | 1,129 |
| Due from other funds | 47,550 | _ | 221 |
| Due from component units | 161,207 | _ | _ |
| Inventories | 17,972 | _ | _ |
| Restricted assets: | | | |
| Cash and cash equivalents | 498,927 | _ | 143,965 |
| Investments | 5 | _ | 39,773 |
| Loans receivable | | _ | 22,683 |
| Other | · | _ | 7,377 |
| Prepaid items | | _ | |
| Other current assets | , | _ | 539 |
| Total current assets | | 415,858 | 240,524 |
| Long-term assets: | | | |
| Investments | 20,984 | _ | _ |
| Receivables, net: | 20,001 | | |
| Accounts | <u></u> | _ | _ |
| Contributions | | _ | _ |
| Participants | , - | _ | _ |
| Student accounts | | _ | |
| Loans and notes | | <u> </u> | 18,226 |
| Interfund receivables. | | _ | |
| Restricted assets: | _ | | |
| Cash and cash equivalents | 220,118 | _ | |
| Investments | · | - | 126,882 |
| Loans receivable | | | 752,351 |
| | • | _ | 752,551 |
| Other | • | _ | _ |
| Prepaid items | · | _ | _ |
| Other long-term assets | • | _ | — 6 527 |
| Deferred charges | · · | _ | 6,527 |
| Non-depreciable capital assets | · · | _ | _ |
| Depreciable capital assets, net | | | 880 |
| Total long-term assets | | | 904,866 |
| Total assets | 6,363,417 | 415,858 | 1,145,390 |

ENTERPRISE

| F | U | N | D | S |
|---|---|---|---|---|
| | | | | |

| | | | ducation ssistance | N | onmajor | | ITERNAL SERVICE |
|----|----------------|----|-----------------------|----|-----------|-----------------|--------------------|
| | ital Authority | | Authority | | nterprise | Totals | FUNDS |
| _ | | | | _ | | | |
| \$ | 31,371 | \$ | 91,105 | \$ | 321,814 | \$ 1,797,998 | \$ 577,774 |
| | | | _ | | 79,243 | 153,426 | _ |
| | _ | | _ | | 1,163 | 3,792 | 3,098 |
| | 27,944 | | 8,162 | | 8,075 | 108,468 | 105,646 |
| | _ | | _ | | 45 | 2,902 | _ |
| | _ | | _ | | 2,076 | 2,076 | |
| | _ | | 456 | | 344 | 6,653 | 5,184 |
| | _ | | _ | | _ | 48,821 | |
| | 155,229 | | _ | | 34,879 | 190,108 | |
| | _ | | 4,809 | | _ | 7,032 | |
| | _ | | _ | | _ | 128,445 | |
| | _ | | _ | | 1 | 127,854 | _ |
| | 12,778 | | _ | | 19,007 | 79,556 | 47,375 |
| | _ | | _ | | _ | 161,207 | 2 |
| | 18,225 | | _ | | 3,661 | 39,858 | 6,425 |
| | 3,392 | | 7,421 | | 42,837 | 696,542 | _ |
| | _ | | _ | | 9,727 | 49,505 | _ |
| | _ | | _ | | 74 | 23,893 | _ |
| | _ | | _ | | 3,664 | 18,386 | |
| | 7,032 | | 12 | | 868 | 33,583 | 17,751 |
| | 1,762 | | | | 2,135 | 11,052 | _ |
| | 257,733 | | 111,965 | | 529,613 | 3,691,157 | 763,255 |
| | _ | | _ | | 13,866 | 34,850 | 426,585 |
| | _ | | 39,835 | | 19 | 39,854 | 1,229 |
| | _ | | _ | | 132 | 2,646 | _ |
| | _ | | _ | | 6,309 | 6,309 | _ |
| | _ | | _ | | _ | 38 | _ |
| | _ | | 82,584 | | _ | 101,578 | |
| | _ | | _ | | 2,823 | 2,823 | 19,570 |
| | 53,635 | | _ | | 6,043 | 279,796 | _ |
| | 40,214 | | _ | | 53,060 | 220,175 | _ |
| | _ | | _ | | 5,882 | 812,078 | _ |
| | _ | | _ | | 25,937 | 92,919 | _ |
| | _ | | _ | | 10,982 | 13,865 | _ |
| | 2,561 | | _ | | 5,915 | 12,183 | 444 |
| | 15,970 | | 1,652 | | 1,395 | 28,994 | 78 |
| | 11,260 | | _ | | 65,656 | 680,532 | 7,067 |
| | 513,990 | | 98 | | 85,965 | 3,849,962 | 103,947 |
| | 637,630 | | 124,169 | - | 283,984 | 6,178,602 | 558,920 |
| | 895,363 | | 236,134 | _ | 813,597 | 9,869,759 | 1,322,175 |

PROPRIETARY FUNDS (Continued)

| | | | ENTERPRISE |
|--|---------------------|------------------------------|----------------------|
| | Higher Education | Unemployment Compensation | Housing Authority |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 82,266 | \$ 41 | \$ — |
| Accrued salaries and related expenses | 67,686 | · <u> </u> | 771 |
| Accrued interest payable | 13,422 | _ | _ |
| Retainages payable | 6,249 | _ | _ |
| Tax refunds payable | | 8,980 | |
| Unemployment benefits payable | <u> </u> | 3,779 | <u> </u> |
| Intergovernmental payables | _ | 14,288 | |
| Tuition benefits payable | _ | | |
| Policy claims | _ | _ | _ |
| Due to other funds | 38,483 | 5,086 | 269 |
| Unearned revenues | 154,083 | | 112 |
| Deposits | 10,446 | <u>_</u> | |
| Amounts held in custody for others | 6,901 | <u> </u> | <u> </u> |
| Securities lending collateral | 5,891 | 41 | 232 |
| Liabilities payable from restricted assets: | 3,031 | 71 | 202 |
| Accounts payable | 1,368 | _ | _ |
| Accrued interest payable | 1,300 | | 18,482 |
| Bonds payable | | | 24,930 |
| | _ | _ | 4,998 |
| Other Advances from Federal government | _ | 183,375 | 4,990 |
| - | 10.074 | 100,375 | _ |
| Notes payable | 10,074 | _ | _ |
| General obligation bond anticipation notes payable | 30,000 | _ | _ |
| Revenue bond anticipation notes payable | 33,500 | - | _ |
| General obligation bonds payable | 26,450 | _ | _ |
| Revenue bonds payable | 31,913 | - | _ |
| Limited obligation bonds payable | | _ | _ |
| Capital leases payable | 5,191 | _ | _ |
| Compensated absences payable | 49,178 | _ | 414 |
| Other current liabilities | 14,181 | | 308 |
| Total current liabilities | 587,282 | 215,590 | 50,516 |
| Long-term liabilities: | 205 | | |
| Retainages payable | 305 | _ | _ |
| Tuition benefits payable | _ | _ | _ |
| Policy claims | | _ | _ |
| Interfund payables | 28,723 | _ | _ |
| Unearned revenues | 4,619 | _ | _ |
| Other liabilities payable from restricted assets | _ | - | _ |
| Advances from Federal government | - | 783,693 | - |
| Notes payable | 67,884 | _ | _ |
| General obligation bonds payable | 458,050 | - | - |
| Revenue bonds payable | 712,017 | - | 765,168 |
| Limited obligation bonds payable | _ | _ | _ |
| Capital leases payable | 98,620 | _ | _ |
| Compensated absences payable | 69,262 | _ | 293 |
| Other long-term liabilities | 59,449 | <u> </u> | 379 |
| Total long-term liabilities | 1,498,929 | 783,693 | 765,840 |
| Total liabilities | 2,086,211 | 999,283 | 816,356 |

| | | | ducation | | | | | INI | TERNIAL |
|--------------------|------------|----|-----------|----|------------|----|-----------|-----|---------|
| | itv | | | | | | | IIN | TERNAL |
| | University | | sistance | No | nmajor | | | | ERVICE |
| Hospital Authority | | | uthority | | Enterprise | | Totals | | UNDS |
| Hospital Au | uionty | | diffority | | terprise | | Totals | | UNDS |
| _ | | _ | | _ | | _ | | _ | |
| | 39,923 | \$ | 20,592 | \$ | 12,224 | \$ | 155,046 | \$ | 10,037 |
| | 21,558 | | _ | | 18,601 | | 108,616 | | 3,884 |
| | 7,902 | | _ | | 937 | | 22,261 | | 543 |
| | 3,400 | | _ | | 6 | | 9,655 | | 248 |
| _ | | | _ | | _ | | 8,980 | | _ |
| _ | | | _ | | _ | | 3,779 | | _ |
| _ | | | _ | | _ | | 14,288 | | 108 |
| _ | | | _ | | 25,281 | | 25,281 | | _ |
| _ | | | _ | | 16,539 | | 16,539 | | 461,421 |
| _ | | | _ | | 2,003 | | 45,841 | | 4,004 |
| _ | | | _ | | 5,474 | | 159,669 | | 138,752 |
| _ | | | _ | | _ | | 10,446 | | _ |
| _ | | | _ | | 288 | | 7,189 | | _ |
| _ | | | _ | | 1,368 | | 7,532 | | 7,266 |
| _ | | | _ | | _ | | 1,368 | | _ |
| _ | | | 891 | | 106 | | 19,479 | | _ |
| _ | | | _ | | _ | | 24,930 | | _ |
| _ | | | _ | | 39,906 | | 44,904 | | _ |
| _ | | | _ | | _ | | 183,375 | | _ |
| | 13,778 | | _ | | 6,565 | | 30,417 | | 1,953 |
| _ | | | _ | | _ | | 30,000 | | _ |
| _ | | | _ | | _ | | 33,500 | | _ |
| _ | | | _ | | _ | | 26,450 | | _ |
| | 10,850 | | _ | | 7,233 | | 49,996 | | 1,695 |
| _ | | | _ | | _ | | _ | | 1,345 |
| _ | | | _ | | 132 | | 5,323 | | _ |
| | 26,189 | | _ | | 3,568 | | 79,349 | | 2,823 |
| | 4,900 | | 759 | | 4,656 | | 24,804 | | 10,133 |
| 1 | 28,500 | | 22,242 | | 144,887 | | 1,149,017 | | 644,212 |
| _ | | | _ | | _ | | 305 | | _ |
| _ | | | _ | | 145,790 | | 145,790 | | _ |
| _ | | | _ | | 105,554 | | 105,554 | | 159,122 |
| | 2,123 | | _ | | 14,627 | | 45,473 | | 885 |
| _ | , | | _ | | 383 | | 5,002 | | _ |
| _ | | | _ | | 6 | | 6 | | _ |
| _ | | | _ | | _ | | 783,693 | | _ |
| | 11,575 | | _ | | 45,554 | | 125,013 | | 1,984 |
| _ | , | | _ | | _ | | 458,050 | | _ |
| 4 | 30,395 | | 73,095 | | 51,765 | | 2,032,440 | | 12,681 |
| | , | | _ | | _ | | | | 3,816 |
| _ | | | _ | | 426 | | 99,046 | | |
| _ | | | _ | | 2,785 | | 72,340 | | 2,706 |
| | 2,561 | | 1,282 | | 2,339 | | 66,010 | | |
| 4 | 46,654 | | 74,377 | - | 369,229 | | 3,938,722 | | 181,194 |
| | 75,154 | | 96,619 | | 514,116 | - | 5,087,739 | | 825,406 |

PROPRIETARY FUNDS (Continued)

| | | | | ENT | ERPRISE |
|--|---------------------|-----------|--|-----|---------------------|
| | Higher Education | | mployment npensation | | lousing uthority |
| NET ASSETS (DEFICIT) | | | <u>. </u> | | |
| Invested in capital assets, net of related debt | \$ | 2,449,361 | \$ _ | \$ | 880 |
| Education | | 230,715 | _ | | _ |
| Capital projects | | 450,982 | _ | | _ |
| Debt service | | 69,301 | _ | | 40,732 |
| Loan programs | | | _ | | 243,238 |
| Insurance programs Nonexpendable: | | _ | _ | | |
| Education | | 189,610 | _ | | _ |
| Unrestricted | | 887,237 | (583,425) | | 44,184 |
| Total net assets (deficit) | | 4,277,206 | (583,425) | | 329,034 |
| Elimination of internal service funds transactions | | (2,297) | _ | | _ |
| Elimination of internal lease assets and liabilities | | 29,006 | <u> </u> | | |
| Net assets of business-type activities after elimination | \$ | 4,303,915 | \$ (583,425) | \$ | 329,034 |

| | Medical | Ed | ucation | | | | | IN | NTERNAL | |
|------|----------------|----------------------|---------|------------|----------|--------|-----------|---------|---------|--|
| U | Iniversity | Assistance Authority | | N | onmajor | | | SERVICE | | |
| Hosp | ital Authority | | | Enterprise | | Totals | | | FUNDS | |
| | | | | | | | | | | |
| \$ | 78,732 | \$ | 98 | \$ | 99,221 | \$ | 2,628,292 | \$ | 87,618 | |
| | _ | | _ | | 25,881 | | 256,596 | | _ | |
| | _ | | _ | | 314 | | 451,296 | | _ | |
| | 92,972 | | 8,111 | | 2,211 | | 213,327 | | _ | |
| | _ | | 50,678 | | _ | | 293,916 | | 20,000 | |
| | _ | | _ | | _ | | _ | | 385,486 | |
| | _ | | _ | | 38,725 | | 228,335 | | _ | |
| | 148,505 | | 80,628 | | 133,129 | | 710,258 | | 3,665 | |
| | 320,209 | | 139,515 | | 299,481 | | 4,782,020 | \$ | 496,769 | |
| | _ | | _ | | _ | | (2,297) | | | |
| | _ | | _ | | (29,006) | | | | | |
| \$ | 320,209 | \$ | 139,515 | \$ | 270,475 | \$ | 4,779,723 | | | |

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

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| | ENTERPRI | | | | | | |
|--|---------------------|------------------------------|----------------------|--|--|--|--|
| | Higher Education | Unemployment Compensation | Housing Authority | | | | |
| Operating revenues: | | | | | | | |
| Assessments | \$ | \$ 521,089 | \$ — | | | | |
| Charges for services | 1,570,247 | _ | 12,468 | | | | |
| Contributions | _ | _ | _ | | | | |
| Interest and other investment income | 330 | _ | 52,536 | | | | |
| Licenses, fees, and permits | _ | _ | _ | | | | |
| Operating revenues pledged for revenue bonds | 214,975 | — 4.754.450 | _ | | | | |
| Federal operating grants and contracts | 458,432 | 1,754,150 | _ | | | | |
| State operating grants and contracts | 247,843 | _ | _ | | | | |
| Local/private operating grants and contracts | 63,021 | | _ | | | | |
| Other operating revenues | 54,273 | 36,813 | | | | | |
| Total operating revenues | 2,609,121 | 2,312,052 | 65,004 | | | | |
| Operating expenses: | 2.470.270 | | 46,060 | | | | |
| General operations and administration Benefits and claims | 3,176,378 | 2 171 062 | 16,962 | | | | |
| Tuition plan disbursements | _ | 2,171,063 | _ | | | | |
| Interest | _ | _ | 37,529 | | | | |
| Depreciation and amortization. | — 195,149 | _ | 731 | | | | |
| Scholarships and fellowships | 262,391 | _ | 751 | | | | |
| Other operating expenses | 202,391 — | _ | 1,396 | | | | |
| Total operating expenses | 3,633,918 | 2,171,063 | 56,618 | | | | |
| Operating income (loss) | (1,024,797) | 140,989 | 8,386 | | | | |
| Nonoperating revenues (expenses): | | | | | | | |
| Federal and local government appropriations | 74,543 | <u></u> | _ | | | | |
| Interest income | 59,785 | 145 | (67) | | | | |
| Contributions | 106,337 | _ | | | | | |
| Federal grants and contracts | 489,691 | _ | 221,220 | | | | |
| Local/private grants and contracts | 9,929 | _ | | | | | |
| Interest expense | (59,876) | _ | _ | | | | |
| Net other nonoperating revenues (expenses) | 2,880 | _ | (216,262) | | | | |
| Total nonoperating revenues (expenses) | 683,289 | 145 | 4,891 | | | | |
| Income (loss) before other revenues, expenses, | | | | | | | |
| losses, and transfers | (341,508) | 141,134 | 13,277 | | | | |
| Federal capital grants and contracts | 34,176 | _ | _ | | | | |
| Local/private capital grants and contracts | 62,007 | _ | _ | | | | |
| Gain on early extinguishment of debt | _ | 35,189 | _ | | | | |
| Additions to endowments | 35,150 | _ | _ | | | | |
| Transfers in | 615,015 | _ | 400 | | | | |
| Transfers out | (14,320) | (200) | (474) | | | | |
| Change in net assets | 390,520 | 176,123 | 13,203 | | | | |
| Net assets (deficit) at beginning of year | 3,886,686 | (759,548) | 315,831 | | | | |
| Net assets (deficit) at end of year | 4,277,206 | (583,425) | 329,034 | | | | |
| Elimination of internal service funds transactions | 11,107 | _ | _ | | | | |
| Elimination of internal lease transactions | (1,586) | | | | | | |
| Net assets (deficit) after eliminations | \$ 4,286,727 | \$ (583,425) | \$ 329,034 | | | | |

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

| FUNDS | | | | | | |
|----------|---------------|----------------|-----------------|-------------------------|-------------|--------------|
| | lical | Education | | | | TERNAL |
| | ersity | Assistance | Nonmajor | | S | ERVICE |
| Hospital | Authority | Authority | Enterprise | Totals | | FUNDS |
| Φ. | | o | ¢. | \$ 521,089 | œ | |
| \$ | 1,012,421 | \$ — 16,398 | \$ — 409,109 | \$ 521,089 3,020,643 | \$ | |
| | | | 665 | 5,020,045 | | 2,001,042 |
| | _ | 182 | 22,362 | 75,410 | | 725 |
| | _ | _ | | _ | | 70 |
| | _ | _ | 1,757 | 216,732 | | _ |
| | _ | _ | 62 | 2,212,644 | | 27,142 |
| | _ | _ | _ | 247,843 | | _ |
| | | _ | _ | 63,021 | | |
| | 15,366 | 28 | 38,972 | 145,452 | | 108,340 |
| | 1,027,787 | 16,608 | 472,927 | 6,503,499 | | 2,218,119 |
| | 925,004 | 9,695 | 329,688 | 4,457,727 | | 349,017 |
| | _ | _ | 956 | 2,172,019 | | 1,743,139 |
| | _ | _ | 4,750 | 4,750 | | _ |
| | | 5,776 | _ | 43,305 | | 7 |
| | 54,466 | 3,270 | 6,353 | 259,969 | | 17,118 |
| | _ | 3,106 | | 262,391 | | — 5,255 |
| | 070.470 | | | 6,935 | | |
| | 979,470 | 21,847 | 344,180 | 7,207,096 | | 2,114,536 |
| | 48,317 | (5,239) | 128,747 | (703,597) | | 103,583 |
| | _ | _ | _ | 74,543 | | _ |
| | 1,665 | _ | 11,234 | 72,762 | | 24,162 |
| | _ | _ | 2,074 | 108,411 | | _ |
| | _ | _ | 530 393 | 711,441 | | _ |
| | — (26,188) | _ | 393 (4,771) | 10,322 (90,835) | | — (1,187) |
| | (20,100) | 449 | (4,469) | (217,402) | | 11,792 |
| | (24,523) | 449 | 4,991 | 669,242 | | 34,767 |
| | 23,794 | (4,790) | 133,738 | (24.255) | | 120 250 |
| | 23,794 | (4,790) | 183,736 | (34,355) | | 138,350 |
| | _ | _ | 100 | 34,359 62,007 | | _ |
| | _ | _ | _ | 35,189 | | _ |
| | _ | _ | 1,795 | 36,945 | | _ |
| | _ | _ | 1,591 | 617,006 | | 3,515 |
| | _ | _ | (55,120) | (70,114) | | (11,640) |
| | 23,794 | (4,790) | 82,187 | 681,037 | | 130,225 |
| | 296,415 | 144,305 | 217,294 | 4,100,983 | | 366,544 |
| | 320,209 | 139,515 | 299,481 | 4,782,020 | \$ | 496,769 |
| | _ | _ | _ | 11,107 | | |
| | | | 1,586 | | | |
| \$ | 320,209 | \$ 139,515 | \$ 301,067 | \$ 4,793,127 | | |

Statement of Cash Flows

PROPRIETARY FUNDS

| | | | | ENTERPRISE | | |
|--|----|--------------------|----|--------------------------|----|----------------------|
| | E | Higher ducation | | employment npensation | | Housing Authority |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers, patients, and third-party payers | \$ | 1,649,080 | \$ | _ | \$ | _ |
| Assessments received | | _ | | 436,596 | | _ |
| Grants received | | 732,716 | | 1,821,405 | | _ |
| Receipts from collection of loans and notes | | 598,986 | | | | 282.730 |
| Receipts of funds held for others | | 227,798 | | _ | | |
| Internal activity–payments from other funds | | 88,292 | | _ | | _ |
| Tuition plan contributions received | | _ | | _ | | _ |
| Other operating cash receipts | | 42,800 | | 185 | | 15,979 |
| Claims and benefits paid | | _ | | (2,180,906) | | _ |
| Payments to suppliers for goods and services | | (1,189,540) | | (19) | | (8,972) |
| Payments to employees | | (2,067,386) | | _ | | (7,695) |
| Payments for scholarships and fellowships | | (133,295) | | _ | | _ |
| Loans issued to students | | (619,056) | | _ | | _ |
| Payments of funds held for others | | (174,421) | | _ | | _ |
| Program loans issued | | | | _ | | (156,338) |
| Internal activity–payments to other funds | | _ | | _ | | _ |
| Other operating cash payments | | (99) | | _ | | _ |
| Net cash provided by (used in) operating activities | | (844,125) | | 77,261 | | 125,704 |
| | | | | | | |
| Cash flows from noncapital financing activities: State, county, and local appropriations | | 65,903 | | _ | | _ |
| Federal appropriations | | 15,330 | | _ | | _ |
| Funds held for others | | (522) | | | | |
| Principal payments received from other funds | | | | _ | | _ |
| Principal payments made to other funds | | _ | | _ | | _ |
| Receipt of interest from other funds | | _ | | | | |
| Advances from Federal government | | _ | | 115,595 | | _ |
| Proceeds from sale of noncapital debt | | _ | | — | | 56,000 |
| Principal payments on noncapital debt | | _ | | _ | | (86,090) |
| Interest payments on noncapital debt | | (70) | | _ | | (37,268) |
| Payment of bond issuance costs | | | | _ | | (838) |
| Gifts and grants for other than capital purposes | | 621,913 | | | | (030) |
| Payments from Federal grants | | UZ 1,9 13 — | | | | 221,220 |
| Other noncapital financing cash receipts | | — 34,111 | | _ | | |
| Other noncapital financing cash payments | | (505) | | | | (216,916) |
| Transfers in | | 615,004 | | _ | | 400 |
| Transfers out | | (13,620) | | (200) | | (474) |
| | | (10,020) | | (200) | | (+/+) |
| Net cash provided by (used in) | | 1,337,544 | | 115.395 | | (63,966) |
| noncapital financing activities | | 1,337,344 | | 115,395 | | (00,900) |

| Medical University Hospital Authority | | A | Education Assistance Authority | | Nonmajor Enterprise | | Totals | | INTERNAL SERVICE FUNDS | | |
|---|-----------|----|--------------------------------|----|------------------------|----|--------------|----|------------------------------|--|--|
| \$ | 981,841 | \$ | 33,228 | \$ | 407,677 | \$ | 3,071,826 | \$ | 1,443,244 | | |
| | _ | | _ | | 88,952 | | 525,548 | | _ | | |
| | _ | | _ | | _ | | 2,554,121 | | _ | | |
| | _ | | 800,456 | | _ | | 1,682,172 | | _ | | |
| | _ | | _ | | _ | | 227,798 | | _ | | |
| | _ | | _ | | _ | | 88,292 | | 664,953 | | |
| | _ | | _ | | 786 | | 786 | | _ | | |
| | 14,005 | | _ | | 51,937 | | 124,906 | | 158,439 | | |
| | _ | | _ | | (120,321) | | (2,301,227) | | (1,618,153) | | |
| | (390,959) | | (39,512) | | (138,841) | | (1,767,843) | | (402,932) | | |
| | (440,717) | | (2,764) | | (190,938) | | (2,709,500) | | (67,742) | | |
| | <u> </u> | | | | _ | | (133,295) | | <u> </u> | | |
| | _ | | _ | | _ | | (619,056) | | _ | | |
| | _ | | _ | | _ | | (174,421) | | _ | | |
| | _ | | (20,786) | | _ | | (177,124) | | _ | | |
| | (88,292) | | _ | | _ | | (88,292) | | (23,069) | | |
| | <u> </u> | | _ | | (14,471) | | (14,570) | | <u> </u> | | |
| | 75,878 | | 770,622 | | 84,781 | | 290,121 | | 154,740 | | |
| | | | | | | | | | | | |
| | _ | | _ | | _ | | 65,903 | | _ | | |
| | _ | | _ | | _ | | 15,330 | | _ | | |
| | _ | | _ | | _ | | (522) | | _ | | |
| | _ | | _ | | _ | | _ | | 8,582 | | |
| | _ | | _ | | _ | | _ | | (2,140) | | |
| | _ | | _ | | _ | | - | | 303 | | |
| | _ | | _ | | _ | | 115,595 | | _ | | |
| | _ | | | | | | 56,000 | | _ | | |
| | _ | | (821,605) | | (3,003) | | (910,698) | | _ | | |
| | _ | | (7,304) | | (1,568) | | (46,210) | | _ | | |
| | _ | | _ | | _ | | (838) | | _ | | |
| | _ | | _ | | (4,733) | | 617,180 | | _ | | |
| | _ | | _ | | | | 221,220 | | _ | | |
| | _ | | 449 | | 377 | | 34,937 | | _ | | |
| | _ | | _ | | _ | | (217,421) | | | | |
| | _ | | _ | | 891 | | 616,295 | | 3,515 | | |
| | | | | | (55,108) | | (69,402) | | (11,640) | | |
| | | | (828,460) | | (63,144) | | 497,369 | | (1,380) | | |

Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

| | | | | ENTERPRISE | | |
|--|----|---|----|-------------------------|----------------------|--|
| | E | Higher ducation | · | | Housing Authority | |
| Cash flows from capital and related financing activities: | | | | | | |
| Capital appropriations Acquisition of capital assets Principal payments on limited obligation bonds. Proceeds from issuance of capital debt. Principal payments on capital debt. Interest payments on capital debt. Payment of agent and broker fees. Proceeds from sale or disposal of capital assets. Capital grants and gifts received. Net cash used in capital and related | \$ | 10,242 (301,898) — 268,556 (195,111) (58,976) (90) 1,561 92,153 | \$ | | \$ | — (262) — — — — — — — — — — — — — — — — — — — |
| financing activities | | (183,563) | | | | (262) |
| Cash flows from investing activities: | | | | | | |
| Proceeds from sales and maturities of investments. Purchase of investments Interest and dividends on investments. Transfer of endowment funds. Net settlement of investment derivative. Collection of escrow payments from borrower. | | 98,329 (102,169) 29,703 (28,712) — | | 144 | | |
| Net cash provided by (used in) investing activities | | (2,849) | | 144_ | | (150,556) |
| Net increase (decrease) in cash and cash equivalents | | 307,007 | | 192,800 | | (89,080) |
| Cash and cash equivalents at beginning of year | | 1,476,676 | | 72,838 | | 256,477 |
| Cash and cash equivalents at end of year | \$ | 1,783,683 | \$ | 265,638 | \$ | 167,397 |

52,054

(105,990)

27,531

(26,405)

117,630

460,144

577,774

| Medical University Hospital Authority | | Education Assistance Authority | | Nonmajor Enterprise | | Totals | INTERNAL SERVICE FUNDS | | |
|---|--|--------------------------------|---|--|----|--|------------------------------|---------|--|
| \$ | (36,168) (23,908) (25,251) (2,006) 9 | \$ | — (66) — — — — — — — — — — — — — — — — — — — | \$ — (33,476) — 62,088 (68,447) (3,493) (1,313) 447 | \$ | 10,242 (371,870) — 330,644 (287,466) (87,720) (3,409) 2,017 | \$ | | |
| | | | (66) | 103 (44,091) | | 92,256 | | (9,325) | |

321,768

(424, 150)

106,618

3,027

1,582

1,739

10,584

(11,870)

382,564

370,694

184

184

(57,720)

156,246

98,526

426,131

(693,700)

144,919

(25,685)

1,582

1,739

(145,014)

327,170

2,447,166

2,774,336

FUNDS

6,034

1,654

(2,521)

(13,967)

102,365

88,398

(10,209)

Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

| | | | | | ENT | ERPRISE |
|--|----|---------------------|----|-------------------------|-----|---------------------|
| | E | Higher Education | | mployment npensation | | lousing uthority |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: Operating income (loss) | \$ | (1,024,797) | \$ | 140.989 | \$ | 8,386 |
| Adjustments to reconcile operating income (loss) | • | (,- , - , | , | ,,,,,,, | , | -, |
| to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation and amortization | | 195,149 | | _ | | 731 |
| Provision for bad debts | | 512 | | _ | | _ |
| Net increase in the fair value of investments | | _ | | _ | | _ |
| Interest payments reclassified as noncapital financing activities | | _ | | _ | | 37,529 |
| Amounts received for payment of claims | | | | _ | | _ |
| Payment of claims | | _ | | _ | | _ |
| Other nonoperating revenues | | 675 | | _ | | _ |
| Other nonoperating expenses | | 329 | | _ | | _ |
| Effect of changes in operating assets and liabilities: | | 020 | | | | |
| Accounts receivable, net | | (38,074) | | (846) | | (71) |
| Accrued interest. | | 30 | | (040) | | (71) |
| Loans receivable. | | 2,163 | | _ | | 80,511 |
| Assessments receivable, net | | 2,103 | | — (77,458) | | 00,511 |
| Due from Federal government and other grantors | | 2,712 | | 22,962 | | _ |
| Due from other funds | | 2,712 | | - | | (221) |
| Inventories. | | — (E2E) | | 228 | | (221) |
| Other assets. | | (535) | | _ | | <u> </u> |
| | | (986) | | — 0.536 | | (1,272) |
| Accounts payable | | (4,247) | | 9,526 | | |
| Accrued salaries and related expenses | | 3,176 | | | | 285 |
| Tax withholdings | | | | (43) | | _ |
| Accrued interest payable | | _ | | _ | | _ |
| Retainages payable | | 146 | | | | _ |
| Tax refunds payable | | _ | | 2,171 | | _ |
| Unemployment benefits payable | | _ | | (16,906) | | _ |
| Tuition benefits payable | | _ | | _ | | _ |
| Policy claims | | - | | | | _ |
| Due to other funds | | (2,181) | | (3,362) | | _ |
| Unearned revenues | | 15,858 | | _ | | 112 |
| Deposits | | 1,761 | | _ | | _ |
| Compensated absences payable | | 2,068 | | _ | | (2) |
| Other liabilities | | 2,116 | | | | (288) |
| Net cash provided by (used in) operating activities | \$ | (844,125) | \$ | 77,261 | \$ | 125,704 |
| Noncock conital investing and financing activities. | | | | | | |
| Noncash capital, investing, and financing activities: | • | 4.005 | • | | • | |
| Acquisition of capital assets through donations | \$ | 4,985 | \$ | _ | \$ | _ |
| Disposal of capital assets | | (490) | | _ | | _ |
| Borrowing under capital leases | | 5,683 | | _ | | |
| Increase in fair value of investments | | 34,568 | | _ | | 1,211 |
| Transfers of non-financial assets | | (712) | | _ | | _ |
| Other noncash activity | | 501 | | | | 84,000 |
| Total noncash capital, investing, and financing activities | \$ | 44,535 | \$ | | \$ | 85,211 |

| FUN | DS | | | | | | | | | | |
|-----|---|----|-----------------------|----|--------------------------|----|---------------------------------|------------------------|------------------------|--|--|
| U | Medical Education University Assistance ospital Authority Authority | | | | | | Totals | INTERNAL SERVICE FUNDS | | | |
| | | | | | | | | | | | |
| \$ | 48,317 | \$ | (5,239) | \$ | 128,747 | \$ | (703,597) | \$ | 103,583 | | |
| | 54,466 79,601 | | 3,270 148 | | 6,353 23,125 | | 259,969 103,386 | | 17,118 — | | |
| | _ _ _ | | 5,776 | | (22,329) — 87,308 | | (22,329) 43,305 87,308 | | _ _ _ | | |
| | | | _ | | (102,803) 2,999 | | (102,803) 3,674 | | — 11,983 | | |
| | 2,031 | | _ | | 1,861 | | 4,221 | | _ | | |
| | (105,256) — | | (23,374) | | (23,168) — | | (190,789) 34 | | 59,222 16 | | |
| | | | 800,274 — | | _ | | 882,948 (77,458) | | _ | | |
| | — (3,855) (169) | | = | | — 6,712 211 | | 25,674 2,864 (493) | | — (21,701) (365) | | |
| | (1,660) 2,335 | | (12) (8,487) | | 1,598 189 13 | | (2,332) (684) | | 320 10,704 | | |
| | _ _ _ | | _ | | — — | | 3,474 (43) — | | — (120) — (130) | | |
| | | | _ | | | | 146 2,171 | | | | |
| | _ _ _ | | | | — (8,074) (16,562) | | (16,906) (8,074) (16,562) | | — — (4,467) | | |
| | 68 — | | _ | | 72 (1,707) | | (5,403) 14,263 | | (633) (20,815) | | |
| | _ _ _ | | — (327) (1,407) | | — 292 (56) | | 1,761 2,031 365 | | 25 | | |
| \$ | 75,878 | \$ | 770,622 | \$ | 84,781 | \$ | 290,121 | \$ | 154,740 | | |
| \$ | _ | \$ | _ | \$ | _ | \$ | 4,985 | \$ | _ | | |
| | <u> </u> | | 50,200 — | | (33) | | 49,677 5,706 | | _ | | |
| | _ _ _ | | _ | | 160,143 (12) 966 | | 195,922 (724) 85,467 | | _ | | |
| \$ | | \$ | 50,200 | \$ | 161,087 | \$ | 341,033 | \$ | | | |

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

June 30, 2011 (Expressed in Thousands)

| | E | ension and Other Post- mployment enefit Trust | Loca | stment Trust I Government estment Pool | | Private- Purpose Trust | | Agency |
|--|----|--|------|--|----|------------------------------|----|------------------|
| ASSETS Cash and cash equivalents | \$ | 3,036,398 | œ | 1 244 507 | \$ | 14 241 | \$ | 228,030 |
| • | Ф | 3,030,398 | \$ | 1,244,507 | Ф | 14,241 | Ф | 228,030 |
| Receivables, net: Accounts | | | | | | | | 2.027 |
| Contributions | | — 165,539 | | _ | | _ | | 2,037 |
| Employer long-term | | 105,539 | | _ | | _ | | _ |
| Accrued interest | | 68,440 | | 6,079 | | — 914 | | — 567 |
| Unsettled investment sales | | 739,291 | | 503 | | 530 | | 307 |
| Other investment receivables | | 25,006 | | 503 | | 550 | | _ |
| Taxes | | 25,000 | | _ | | _ | | — 538 |
| Total receivables | | 998,302 | | 6,582 | - | 1.444 | | 3,142 |
| Due from other funds | | | | 0,302 | | 1,444 | | • |
| | | 50,564 | | _ | | _ | | 54,795 |
| Investments, at fair value: | | 44.000 | | | | | | |
| Short term securities | | 11,663 | | | | _ | | _ |
| Debt-domestic | | 4,220,185 | | 1,300,723 | | _ | | _ |
| Debt-international | | 3,206,634 | | _ | | _ | | _ |
| Equity-domestic | | 2,086,138 | | _ | | _ | | _ |
| Equity-international Alternatives | | 1,240,731 | | _ | | _ | | _ |
| Financial and other | | 13,508,662 | | | | 4 427 900 | | |
| Total investments | | 42,165 | | 278,915 | - | 1,437,890 | | 22,097 22.097 |
| Invested securities lending collateral | | 24,316,178 232.021 | | 1,579,638 | | 1,437,890 | | ,, |
| Capital assets, net | | - /- | | 73,267 | | 47 | | 418 |
| Prepaid items | | 3,103 1,063 | | _ | | _ | | _ |
| Other assets | | 1,003 | | _ | | — 4,905 | | _ |
| Total assets | | 28,637,629 | | 2,903,994 | | 1,458,527 | \$ | 308,482 |
| | | 20,037,029 | | 2,903,994 | | 1,430,327 | Φ | 300,402 |
| LIABILITIES | | 10 501 | | | | 4.00= | | 40.04 |
| Accounts payable | | 18,521 | | _ | | 1,287 | | 13,615 |
| Accounts payable–unsettled investment | | 4 000 050 | | | | 400 | | |
| purchases | | 1,338,959 | | _ | | 183 | | _ |
| Policy claims | | 203 | | _ | | _ | | _ |
| Due to other funds | | 82,724 | | _ | | _ | | |
| Tax refunds payable | | _ | | _ | | _ | | 50 |
| Intergovernmental payables | | _ | | _ | | _ | | 19,888 |
| Deposits | | _ | | _ | | _ | | 3,000 |
| Amounts held in custody for others Deferred retirement benefits | | — 364,005 | | _ | | _ | | 270,948 |
| Securities lending collateral | | | | 72 262 | | | | |
| Due to participants | | 332,063 | | 73,263 22 | | 110 | | 981 |
| Other liabilities | | — 98,898 | | 22 | | _ | | _ |
| Total liabilities | | | | | | | _ | |
| Total liabilities | | 2,235,373 | | 73,285 | | 1,580 | \$ | 308,482 |
| NET ASSETS | | | | | | | | |
| Held in trust for: | | | | | | | | |
| Pension and other post-employment benefits | | 26,402,256 | | _ | | _ | | |
| External investment pool participants | | _ | | 2,830,709 | | _ | | |
| Other purposes | | | | | | 1,456,947 | | |
| Total net assets | \$ | 26,402,256 | \$ | 2,830,709 | \$ | 1,456,947 | | |

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

Statement of Changes in Fiduciary Net Assets

FIDUCIARY FUNDS

| | O Er | ension and ther Post- nployment enefit Trust | Loca | stment Trust Government stment Pool | Private-Purpose Trust | | |
|---|---------|---|------|---|--------------------------|-----------|--|
| Additions: | | | | _ | | | |
| Licenses, fees, and permits | \$ | _ | \$ | _ | \$ | 43 | |
| Contributions: | | | | | | | |
| Employer | | 1,262,760 | | | | _ | |
| Employee | | 644,337 | | _ | | _ | |
| Deposits from pool participants | | _ | | 5,117,983 | | | |
| Tuition plan deposits | | _ | | _ | | 79,773 | |
| Other contributions | | | | | | 7 | |
| Total contributions | | 1,907,097 | | 5,117,983 | | 79,780 | |
| Investment income: | | | | | | | |
| Interest income and net appreciation in investments | | 4,233,588 | | 12,154 | | 252,895 | |
| Securities lending income | | 1,383 | | 97 | | | |
| Total investment income | | 4,234,971 | | 12,251 | | 252,895 | |
| Less investment expense: | | | | | | | |
| Investment expense | | 71,050 | | _ | | _ | |
| Securities lending expense | | 6 | | 30 | | | |
| Net investment income | | 4,163,915 | | 12,221 | | 252,895 | |
| Assets moved between pension trust funds | | 2,153 | | | | | |
| Total additions | | 6,073,165 | | 5,130,204 | | 332,718 | |
| Deductions: | | | | | | | |
| Regular retirement benefits | | 2,245,254 | | | | | |
| Supplemental retirement benefits | | 2,243,254 869 | | | | _ | |
| Deferred retirement benefits | | 156,106 | | <u> </u> | | _ | |
| Refunds of retirement contributions to members | | 99,550 | | | | _ | |
| Death benefit claims | | 18,655 | | _ | | _ | |
| Accidental death benefits | | 1,534 | | _ | | _ | |
| Other post-employment benefits | | 337,232 | | _ | | _ | |
| Withdrawals, pool participants | | _ | | 4,704,463 | | _ | |
| Distributions to pool participants | | _ | | 9,668 | | _ | |
| Depreciation | | 118 | | _ | | _ | |
| Administrative expense | | 21,284 | | 155 | | 11,463 | |
| Payments in accordance with trust agreements | | _ | | _ | | 153 | |
| Other expenses | | _ | | _ | | 80 | |
| Assets moved between pension trust funds | | 2,153 | | | | | |
| Total deductions | | 2,882,755 | | 4,714,286 | | 11,696 | |
| Change in net assets | | 3,190,410 | | 415,918 | | 321,022 | |
| Net assets at beginning of year | | 23,211,846 | | 2,414,791 | | 1,135,925 | |
| Net assets at end of year | \$ | 26,402,256 | \$ | 2,830,709 | \$ | 1,456,947 | |

DISCRETELY PRESENTED COMPONENT UNITS

| | Ser | blic vice nority | | State Ports authority | onnector 2000 sociation, Inc. | ottery nmission | | lonmajor omponent Units | | Totals |
|---|-------|------------------------|----|-----------------------------|--|--------------------|----|-------------------------------|----|------------|
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 10 | 00,799 | \$ | 237,513 | \$ 612 | \$ 21,179 | \$ | 19,287 | \$ | 379,390 |
| Investments | 2 | 24,574 | | _ | _ | _ | | 65,214 | | 89,788 |
| Invested securities lending collateral | | _ | | 1,071 | _ | _ | | 5 | | 1,076 |
| Receivables, net: | | | | | | | | | | |
| Accounts | 20 | 00,978 | | 18,672 | _ | 32,161 | | 3,198 | | 255,009 |
| Contributions | | _ | | _ | _ | _ | | 5,762 | | 5,762 |
| Accrued interest | | 2,398 | | _ | | _ | | 516 | | 2,914 |
| Loans and notes | | _ | | _ | _ | _ | | 25 | | 25 |
| Due from Federal government and other grantors. | | _ | | _ | _ | _ | | 309 | | 309 |
| Due from primary government | | _ | | 167,541 | _ | _ | | _ | | 167,541 |
| Inventories | 58 | 36,056 | | 6,079 | 319 | 1,710 | | _ | | 594,164 |
| Restricted assets: | | | | | | | | | | |
| Cash and cash equivalents | 14 | 48,119 | | _ | _ | 469 | | 22,738 | | 171,326 |
| Investments | 10 | 09,340 | | _ | _ | _ | | _ | | 109,340 |
| Prepaid items | • | 15,024 | | 3,958 | 44 | _ | | 16 | | 19,042 |
| Other current assets | 23 | 37,739 | | 60 | _ | 753 | | 285 | | 238,837 |
| Deferred charges | | | | | | | _ | 1,219 | | 1,219 |
| Total current assets | 1,42 | 25,027 | | 434,894 | 975 | 56,272 | | 118,574 | | 2,035,742 |
| Long-term assets: | | | | | | | | | | |
| Investments | (| 98,024 | | 17,094 | _ | _ | | 751,691 | | 866,809 |
| Receivables, net: | | | | | | | | | | |
| Accounts | | _ | | _ | _ | _ | | 3,769 | | 3,769 |
| Contributions | | _ | | _ | _ | _ | | 37,286 | | 37,286 |
| Loans and notes | | _ | | _ | _ | _ | | 30 | | 30 |
| Restricted assets: | | | | | | | | | | |
| Cash and cash equivalents | 33 | 32,280 | | _ | 948 | _ | | _ | | 333,228 |
| Investments | 44 | 17,356 | | _ | 4,374 | _ | | _ | | 451,730 |
| Other long-term assets | į | 53,942 | | _ | _ | 5,432 | | 31 | | 59,405 |
| Deferred charges | 72 | 21,251 | | 1,527 | 3,505 | _ | | _ | | 726,283 |
| Investment in joint venture | • | 10,769 | | _ | _ | _ | | _ | | 10,769 |
| Non-depreciable capital assets | | 18,727 | | 343,727 | _ | _ | | 8,971 | | 1,401,425 |
| Depreciable capital assets, net | 3,82 | 24,701 | | 274,069 | 145,165 | 540 | | 678 | _ | 4,245,153 |
| Total long-term assets | 6,53 | 37,050 | _ | 636,417 | 153,992 | 5,972 | | 802,456 | | 8,135,887 |
| Total assets | 7,96 | 62,077 | | 1,071,311 | 154,967 | 62,244 | | 921,030 | | 10,171,629 |

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

| ` . | Public Service Authority | State Ports Authority | Connector 2000 Association, Inc. | Lottery Commission | Nonmajor Component Units | Totals |
|---|--------------------------------|-----------------------------|---|-----------------------|--------------------------------|--------------------|
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 259,307 | \$ 7,908 | \$ 692 | \$ 977 | \$ 2,050 | \$ 270,934 |
| Accrued salaries and related expenses | 7,212 | 2,396 | | 775 | 51 | 10,434 |
| Accrued interest payable | 113,134 | 8,844 | _ | _ | _ | 121,978 |
| Retainages payable | _ | 4,178 | _ | _ | _ | 4,178 |
| Prizes payable | _ | _ | _ | 23,262 | _ | 23,262 |
| Intergovernmental payables | _ | 353 | _ | | 20 | 373 |
| Policy claims | 2,263 | _ | _ | _ | 26,000 | 28,263 |
| Due to primary government | | _ | 10,442 | 34,754 | 161,214 | 206,410 |
| Unearned revenues and deferred credits | _ | _ | 237 | 601 | 13,044 | 13,882 |
| Deposits | _ | _ | 17 | _ | _ | 17 |
| Amounts held in custody for others | _ | _ | | _ | 359 | 359 |
| Securities lending collateral | _ | 2,512 | _ | _ | 11 | 2,523 |
| Liabilities payable from restricted assets: | | 2,012 | | | | 2,020 |
| Accounts payable | _ | _ | _ | _ | 470 | 470 |
| Accrued interest payable | _ | _ | 3,625 | _ | | 3,625 |
| Notes payable | _ | 345 | | _ | 22 | 367 |
| Revenue bonds payable | 361,781 | 4,125 | 7,300 | _ | | 373,206 |
| Capital leases payable | 1,444 | 7,120 | 7,000 — | _ | _ | 1,451 |
| Commercial paper notes | 159,338 | _ ′ | _ | _ | _ | 159,338 |
| Compensated absences payable | 100,000 | 2,348 | _ | 551 | 59 | 2,958 |
| Other current liabilities | 70,895 | 12,981 | 1,118 | 220 | 446 | 85,660 |
| Other current habilities | 70,095 | 12,901 | 1,110 | | | 03,000 |
| Total current liabilities | 975,374 | 45,997 | 23,431 | 61,140 | 203,746 | 1,309,688 |
| Long-term liabilities: | | | | | | |
| Retainages payable | 13,061 | _ | _ | _ | _ | 13,061 |
| Policy claims | <u>.</u> | _ | _ | _ | 114,434 | 114,434 |
| Unearned revenues and deferred credits | 332,279 | _ | _ | _ | | 332,279 |
| Amounts held in custody for others | <u>.</u> | _ | _ | _ | 2,522 | 2,522 |
| Notes payable | _ | 604 | _ | _ | | 604 |
| Revenue bonds payable | 4,758,759 | 176,909 | 319,039 | _ | _ | 5,254,707 |
| Capital leases payable | 2,470 | 4 | _ | _ | _ | 2,474 |
| Compensated absences payable | 18,525 | _ | _ | 95 | 83 | 18,703 |
| Other long-term liabilities | 104,145 | _ | _ | _ | 8,556 | 112,701 |
| | , | | | | | , |
| Total long-term liabilities | 5,229,239 | 177,517 | 319,039 | 95 | 125,595 | 5,851,485 |
| Total liabilities | 6,204,613 | 223,514 | 342,470 | 61,235 | 329,341 | 7,161,173 |
| NET ASSETS (DEFICIT) | | | | | | |
| Invested in capital assets, net of related debt | (62,332) | 490,660 | (58,891) | 540 | 9,649 | 379,626 |
| Restricted: | (02,332) | 430,000 | (30,031) | 340 | 3,043 | 070,020 |
| Expendable: | | | | | | |
| Education | | | | | 222 572 | 222 572 |
| Capital projects | — 79.079 | — 1,175 | _ | _ | 232,573 | 232,573 80,254 |
| Debt service | 79,079 126,512 | 1,175 9,287 | _ | _ | _ | 135,799 |
| Other | • | 9,267 515 | _ | — 469 | 2,177 | * |
| | 204,305 | 010 | _ | 409 | , | 207,466 380,114 |
| Nonexpendable, education | 1 400 000 | 246 460 | (120 612) | _ | 380,114 | 380,114 |
| Unrestricted | 1,409,900 | 346,160 | (128,612) | | (32,824) | 1,594,624 |
| Total net assets (deficit) | \$ 1,757,464 | \$ 847,797 | \$ (187,503) | \$ 1,009 | \$ 591,689 | \$ 3,010,456 |

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

| | | | | Program Revenues | | | | | |
|---------------------------------|----|-----------|----|------------------------|----|--------------------------------|----------------------------------|-------|--|
| | | Expenses | | harges for Services | G | perating rants and ntributions | Capital Grants and Contributions | | |
| Public Service Authority | \$ | 1.802.124 | \$ | 1,894,902 | \$ | 3.723 | \$ | _ | |
| State Ports Authority | • | 109,444 | • | 122,125 | * | 6,134 | • | 2,975 | |
| Connector 2000 Association, Inc | | 19,846 | | 5,333 | | 312 | | _ | |
| Lottery Commission | | 1,050,713 | | 1,050,582 | | 43 | | _ | |
| Nonmajor component units | | 73,088 | | 26,236 | | 183,672 | | | |
| Totals | \$ | 3,055,215 | \$ | 3,099,178 | \$ | 193,884 | \$ | 2,975 | |

| Net Revenue (Expense) | | Assets (Deficit) | Net Assets (Deficit) End of Year | | | |
|-----------------------------|---|---|-------------------------------------|---|--|--|
| \$ | 96,501 21,790 (14,201) (88) 136,820 | \$ 1,660,963 826,007 (173,302) 1,097 454,869 | \$ | 1,757,464 847,797 (187,503) 1,009 591,689 | | |
| \$ | 240,822 | \$ 2,769,634 | \$ | 3,010,456 | | |

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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, 2011:

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

Fiscal year ended December 31, 2010:

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 to which the State, or its component units, is entitled 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, 2011.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created 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 her 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, 2010.

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

Medical University Hospital Authority Chief Financial Officer Post Office Box 250332 Charleston, South Carolina 29425 www.musc.edu

The Citadel Trust c/o The Citadel 171 Moultrie Street Charleston, South Carolina 29409

University of South Carolina Trust Post Office Box 413 Columbia, South Carolina 29202 University Medical Associates 1180 Sam Rittenberg Boulevard, Suite 355 Charleston, South Carolina 29407 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

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

Enterprise Campus Authority c/o Midlands Technical College Vice President for Business Affairs Post Office Box 2408 Columbia, South Carolina 29202 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, 2011. In determining which discretely presented component units are 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. The following have been identified as the State's major discretely presented component units:

Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and 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 is for the Authority's fiscal year ended December 31, 2010.

State Ports Authority

The State General Assembly created the South Carolina State Ports Authority 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. Removal of the Governor's appointed members requires a breach of duty 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 to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The toll rates established by the Association 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, 2010.

Lottery Commission

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission 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 achieve its entertainment value 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's government-wide financial statements also include the following non-major discretely presented component units in the aggregate:

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 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* 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 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 is for the Association's fiscal year ended December 31, 2010.

The South Carolina First Steps to School Readiness is a non-profit, tax-exempt public charity 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 initiative for improving early childhood development of the Act. 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.

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose 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 and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2010.

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

South Carolina State Ports Authority Post Office Box 22287 Charleston, South Carolina 29413 www.port-of-charleston.com

Connector 2000 Association, Inc. Post Office Box 408 Piedmont, South Carolina 29673 www.southernconnector.com

The South Carolina Lottery Commission Post Office Box 11949 Columbia, South Carolina 29211 www.sceducationlottery.com Clemson University Foundation 110 Daniel Drive Clemson, South Carolina 29634 www.clemson.edu

University of South Carolina Educational Foundation 208 Osborne Building University of South Carolina Columbia, South Carolina 29208 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

The Children's Trust Fund 1205 Pendleton Street, Suite 506 Columbia, South Carolina 29201 www.scchildren.org

Fund financial statements for the South Carolina First Steps to School Readiness 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.

The State of South Carolina is a party state within 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 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.

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, 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 monies from a Special Revenue Fund. 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, Debt Service Fund, 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 Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts. Some of the activity in this fund was previously presented in the Departmental General Operating Fund as discussed further in Note 2.

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.

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 provided by the State to its retirees.

The State's investment trust fund acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and 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 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 are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby 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 expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported 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 or other lender; the *Higher Education Fund* then receives funds from the lender and disburses the funds to the student or applies the 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 (GASB). 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.

The Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") is the source of authoritative U.S. Generally Accepted Accounting Principles recognized 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.

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. Private –sector 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 basis 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 taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State 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, 2011.

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 expenditure or expense. 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 expenditure or expense 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 cash on hand, cash on deposit in banks and savings associations, 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, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: 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 or federal agency 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 investment of 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.

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

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 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 as construction in progress. 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.

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. 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:

| Asset Category | Years |
|------------------------------------|---------|
| Land Improvements | 3 - 60 |
| Infrastructurehighways | 75 |
| Infrastructurebridges | 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 disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

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 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.

I. 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. Net Assets and Fund Balance

The State reports a portion of its net assets or fund balance in its government-wide and fund financial statements as restricted. Net assets or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource 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, 2011, \$1.315 billion was reported as restricted net assets because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if a state statute or constitutional provision constrains the use of resources of the state. Assigned fund balance is constrained through appropriation actions of the legislature. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. The removal of constraints for assigned funds occurs through the budgetary process.

Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

q. Flow Assumption, Net Assets or Fund Balance

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 or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

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 2010-2011, the State adopted the following Governmental Accounting Standards Board (GASB) Statements.

Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The Statement also modifies the guidance relating to the use of special revenue funds, capital project funds, and debt service funds for reporting. The beginning fund balance amounts were reclassified within the governmental funds with a net reporting effect of zero. See Note 2c for the detailed reporting fund effects. See also Note 1p and q for the State's policies regarding the classifications of fund balance and the flow assumptions in the use of constrained resources.

Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing requirements to correct issues in reporting and disclosures for certain financial instruments and external investment pools. The requirements have been incorporated in these note disclosures.

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 based on the availability of 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 Fund Reporting

As a result of the implementation of GASB 54 and related evaluations of the use of governmental funds, the following reclassifications of beginning fund balance were made in the fund statements (expressed in thousands):

| Departmental General Operating | \$ 485,941 |
|---------------------------------|---------------|
| Local Government Infrastructure | 107,380 |
| State Tobacco Settlement | 13,715 |
| Nonmajor Governmental Funds | 346,345 |
| From special revenue | 953,381 |
| From capital project | 20,936 |
| From permanent fund | 92 |
| Increase in general fund | \$ 974,409 |

In addition to the above reclassifications to the general fund, the Children's Education Endowment, previously reported in the Non-major Governmental Fund as a non-major special revenue fund, was identified as a permanent fund. To properly report this new permanent fund, \$15.605 million was reclassified from special revenue to permanent funds.

In this process the reporting fund name was changed from Departmental General Operating to Departmental Program Services to more accurately reflect the underlying activity reported within the fund.

d. Correction of Errors

During fiscal year 2010-2011, an error was discovered in the reporting of the Insurance Company Deposit Fund, an agency fund. Additional information available in the current year indicated that as of June 30, 2010, the State did not have possession, control, or ownership of the assets reported as securities held in lieu of surety bonds. Therefore, the \$266.805 million reported as securities held in lieu of surety bonds and the offsetting amount reported as amounts held in custody of others have been restated to zero. No activity is reported in this agency fund for fiscal year 2010-2011, as no assets are held or under the control of the State's Insurance Department as of June 30, 2011.

In addition, an internal transfer was discovered to have been reported as an expenditure in the prior year by the Department of Transportation, a major special revenue fund. To properly report the unreported cash held by the agency, the beginning fund balance for the special revenue fund and the beginning net assets of governmental activities have been restated to reflect an increase in the amount of \$7.351 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, 2011:

| Nonmajor Governmental Funds: Accommodations and Local Option Sales Tax | \$ 43,723 |
|--|------------------|
| Nonmajor Enterprise Funds: Patients' Compensation Tuition Prepayment Program | 105,707 1,157 |
| Internal Service Funds: State Accident Fund Pension Administration | 57,555 19 |

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, those 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 e and the primary government's Other Post-Employment Benefit Trust Funds which are described in subsection f.

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 to manage their deposits outside of the State Treasurer, 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 the value of the deposits with the 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, 2011 was \$399.680 million and the bank balance was \$903.407 million. As of June 30, 2011, the reported amount of the primary government's deposits outside of the State Treasurer was \$451.46 million and the bank balance was \$477.687 million. Of the \$224.732 million bank balance exposed to custodial credit risk, \$104.509 million was uninsured and uncollateralized, \$103.696 million was uninsured and collateralized with securities held by the pledging financial institution, and \$16.527 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, 2011, the reported amount of the major discretely presented component units' deposits was \$68.789 million and the bank balance was \$69.168 million. Of the \$1.448 million bank balance exposed to custodial credit risk, \$698 thousand was uninsured and uncollateralized; and \$750 thousand 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 e and the primary government's Other Post-Employment Benefit Trust Funds which are described in subsection f.

Investment Policy

The State's investment policy by law authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, 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, 2011, as follows:

| Primary Government | Cate | R | Reported | | | |
|---------------------------|--------------|--------------|----------|---------|--|--|
| Investment Type | Α | В | - | Amount | | |
| U.S. Government Agencies | \$ 40,474 | \$ 4,658 | \$ | 45,132 | | |
| Limited Partnership | 29,760 | _ | | 29,760 | | |
| Money Market Mutual Funds | _ | 4,907 | | 4,907 | | |
| Repurchase agreements | _ | 22,609 | | 22,609 | | |
| Corporate Bonds | _ | 292 | | 292 | | |
| Common Stock | 108 | _ | | 108 | | |
| Commercial paper | | 33,134 | | 33,134 | | |
| Totals | \$ 70,342 | \$ 65,600 | \$ | 135,942 | | |

The State's major discretely presented component units hold investments in U.S. Government Treasuries and Repurchase Agreements that are not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt 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 instruments held for investment for the primary government were rated as of June 30, 2011 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

| | | | | | | | CCC | |
|---------------------------------|------------|------------|--------------|--------------|-----------|-------------|--------|--------------|
| Investment Type and Fair Value | AAA | AA | A / A1 | BBB | BB | B | below | Not Rated |
| U.S. Government Agencies | \$ 52,784 | \$ 61,180 | \$ 50,074 | \$ - | \$ — | \$ — | \$ - | \$ — |
| Asset backed securities | 126,882 | _ | _ | _ | _ | _ | _ | 837,360 |
| Corporate bonds | 92,704 | 390,752 | 2,001,778 | 1,072,567 | 11,759 | _ | _ | 132,954 |
| Repurchase agreements | 50,899 | _ | 1,781,273 | _ | _ | _ | _ | 218,973 |
| Commercial paper | _ | _ | 1,755,642 | _ | _ | _ | _ | 20,070 |
| Municipal bonds | 56,256 | 9,469 | 44,974 | 5,786 | _ | _ | _ | _ |
| Money Market Funds | 27,751 | 129 | _ | _ | _ | _ | _ | 20,993 |
| Mutual Bond Funds | 251 | 2,233 | 70 | 116 | 313 | 711 | 523 | 1,440,005 |
| Guaranteed investment contracts | 8,594 | 5,453 | 2,676 | | | | | 529 |
| Totals | \$ 416,121 | \$ 469,216 | \$ 5,636,487 | \$ 1,078,469 | \$ 12,072 | \$ 711 | \$ 523 | \$ 2,670,884 |
| | | | | | | | | |

At fiscal year end, the State Ports Authority (June 30, 2011), the Public Service Authority (December 31, 2010), and the Connector 2000 Association, Inc. (December 31, 2010), 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 with Standard and Poor's rating scale (expressed in thousands):

| Investment Type and Fair Value | AAA | Not Rated | | | |
|--------------------------------|-----------------|-----------|--------|--|--|
| U.S. Government Agencies | \$ 761,043 | \$ | 20,293 | | |
| Repurchase agreements | 410,068 | | 12,322 | | |
| Totals | \$ 1,171,111 | \$ | 32,615 | | |

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 does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2011, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

| | | | | In | vestment Mat | urities | (in years) | | |
|----|------------|---|--|---|--|---|---|---|---|
| ı | Fair Value | | Less than 1 | | 1 - 5 | | 6 - 10 | | re than 10 |
| \$ | 578 | \$ | | \$ | 578 | \$ | | \$ | |
| | 933,460 | | 74,997 | | 55,835 | | 96,140 | | 706,488 |
| | 817,902 | | _ | | 272 | | 194,686 | | 622,944 |
| | 2,476,038 | | 659,838 | | 1,360,499 | | 428,164 | | 27,537 |
| | 95,384 | | _ | | 54,799 | | 40,585 | | _ |
| | 904,375 | | 904,375 | | _ | | _ | | _ |
| | 1,070,219 | | 1,070,219 | | | | | | |
| \$ | 6,297,956 | \$ | 2,709,429 | \$ | 1,471,983 | \$ | 759,575 | \$ | 1,356,969 |
| | \$ | \$ 578 933,460 817,902 2,476,038 95,384 904,375 1,070,219 | \$ 578 \$ 933,460 817,902 2,476,038 95,384 904,375 1,070,219 | \$ 578 \$ — 933,460 74,997 817,902 — 2,476,038 659,838 95,384 — 904,375 904,375 1,070,219 1,070,219 | Fair Value Less than 1 \$ 578 \$ — \$ 933,460 74,997 \$ 817,902 — — 2,476,038 659,838 — 95,384 — 904,375 1,070,219 1,070,219 | Fair Value Less than 1 1 - 5 \$ 578 \$ - \$ 578 933,460 74,997 55,835 817,902 - 272 2,476,038 659,838 1,360,499 95,384 - 54,799 904,375 904,375 - 1,070,219 1,070,219 - | Fair Value Less than 1 1 - 5 \$ 578 \$ — \$ 578 \$ 933,460 74,997 55,835 \$ 817,902 — 272 2,476,038 659,838 1,360,499 95,384 — 54,799 904,375 904,375 — 1,070,219 1,070,219 — | \$ 578 \$ — \$ 578 \$ — 933,460 74,997 55,835 96,140 817,902 — 272 194,686 2,476,038 659,838 1,360,499 428,164 95,384 — 54,799 40,585 904,375 — — — 1,070,219 1,070,219 — — | Fair Value Less than 1 1 - 5 6 - 10 Mc \$ 578 \$ - \$ 578 \$ - \$ 933,460 74,997 55,835 96,140 817,902 - 272 194,686 2,476,038 659,838 1,360,499 428,164 95,384 - 54,799 40,585 904,375 904,375 - - 1,070,219 1,070,219 - - |

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, 2011, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

| | | | Investment Maturities (in years) | | | | | | | | |
|---------------------------------|----|------------|----------------------------------|-------------|----|---------|----|--------|----|--------------|--|
| Investment Type | F | Fair Value | | Less than 1 | | 1 - 5 | | 6 - 10 | | More than 10 | |
| U.S. Treasuries | \$ | 329,543 | \$ | 323,813 | \$ | 1,889 | \$ | 3,269 | \$ | 572 | |
| U.S. Agencies | | 198,193 | | 101,978 | | 45,938 | | 24,976 | | 25,301 | |
| Asset backed securities | | 761,045 | | 632,293 | | _ | | _ | | 128,752 | |
| Corporate bonds | | 1,226,184 | | 933,353 | | 276,737 | | 1,543 | | 14,551 | |
| Municipal bonds | | 21,102 | | 20,061 | | 264 | | 189 | | 588 | |
| Repurchase agreements | | 1,074,727 | | 1,074,727 | | _ | | _ | | _ | |
| Commercial paper | | 73,125 | | 73,125 | | _ | | _ | | _ | |
| Mutual funds | | 50,624 | | 47,865 | | 1,834 | | 905 | | 20 | |
| Guaranteed investment contracts | | 16,723 | | 16,723 | | | | | | | |
| Totals | \$ | 3,751,266 | \$ | 3,223,938 | \$ | 326,662 | \$ | 30,882 | \$ | 169,784 | |

The State's major discretely presented component units also had interest rate risk policies that varied from the State Treasurer. At June 30, 2011, 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):

| | | | | | Inve | estment Mat | urities | (in years) | | |
|-----------------------|----|-----------|----|-----------|------|-------------|---------|------------|------|-----------|
| Investment Type | F | air Value | Le | ss than 1 | | 1 - 5 | | 6 - 10 | More | e than 10 |
| U.S. Treasuries | \$ | 44,982 | \$ | | \$ | | \$ | 44,982 | \$ | |
| U.S. Agencies | | 765,417 | | 269,127 | | 491,916 | | _ | | 4,374 |
| Repurchase agreements | | 410,068 | | 410,068 | | | | | | |
| Totals | \$ | 1,220,467 | \$ | 679,195 | \$ | 491,916 | \$ | 44,982 | \$ | 4,374 |

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 this 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, 2011, the State Treasurer had approximately 32.92% of the State's General investment portfolio and 31.21% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations.

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 e. 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 f.

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 loaned during the fiscal year and at June 30, 2011. At June 30, 2011, 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, 2011, 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, 2011, 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, 2011, 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, 2011:

| | Amount | | | |
|--------------------------------------|--------|---------|--|--|
| Securities lent for cash collateral: | | | | |
| U.S. Treasuries | \$ | 36,073 | | |
| Corporate bonds | | 95,162 | | |
| Total for cash collateral | \$ | 131,235 | | |
| Cash collateral invested: | | | | |
| Repurchase agreements | \$ | 78,998 | | |
| Asset backed securities | | 12,011 | | |
| Floating Rate Notes | | 9,013 | | |
| Total collateral invested | \$ | 100,022 | | |
| | | | | |

d. Investment Market Uncertainty

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result in market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

e. 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.

As of June 30, 2011, the carrying amount of the Systems' deposits was \$43.599 million and the bank balance was \$71.930 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 reinvested 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. Effective duration 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 reduce the value of the security. The Systems invest in these securities to diversify the fixed income portfolio and minimize risk. Disclosures for interest rate risk at June 30, 2011, are noted below (dollar amounts expressed in thousands):

| Investment Type | Fair Value | Effective Duration |
|--|--------------|-----------------------|
| Short Term Investments | | |
| Commingled Funds U.S. Debt | \$ 162,268 | _ |
| Short Term Investment Funds (U.S. Regulated) | 1,220,664 | 0.08 |
| Repurchase Agreements | 1,017,850 | 0.06 |
| U.S. Treasury Bills | 1,270 | 0.19 |
| Certificates of Deposit | 11,253 | 0.08 |
| Equity Allocation | | |
| Preferred | 1,580 | 87.63 |
| Convertible Preferred | 1,296 | 1.57 |
| Fixed Income Allocation | | |
| U.S. Government: | | |
| U.S. Government Treasuries | 1,003,056 | 3.44 |
| U.S. Government Agencies | 96,843 | 3.44 |
| Mortgage Backed: | | |
| Government National Mortgage Association | 287,955 | 2.07 |
| Federal National Mortgage Assocation | 309,616 | 4.50 |
| Federal Home Loan Mortgage Association | 5,294 | 3.09 |
| Collateralized Mortgage Obligations | 1,985 | 0.06 |
| Municipals | 85,278 | 6.64 |
| Corporate: | | |
| Corporate Bonds | 938,492 | 3.86 |
| Convertible Bonds | 19,428 | 2.40 |
| Asset Backed Securities | 287,948 | 0.14 |
| Yankee Bonds | 9,707 | 3.51 |
| Private Placements | 496,711 | 3.62 |
| Global Fixed Income: | | |
| International Asset Backed Securities | 4,893 | 0.93 |
| International Corporate Bonds | 234,290 | 4.25 |
| International Government Bonds | 91,181 | 2.48 |
| Alternatives | | |
| Credit Default Swaps | 94 | 1.14 |
| Interest Rate Swaps | (1,876) | 49.42 |
| Eurodollar Futures | 417 | 298.11 |
| International Bond Futures | 72 | 3,259.63 |
| Treasury Note Futures | 405 | 47.67 |
| Treasury Bond Futures | 104 | -877.42 |
| Total Invested Assets | \$ 6,288,074 | |

Total Portfolio Effective Duration (option adjusted duration)

2.16

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 | Implied1 | AAA | AA | Α | BAA | BA | В | CAA | CA | NR ² |
|--|------------|--------------|------------|------------|------------|------------|------------|-----------|----------|-----------------|
| Short Term Investments | | | | | | | | | | |
| Commingled Funds U.S. Debt | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 162,268 |
| Short Term Investment Funds (U.S. Regulated) | _ | 1,220,664 | _ | _ | _ | _ | _ | _ | _ | _ |
| Repurchase Agreements | _ | _ | _ | _ | _ | _ | _ | _ | _ | 1,017,835 |
| Certificate of Deposit | _ | _ | _ | _ | _ | _ | _ | _ | _ | 11,253 |
| Equity Investments | | | | | | | | | | |
| Preferred | _ | _ | _ | _ | _ | _ | 1,613 | 135 | _ | 1,444 |
| Convertible Preferred | _ | _ | _ | _ | 1,919 | _ | _ | _ | _ | 817 |
| Fixed Income Allocation | | | | | | | | | | |
| U.S. Government Agency & Sponsered Entities | 93,718 | _ | _ | _ | _ | _ | _ | _ | _ | 3,125 |
| Mortgage Backed: | | | | | | | | | | |
| Federal National Mortgage Association | 309,616 | _ | _ | _ | _ | _ | _ | _ | _ | _ |
| Federal Home Loan Mortgage Association | 5,293 | _ | _ | _ | _ | _ | _ | _ | _ | _ |
| Collateralized Mortgage Association | 1,985 | _ | _ | _ | _ | _ | _ | _ | _ | _ |
| Municipals | _ | 12,656 | 32,102 | 40,137 | 383 | _ | _ | _ | _ | _ |
| Corporate: | | | | | | | | | | |
| Corporate Bonds | _ | 93,641 | 72,595 | 122,750 | 211,456 | 96,823 | 195,717 | 48,811 | 199 | 332,016 |
| Convertible Bonds | _ | _ | _ | _ | 4,395 | 1,401 | 457 | 352 | 2,005 | 10,818 |
| Asset Backed Securities | _ | 77,256 | 98,978 | 62,880 | 10,150 | 17,306 | 2,716 | _ | _ | 21,214 |
| Yankee Bonds | _ | _ | _ | 2,057 | 2,338 | 5,312 | _ | _ | _ | _ |
| Private Placements | _ | 99,628 | 39,651 | 41,274 | 59,793 | 30,835 | 95,250 | 41,822 | _ | 99,405 |
| Global Fixed Income: | | | | | | | | | | |
| International Asset Backed | _ | 3,768 | 1,125 | _ | _ | _ | _ | _ | _ | _ |
| International Commingled Funds | _ | _ | _ | _ | _ | _ | _ | _ | _ | 2,406,154 |
| International Corporate Bonds | _ | 79,377 | 46,413 | 34,952 | 27,284 | 9,554 | 33,721 | _ | _ | 5,668 |
| International Emerging Debt | _ | _ | _ | _ | _ | _ | _ | _ | _ | 526,710 |
| International Government Bonds | _ | 76,354 | 5,002 | 3,420 | 2,518 | _ | _ | _ | _ | 3,887 |
| <u>Alternatives</u> | | | | | | | | | | |
| Credit Default Swaps | _ | _ | _ | _ | _ | _ | _ | _ | _ | 650 |
| Equity and Interest Rate Swaps | _ | _ | _ | _ | _ | _ | _ | _ | _ | 16 |
| Total Return Swaps | _ | _ | _ | _ | _ | _ | _ | _ | _ | (1,312) |
| Futures Contracts | _ | _ | _ | _ | _ | _ | _ | _ | _ | 76,122 |
| Options | | | | | | | | | | (3,138) |
| Totals | \$ 410,612 | \$ 1,663,344 | \$ 295,866 | \$ 307,470 | \$ 320,236 | \$ 161,231 | \$ 329,474 | \$ 91,120 | \$ 2,204 | \$ 4,674,952 |

¹Implied rating is assigned to securities issued by privately owned government-sponsored enterprise 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.

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, 2011 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 participate 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.

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2011 (expressed in thousands):

| Currency | Cash & Cash Equivalents | | orward | Futures Contracts | | Private Equity | | | ernative estments | _ | Fixed Income | | |
|------------------------|----------------------------|-----|-----------------|----------------------|--------|-------------------|---------|----|----------------------|----|-----------------|--|--------|
| Australian Dollar | \$ 70 |)6 | \$ 69,259 | \$ | 1,175 | \$ — | | \$ | \$ — | | 35,834 | | |
| Brazil Real | _ | _ | 337 | | _ | | _ | | _ | | 646 | | |
| British Pound Sterling | (1,0 | 30) | 249,075 | | 6,289 | | _ | | _ | | 11,546 | | |
| Canadian Dollar | (7,4) | 37) | 105,731 | | 2,785 | | _ | | _ | | 40,520 | | |
| Chinese Yuan Renminbi | _ | _ | 30,163 | | _ | | _ | | _ | | _ | | |
| Euro Currency | (10,5) | 34) | 458,013 | | 14,148 | | 112,097 | | 165,584 | | 165,584 | | 36,130 |
| Hong Kong Dollar | (8: | 30) | 38,432 | | 595 | | _ | | _ | | _ | | |
| Japanese Yen | (19,2) | 22) | 275,398 | | 13,810 | | _ | | _ | | (137) | | |
| Norwegien Krone | : | 32 | 2,919 | | _ | | _ | | _ | | _ | | |
| Philippines Peso | _ | _ | 3,139 | | _ | | _ | | _ | | _ | | |
| Singapore Dollar | _ | - | 5,861 | | _ | | _ | | _ | | _ | | |
| South Korean Wom | _ | _ | 2,902 | | _ | | _ | | _ | | _ | | |
| Swedish Krona | (1,5 | 35) | 37,211 | | 511 | | | | | | | | |
| Totals | \$ (39,9) | 00) | \$ 1,278,440 | \$ | 39,313 | \$ | 112,097 | \$ | 165,584 | \$ | 124,539 | | |

Derivatives

Derivatives are financial instruments whose value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, 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 Retirement Investment 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 \$139.042 million of various GNMA's were held on June 30, 2011 in trust by the clearing brokers 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, 2011 (expressed in thousands):

| | Changes in Fair V | Fair Value at June 30, 2011 | | | | | |
|-------------------------|---------------------------------|-----------------------------|------------|-------------------------|----|----------|--|
| | Classification | Ge | ain/(Loss) | Classification | 4 | Amount | |
| Investment derivatives: | | | | | | | |
| Future Contracts | Net appreciation/(depreciation) | \$ | 153,652 | Alternative Investments | \$ | 75,123 | |
| Forward Contracts | Net appreciation/(depreciation) | | (19,048) | Cash & Cash Equivalents | | (10,287) | |
| Swaps | Net appreciation/(depreciation) | | 130,202 | Alternative Investments | | (81,443) | |

| As of June 30, | 2011, the Systems ha | ad the following expe | osure via futures | contracts (dollar ar | nounts expressed in |
|----------------|----------------------|-----------------------|-------------------|----------------------|---------------------|
| thousands): | | | | | |

| Futures Contracts | <u>Expiration</u> | Long/Short | Quantity | Notional Value* |
|-----------------------------------|-------------------|------------|----------|-----------------|
| MTF CAC40 10EU | July 2011 | Long | 2,218 | \$ 127,971 |
| EURX DAX INDEX | September 2011 | Long | 424 | 113,596 |
| EURX ER STX 50 | September 2011 | Long | 3,313 | 136,800 |
| NEW FTSE 100 | September 2011 | Long | 2,704 | 256,236 |
| HKFE - HSI | July 2011 | Long | 259 | 37,326 |
| IBEX 35 PLUS | July 2011 | Long | 297 | 44,236 |
| FTSE MIB INDEX | September 2011 | Long | 246 | 36,046 |
| TSE TOPIX | September 2011 | Long | 2,512 | 264,233 |
| SFE SPI 200 | September 2011 | Long | 854 | 105,166 |
| AMSTERDAM INDEX | July 2011 | Long | 373 | 36,747 |
| S&P TSE 60 INDEX | September 2011 | Long | 866 | 136,787 |
| OMXS30 INDEX | July 2011 | Long | 2,022 | 35,729 |
| Total International Equity | | | | 1,330,873 |
| EMINI S&P 500 | September 2011 | Long | 19,590 | 1,288,532 |
| Total Large Cap Equity | | | | 1,288,532 |
| Totals | | | | \$ 2,619,405 |

^{*} 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, 2011, the Systems had the following forward exposures, listed by counterparty (dollar amounts expressed in thousands):

| | | | | Base | |
|------------------------|-----|--------------|----|------------|---------------|
| Broker | Not | tional Value | Ga | in/(Loss)_ | Base Exposure |
| J.P. Morgan Chase Bank | \$ | 228,063 | \$ | (1,728) | 16.67% |
| Westpac Banking Corp | | 228,056 | | (1,721) | 16.67% |
| Royal Bank of Canada | | 211,188 | | (1,855) | 15.43% |
| Deutshe Bank | | 204,879 | | (2,000) | 14.97% |
| HSBC Securities | | 181,738 | | (2,064) | 13.28% |
| Societe Generale SA | | 178,402 | | (905) | 13.04% |
| Credit Suisse AG | | 89,573 | | (479) | 6.55% |
| BNP Parabas | | 46,399 | | 465 | 3.39% |
| Totals | \$ | 1,368,298 | \$ | (10,287) | 100.00% |

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.

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, 2011, the Systems had no credit risk to counterparties due to market conditions placing the Systems in a net payable position; however, sufficient collateral has been posted with each counterparty to satisfy all outstanding liabilities.

The table below reflects the counterparty credit ratings at June 30, 2011, for currency forwards and swap agreements (expressed in thousands):

| Quality Rating | Fo | orwards | S waps | Total | | |
|------------------------------|----|----------|----------------|-------|----------|--|
| AA1 | \$ | (3,577) | \$ _ | \$ | (3,577) | |
| AA2 | | (2,983) | (37,786) | | (40,769) | |
| AA3 | | (3,727) | (25,657) | | (29,384) | |
| A1 | | | (18,000) | | (18,000) | |
| Total subject to credit risk | \$ | (10,287) | \$ (81,443) | \$ | (91,730) | |

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, 2011, the Systems held swaps as shown in the table below (amounts expressed in thousands):

| | | | | Maturity | Current | Ga | ıın (Loss) |
|------------------|-----------------------|----------------------------|-----------------------|----------|-----------------|-----|------------|
| Counterparty | Total Return Swaps | SCRS Pays | SCRS Receives | Date | Notional | Sir | nce Trade |
| UBS | SP500 Proxy | 3 month LIBOR minus 13 bps | S&P 500 | 7/15/11 | \$ 126,403 | \$ | 26,403 |
| Societe Generale | DJ-UBS Commodities TR | 3 month T Bill plus 9 bps | DJ-UBS Commodities TR | 8/31/11 | 326,672 | | 56,692 |
| BNP Paribas | EAFE + Canada Proxy | 3 month LIBOR minus 25 bps | MSCI EAFE + Canada | 9/7/11 | 169,640 | | 26,275 |
| Credit Suisse | EAFE + Canada Proxy | 3 month LIBOR plus 20 bps | MSCI EAFE + Canada | 2/29/12 | 359,444 | | (4,131) |
| Deutsche Bank | DJ-UBS Commodities TR | 3 month T Bill plus 9 bps | DJ-UBS Commodities TR | 2/29/12 | 166,548 | | (8,452) |
| Credit Suisse | MSCI EM Proxy | 3 month LIBOR plus 15 bps | MSCI EM | 7/1/11 | 239,599 | | (6,144) |
| BNP Paribas | MSCI EM Proxy | 3 month LIBOR plus 38 bps | MSCI EM | 10/11/11 | 230,900 | | (9,099) |
| Barclays | MSCI EM Proxy | 3 month LIBOR minus 48 bps | MSCI EM | 4/30/12 | 406,647 | | (17,477) |
| Credit Suisse | EAFE + Canada Proxy | 3 month LIBOR minus 19 bps | EAFE + Canada | 4/30/12 | 379,559 | | (17,247) |
| | Total Swap Exposures | | | | \$ 2,405,412 | \$ | 46,820 |

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.

Investment Commitments

The Systems entered into commitment agreements with numerous alternative investment managers and is committed for future funding of private equity real estate and opportunity limited partnerships. As of June 30, 2011, the Systems had committed to fund various limited partnerships for an amount of \$2.929 billion (US dollars) and €18 million (Euros). The total unfunded commitment as of June 30, 2011, was \$1.360 billion (US dollars) and €2 million (Euros). Subsequent to June 30, 2011, the Systems committed to fund an additional \$41.600 million (US dollars) which resulted in a total remaining adjusted for cash flows as of September 16, 2011 of \$1.289 billion (US dollars) and €5 million (Euros). In addition, although legal contractual agreements in place do not necessarily dictate authorized commitment amounts, various other alternative investment fundings will be deployed at the full discretion of the Retirement Investment Commission through the use of the strategic partnership accounts. These underlying investments include hedge funds, private equity, real estate, opportunistic credit and short duration fixed income.

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, 2011, included U.S. Government securities, U.S. 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 U.S. 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, 2011, the fair value of securities on loan was \$317.633 million. The fair value of the invested cash collateral was \$229.161 million. Securities lending obligations at June 30, 2011, were \$325.373 million with the unrealized loss in invested cash collateral of \$96.212 million reported as investment income and net appreciation in investments in the Statement of Changes in Plan Net Assets. 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. At June 30, 2011, 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, 2011:

| | SCRS | PORS | G | ARS | ISRS | N | GPS | Т | OTALS |
|---|---------------|--------------|----|-----|-------------|----|-----|----|---------|
| Securities lent for cash collateral: | | | | | • | | | | |
| U.S. Government securities | \$ 47,940 | \$ 6,973 | \$ | 72 | \$ 267 | \$ | 34 | \$ | 55,286 |
| Corporate bonds | 69,389 | 10,092 | | 104 | 387 | | 50 | | 80,022 |
| Non-U.S. Government securities | 25,109 | 3,652 | | 38 | 140 | | 18 | | 28,957 |
| Common Stock | 132,989 | 19,343 | | 199 | 741 | | 96 | | 153,368 |
| Total securities lent for cash collateral | \$ 275,427 | \$ 40,060 | \$ | 413 | \$ 1,535 | \$ | 198 | \$ | 317,633 |
| Securities lent for non-cash collateral: | | | | | | | | | |
| Common Stock | 7,405 | 1,077 | | 11 | 41 | | 5 | | 8,539 |
| | \$ 7,405 | \$ 1,077 | \$ | 11 | \$ 41 | \$ | 5 | \$ | 8,539 |
| Cash collateral invested as follows: | | | | | | | | | |
| Repurchase agreements | 169,740 | 24,688 | | 254 | 946 | | 122 | | 195,750 |
| Floating Rate Notes | 28,971 | 4,214 | | 44 | 161 | | 21 | | 33,411 |
| Total for cash collateral invested | \$ 198,711 | \$ 28,902 | \$ | 298 | \$ 1,107 | \$ | 143 | \$ | 229,161 |
| Securities received as collateral: | | | | | | | | | |
| U.S. Government securities | 7,576 | 1,102 | | 11 | 42 | | 5_ | | 8,736 |
| | \$ 7,576 | \$ 1,102 | \$ | 11 | \$ 42 | \$ | 5 | \$ | 8,736 |

f. 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. As of June 30, 2011, the Trusts' had no cash on deposit with banks, all cash reported was held in the cash management pool by the State Treasurer's Office.

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, 2011, the Trusts' applicable debt investments were rated by Standard & Poor's as "CCC" or below.

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 does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2011, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

| | Investment Maturities (in years) | | | | | | | | | | | |
|-------------------------------------|----------------------------------|-------------|------------|------------|--------------|--|--|--|--|--|--|--|
| Investment Type | Fair Value | Less than 1 | 1 - 5 | 6 - 10 | More than 10 | | | | | | | |
| U.S. Agencies | \$ 87,752 | \$ — | \$ 4,807 | \$ 21,599 | \$ 61,346 | | | | | | | |
| Collateralized mortgage obligations | 20,286 | _ | _ | 957 | 19,329 | | | | | | | |
| Corporate bonds | 290,671 | 22,394 | 136,488 | 125,660 | 6,129 | | | | | | | |
| Municipal bonds | 2,272 | _ | 2,272 | _ | _ | | | | | | | |
| Repurchase agreements | 60,425 | 60,425 | _ | _ | _ | | | | | | | |
| Commercial paper | 42,165 | 517 | 20,572 | 7,671 | 13,405 | | | | | | | |
| Other | 2,141 | | | 2,141 | | | | | | | | |
| Totals | \$ 505,712 | \$ 83,336 | \$ 164,139 | \$ 158,028 | \$ 100,209 | | | | | | | |

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, 2011:

| | A | mount |
|--------------------------------------|----|-------|
| Securities lent for cash collateral: | | |
| Corporate bonds | \$ | 6,546 |
| Total for cash collateral | \$ | 6,546 |
| Cash collateral invested: | | |
| Asset backed securities | \$ | 525 |
| Repurchase agreements | | 1,334 |
| Floating Rate Notes | | 1,001 |
| Total collateral invested | \$ | 2,860 |

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, 2011, for the primary government were as follows:

| | | Governmental Activities | | | | | | | | | | | |
|-------------------------------------|----|-------------------------|----------|------------|-----------------|----------------|-------|--------------|-------|---------|------------|-----------|--|
| | | | | | | | _ | | | | | | |
| | | | Dej | partmental | Depa | rtment of | No | Nonmajor | | ernal | | Total | |
| | | | F | Program | | Transportation | | Governmental | | Service | | ernmental | |
| Allowances for Uncollectibles | | General | Services | | Special Revenue | | Funds | | Funds | | Activities | | |
| Income taxes receivable | \$ | 284,899 | \$ | | \$ | _ | \$ | _ | \$ | | \$ | 284,899 | |
| Sales and other taxes receivable | | 87,141 | | 6 | | _ | | 12,696 | | _ | | 99,843 | |
| Patient accounts receivable | | 54,257 | | _ | | _ | | _ | | _ | | 54,257 | |
| Other receivables | _ | 5,479 | | 22,819 | | 657 | | 975 | | 431 | | 30,361 | |
| Total allowances for uncollectibles | \$ | 431,776 | \$ | 22,825 | \$ | 657 | \$ | 13,671 | \$ | 431 | \$ | 469,360 | |

| | Business-type Activities (Enterprise Funds) | | | | | | | | | | | |
|---------------------------------------|---|-----------|-----|------------|-----------|--------|-----------|----------|-------|----------|------------|------------|
| | | | | | | | М | edical | | | | |
| | | | Une | mployment | | | Un | iversity | No | onmajor | | Total |
| | H | ligher | Con | npensation | Н | ousing | He | ospital | En | terprise | Bus | iness-type |
| Allowances for Uncollectibles | Ed | Education | | Benefits | Authority | | Authority | | Funds | | Activities | |
| Contributions receivable | \$ | 2,138 | \$ | | \$ | | \$ | | \$ | 55 | \$ | 2,193 |
| Student accounts receivable | | 19,922 | | _ | | _ | | _ | | _ | | 19,922 |
| Patient accounts receivable | | _ | | _ | | _ | | 50,200 | | 85,259 | | 135,459 |
| Loans and notes receivable—restricted | | 1,194 | | _ | | 3,511 | | _ | | 300 | | 5,005 |
| Assessments receivable | | _ | | 12,588 | | _ | | _ | | _ | | 12,588 |
| Other receivables | | 721 | | 8,917 | | | | | | 41 | | 9,679 |
| Total allowances for uncollectibles | \$ | 23,975 | \$ | 21,505 | \$ | 3,511 | \$ | 50,200 | \$ | 85,655 | \$ | 184,846 |

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, 2011, were as follows:

| | Governmental Activities | | | | | | | | | | | | | |
|----------------------------------|-------------------------|--------------------|--|---------|----------------|---------|--|--------------------------|-------|--------|---------------------|-------|-----------------------|---------|
| | | Governmental Funds | | | | | | | | | | | | |
| | | | Departmental Local Program Government | | | | partment of insportation Special | Nonmajor Governmental | | | Internal Service | | Total Sovernmental | |
| Net Long-term Receivables | | Seneral | S | ervices | Infrastructure | | Revenue | | Funds | | Funds | | Activities | |
| Accounts receivable | \$ | 8,931 | \$ | 17,560 | \$ | 6,011 | \$ | _ | \$ | _ | \$ | 1,229 | \$ | 33,731 |
| Income taxes receivable | | 15,215 | | _ | | _ | | _ | | _ | | _ | | 15,215 |
| Sales and other taxes receivable | | 51,080 | | _ | | _ | | _ | | _ | | _ | | 51,080 |
| Patient accounts receivable | | 9,212 | | _ | | _ | | _ | | _ | | _ | | 9,212 |
| Loans and notes receivable | | 35,479 | | 483 | | 433,485 | | 3,778 | | 10,271 | | _ | | 483,496 |
| Accounts receivable—restricted | | | | | | 320,221 | | | | | | | | 320,221 |
| Total long-term receivables, net | \$ | 119,917 | \$ | 18,043 | \$ | 759,717 | \$ | 3,778 | \$ | 10,271 | \$ | 1,229 | \$ | 912,955 |

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, 2011, were as follows:

| | Un | available | U | nearned | Total Governmental Funds | | | | |
|-------------------------------|----|-----------|----|---------|--------------------------------|---------|--|--|--|
| Taxes | \$ | 66,295 | \$ | 24,514 | \$ | 90,809 | | | |
| Federal grants | | _ | | 145,303 | | 145,303 | | | |
| Contributions | | 314,384 | | 110,666 | | 425,050 | | | |
| Departmental services | | 56,895 | | 6,417 | | 63,312 | | | |
| Total deferred revenues | \$ | 437,574 | | 286,900 | \$ | 724,474 | | | |
| Internal service funds | | | | 138,752 | | | | | |
| Total governmental activities | | | \$ | 425,652 | | | | | |

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, 2011 (expressed in thousands) were as follows:

| | | | | | | Major |
|---------------------------------|----|------------------------|---------------------------|---------|----|---------|
| Agget/Degtwieted Few | | ernmental ctivities | siness-type activities | - | | |
| Asset/Restricted For Current: | A | cuviues | A | cuviues | | Units |
| Cash and cash equivalents | | | | | | |
| Debt service | \$ | 96,962 | \$ | 170,549 | \$ | 146,037 |
| Capital projects | Ψ | | Ψ | 388,376 | Ψ | |
| Student loan programs | | | | 563 | | |
| Donor/sponsor specified | | _ | | 83,506 | | |
| Second Injury Fund claims | | _ | | 39,654 | | |
| Other | | _ | | | | 2 551 |
| Total cash and cash equivalents | \$ | 96,962 | Φ | 13,894 | \$ | 2,551 |
| Total cash and cash equivalents | Φ | 90,902 | \$ | 696,542 | Ф | 148,588 |
| Investments | | | | | | |
| Debt service | \$ | | \$ | 40,791 | \$ | 93,609 |
| Donor/sponsor specified | · | _ | | 8,709 | · | |
| Endowments | | _ | | 5 | | _ |
| Other | | _ | | _ | | 15,731 |
| Total investments | \$ | | \$ | 49,505 | \$ | 109,340 |
| Loans receivable | | | | | | |
| Debt service | \$ | _ | \$ | 22,683 | \$ | |
| Student loan programs | Ψ | | Ψ | 1,210 | Ψ | |
| Total loans receivable | \$ | | \$ | 23,893 | \$ | |
| Other | | | | | | |
| | ď | 77.526 | ď | 7.042 | ¢ | |
| Debt service | \$ | 77,536 | \$ | 7,043 | \$ | _ |
| Donor/sponsor specified | | _ | | 7,537 | | _ |
| Second Injury Fund claims | | _ | | 253 | | _ |
| Other | | | | 334 | | |
| Total other | \$ | 77,536 | \$ | 15,167 | \$ | |

| Student loan programs — 9,839 Endowments — 86,323 Other 10,562 1,339 Total cash and cash equivalents \$ 666,533 \$ 279,796 \$ 3 Investments Debt service \$ — \$ 167,309 \$ Capital projects — — 3 Student loan programs — 1,024 Endowments — 51,842 Other — — 1 | Major Component Units | | |
|--|-----------------------------|--|--|
| Debt service | | | |
| Capital projects | | | |
| Student loan programs — 9,839 Endowments — 86,323 Other 10,562 1,339 Total cash and cash equivalents \$ 666,533 \$ 279,796 \$ 3 Investments — \$ 167,309 \$ Debt service \$ — \$ 167,309 \$ Capital projects — — — 3 Student loan programs — 1,024 — — 1 Endowments — 51,842 — — — 1 Other — — \$ 220,175 \$ 4 Receivables — \$ 320,221 \$ — \$ Total receivables \$ 320,221 \$ — \$ Debt service \$ — \$ 695,632 \$ Student loan programs — 53,937 Other — — \$ 812,078 \$ Other — \$ 812,078 \$ Donor/sponsor specified — 212 | 948 | | |
| Endowments | 15,287 | | |
| Other 10,562 1,339 Total cash and cash equivalents \$ 666,533 \$ 279,796 \$ 3 Investments Debt service \$ — \$ 167,309 \$ Capital projects — — — 3 Student loan programs — — — 3 Endowments — — — — — Other —< | | | |
| Total cash and cash equivalents \$ 666,533 \$ 279,796 \$ 3 | | | |
| Investments | 16,993 | | |
| Debt service \$ — \$ 167,309 \$ Capital projects — — 3 Student loan programs — 1,024 Endowments — 51,842 Other — — — Total investments \$ — \$ 220,175 \$ 4 Receivables Debt service \$ 320,221 \$ — \$ Total receivable \$ 320,221 \$ — \$ Debt service \$ — \$ 695,632 \$ Student loan programs. — 53,937 Other — 62,509 Total loans receivable \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Debt service \$ 3,865 \$ — \$ Donor/sponsor specified — 212 | 33,228 | | |
| Capital projects — — 3 Student loan programs — 1,024 Endowments — 51,842 Other — — 1 Total investments \$ — \$ 220,175 \$ 4 Receivables Debt service \$ 320,221 \$ — \$ Total receivables \$ 320,221 \$ — \$ Debt service \$ — \$ 53,937 0 0 — 62,509 0< | | | |
| Capital projects. — — 3 Student loan programs. — 1,024 Endowments. — 51,842 Other. — — 1 Total investments. \$ — \$ 220,175 \$ Receivables \$ — \$ \$ 2 — \$ Debt service. \$ 320,221 \$ — \$ \$ Loans receivables \$ — \$ 53,937 \$ Other. — 62,509 Other. — 62,509 Total loans receivable. \$ — \$ 8 8 Other. — \$ 8 2 \$ \$ \$ Donor/sponsor specified. — \$ 212 — \$ \$ \$ — \$ \$ — \$ \$ \$ — \$ \$ \$ — \$ \$ \$ — \$ \$ \$ — \$ \$ \$ — \$ \$ \$ \$ \$ \$ | 4,374 | | |
| Student loan programs. — 1,024 Endowments. — 51,842 Other. — — — Total investments. \$ — \$ 220,175 \$ Receivables \$ — \$ \$ 2 — \$ Debt service. \$ 320,221 \$ — \$ \$ Total receivables \$ — \$ 695,632 \$ \$ \$ Student loan programs. — — 53,937 Other. — 62,509 \$ Total loans receivable. \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Debt service. \$ 3,865 \$ — \$ Donor/sponsor specified. — 212 | 29,634 | | |
| Endowments. — 51,842 Other. — — 1 Total investments. \$ — \$ 220,175 \$ 4 Receivables — \$ 320,221 \$ — \$ Debt service. \$ 320,221 \$ — \$ Loans receivable — \$ 695,632 \$ Student loan programs. — 53,937 ○ Other. — 62,509 ○ Total loans receivable. \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Debt service. \$ 3,865 \$ — \$ Donor/sponsor specified. — 212 | | | |
| Other — — 1 Total investments \$ — \$ 220,175 \$ 4 Receivables Bebt service \$ 320,221 \$ — \$ Total receivables Bebt service \$ — \$ 695,632 \$ Student loan programs — \$ 53,937 Other — 62,509 Total loans receivable \$ — \$ 812,078 \$ Other Debt service \$ 3,865 \$ — \$ Donor/sponsor specified — 212 | | | |
| Receivables \$ 320,221 \$ — \$ 5 Debt service | 17,722 | | |
| Debt service \$ 320,221 \$ — \$ Total receivables \$ 320,221 \$ — \$ Debt service \$ — \$ 695,632 \$ Student loan programs — 53,937 Other — 62,509 Total loans receivable \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Donor/sponsor specified. — 212 | 51,730 | | |
| Debt service | | | |
| Total receivables \$ 320,221 \$ — \$ Loans receivable \$ — \$ 695,632 \$ Student loan programs — 53,937 Other — 62,509 Total loans receivable \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Donor/sponsor specified — 212 212 | _ | | |
| Debt service | | | |
| Debt service | | | |
| Student loan programs. — 53,937 Other | _ | | |
| Other — 62,509 Total loans receivable \$ — \$ 812,078 \$ Other — \$ 3,865 \$ — \$ Donor/sponsor specified — 212 | | | |
| Total loans receivable \$ \$ \$ 812,078 \$ Other Debt service \$ 3,865 \$ — \$ Donor/sponsor specified — 212 — 212 | _ | | |
| Debt service | | | |
| Debt service | | | |
| Donor/sponsor specified — 212 | | | |
| | | | |
| 2 | | | |
| Total other\$ 3,865 \$ 67,132 \$ | | | |

NOTE 7: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2011, for the primary government was as follows:

| | Beginning Balances July 1, 2010 | Increases | Decreases | Ending Balances June 30, 2011 | | |
|--|---------------------------------------|------------|--------------|-------------------------------------|--|--|
| Governmental activities: | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land and improvements | \$ 1,770,515 | \$ 48,461 | \$ (533) | \$ 1,818,443 | | |
| Construction in progress | 3,156,544 | 346,696 | (606,838) | 2,896,402 | | |
| Works of art and historical treasures | 3,962 | 14 | _ | 3,976 | | |
| Intangibles | _ | 303 | _ | 303 | | |
| Total capital assets not being depreciated | 4,931,021 | 395,474 | (607,371) | 4,719,124 | | |
| Capital assets being depreciated: | | | | | | |
| Land improvements | 63,133 | 54,249 | _ | 117,382 | | |
| Infrastructure (road and bridge network) | 10,583,680 | 488,249 | (3,660) | 11,068,269 | | |
| Buildings and improvements | 1,692,582 | 285,993 | (4,372) | 1,974,203 | | |
| Vehicles | 624,201 | 15,872 | (30,334) | 609,739 | | |
| Machinery and equipment | 476,121 | 24,588 | (18,465) | 482,244 | | |
| Works of art and historical treasures | 1,500 | _ | _ | 1,500 | | |
| Intangibles | 119,807 | 12,333 | _ | 132,140 | | |
| Total capital assets being depreciated, at | | | | | | |
| historical cost | 13,561,024 | 881,284 | (56,831) | 14,385,477 | | |
| Less accumulated depreciation for: | | | | | | |
| Land improvements | (44,512) | (1,584) | _ | (46,096) | | |
| Infrastructure (road and bridge network) | (2,601,783) | (159,074) | 3,135 | (2,757,722) | | |
| Buildings and improvements | (724,015) | (45,706) | 4,358 | (765,363) | | |
| Vehicles | (500,485) | (49,722) | 29,665 | (520,542) | | |
| Machinery and equipment | (352,522) | (30,916) | 14,110 | (369,328) | | |
| Works of art and historical treasures | (122) | (60) | _ | (182) | | |
| Intangibles | (56,377) | (10,790) | _ | (67,167) | | |
| Total accumulated depreciation | (4,279,816) | (297,852) | 51,268 | (4,526,400) | | |
| Total capital assets being | | | | | | |
| depreciated, net | 9,281,208 | 583,432 | (5,563) | 9,859,077 | | |
| Capital assets for governmental | | | | | | |
| activities, net | \$ 14,212,229 | \$ 978,906 | \$ (612,934) | \$ 14,578,201 | | |

| | Beginning Balances July 1, 2010 | Increases | Decreases | Ending Balances June 30, 2011 |
|--|---------------------------------------|------------|--------------|-------------------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 271,088 | \$ 24,125 | \$ (349) | \$ 294,864 |
| Construction in progress | 238,346 | 267,315 | (140,104) | 365,557 |
| Works of art and historical treasures | 19,927 | 184 | | 20,111 |
| Total capital assets not being depreciated | 529,361 | 291,624 | (140,453) | 680,532 |
| Capital assets being depreciated: | | | | |
| Land improvements | 183,780 | 6,187 | _ | 189,967 |
| Buildings and improvements | 5,117,489 | 157,232 | (5,782) | 5,268,939 |
| Vehicles | 48,692 | 3,910 | (3,403) | 49,199 |
| Machinery and equipment | 956,562 | 73,674 | (32,359) | 997,877 |
| Works of art and historical treasures | 25,701 | 370 | _ | 26,071 |
| Intangibles | 24,916 | 3,132 | _ | 28,048 |
| Total capital assets being depreciated, at | | | | |
| historical cost | 6,357,140 | 244,505 | (41,544) | 6,560,101 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (69,313) | (8,142) | _ | (77,455) |
| Buildings and improvements | (1,752,045) | (157,866) | 3,628 | (1,906,283) |
| Vehicles | (32,913) | (2,506) | 2,614 | (32,805) |
| Machinery and equipment | (609,558) | (83,382) | 25,811 | (667,129) |
| Works of art and historical treasures | (6,989) | (853) | _ | (7,842) |
| Intangibles | (14,541) | (4,084) | _ | (18,625) |
| Total accumulated depreciation | (2,485,359) | (256,833) | 32,053 | (2,710,139) |
| Total capital assets being | | | | |
| depreciated, net | 3,871,781 | (12,328) | (9,491) | 3,849,962 |
| Capital assets for business-type | | | | |
| activities, net | \$ 4,401,142 | \$ 279,296 | \$ (149,944) | \$ 4,530,494 |

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 \$2.228 million. Depreciation expense on the building for fiscal year 2010-2011 was \$118 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:

| | | eginning Balances | | | | | | Ending Balances |
|---|-----|----------------------|----|-----------|----|-----------|----------|--------------------|
| | Jan | uary 1, 2010 | In | creases | D | ecreases | Dece | ember 31, 2010 |
| Public Service Authority: | | | | | | | | |
| Capital assets not being depreciated: | | | | | | | | |
| Land and improvements | \$ | 110,927 | \$ | _ | \$ | (454) | \$ | 110,473 |
| Construction in progress | | 851,442 | | 248,523 | | (161,711) | | 938,254 |
| Total capital assets not being depreciated | | 962,369 | | 248,523 | | (162,165) | | 1,048,727 |
| Capital assets being depreciated: | | | | | | | | |
| Buildings and improvements (utility plant) | | 6,292,572 | | 149,629 | | (29,310) | | 6,412,891 |
| Vehicles | | 43,481 | | 4,379 | | (1,645) | | 46,215 |
| Machinery and equipment | | 22,371 | | 4,808 | | (1,248) | | 25,931 |
| Intangibles | | 60,677 | | 3,346 | | (1,324) | | 62,699 |
| Total capital assets being depreciated, at | | | | | | | | |
| historical cost | | 6,419,101 | | 162,162 | | (33,527) | | 6,547,736 |
| Less accumulated depreciation for: | | | | | | | | • |
| Buildings and improvements (utility plant) | | (2,485,144) | | (177,549) | | 23,081 | | (2,639,612) |
| Vehicles | | (21,758) | | (3,153) | | 1,625 | | (23,286) |
| Machinery and equipment | | (12,169) | | (1,540) | | 1,224 | | (12,485) |
| Intangibles | | (45,256) | | (3,452) | | 1,056 | | (47,652) |
| Total accumulated depreciation | | (2,564,327) | | (185,694) | | 26,986 | | (2,723,035) |
| Total capital assets being | | <u> </u> | | | | | | · · · |
| depreciated, net | | 3,854,774 | | (23,532) | | (6,541) | | 3,824,701 |
| Public Service Authority, net | \$ | 4,817,143 | \$ | 224,991 | \$ | (168,706) | \$ | 4,873,428 |
| | _ | | | | | | | |
| | | Seginning | | | | | | Ending |
| | | Balances | | | _ | | D | Balances |
| Connector 2000 Association: | Jan | uary 1, 2010 | In | creases | | ecreases | Dece | ember 31, 2010 |
| Capital assets being depreciated: | | | | | | | | |
| Infrastructure (toll road) | \$ | 192,487 | \$ | | \$ | | \$ | 192,487 |
| Machinery and equipment | φ | 819 | φ | <u> </u> | φ | (27) | φ | 902 |
| Total capital assets being depreciated, at | | 019 | | 110 | | (27) | | 902 |
| historical cost | | 402.200 | | 110 | | (07) | | 402 200 |
| Less accumulated depreciation for: | | 193,306 | | 110 | | (27) | | 193,389 |
| Infrastructure (toll road) | | (42.007) | | (0.574) | | | | (47.500) |
| Machinery and equipment | | (43,997) | | (3,571) | | | | (47,568) |
| | | (603) | | (80) | | 27 | | (656) |
| Total accumulated depreciation | | (44,600) | | (3,651) | | 27 | | (48,224) |
| Total capital assets being depreciated, net | | 148,706 | | (3,541) | | _ | | 145,165 |
| Connector 2000 Association, net | \$ | 148,706 | \$ | (3,541) | \$ | | \$ | 145,165 |

| | | ginning alances y 1, 2010 | Increases | | | De | creases | Ending Balances June 30, 2011 | | |
|--|-----|--------------------------------------|-----------|-------------------|----------------|----|-----------|-------------------------------------|---------------------------------------|--|
| State Ports Authority: | | | | | | | | | | |
| Capital assets not being depreciated: | | | | | | | | | | |
| Land and improvements | \$ | 198,573 | \$ | 1,05 | 7 | \$ | _ | \$ | 199,630 | |
| Construction in progress | | 123,012 | | 48,95 | 7 | | (30,062) | | 141,907 | |
| Intangibles | | 2,190 | | _ | | | | | 2,190 | |
| Total capital assets not being depreciated | | 323,775 | | 50,01 | 4 | | (30,062) | | 343,727 | |
| Capital assets being depreciated: | | <u> </u> | | , | | | , , | | , | |
| Land improvements | | 216.102 | | 21,98 | 4 | | _ | | 238,086 | |
| Buildings and improvements | | 319,661 | | 4,82 | | | (130) | | 324,356 | |
| Machinery and equipment | | 147,864 | | 3,26 | | | (1,461) | | 149,672 | |
| Intangibles | | 876 | | 0,20 | | | (1,101) | | 876 | |
| Total capital assets being depreciated, at | | 070 | | | | | | | 070 | |
| historical cost | | 694 503 | | 30,07 | 0 | | (1.501) | | 712,990 | |
| Less accumulated depreciation for: | | 684,503 | | 30,07 | - - | | (1,591) | | 1 12,990 | |
| | | (404.074) | | /O 7 4 | 4) | | | | (4.40.000) | |
| Land improvements | | (134,274) | | (8,71 | , | | _ | | (142,988) | |
| Buildings and improvements | | (183,874) | | (11,07 | • | | 130 | | (194,819) | |
| Machinery and equipment | | (92,977) | | (9,04 | .8) | | 1,454 | | (100,571) | |
| Intangibles | | (508) | | | 5) | | | | (543) | |
| Total accumulated depreciation | | (411,633) | | (28,87 | 2) | | 1,584 | | (438,921) | |
| Total capital assets being | | | | | | | | | | |
| depreciated, net | | 272,870 | | 1,20 | 6 | | (7) | | 274,069 | |
| State Ports Authority, net | \$ | 596,645 | \$ | 51,22 | :0_ | \$ | (30,069) | \$ | 617,796 | |
| | | Beginning Balances uly 1, 2010 | | Increas | ses_ | | Decreases | <u>J</u> | Ending Balances lune 30, 2011 | |
| Lottery Commission: | | | | | | | | | | |
| Capital assets being depreciated: | _ | | | _ | | _ | | _ | | |
| Buildings and improvements | \$ | 1,316 | , | 5 | _ | \$ | _ | \$ | 1,316 | |
| Vehicles | | 48 | | | _ | | _ | | 48 | |
| Machinery and equipment | | 2,388 | _ | | 278 | _ | (29) | | 2,637 | |
| Total capital assets being depreciated, at | | | | | | | | | | |
| historical cost | | 3,752 | | | 278 | | (29) | | 4,001 | |
| Less accumulated depreciation for: | | • | | | | | | | · · · · · · · · · · · · · · · · · · · | |
| Buildings and improvements | | (1,027) | | (| 133) | | _ | | (1,160) | |
| Vehicles | | (48) | | , | _ | | _ | | (48) | |
| Machinery and equipment | | (2,079) | | (| 203) | | 29 | | (2,253) | |
| Total accumulated depreciation | | (3,154) | _ | • | 336) | | 29 | - | (3,461) | |
| Total assets being | | (3, 134) | _ | (| 000) | | 23 | | (3,401) | |
| depreciated, net | | 598 | | | (50) | | | | 540 | |
| Lottery Commission, net | • | | _ | r | (58) | - | | • | 540 | |
| Lottery Commission, net | \$_ | 598 | | \$ | (58) | \$ | | \$ | 540 | |

During the fiscal year ended June 30, 2011, depreciation expense was charged to functions of the primary government and its major discretely presented component units (expressed in thousands):

| | Go | vernmental Funds | Internal Service Funds | | Total ernmental ctivities |
|-----------------------------|-----|---------------------|------------------------------|--------|-------------------------------------|
| General government | \$ | 26,720 | \$ | 13,617 | \$ 40,337 |
| Education | | 31,288 | | _ | 31,288 |
| Health and environment | | 11,861 | | 1 | 11,862 |
| Social services | 660 | | | _ | 660 |
| Administration of justice | | 24,346 | | 344 | 24,690 |
| Resources and economic | | | | | |
| development | | 13,271 | | _ | 13,271 |
| Transportation | | 175,744 | | | 175,744 |
| Total depreciation expense, | | | | | |
| governmental activities | \$ | 283,890 | \$ 13,962 | | \$ 297,852 |

| | Business-type | | | | |
|---------------------------------------|---------------|-----------|--|--|--|
| | A | ctivities | | | |
| Higher Education | \$ | 194,970 | | | |
| Housing Authority | | 264 | | | |
| Medical University Hospital Authority | | 54,466 | | | |
| Education Assistance Authority | | 59 | | | |
| Other | | 7,074 | | | |
| Total depreciation expense, | | | | | |
| business-type activities | \$ | 256,833 | | | |

Included in the \$195.698 million for higher education and the \$7.074 million for other business-type activities is depreciation expense of \$35 thousand and \$1.064 million, respectively, that is reported in nonoperating revenues (expenses) in the Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds.

| | Major | | | |
|---------------------------------|-----------|---------|--|--|
| | Component | | | |
| | | Units | | |
| Public Service Authority | \$ | 185,694 | | |
| Connector 2000 Association, Inc | | 3,651 | | |
| State Ports Authority | | 28,872 | | |
| Lottery Commission | | 336 | | |

At June 30, 2011, the primary government had outstanding construction commitments totaling \$8.508 billion for capital projects in progress. In addition, outstanding construction commitments at that date totaled \$83.099 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 renovations to existing facilities. In addition, the primary government had outstanding commitments totaling \$850 thousand at June 30, 2011, related to information technology projects.

Outstanding construction commitments for major discretely presented component units were \$4.279 billion for the Public Service Authority at December 31, 2010 and \$22.225 million for the State Ports Authority at June 30, 2011.

The total interest expense incurred by the State's enterprise funds during the current fiscal year was \$138.461 million, of which \$4.321 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 \$8.961 million during its fiscal year ended June 30, 2011, of which \$6.447 million was included as part of the cost of capital assets under construction.

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

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. In addition, 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 are allowed to retire and draw an annuity while continuing to serve. Members receive a retirement benefit equal to 71.3% of the current active salary of the position occupied at retirement.

The National Guard Retirement System, 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. 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.

Information regarding the number of participating employers and active members as of June 30, 2011, is as follows (dollars expressed in thousands):

| | SCRS | PORS | (| GARS | JSRS | NGPS |
|--|-----------------|---------------|----|-------|--------------|------------------|
| State and school districts | | | | | | |
| Number of employers | 226 | 114 | | 2 | 3 | 1 |
| Annual covered payroll | \$ 5,398,934 | \$ 346,752 | \$ | 3,174 | \$ 16,343 | N/A ^a |
| Average number of contributing members | 140,636 | 10,271 | | 170 | 144 | N/A ^b |
| Other participating employers | | | | | | |
| Number of employers | 577 | 316 | | _ | _ | _ |
| Annual covered payroll | \$ 1,933,196 | \$ 680,440 | \$ | _ | \$ _ | \$ — |
| Average number of contributing members | 55,592 | 17,464 | | _ | _ | _ |

^a Annual covered payroll is not applicable for NGPS because benefits are based on years of service.

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 refunded 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, 2011, 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, 2011, were as follows:

| _Plan_ | Rate |
|--------|--------|
| SCRS | 9.39% |
| PORS | 11.53% |
| GARS | 76.06% |
| JSRS | 45.09% |

The State appropriated \$3.904 million to fund the NGPS actuarially determined employer contribution for the fiscal year ended June 30, 2011.

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, 2011, were \$18 thousand for SCRS and \$8 thousand for PORS.

^b Members do not contribute; average number of members is 12,274.

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:

| | JSRS | NGPS | | |
|--------------------------------------|--|--|--|--|
| \$ 2,414 \$ 2,414 July 1, 2010 | \$ 8,414 \$ 8,414 July 1, 2010 | \$ 3,748 \$ 3,904 July 1, 2010 | | |
| Entry age | Entry age | Entry age | | |
| Level dollar, closed | Level percent, open | Level dollar, open | | |
| 15 years | 16 years | 22 years | | |
| 10-year smoothed market | 10-year smoothed market | 10-year smoothed market | | |
| 8.00% None 3.00% None | 8.00% 3.25% 3.00% 3.25% | 8.00% None 3.00% None | | |
| | 2,414 July 1, 2010 Entry age Level dollar, closed 15 years 10-year smoothed market 8.00% None 3.00% | \$ 2,414 \$ 8,414 July 1, 2010 Entry age Entry age Level dollar, closed open 15 years 16 years 10-year smoothed market | | |

The following represents the components of the net pension obligation (NPO) for the NGPS, at June 30, 2011 (expressed in thousands):

| | NGPS |
|---|----------|
| Actuarially required contribution (ARC) | \$ 3,905 |
| Interest on the NPO | 748 |
| Adjustment to the ARC | (905) |
| Annual pension cost | 3,748 |
| Contributions made | (3,904) |
| Decrease in NPO | (156) |
| NPO beginning of year | 9,348 |
| NPO end of year | \$ 9,192 |

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.

| | Fiscal Year Ended | | | | | | | | |
|--------------------|-------------------|----------|-------------|---------------|----------|---------------|----|----------|-------------|
| | June 30, 2011 | | | June 30, 2010 | | June 30, 2009 | | | |
| | | | % | | | % | | | % |
| | F | Required | Contributed | F | Required | Contributed | F | Required | Contributed |
| SCRS-State: | | | | | | | | | |
| Primary government | \$ | 252,814 | 100.0% | \$ | 255,653 | 100.0% | \$ | 260,536 | 100.0% |
| Component units | | 14,231 | 100.0% | | 13,986 | 100.0% | | 14,220 | 100.0% |
| PORS-State: | | | | | | | | | |
| Primary government | | 42,699 | 100.0% | | 42,268 | 100.0% | | 44,566 | 100.0% |
| Component units | | 78 | 100.0% | | 70 | 100.0% | | 74 | 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:

| | Fiscal Year Ended | Annual Pension Cost | | Percentage of APC | | let nsion |
|--------|----------------------|------------------------|-------|-------------------|------|--------------|
| _Plan_ | June 30 | (| APC) | Contributed | Obli | gation |
| GARS | 2009 | \$ | 2,495 | 100.0% | \$ | |
| | 2010 | | 2,598 | 100.0% | | _ |
| | 2011 | | 2,414 | 100.0% | | _ |
| JSRS | 2009 | | 8,414 | 100.0% | | _ |
| | 2010 | | 8,414 | 100.0% | | _ |
| | 2011 | | 8,414 | 100.0% | | _ |
| NGPS | 2009 | | 3,979 | 101.8% | | 9,600 |
| | 2010 | | 3,800 | 106.6% | | 9,348 |
| | 2011 | | 3,748 | 104.2% | | 9,192 |

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) <i>(b-a)</i> | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|------|--|--|--|---|--------------------------|---------------------------|---|
| SCRS | 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% |
| | 2010 | 25,400,331 | 38,774,029 | 13,373,698 | 65.5% | 7,769,820 | 172.1% |
| PORS | 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% |
| | 2010 | 3,612,700 | 4,850,457 | 1,237,757 | 74.5% | 1,076,467 | 115.0% |

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 | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|------|--|--|---|------------------------------------|--------------------------|---------------------------|---|
| GARS | 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% |
| | 2010 | 43,712 | 68,671 | 24,959 | 63.7% | 3,854 | 647.6% |
| JSRS | 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% |
| | 2010 | 142,871 | 215,823 | 72,952 | 66.2% | 18,661 | 390.9% |

| 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 | 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 |
| | 2010 | 19,458 | 54,153 | 34,695 | 35.9% | 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, 2011, for the plans administered by the South Carolina Retirement Systems were as follows:

| | | SCRS | | PORS | (| SARS | | ISRS | N | GPS | | Totals |
|-----------------------------------|--------|-----------------|-----|-----------|----|--------|------|--------|------|-------|------|------------|
| Receivables: | | | | | | | | | | | | |
| Contributions | \$ | 147,843 | \$ | 16,963 | \$ | 34 | \$ | 684 | \$ | 15 | \$ | 165,539 |
| Employer long-term | | 18 | | 8 | | _ | | _ | | _ | | 26 |
| Accrued interest | | 55,107 | | 7,761 | | 90 | | 308 | | 40 | | 63,306 |
| Unsettled investment sales | | 641,058 | | 93,240 | | 960 | | 3,572 | | 461 | | 739,291 |
| Other investment receivables | | 21,697 | | 3,139 | | 33 | | 121 | | 16 | | 25,006 |
| Total receivables | \$ | 865,723 | \$ | 121,111 | \$ | 1,117 | \$ | 4,685 | \$ | 532 | \$ | 993,168 |
| Due from other funds | \$ | 6,988 | \$ | 604 | \$ | | \$ | 92 | \$ | | \$ | 7,684 |
| Investments and invested securiti | es ler | nding collatera | ıl: | | | | | | | | | |
| Short-term securities | \$ | 10,113 | \$ | 1,471 | \$ | 16 | \$ | 56 | \$ | 7 | \$ | 11,663 |
| Debt-domestic | | 3,309,873 | | 481,410 | | 4,955 | | 18,445 | | 2,380 | | 3,817,063 |
| Debt-international | | 2,780,555 | | 404,422 | | 4,163 | | 15,495 | | 1,999 | | 3,206,634 |
| Equity-domestic | | 1,808,944 | | 263,105 | | 2,708 | | 10,080 | | 1,301 | | 2,086,138 |
| Equity-international | | 1,075,869 | | 156,482 | | 1,611 | | 5,996 | | 773 | | 1,240,731 |
| Alternatives | | 11,713,707 | | 1,703,719 | | 17,537 | | 65,277 | | 8,422 | 1 | 13,508,662 |
| Invested securities lending | | | | | | | | | | | | |
| collateral | | 198,711 | | 28,902 | | 298 | | 1,107 | | 143 | | 229,161 |
| Total investments | \$ | 20,897,772 | \$ | 3,039,511 | \$ | 31,288 | \$ 1 | 16,456 | \$ 1 | 5,025 | \$ 2 | 24,100,052 |

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 5,862, members were participating in the TERI program at June 30, 2011. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2011, was as follows:

| Beginning balance of TERI trust accounts | \$ 322,350 |
|--|---------------|
| Additions | 155,874 |
| TERI distributions at termination | (114,851) |
| Ending balance of TERI trust accounts | \$ 363,373 |

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 | \$ 960,684 |
|------------------------|---------------|
| Employee contirbutions | 62,444 |
| Employer contributions | 48,034 |

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 though 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, 3.90% of annual covered payroll for fiscal year 2010-2011. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The State paid \$283.283 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2011. The net estimated OPEB obligation at June 30, 2011 was \$462.723 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 \$3.22 for the fiscal year ended June 30, 2011.

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 (\$17.097 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 3 | 0, 2011 | June 30, 2010 | | | | June 30, 2009 | | | | | | |
| | Actuarially Required | % Contributed | Actuarially Required | | % Contributed | | ctuarially Required | % Contributed | | | | | |
| SCRHI | \$ 815,825 | 36.78% | \$ | 785,250 | 37.76% | \$ | 727,079 | 50.87% | | | | | |
| LTDI | 9,456 | 71.25% | | 9,590 | 71.43% | | 9,469 | 73.57% | | | | | |

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 | ٧ | tuarial /alue Assets (a) | _ | Actuarial Accrued Liability (b) | 7 | Jnfunded 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, 2008 | \$ 2 | 270,153 | \$ | 9,279,578 | \$ | 9,009,425 | 3% | \$ 7,596,053 | 119% |
| SCRHITF | June 30, 2009 | \$ 4 | 439,903 | \$ | 9,643,577 | \$ | 9,203,674 | 5% | \$ 7,736,161 | 119% |
| SCRHITF | June 30, 2010 | \$ 4 | 487,496 | \$ | 9,632,092 | \$ | 9,144,596 | 5% | \$ 8,045,607 | 114% |
| 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% |
| LTDITF | June 30, 2010 | \$ | 32,690 | \$ | 25,855 | \$ | (6,835) | 126% | \$ 8,295,065 | <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, 2011, for the OPEB plans administered by the Employee Insurance Program were as follows:

| | | SCRHI | | LTDI | Totals | | |
|---|-------------|-------------------------------------|-------------|-----------------|--------|-------------------|--|
| Receivables: | | | | , | | , | |
| Accrued interest | \$ | 4,778 | \$ | 356 | \$ | 5,134 | |
| Due from other funds | | 42,880 | \$ | | \$ | 42,880 | |
| Investments and invested securities Domestic Debt Instruments Financial Paper Invested securities lending | es le \$ | ending collate 378,319 36,959 | eral: \$ | 24,803 5,206 | \$ | 403,122 42,165 | |
| collateral | | 2,513 | | 347 | | 2,860 | |
| Total investments | \$ | 417,791 | \$ | 30,356 | \$ | 448,147 | |

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 for the coverage provided.

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 \$237.874 million at June 30, 2011, includes a provision for reported claims and 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. 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):

| Year Ended June 30 | Beginning of Fiscal Year Liability | Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|--------------------------|--|---------------------------------------|-------------------|----------------------------------|
| 2010 | \$ 226,834 | \$ 51,466 | \$ (48,289) | \$ 230,011 |
| 2011 | 230,011 | 49,436 | (41,573) | 237,874 |

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.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 9 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHITF for which claims liability information is also available in Note 9.

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 \$144.879 million at June 30, 2011, includes a provision for reported claims 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 including factors for 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, 2011, \$7.679 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):

| Fiscal Year Ended June 30 | Year Beginning of Ended Fiscal Year | | C | irrent Year laims and hanges in Estimates | Claim Payments | alance at Fiscal ear-End | |
|------------------------------------|--|--------------------|----|--|-------------------|--------------------------------|--------------------------|
| 2010 2011 | \$ | 185,837 156,969 | \$ | 1,615,021 1,615,143 | \$ | (1,643,889) (1,627,233) | \$ 156,969 144,879 |

c. State Accident Fund

State law established the State Accident 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 modified for claims experience. 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.

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, 2011, the Fund's policy claims liability was \$237.790 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 tw | o vears were as follows | (expressed in thousands): |
|-------------------------|-----------------------|--------------------|-------------------------|---------------------------|
| | | | | |

| Fiscal Year Ended June 30 | Year Beginning of Ended Fiscal Year | | Cla Ch | Current Year Claims and Changes in Estimates | | Claim ayments | Balance at Fiscal Year-End | | |
|------------------------------------|--|--------------------|-----------|--|----|----------------------|----------------------------------|--------------------|--|
| 2010 2011 | \$ | 214,750 228.145 | \$ | 63,634 56,251 | \$ | (50,239) (46,606) | \$ | 228,145 237.790 | |

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 \$122.093 million for the PCF at June 30, 2011, and \$140.434 million, for the JUA at December 31, 2010, 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):

| Fiscal Year Ended June 30 | Fi | ginning of scal Year Liability | Clai Cha | ent Year ms and nges in imates | Claim ayments | Balance at Fiscal Year-End | |
|------------------------------------|----|--------------------------------------|-------------|---|----------------------------|----------------------------------|--------------------|
| 2010 2011 | \$ | 155,574 138,654 | \$ | 704 956 | \$ (17,624) (17,517) | \$ | 138,654 122,093 |

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

| Fiscal Year Ended Dec 31 | Beginning of Claims an Changes Liability Estimate: | | Claim Payments | Balance at Fiscal Year-End | |
|-----------------------------------|--|-----------|-------------------|----------------------------------|--|
| 2009 | \$ 180,656 | \$ 10,951 | \$ (33,943) | \$ 157,664 | |
| 2010 | 157,664 | 10,220 | (27,450) | 140.434 | |

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, 2011, was \$36.086 million.

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

| Fiscal Current Year | | | | | | | | |
|--------------------------|--|------------------|----|--------------------|--|--------------------|----|-------------------------------|
| Year Ended June 30 | Beginning of Fiscal Year Liability | | | | | Claim yments_ | | lance at Fiscal ear-End |
| 2010 2011 | \$ | 32,973 35,710 | \$ | \$ 10,070 8,140 | | (7,333) (7,764) | \$ | 35,710 36,086 |

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 2008 or 2009. However, during 2010 settled claims resulting from the Santee River Flooding Case exceeded coverage limits and were paid by the Authority (See Note 22 for further details). 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 general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2010, there were no losses incurred or reserves recorded for general liability.

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 2010.

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, 2010, the policy claims liabilities were \$2.263 million. Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

| Fiscal Year Ended December 31 | Fis | Beginning of Fiscal Year Liability | | Current Year Claims and Changes in Estimates | | Claim syments | F | lance at Fiscal ear-End |
|--|-----|--|----|--|----|--------------------|----|-------------------------------|
| 2009 2010 | \$ | 2,120 1.753 | \$ | 2,027 3.548 | \$ | (2,394) (3,038) | \$ | 1,753 2.263 |

NOTE 11: LEASES

a. Capital Leases

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, 2011 for the primary government and the State's discretely presented component units were as follows (expressed in thousands):

| Fiscal Year Ending June 30 | | rnmental tivities | Business-type Activities | | Totals | |
|---------------------------------------|----|----------------------|-----------------------------|----------|--------|----------|
| 2012 | \$ | 210 | \$ | 11,508 | \$ | 11,718 |
| 2013 | | 66 | | 11,019 | | 11,085 |
| 2014 | | 43 | | 10,717 | | 10,760 |
| 2015 | | 43 | | 10,512 | | 10,555 |
| 2016 | | 9 | | 10,581 | | 10,590 |
| 2017-2021 | | _ | | 44,891 | | 44,891 |
| 2022-2026 | | _ | | 31,238 | | 31,238 |
| 2027-2031 | | _ | | 27,721 | | 27,721 |
| 2032-2036 | | _ | | 23,025 | | 23,025 |
| Thereafter | | _ | | 13,345 | | 13,345 |
| Total minimum payments | • | 371 | | 194,557 | | 194,928 |
| Less: interest and executory costs | | (110) | | (90,188) | | (90,298) |
| Present value of net minimum payments | \$ | 261 | \$ | 104,369 | \$ | 104,630 |

| | | Compone | nt Units | | |
|---------------------------------------|----|----------|----------|--------|--|
| | F | Public | State | | |
| | S | ervice | Ρ | orts | |
| Fiscal Year Ending December 31 | Αu | ıthority | Aut | hority | |
| 2011 | \$ | 1,610 | \$ | 7 | |
| 2012 | | 1,343 | | 4 | |
| 2013 | | 1,023 | | _ | |
| 2014 | | 252 | | | |
| Total minimum payments | | 4,228 | | 11 | |
| Less: interest and executory costs | | (314) | | _ | |
| Present value of net minimum payments | \$ | 3,914 | \$ | 11 | |

Assets under capital leases recorded in the accompanying government-wide statement of net assets at June 30, 2011, were as follows (expressed in thousands):

| | | Prin | nary Goverr | Component Units | | | | |
|---|----|---|-------------|-----------------|--------------------------------|---------|-----------------------------|------|
| Assets Acquired Under Capital Leases | | Governmental type Activities Activities | | | Public Service Authority | | State Ports Authority | |
| Land and non-depreciable improvements | \$ | _ | \$ 31,544 | 4 \$ 31,544 | \$ | _ | \$ | _ |
| Construction in progress | | _ | 1,496 | 3 1,496 | | _ | | _ |
| Buildings and improvements | | _ | 220,014 | 4 220,014 | 2 | 27,500 | | 26 |
| Machinery and equipment | | 679 | 8,74 | 1 9,420 | | | | |
| Assets acquired under capital leases before | | | | | | | | |
| accumulated amortization | | 679 | 261,79 | 5 262,474 | 2 | 27,500 | | 26 |
| Less: accumulated amortization | | (388) | (80,33 | 1) (80,719) | (2 | 25,800) | | (15) |
| Assets acquired under capital leases, net | \$ | 291 | \$ 181,464 | 4 \$ 181,755 | \$ | 1,700 | \$ | 11 |

Excluded from the amounts presented above are capital leases between the Medical University of South Carolina (MUSC), an institution included in the Higher Education Fund of the primary government, the Medical University Facilities Corporation, a non-major Enterprise Fund, and the CHS Development Company, a non-major Enterprise Fund. The outstanding balance of the capital lease obligation and its corresponding receivable are presented in the Fund statement presentation but have been eliminated in the Government-wide presentation because the Corporation and Company are identified by MUSC as blended component units. The amount of the elimination is reported on the Reconciliation of Government-wide to Fund Statements. The future minimum lease payments are to be paid through 2023 with interest approximating \$8 million.

Included in the Assets under capital leases is land, buildings, and equipment for which no future minimum lease payments are reported because the lease payments have been prepaid. The prepaid asset reported in the Higher Education Fund as other assets has a balance of \$9.334 million as of June 30, 2011 and is being amortized over the life of the lease. Rent expense of \$196 thousand was reported for amortization in the current fiscal year.

b. Operating Leases

For the primary government's fiscal year ended June 30, 2011, minimum rental payments under operating leases were \$99.412 million and contingent rental payments were \$9.011 million. The State's contingent rental payments are primarily 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 \$4.900 million. For the State Ports Authority, a major discretely presented component unit, minimum rental payments under operating leases with terms of less than twelve months totaled \$1.198 million for the fiscal year. For the Lottery Commission, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled \$928 thousand.

At June 30, 2011, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

| | | | Compo | onent Unit | | |
|----------------------------|-----------------------|--------|-------|------------|--|-------------------|
| Fiscal Year Ending June 30 | Primary Government | | • | | | ottery mission |
| 2012 | \$ | 71,879 | \$ | 653 | | |
| 2013 | | 50,027 | | 636 | | |
| 2014 | | 32,662 | | 655 | | |
| 2015 | | 21,389 | | 674 | | |
| 2016 | | 13,653 | | 502 | | |
| 2017-2021 | | 42,878 | | 4 | | |
| 2022-2026 | | 14,138 | | _ | | |
| 2027-2031 | | 8,310 | | _ | | |
| 2032-2036 | | 1,264 | | _ | | |
| Thereafter | | 3,941 | | | | |
| Total minimum payments | \$ 260,141 \$ | | 3,124 | | | |

| | Component Unit | | |
|--------------------------------|----------------|----------|--|
| | Public Service | | |
| Fiscal Year Ending December 31 | Αι | uthority | |
| 2011 | \$ | 600 | |
| 2012 | | 600 | |
| 2013 | | 600 | |
| 2014 | | 600 | |
| 2015 | | 600 | |
| Total minimum payments | \$ | 3,000 | |

c. Facilities and Equipment Leased to Others

At June 30, 2011, the State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately \$27.876 million and related accumulated depreciation of \$11.590 million. In addition at June 30, 2011, 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 \$577.009 million and related accumulated depreciation of \$272.638 million. Future minimum rental payments to be received at June 30, 2011, under these operating leases were as follows (expressed in thousands):

| | | | Com | onent Unit |
|----------------------------|---------|----------|-----|------------|
| | Primary | | | ate Ports |
| Fiscal Year Ending June 30 | Go | vernment | A | uthority |
| 2012 | \$ | 6,914 | \$ | 16,570 |
| 2013 | | 6,156 | | 11,450 |
| 2014 | | 3,982 | | 9,446 |
| 2015 | | 1,101 | | 5,296 |
| 2016 | | 959 | | 5,596 |
| 2017-2021 | | 3,369 | | 6,273 |
| 2022-2026 | | 2,906 | | _ |
| Thereafter | | 8,967 | | |
| Total | \$ | 34,354 | \$ | 54,631 |

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, 2011, were:

| Governmental Activities | |
|---|--------------|
| Capital improvement bonds, 2.00% to 5.50%, maturing serially through 2019 | \$ 294,497 |
| State highway bonds, 2.00% to 5.50%, maturing serially through 2023 | 470,125 |
| State school facilities bonds, 2.00% to 5.00%, maturing serially through 2018 | 321,243 |
| Infrastructure Bank bonds, 3.00% to 5.00%, maturing serially through 2028 | 48,055 |
| State economic development bonds, 1.00% to 6.75%, | |
| maturing serially through 2031 | 398,026 |
| Research university infrastructure bonds, 3.00% to 5.75%, | |
| maturing serially through 2025 | 176,817 |
| Air carrier hub terminal facilities bonds, 1.00% to 4.00%, | |
| maturing serially through 2025 | 47,634 |
| Subtotal—governmental activities | 1,756,397 |
| Business-type Activities, Higher Education Fund | |
| State institution bonds, 2.50% to 6.00%, maturing serially through 2031 | 484,500 |
| Total—general obligation bonds payable | \$ 2,240,897 |

At June 30, 2011, \$6.344 of capital improvement bonds, \$475.700 million of State highway bonds, \$42.185 million of State economic development bonds, and \$10.565 million of State research university infrastructure bonds were authorized but unissued.

Business-type Activities

At June 30, 2011, future debt service requirements (expressed in thousands) for general obligation bonds were:

| | Governmental Activities | | | (H | igher Edu | catio | n Fund) | |
|------------------------------|-------------------------|-----------|---------------|---------|-----------|---------|----------|---------|
| Year Ending June 30 | Principal | | cipal Interes | | Principal | | Interest | |
| 2012 | \$ | 182,320 | \$ | 71,537 | \$ | 26,450 | \$ | 20,227 |
| 2013 | | 186,595 | | 63,806 | | 27,270 | | 19,214 |
| 2014 | | 186,810 | | 55,613 | | 28,275 | | 18,185 |
| 2015 | | 194,915 | | 47,184 | | 29,230 | | 17,064 |
| 2016 | | 172,330 | | 38,199 | | 30,360 | | 15,904 |
| 2017-2021 | | 541,875 | | 98,866 | | 142,965 | | 61,531 |
| 2022-2026 | | 208,985 | | 19,172 | | 128,800 | | 30,801 |
| 2027-2031 | | 25,210 | | 2,009 | | 70,370 | | 8,306 |
| Total debt service | | | | | | | | |
| requirements | | 1,699,040 | \$ | 396,386 | | 483,720 | \$ | 191,232 |
| Unamortized premiums | | 77,719 | | | | 1,483 | | |
| Deferred amount on refunding | | (20,362) | | | | (703) | | |
| Total principal | | | | | | | | |
| outstanding | \$ | 1,756,397 | | | \$ | 484,500 | | |

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, 2011, was \$41.721 million in total for all institution bonds, \$34.898 million for highway bonds, \$130.334 million for general obligation bonds excluding institution and highway bonds, \$1.493 million for economic development bonds, and \$5.328 million for research university infrastructure bonds. Excluded from the debt service limit calculations is a \$170.000 million 2010 issue of economic development bonds which by State Law is not subject to the limitation on maximum annual debt service. South Carolina State University exceeded its legal debt service limit on its State institution bonds by approximately \$25 thousand at June 30, 2011. Midlands Technical College exceeded its legal debt service limit on its State institution bonds by approximately \$888 thousand at June 30, 2011. The University and Technical College will adjust tuition fees and make other corrections 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, 2011, which are reported in the internal service funds, totaled \$5.161 million and mature serially through 2016. Interest rates on these bonds ranged from 4.375% to 6.10%.

At June 30, 2011, 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, 2011, future debt service requirements (expressed in thousands) for limited obligation bonds were:

| | Governmental Activities (Internal Service Funds) | | | | | |
|-----------------------------|--|----------|-----|-------|--|--|
| Year Ending June 30 | Pr | incipal | Int | erest | | |
| 2012 | \$ | 1,345 | \$ | 256 | | |
| 2013 | | 1,420 | | 185 | | |
| 2014 | | 1,495 | | 110 | | |
| 2015 | | 735 | | 32 | | |
| 2016 | | 185 | | 9 | | |
| Total debt service | | - | _ | | | |
| requirements | | 5,180 | \$ | 592 | | |
| Unamortized discounts | | (19) | | | | |
| Total principal outstanding | • | 5,161 | | | | |
| | Ψ | 3,101 | | | | |

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, 2011, were:

| | Bonds | Notes |
|--|--------------|------------|
| Primary Government: | | |
| Governmental Activities: Infrastructure Bank bonds, 3.00% to 5.75%, maturing serially | | |
| through 2041through 2041 | \$ 2,135,772 | \$ — |
| Tobacco Authority bonds, 5.00%, maturing serially through 2018 | 63,161 | φ — |
| Heritage Trust Revenue bonds, 4.00% to 4.25%, maturing in 2022 | 16,024 | _ |
| Judicial Department note, 1.92%, maturing in 2017 | - | 1,927 |
| Educational Television Commission note, 2.96%, maturing in 2014 | _ | 173 |
| Corrections Department notes, 5.25% to 5.97%, maturing through 2020 | _ | 17,875 |
| Probation Parole and Pardon Department note, 4.04%, maturing in 2012 | _ | 51 |
| Criminal Justice Academy note, 3.41%, maturing through 2016 | _ | 7,970 |
| Budget and Control Board bond and notes, 3.70% to 5.00%, | | |
| maturing through 2018 | 14,376 | 22,176 |
| Totals—governmental activities | 2,229,333 | 50,172 |
| Business-type Activities: | | |
| Higher Education Fund bonds and notes, 1.28% to 6.94%, | | |
| maturing serially through 2040 | 743,930 | 77,958 |
| Housing Authority Fund bonds and note, 0.70% to 8.30%, | | |
| maturing serially through 2045 | 790,098 | _ |
| Medical University Hospital Authority bonds and notes, 2.15% to 6.15%, | | |
| maturing through 2035 | 441,245 | 25,353 |
| Education Assistance Authority Fund bonds, 3.40% to 5.10%, | | |
| maturing serially through 2030 | 73,095 | _ |
| Nonmajor enterprise funds: | | |
| Nonmajor enterprise fund bonds and notes, 0.25% to 7.50%, | | |
| maturing through 2038 | 58,998 | 52,119 |
| Totals—business-type activities | 2,107,366 | 155,430 |
| Totals—primary government | \$ 4,336,699 | \$ 205,602 |
| Major Discretely Presented Component Units: | | |
| Public Service Authority bonds, 1.35% to 8.37%, | | |
| maturing serially through 2051 | \$ 5,121,540 | \$ |
| State Ports Authority bonds and notes, 0.86% to 5.50%, | | |
| maturing serially through 2041 | \$ 181,034 | \$ 949 |
| Connector 2000 Association, Inc. bonds, 5.25% to 6.30%, maturing serially through 2038 | ¢ 226.220 | ¢ |
| maturing scharly through 2000 | \$ 326,339 | <u> </u> |

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. 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 (LIBOR) on such notional amount. For the fiscal year ended June 30, 2011, the Bank made variable bond interest payments of \$911 thousand and fixed rate payments on the exchange agreement of \$13.985 million. The Bank received variable swap payments on the exchange agreement of \$654 thousand. The June 30, 2011, mark to market value of this swap was negative \$63.091 million, representing an increase in fair value of \$13.668 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.

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a blended component unit and nonmajor enterprise fund. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 2.98% plus 8% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2011 is \$62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.0% of the one-month LIBOR rate. The variable rate in effect at June 30, 2011 was 0.13%. The fair value of this swap, estimated using the zero-coupon method, was \$2.915 million as of June 30, 2011. The positive fair value of the 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 increase in the fair value of the cash flow hedge swap from June 30, 2010 of \$1.457 million is not recognized in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding 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 matures January 1, 2019. The notional amount as of June 30, 2011 was \$28.752 million, which equaled the principal outstanding. Under this 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 term loan in effect at June 30, 2011 was 1.49%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative \$742 thousand as of June 30, 2011. 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, 2010 of \$33 thousand is not recognized in these financial statements.

As of June 30, 2011, 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 | | Variable | Rate [| Debt | Inte | rest Rate | |
|-------------|----|----------|--------|---------|------|-----------|---------------|
| June 30 | Pı | rincipal | lr | nterest | Sw | aps, Net | Totals |
| 2012 | \$ | 3,792 | \$ | 1,033 | \$ | 1,875 | \$ 6,700 |
| 2013 | | 3,792 | | 977 | | 1,783 | 6,552 |
| 2014 | | 3,791 | | 920 | | 1,692 | 6,403 |
| 2015 | | 3,791 | | 863 | | 1,601 | 6,255 |
| 2016 | | 3,791 | | 807 | | 1,510 | 6,108 |
| 2017-2021 | | 17,920 | | 3,206 | | 6,160 | 27,286 |
| 2022-2026 | | 13,330 | | 2,350 | | 4,561 | 20,241 |
| 2027-2031 | | 15,315 | | 1,610 | | 3,126 | 20,051 |
| 2032-2036 | | 17,575 | | 762 | | 1,480 | 19,817 |
| 2037-2038 | | 7,740 | | 40 | | 78 | 7,858 |
| Totals | \$ | 90,837 | \$ | 12,568 | \$ | 23,866 | \$ 127,271 |

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in 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 70.0% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2011 were \$60.795 million and \$26.055 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides 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 on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is \$86.850 million at June 30, 2011.

As of June 30, 2011, the swaps had a negative fair value of approximately \$3.604 million. The unrealized loss related to these agreements recorded at June 30, 2011 is \$1.484 million and is included in interest expense on the Statement of Activities.

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 a 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, 2011, in the statement of revenues, expenses, and changes in fund net assets for proprietary funds.

Debt Service Requirements

At June 30, 2011, 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:

| | Primary Government | | | | | | | | | | | |
|------------------------------|--------------------|------------|-----------------|----------|----|--------------|----------|-----------|--|--|--|--|
| | G | overnmenta | al Ac | tivities | | Business-typ | ое А | ctivities | | | | |
| Year Ending June 30 | P | rincipal | | nterest | | Principal | Interest | | | | | |
| 2012 | \$ | 66,676 | \$ | 107,889 | \$ | 105,343 | \$ | 106,563 | | | | |
| 2013 | | 74,624 | | 104,448 | | 88,173 | | 103,122 | | | | |
| 2014 | | 80,013 | | 100,663 | | 73,369 | | 99,254 | | | | |
| 2015 | | 78,366 | | 96,805 | | 78,002 | | 95,500 | | | | |
| 2016 | | 86,361 | | 92,736 | | 78,540 | | 91,700 | | | | |
| 2017-2021 | | 434,182 | | 396,491 | | 392,526 | | 403,626 | | | | |
| 2022-2026 | | 392,365 | | 295,786 | | 446,152 | | 300,583 | | | | |
| 2027-2031 | | 471,210 | | 200,974 | | 409,204 | | 192,210 | | | | |
| 2032-2036 | | 404,615 | | 89,732 | | 437,066 | | 83,983 | | | | |
| 2037-2041 | | 200,990 | | 27,167 | | 124,910 | | 10,984 | | | | |
| 2042-2045 | | _ | | _ | | 36,400 | | 6 | | | | |
| Total debt service | | | | | | | | | | | | |
| requirements | | 2,289,402 | \$ [^] | ,512,691 | | 2,269,685 | \$ | 1,487,531 | | | | |
| Net unamortized premiums | | 76,222 | | | | 34,741 | | <u>.</u> | | | | |
| Deferred amount on refunding | | (86,119) | | | | (41,630) | | | | | | |
| Total principal outstanding | \$ | 2,279,505 | | | \$ | 2,262,796 | | | | | | |

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, 2010, the carrying value of the Public Service Authority's debt was \$5.155 billion while the fair value was approximately \$5.500 billion. At June 30, 2011, the carrying value of the State Ports Authority debt was \$179.435 million while the fair value was approximately \$187.239 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.

As of the last reporting date of the Component Units, future debt service requirements (expressed in thousands) for bonds and notes of the State's major discretely presented component units were as follows:

| | Public Servi | ce Authority | Connector 2000 Assoc. | | | | | | |
|----------------------------------|--------------|--------------|-----------------------|-----------|--|--|--|--|--|
| Year Ending December 31 | Principal | Interest | Principal | Interest | | | | | |
| 2012 | \$ 361,781 | \$ 238,843 | \$ 15,400 | \$ 6,983 | | | | | |
| 2013 | 129,965 | 245,830 | 9,900 | 3,303 | | | | | |
| 2014 | 176,058 | 238,459 | 10,500 | 3,243 | | | | | |
| 2015 | 426,750 | 221,233 | 11,000 | 3,180 | | | | | |
| 2016 | 224,388 | 202,807 | 11,700 | 3,114 | | | | | |
| 2017-2021 | 1,121,113 | 854,258 | 78,900 | 14,471 | | | | | |
| 2022-2026 | 762,505 | 606,147 | 115,200 | 12,258 | | | | | |
| 2027-2031 | 609,981 | 455,233 | 154,000 | 9,334 | | | | | |
| 2032-2036 | 518,650 | 299,922 | 187,100 | 5,493 | | | | | |
| 2037-2041 | 453,420 | 161,676 | 139,500 | 989 | | | | | |
| 2042-2046 | 66,095 | 114,544 | _ | _ | | | | | |
| 2047-2051 | 300,000 | 48,405 | _ | _ | | | | | |
| Total debt service | | | | | | | | | |
| requirements | 5,150,706 | \$ 3,687,357 | 733,200 | \$ 62,368 | | | | | |
| Unamortized premiums (discounts) | 133,888 | | (406,861) | | | | | | |
| Deferred amount on refunding | (164,054) | | | | | | | | |
| Total principal outstanding | \$ 5,120,540 | | \$ 326,339 | | | | | | |

As discussed further in Note 22g, Connector 2000 Association had filed for Bankruptcy protection prior to the issuance of its audited financial statements. The information included above reflects the amounts owed based on the audited financial statements which includes the protection provided by the bankruptcy filing. Subsequent to the issuance of those statements, the court order for the bankruptcy was issued which restructured the debt service requirements presented above. A complete copy of the order from the U. S. Bankruptcy Court is available from the Association's website, www.SouthernConnector.com under the *News & Filings* tab.

| | State Ports | Authority |
|-----------------------------|-------------|-----------|
| Year Ending June 30 | Principal | Interest |
| 2012 | \$ 4,470 | \$ 8,942 |
| 2013 | 4,695 | 8,701 |
| 2014 | 4,919 | 8,512 |
| 2015 | 4,845 | 8,317 |
| 2016 | 5,035 | 8,116 |
| 2017-2021 | 29,095 | 36,354 |
| 2022-2026 | 37,320 | 27,626 |
| 2027-2031 | 22,290 | 20,012 |
| 2032-2036 | 29,025 | 13,112 |
| 2037-2041 | 37,730 | 4,169 |
| Total debt service | | |
| requirements | 179,424 | \$143,861 |
| Unamortized premiums | 2,559 | |
| Total principal outstanding | \$181,983 | |
| | | |

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, 2011, in governmental functions for these entities as follows (expressed in thousands):

| | Amount | | | |
|----------------------------------|--------|---------|--|--|
| General government | \$ | 14,349 | | |
| Transportation | | 138,648 | | |
| Total allocated interest expense | \$ | 152,997 | | |

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, 2011, \$30.000 million in short-term general obligation bond anticipation notes and \$33.500 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 March 2011, the State issued \$123.590 million in general obligation State capital improvement refunding bonds with an average interest rate of 1.67% to refund \$132.225 million of general obligation State capital improvement bonds (\$31.510 million of Series 2001A, \$51.620 million of Series 2002A, and \$49.095 million of Series 2002C) with an average interest rate of 4.65%. The net proceeds of \$138.385 million (after payment of \$478 thousand in issuance costs), were used for a current refunding of the Series 2001A issue, and the remainder was used to purchase United States government securities to advance refund the Series 2002A and Series 2002C issues. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.087 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 on a straight-line basis. The bonds were refunded to reduce total debt service payments over the next seven years by approximately \$8.586 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$8.452 million.

During March 2011, the State issued \$192.275 million in general obligation State school facilities refunding bonds with an average interest rate of 1.67% to refund \$208.385 million of general obligation State school facilities bonds (\$45.190 million of Series 2000A, \$104.780 million of Series 2001A, \$50.485 million of Series 2002A, and \$7.930 million of Series 2002B) with an average interest rate of 4.23%. The net proceeds of \$213.885 million (after payment of \$698 thousand in issuance costs), were used for current refunding of the Series 2000A and Series 2001A issues, and the remainder was used to purchase United States government securities to advance refund the Series 2002A and Series 2002B issues. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.716 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2017 on a straight-line basis. The bonds were refunded to reduce total debt service payments over the next six years by approximately \$13.414 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$13.346 million.

On March 3, 2011, the University of South Carolina issued \$20.085 million in general obligation state institution refunding bonds to partially advance refund the Series 2001B state institution bonds maturing from July 1, 2012 to July 1, 2021 and callable July 1, 2011. The refunding transactions resulted in a deferred loss on refunding of \$704 thousand, an aggregate debt payment reduction of \$1.694 million over the next eleven years, and an economic gain of \$1.790 million.

During its fiscal year ended December 31, 2010, the Public Service Authority, a major discretely presented component unit, issued \$231.100 million in 2010 Series Refunding Series B Bonds with an aggregate all-in true interest cost of 3.30% to refund \$30.430 million of the 2001 Series A, \$118.600 million of the 2002 Series B, and \$84.780 million of the 2002 Refunding Series D with interest rates ranging from 4.00% to 5.375%. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2032 using the effective-interest method. The bonds were refunded to reduce total debt service payments over the next 23 years by approximately \$22.800 million and to obtain an economic gain of approximately \$18.900 million.

On September 14, 2010, the University of South Carolina, included in the Higher Education major enterprise fund, issued \$12.840 million in athletic facilities revenue refunding bonds to partially advance refund the Series 2002A revenue bonds maturing from May 1, 2013 to May 1, 2027 and callable May 1, 2012. The refunding transactions resulted in a deferred loss on refunding of \$1.105 million, an aggregate debt payment reduction of \$1.226 million over the next seventeen years, and an economic gain of \$952 thousand.

On December 18, 2008, University Medical Associates 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. During the current fiscal year, the Series 2008 Bonds were refunded under a mandatory tender provision. The proceeds of \$62.085 million along with \$315 thousand from operating cash retired the Series 2008 Bonds including accrued interest and issue costs of \$315 thousand. This refunding resulted in an economic loss of \$7.342 million and an increase in cash flows of \$9.808 million due to increased interest costs. The deferred refunding costs aggregated with unamortized costs of prior refundings amounting to \$22.347 million are being amortized over the original amortization period remaining from the previous refunding (ending May 15, 2027) using the effective interest method.

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, 2011, the following outstanding bonds of the primary government (expressed in thousands) were considered defeased:

| | Governmental Activities | Business- type Activities | Totals Primary Government |
|-----------------------------|-------------------------|---------------------------------|---------------------------------|
| Capital improvement bonds | \$ 100,715 | \$ — | \$ 100,715 |
| School Facilities bonds | 58,415 | _ | 58,415 |
| Infrastructure Bank bonds | 308,595 | _ | 308,595 |
| Tobacco Authority bonds | 81,170 | _ | 81,170 |
| Higher Education Fund bonds | | 142,390 | 142,390 |
| Totals | \$ 548,895 | \$142,390 | \$ 691,285 |

In addition, at December 31, 2010, \$243.810 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, 2011, reported as other liabilities for governmental activities is an arbitrage rebate liability of \$694 thousand associated with the State's General Obligation Debt and a \$1.163 million 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) also incurred arbitrage rebate liabilities in connection with revenue bonds sold in previous years. Arbitrage rebates payable at June 30, 2011 are reported as other liabilities of \$39 thousand in the Higher Education 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, 2011, the outstanding balance of bonds issued was \$336.070 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, 2011, the outstanding balance of bonds issued after June 30, 1995, was \$3.609 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, 2011, the outstanding balance of bonds issued was \$244.316 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, 2011, 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, 2011 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, 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 ended June 30, 2011, there were no advances under this line of credit. The line of credit expired during June 2011 and was renewed with basically the same terms through June 30, 2012.

The Public Service Authority, a discretely presented component unit, has recorded a \$159.338 million liability for commercial paper notes at its fiscal year ended December 31, 2010. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has a \$375.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 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, 2011, the outstanding balance of these advances was \$967.068 million. Principal payments are required to begin on September 30, 2011, with interest accruing at an interest rate of approximately 4.00% beginning on January 1, 2011. Of the balance reported, \$783.693 million is considered non-current with \$183.375 million reported as due within one year.

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. For the fiscal year ended June 30, 2011, a total of \$35.189 million was applied to reduce the balance of federal unemployment account advances to the Fund as a result of the reduced FUTA credits. Non-recurring revenues appropriated to the Department of Employment Workforce by the General Assembly will be utilized to make principal payments on the federal advances in amounts sufficient to avoid the FUTA credit reductions for state employers for the 2011 tax year.

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.

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 May 2011. 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 the first quarter of the 2012 calendar year. The Federal government has not established a maximum amount that the Fund can borrow.

Federal regulations specify that interest on Federal Unemployment Account Advances may not be paid, either directly or indirectly, from the Fund; therefore, no accrued interest is reported in the Unemployment Compensation Benefits Fund. Interest of \$26.481 million was paid in September 2011 from the State's Debt Service Fund, with the portion due at June 30, 2011 of \$17.709 million reported as accrued interest in the government-wide Statement of Net Assets for governmental activities. As of November 7, 2011, the balance of advances from the Federal government was \$782.616 million, after principal payments of \$115.175 million and \$68.700 million were made in September and November 2011, respectively, and FUTA tax credits of \$577 thousand were applied against the balance of advances. Additional information related to activity subsequent to year end is provided in the next section.

j. Subsequent Events

In September and October of 2011, the State's primary government entered into two Master Lease notes totaling \$1.040 million, which will be reported in the State's governmental activities.

The State Housing Finance and Development Authority, a major enterprise fund, issued \$70.000 million in Homeownership Revenue Bonds on October 20, 2011.

Subsequent to its fiscal year end, the Public Service Authority, a major discretely presented component unit, has issued \$625.147 million in revenue obligations, \$135.855 million in revenue refunding obligations, and \$48.036 million in tax-exempt revenue mini-bonds.

In response to the State's responsibility for repayment of the Federal Advances a budget proviso was recently enacted, which provides the Unemployment Compensation Fund with \$146.000 million earmarked for federal loan repayments. This proviso resulted in the Department of Employment Workforce being required to recalculate business unemployment taxes for 2011 retroactive to January 1, 2011. The recalculation of rates will result in overpayments from businesses for the first two calendar quarters of 2011. Any credits resulting from the lower rates can be applied to future quarters automatically. If the business is interested in receiving a refund for any overpayments made in the second quarter of 2011, they can begin requesting these refunds October 1, 2011. It is estimated that approximately \$23.000 million will be available to South Carolina businesses as refunds. Any overpayments associated with the first quarter are required to be carried by the Department as credit to be applied to future tax liability, which is estimated in the amount of \$67.000 million.

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, 2011, were:

| Primary Cavarament | | alances at uly 1, 2010 | Increases Decreases | | | Balances at June 30, 2011 | | Amounts Due Within One Year | | |
|---|----|---------------------------------|---------------------|--------------------------------|------|--------------------------------|----------|-----------------------------------|---------|-------------------|
| Primary Government: Governmental Activities | | | | | | | | | | |
| Policy claims | \$ | 650,834 | \$ ^ | 1,728,970 | \$ (| (1,723,175) | \$ | 656,629 | \$ | 469,421 |
| Notes payable | \$ | 60,944 | \$ | 1,927 | \$ | (12,699) | \$ | 50,172 | \$ | 10,581 |
| General obligation bonds payable Unamortized discounts and premiums Deferred amount on refunding | \$ | 1,913,950 54,634 (18,536) | \$ | 315,865 37,581 (4,803) | \$ | (530,775) (14,496) 2,977 | \$ | 1,699,040 77,719 (20,362) | \$ | 182,320 — — |
| Total general obligation bonds payable | \$ | 1,950,048 | \$ | 348,643 | \$ | (542,294) | \$ | 1,756,397 | \$ | 182,320 |
| Tobacco Authority bonds payable Unamortized discount Deferred amount on refunding | \$ | 136,965 (4,098) (12,214) | \$ | _ _ _ | \$ | (65,265) 1,953 5,820 | \$ | 71,700 (2,145) (6,394) | \$ | |
| Total Tobacco Authority bonds payable | \$ | 120,653 | \$ | _ | \$ | (57,492) | \$ | 63,161 | \$ | _ |
| Revenue bonds payable Unamortized discounts and premiums | \$ | 32,570 681 | \$ | _ | \$ | (2,760) (91) | \$ | 29,810 590 | \$ | 2,885 |
| Total revenue bonds payable | \$ | 33,251 | \$ | | \$ | (2,851) | \$ | 30,400 | \$ | 2,885 |
| , , , , , , , , , , , , , , , , , , , | Ψ | 00,201 | Ψ | | Ψ | (2,001) | <u>Ψ</u> | 00,400 | <u></u> | 2,000 |
| Infrastructure Bank bonds payable Unamortized discounts and premiums Deferred amount on refunding | \$ | 1,981,470 86,627 (16,552) | \$ | 563,830 (5,314) (67,242) | \$ | (407,580) (3,536) 4,069 | \$ | 2,137,720 77,777 (79,725) | \$ | 53,210 — — |
| Total Infrastructure Bank bonds payable. | \$ | 2,051,545 | \$ | 491,274 | \$ | (407,047) | \$ | 2,135,772 | \$ | 53,210 |
| Limited obligation bonds payable Unamortized discounts and premiums | \$ | 6,460 (25) | \$ | | \$ | (1,280) | \$ | 5,180 (19) | \$ | 1,345 |
| Total limited obligation bonds payable | \$ | 6,435 | \$ | _ | \$ | (1,274) | \$ | 5,161 | \$ | 1,345 |
| Capital leases payable | \$ | 242 | \$ | 166 | \$ | (147) | \$ | 261 | \$ | 143 |
| Compensated absences payable | \$ | 214,113 | \$ | 95,076 | \$ | (98,436) | \$ | 210,753 | \$ | 109,978 |
| National Guard Retirement System net pension obligation payable | \$ | 9,348 | \$ | | \$ | (156) | \$ | 9,192 | \$ | |
| Judgments and contingencies payable | \$ | 23,532 | \$ | 15,500 | \$ | (2,414) | \$ | 36,618 | \$ | |
| Arbitrage payable | \$ | 4,276 | \$ | 480 | \$ | (2,899) | \$ | 1,857 | \$ | 329 |

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, 2010 | | Increases Decreases | | | ecreases | _ | alances at ne 30, 2011 | Amounts Due Within One Year | | |
|--|-----------------------------|-----------|---------------------|---------|----|------------------|----|---------------------------|-----------------------------------|---------|--|
| Primary Government: | | | | | | | | | | | |
| Business-type Activities | • | 400.055 | • | 00.000 | • | (00.004) | • | 100 000 | • | 40.500 | |
| Policy claims | \$ | 138,655 | \$ | 20,299 | \$ | (36,861) | \$ | 122,093 | \$ | 16,539 | |
| Advances from Federal government | \$ | 886,662 | \$ | 115,595 | \$ | (35,189) | \$ | 967,068 | \$ | 183,375 | |
| Notes payable | \$ | 227,494 | \$ | 2,119 | \$ | (67,177) | \$ | 162,436 | \$ | 30,417 | |
| Unamortized discounts and premiums | | 72 | | _ | | (5) | | 67 | | _ | |
| Deferred amount on refunding | | (8,287) | | _ | | 1,214 | | (7,073) | | _ | |
| Total notes payable | \$ | 219,279 | \$ | 2,119 | \$ | (65,968) | \$ | 155,430 | \$ | 30,417 | |
| Conoral obligation bands navable | \$ | 387,505 | \$ | 140,360 | \$ | (44 145) | ¢. | 483,720 | ¢. | 26.450 | |
| General obligation bonds payable Unamortized discounts and premiums | φ | 742 | Φ | 813 | Φ | (44,145) (72) | \$ | 1,483 | \$ | 26,450 | |
| Deferred amount on refunding | | (783) | | 013 | | 80 | | (703) | | _ | |
| Total general obligation bonds payable | \$ | 387,464 | \$ | 141,173 | \$ | (44,137) | \$ | 484,500 | \$ | 26,450 | |
| Revenue bonds payable | \$ | 2,929,282 | \$ | 153,430 | \$ | (975,463) | \$ | 2,107,249 | \$ | 74,926 | |
| Unamortized discounts and premiums | * | 21,616 | Ψ. | 14,875 | Ψ | (1,817) | Ψ. | 34,674 | Ψ. | ,,,== | |
| Deferred amount on refunding | | (34,732) | | (1,728) | | 1,903 | | (34,557) | | _ | |
| Total revenue bonds payable | \$ | 2,916,166 | \$ | 166,577 | \$ | (975,377) | \$ | 2,107,366 | \$ | 74,926 | |
| Capital leases payable | \$ | 106,468 | \$ | 13,997 | \$ | (16,096) | \$ | 104,369 | \$ | 5,323 | |
| Compensated absences payable | \$ | 147,557 | \$ | 96,636 | \$ | (92,504) | \$ | 151,689 | \$ | 79,349 | |
| Arbitrage payable | \$ | 1,858 | \$ | | \$ | (1,819) | \$ | 39 | \$ | 39 | |

| | Balances at January 1, 2010 | | Increases | | D | ecreases | _ | Balances at ember 31, 2010 | Amounts Due Within One Year | | |
|------------------------------------|--------------------------------|-----------|-----------|-----------|----|-----------|----|----------------------------|-----------------------------------|---------|--|
| Major Component Units: | | | | | | | | | | | |
| Public Service Authority | | | | | | | | | | | |
| Policy claims | \$ | 1,753 | \$ | 3,548 | \$ | (3,038) | \$ | 2,263 | \$ | 2,263 | |
| Revenue bonds payable | \$ | 4,635,833 | \$ 1 | 1,236,568 | \$ | (721,695) | \$ | 5,150,706 | \$ | 361,781 | |
| Unamortized discounts and premiums | | 127,791 | | 25,554 | | (19,457) | | 133,888 | | _ | |
| Deferred amount on refunding | | (168,434) | | (22,954) | | 27,334 | | (164,054) | | _ | |
| Total revenue bonds payable | \$ | 4,595,190 | \$ 1 | ,239,168 | \$ | (713,818) | \$ | 5,120,540 | \$ | 361,781 | |
| Capital leases payable | \$ | 5,599 | \$ | | \$ | (1,685) | \$ | 3,914 | \$ | 1,444 | |
| Compensated absences payable | \$ | 18,035 | \$ | 1,874 | \$ | (1,384) | \$ | 18,525 | \$ | | |
| Connector 2000 Association, Inc. | | | | | | | | | | | |
| Revenue bonds payable | \$ | 733,200 | \$ | _ | \$ | _ | \$ | 733,200 | \$ | 7,300 | |
| Unamortized discounts and premiums | | (414,185) | | 7,324 | | _ | | (406,861) | | _ | |
| Total revenue bonds payable | \$ | 319,015 | \$ | 7,324 | \$ | | \$ | 326,339 | \$ | 7,300 | |

| | Balances at July 1, 2010 | | Increases | | Decreases | | Balances at June 30, 2011 | | Amounts Due Within One Year | |
|--|-----------------------------|---------------|-----------|------------------|-----------|-------------------|------------------------------|------------------|-----------------------------------|------------|
| State Ports Authority Notes payable | \$ | 1,294 | \$ | | \$ | (345) | \$ | 949 | \$ | 345 |
| Revenue bonds payable Unamortized discounts and premiums | \$ | 97,955 556 | \$ | 170,000 2,595 | \$ | (89,480) (592) | \$ | 178,475 2,559 | \$ | 4,125 — |
| Total revenue bonds payable | \$ | 98,511 | \$ | 172,595 | \$ | (90,072) | \$ | 181,034 | \$ | 4,125 |
| Capital leases payable | \$ | 17 | \$ | | \$ | (6) | \$ | 11 | \$ | 7 |
| Compensated absences payable | \$ | 2,189 | \$ | 2,050 | \$ | (1,891) | \$ | 2,348 | \$ | 2,348 |
| Lottery Commission Compensated absences payable | \$ | 706 | \$ | 485 | \$ | (545) | \$ | 646 | \$ | 551 |

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, 2011 included: BANS in the Higher Education Fund, a major enterprise fund and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year (expressed in thousands) was as follows:

| | | lances at y 1, 2010 | In | creases | De | ecreases | Balances at June 30, 2011 | | |
|---|----|--------------------------|-----------|---------|-----------|-----------|---------------------------|---------------------------|--|
| Primary Government: Business-type Activities | | | | | | | | | |
| General obligation bond anticipation notes payable | \$ | 30,000 | \$ | 30,000 | \$ | (30,000) | \$ | 30,000 | |
| Revenue bond anticipation notes payable | \$ | 51,100 | \$ | 51,100 | \$ | (68,700) | \$ | 33,500 | |
| Major Component Units | | lances at ary 1, 2010 | Increases | | Decreases | | | lances at nber 3, 2010 | |
| Major Component Unit: Public Service Authority Commercial paper notes | \$ | 276,551 | \$ | 143,867 | \$ | (261,080) | \$ | 159,338 | |

NOTE 14: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2011, the amounts constrained within the unrestricted fund balance in governmental funds (expressed in thousands) were as follows:

| | | | | | | | Dep | artment of | | | | | | |
|---------------------------------|------|----------|------|----------|-------|------------|------|------------|------|--------|------|---------------|-----|------------|
| | | | Depa | rtmental | | Local | Tran | sportation | S | tate | No | nmajor | | Total |
| | | | Pr | ogram | Gov | vernment | | Special | То | bacco | Gove | rnmental | Gov | ernmental/ |
| | Ge | eneral | | rvices | Infra | astructure | | Revenue | Sett | lement | F | Funds | | Funds |
| Non-spendable: | | | | | | - | | | | | | | | |
| Interfund receivables | \$ | 1,312 | \$ | _ | \$ | 304,191 | \$ | _ | \$ | _ | \$ | 9,825 | \$ | 315,328 |
| Inventories | | 19,559 | | 2,381 | | _ | | 3,313 | | _ | | _ | | 25,253 |
| Prepaid items | | 30,643 | | 3,036 | | _ | | 5,781 | | _ | | _ | | 39,460 |
| Long-term loans and | | * | | * | | | | , | | | | | | , |
| notes receivable | | 35,479 | | 483 | | 433,485 | | 3,778 | | _ | | 10,271 | | 483,496 |
| Endow ments | | _ | | _ | | _ | | 771 | | _ | | 12,890 | | 13,661 |
| Total Non-spendable | | 86,993 | | 5,900 | | 737,676 | | 13,643 | | | | 32,986 | | 877,198 |
| Restricted: | | | | | | | | -, | | | | , , , , , , , | | |
| Education | | 559 | | 32,037 | | _ | | _ | | _ | | 53,557 | | 86,153 |
| Health | | 242 | | 7,377 | | _ | | _ | | 22,804 | | _ | | 30,423 |
| Transportation | | _ | | 6,574 | | _ | | 10,000 | | _ | | _ | | 16,574 |
| Capital Projects | | _ | | 2,460 | | _ | | _ | | _ | | _ | | 2,460 |
| Debt Service | | _ | | _ | | 1,406,864 | | _ | | _ | | 72,611 | | 1,479,475 |
| Loan programs | | _ | | _ | | 396,641 | | _ | | _ | | 10,103 | | 406,744 |
| Waste management | | _ | | _ | | _ | | _ | | _ | | 163,768 | | 163,768 |
| Other | | 276 | | 37,596 | | _ | | _ | | _ | | 74,972 | | 112,844 |
| Total Restricted | | 1,077 | | 86,044 | | 1,803,505 | | 10,000 | | 22,804 | | 375,011 | | 2,298,441 |
| Committed: | | | | | | , , | | -, | | , | | | | |
| Capital reserve fund | | 107,683 | | _ | | _ | | _ | | _ | | _ | | 107,683 |
| Contingency reserve fund | | 71,001 | | _ | | _ | | _ | | _ | | _ | | 71,001 |
| Education | | 231,754 | | _ | | _ | | _ | | _ | | _ | | 231,754 |
| Health | | 142,946 | | _ | | _ | | _ | | _ | | _ | | 142,946 |
| Other | | 28,701 | | 89,985 | | _ | | 36,612 | | _ | | 623 | | 155,921 |
| Total Committed | | 582,085 | | 89,985 | | | • | 36,612 | | | | 623 | • | 709,305 |
| Assigned: | | | | | | | | | | | | | | , |
| Appropriations to be | | | | | | | | | | | | | | |
| carried forw ard | | 70,597 | | _ | | _ | | _ | | _ | | _ | | 70,597 |
| Capital expenditures | | 23,175 | | _ | | _ | | _ | | _ | | 98,976 | | 122,151 |
| Education | | 19,553 | | _ | | _ | | _ | | _ | | _ | | 19,553 |
| Health and Safety | | 46,223 | | _ | | _ | | _ | | _ | | _ | | 46,223 |
| Local Infrastructure | | 30,488 | | _ | | _ | | _ | | _ | | _ | | 30,488 |
| Social Programs | | 131,406 | | _ | | _ | | _ | | _ | | _ | | 131,406 |
| Other | | 28,177 | | _ | | _ | | _ | | _ | | 5,322 | | 33,499 |
| Total Assigned | | 349,619 | | | | | | | | | | 104,298 | | 453,917 |
| Total Unrestricted, unassigned | | 478,756 | | (1,356) | _ | (633,988) | | (321,035) | | | | (43,723) | | (521,346) |
| rotal officotifotou, unassigned | _ | 710,100 | | (1,000) | _ | (000,000) | | (021,000) | _ | | | (-10,120) | | (021,040) |
| Total Fund Balance | \$ 1 | ,498,530 | \$ | 180,573 | \$ | 1,907,193 | \$ | (260,780) | \$ | 22,804 | \$ | 469,195 | \$ | 3,817,515 |

The following subsections contain further descriptive information regarding the constraints of fund balance.

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact.

b. Restricted

Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health

This is restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Other

Other restricted fund balance includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the general fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund.

Contingency Reserve Fund

This reserve fund was created by State law requiring the accumulation of General Fund revenues in excess of general appropriations. Any balance in this fund must be utilized to replenish any deficit of the General Reserve Fund below its fully funded amount. Upon determination by the Comptroller General of the amount deposited to this reserve, notification is provided to the Board of Economic Advisors for determination of the amount available for appropriation by the State's legislative process.

Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

Other

The remaining committed fund balance is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

d. Assigned

Appropriations to be Carried Forward

The General Fund does not use encumbrance accounting. Appropriations to be carried forward are used if the General Assembly has authorized the carry-forward of General Fund appropriations to the next fiscal year.

Capital Expenditures

Amounts identified and budgeted for capital projects under construction in the State's Capital Projects Fund, a nonmajor governmental fund, or for acquisition of capital assets are reported as assigned fund balance.

Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health and Safety

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

Local Infrastructure

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to local governments for improvements in infrastructure to ensure the health and welfare of its citizens and visitors.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

Other

The remaining balance in the assigned fund balance classification is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

e. Unrestricted, unassigned

Included in the unrestricted, unassigned fund balance classification is the 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 for the June 30, 2011 fiscal year if 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, 2011, the Reserve was \$166.325 million, which was the required fully funded amount.

NOTE 15: INTERFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2011 (expressed in thousands):

| Funds | Du | e From | Due To |
|--|----|----------|--------------|
| General | | | |
| Departmental Program Services | \$ | 52,163 | \$ 12,253 |
| Local Government Infrastructure | | _ | 9,031 |
| Department of Transportation Special Revenue | | _ | 5,932 |
| Nonmajor governmental funds | | 513 | 1,807 |
| Higher Education | | _ | 3,070 |
| Unemployment Compensation | | 5,086 | _ |
| Nonmajor enterprise funds | | 1,080 | _ |
| Internal service | | 106 | 4,452 |
| Fiduciary | | _ | 33,341 |
| | | 58,948 | 69,886 |
| Departmental Program Services | | | |
| General | | 12,253 | 52,163 |
| Department of Transportation Special Revenue | | 54 | _ |
| Nonmajor governmental funds | | 50 | 4 |
| Higher Education | | _ | 10,900 |
| Housing Authority | | 236 | _ |
| Nonmajor enterprise funds | | 6 | 5 |
| Internal service | | 14 | 2,371 |
| Fiduciary | | _ | 8,371 |
| | | 12,613 | 73,814 |
| Local Government Infrastructure | | | |
| General | | 9,031 | _ |
| Department of Transportation Special Revenue | | 8,191 | _ |
| Internal service | | _ | 15 |
| Fiduciary | | <u> </u> | 15 |
| | | 17,222 | 30 |
| | | | |

| Funds | Due From | Due To |
|---|----------|--------|
| Department of Transportation Special Revenue Fund | | |
| General | \$ 5,932 | \$ — |
| Departmental Program Services | _ | 54 |
| Local Government Infrastructure | _ | 8,191 |
| Nonmajor governmental funds | _ | 11 |
| Higher Education | 2 | _ |
| Internal service | 29 | 156 |
| Fiduciary | _ | 11,737 |
| | 5,963 | 20,149 |
| Nonmajor Governmental Funds | | |
| General | 1,807 | 513 |
| Departmental Program Services | 4 | 50 |
| Department of Transportation Special Revenue | 11 | _ |
| Nonmajor governmental funds | 2 | 2 |
| Higher Education | 223 | 33,475 |
| Housing Authority | _ | 221 |
| Nonmajor enterprise funds | 15 | |
| Internal service | 1,944 | 269 |
| Fiduciary | 1,544 | 64 |
| i iddolary | 4 006 | |
| Higher Education | 4,006 | 34,594 |
| Higher Education General | 2.070 | |
| | 3,070 | _ |
| Departmental Program Services | 10,900 | _ |
| Department of Transportation Special Revenue | _ | 2 |
| Nonmajor governmental funds | 33,475 | 223 |
| Hospital Authority | | 11,977 |
| Nonmajor enterprise funds | 2 | 19,002 |
| Internal service | 103 | 259 |
| Fiduciary | | 7,020 |
| | 47,550 | 38,483 |
| Unemployment Compensation Benefits | | |
| General | | 5,086 |
| | | 5,086 |
| Housing Authority | | |
| Departmental Program Services | _ | 236 |
| Nonmajor governmental funds | 221 | _ |
| Internal service | | 33 |
| | 221 | 269 |
| Medical University Hospital Authority | | |
| Higher Education | 11,977 | _ |
| Nonmajor enterprise funds | 801 | |
| Noninajor enterprise runus | 12,778 | |
| Nonmaior Enterprise Funda | 12,770 | |
| Nonmajor Enterprise Funds | | 4.000 |
| General Departmental Program Services | | 1,080 |
| | 5 | 6 |
| Nonmajor governmental funds | | 15 |
| Higher Education | 19,002 | 2 |
| Hospital Authority | _ | 801 |
| Internal service | _ | 6 |
| Fiduciary | | 93 |
| | 19,007 | 2,003 |

| Funds | Due From | Due To | | |
|--|------------|--------|---------|--|
| Internal Service | | | | |
| General | \$ 4,452 | \$ | 106 | |
| Departmental Program Services | 2,371 | | 14 | |
| Local Government Infrastructure | 15 | | _ | |
| Department of Transportation Special Revenue | 156 | | 29 | |
| Nonmajor governmental funds | 269 | | 1,944 | |
| Higher Education | 259 | | 103 | |
| Housing Authority | 33 | | _ | |
| Nonmajor enterprise funds | 6 | | _ | |
| Internal service | 520 | | 520 | |
| Fiduciary | 39,294 | | 1,288 | |
| | 47,375 | | 4,004 | |
| Fiduciary | | | | |
| General | 33,341 | | _ | |
| Departmental Program Services | 8,371 | | _ | |
| Local Government Infrastructure | 15 | | _ | |
| Department of Transportation Special Revenue | 11,737 | | _ | |
| Nonmajor governmental funds | 64 | | _ | |
| Higher Education | 7,020 | | _ | |
| Nonmajor enterprise funds | 93 | | _ | |
| Internal service | 1,288 | | 39,294 | |
| Fiduciary | 43,430 | | 43,430 | |
| | 105,359 | | 82,724 | |
| Totals | \$ 331,042 | \$ | 331,042 | |

Amounts due from/to funds resulting 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 are summarized (expressed in thousands):

| Funds | | erfund eivables | Interfund Payables | | Receivables Long-term Portion | |
|--|----|--------------------|-----------------------|---------|-------------------------------------|---------|
| General | | | 1 | | | |
| Departmental Program Services | \$ | 335 | \$ | _ | \$ | 226 |
| Nonmajor governmental funds | | 30 | | 559 | | 10 |
| Higher Education | | 1,742 | | _ | | 854 |
| Nonmajor enterprise funds | | _ | | 700 | | _ |
| Internal service | | 885 | | _ | | 222 |
| | | 2,992 | | 1,259 | | 1,312 |
| Departmental Program Services General | | | | 335 | | |
| Nonmajor enterprise funds | | 5 | | _ | | _ |
| Trommajor omorphico rando | | 5 | | 335 | | |
| Local Government Infrastructure Department of Transportation Special Revenue | | 326,770 | | | | 304,191 |
| Department of Transportation Special Revenue Fund | | | | | | |
| Local Government Infrastructure | | | , | 326,770 | | |
| Nonmajor Governmental Funds | | | | | | |
| General | | 559 | | 30 | | 315 |
| Higher Education | | 1,194 | | _ | | 800 |
| Nonmajor enterprise funds | | 8,832 | | _ | | 8,710 |
| Internal service | | _ | | 13,780 | | _ |
| | | 10,585 | | 13,810 | | 9,825 |
| | | | | | | |

| Funds | erfund eivables | nterfund Payables | Receivables Long-term Portion | | |
|---------------------------------------|------------------------|--------------------------|-------------------------------------|---------|--|
| Higher Education | | | | | |
| General | \$ _ | \$ 1,742 | \$ | _ | |
| Nonmajor governmental funds | | 1,194 | | | |
| | | 2,936 | | | |
| Medical University Hospital Authority | | | | | |
| Nonmajor enterprise funds | | 2,123 | | | |
| Nonmajor Enterprise Funds | | | | | |
| General | 700 | _ | | _ | |
| Departmental Program Services | _ | 5 | | _ | |
| Nonmajor governmental funds | _ | 8,832 | | _ | |
| Hospital Authority | 2,123 | _ | | 2,123 | |
| Internal service | _ | 5,790 | | _ | |
| | 2,823 | 14,627 | | 2,123 | |
| Internal Service | | , | | | |
| General | _ | 885 | | _ | |
| Nonmajor governmental funds | 13.780 | _ | | 12,085 | |
| Nonmajor enterprise funds | 5,790 | | | 5,790 | |
| | 19,570 | 885 | | 17,875 | |
| Totals | \$ 362,745 | \$ 362,745 | \$ | 335,326 | |

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

- \$326.770 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.
- \$13.780 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.
- \$8.832 million owed by the nonmajor enterprise funds to the nonmajor governmental funds. This amount includes
 funds borrowed by the Patriots Point Development Authority for the purpose of funding repairs to the destroyer USS
 Laffey and funds borrowed under a loan program for energy conservation improvements administered by the Office
 of Energy in the Budget and Control Board.
- \$5.790 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.

Excluded from the preceding interfund receivables and payables because of elimination in the government-wide presentation are internal leasing arrangements between the Medical University of South Carolina, an institution in the Higher Education Fund, and its blended component units, nonmajor enterprise funds. The following details the eliminations and the resulting interfund payables balance (expressed in thousands):

| | Presentation | | | | | | | | |
|------------------------------------|--------------|--------------|-----------|--|--|--|--|--|--|
| | Governm | | | | | | | | |
| | Fund | Eliminations | wide | | | | | | |
| Higher Education Fund | | | | | | | | | |
| Other current liabilities | \$ 14,181 | \$ (3,219) | \$ 10,962 | | | | | | |
| Interfund payables | 28,723 | (25,787) | 2,936 | | | | | | |
| | \$ 42,904 | \$ (29,006) | \$ 13,898 | | | | | | |
| | | | | | | | | | |
| Nonmajor Enterprise Funds | | | | | | | | | |
| Restricted asset: other, current | \$ 3,664 | \$ (3,219) | \$ 445 | | | | | | |
| Restricted asset: other, long-term | 25,937 | (25,787) | 150 | | | | | | |
| | \$ 29,601 | \$ (29,006) | \$ 595 | | | | | | |

The following table summarizes interfund transfers during the fiscal year ended June 30, 2011 (expressed in thousands):

| Funds | Transfers In | Transfers Out |
|---|--------------|---------------|
| General Fund | | |
| Departmental Program Services | \$ 35,308 | \$ 95,931 |
| Local Government Infrastructure | 7,100 | 7,940 |
| Department of Transportation Special Revenue | 10,062 | 57 |
| State Tobacco Settlement | 500 | _ |
| Nonmajor governmental funds | 54,519 | 55,737 |
| Higher Education | 2,080 | 532,135 |
| Unemployment Compensation Benefits | 200 | <i>_</i> |
| Nonmajor enterprise funds | 2,717 | 200 |
| Internal service | 8,283 | 2,267 |
| | 120,769 | 694,267 |
| Departmental Program Services | | |
| General | 95,931 | 35,308 |
| Local Government Infrastructure | 590 | _ |
| Nonmajor governmental funds | 5,386 | 3,411 |
| Higher Education | 10,826 | 500 |
| Housing Authority | 472 | 300 |
| Nonmajor enterprise funds | 710 | _ |
| Internal service | | 270 |
| Internal Service | 3,019 | 372 |
| Lead Occurrent laforations | 116,934 | 39,591 |
| Local Government Infrastructure | 7.040 | 7.400 |
| General | 7,940 | 7,100 |
| Departmental Program Services | _ | 590 |
| Department of Transportation Special Revenue | | 1,000 |
| | 7,940 | 8,690 |
| Department of Transportation Special Revenue Fund | | |
| General | 57 | 10,062 |
| Local Government Infrastructure | 1,000 | |
| | 1,057 | 10,062 |
| State Tobacco Settlement | | |
| General | | 500 |
| | | 500 |
| Nonmajor Governmental Funds | | |
| General | 55,737 | 54,519 |
| Departmental Program Services | 3,411 | 5,386 |
| Nonmajor governmental funds | 5,077 | 5,077 |
| Higher Education | 3,077 | 30,772 |
| Housing Authority | _ | 400 |
| Nonmajor enterprise funds | 05 | 400 |
| | 85 | <u> </u> |
| Internal service | 64 240 | 513 |
| Higher Education | 64,310 | 96,667 |
| Higher Education | E20 12E | 2.000 |
| General | 532,135 | 2,080 |
| Departmental Program Services | 500 | 10,826 |
| Nonmajor governmental funds | 30,772 | _ |
| Nonmajor enterprise funds | 51,608 | 1,391 |
| Internal service | | 23 |
| | 615,015 | 14,320 |
| Unemployment Compensation Benefits | | |
| General | | 200 |
| | | 200 |

| Funds | Tra | nsfers In | Transfers Out | | |
|-------------------------------|-----|-----------|---------------|---------|--|
| Housing Authority | | | | | |
| Departmental Program Services | \$ | _ | \$ | 472 | |
| Nonmajor governmental funds | | 400 | | _ | |
| Internal service | | _ | | 2 | |
| | | 400 | | 474 | |
| Nonmajor Enterprise Funds | | | | | |
| General | | 200 | | 2,717 | |
| Departmental Program Services | | _ | | 710 | |
| Nonmajor governmental funds | | _ | | 85 | |
| Higher Education | | 1,391 | | 51,608 | |
| | | 1,591 | 1 | 55,120 | |
| Internal Service | | | - | | |
| General | | 2,267 | | 8,283 | |
| Departmental Program Services | | 372 | | 3,019 | |
| Nonmajor governmental funds | | 513 | | _ | |
| Higher Education | | 23 | | _ | |
| Housing Authority | | 2 | | _ | |
| Internal service | | 338 | | 338 | |
| | | 3,515 | - | 11,640 | |
| Totals | \$ | 931,530 | \$ | 931,530 | |

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, 2011, transfers included \$7.000 million of tax revenues from the Department of Motor Vehicle's operating funds, reported as part of the General Fund, to Clemson University, an institution in the Higher Education Fund, for the Drive Train Test Facility and \$10.000 million from the Department of Transportation Special Revenue Fund, a major governmental fund, to the General Fund.

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, 2011, scholarship allowances reduced the following revenues of the Higher Education Fund by the indicated amounts (expressed in thousands):

| · • | Scl | nolarship |
|--|-----|-----------|
| | All | owances |
| Charges for Services | \$ | 590,820 |
| Operating revenues pledged for revenue bonds | | 26,755 |
| Total | \$ | 617,575 |

For the fiscal year ended June 30, 2011, the State's enterprise funds presented \$1.321 billion included in net charges for services after provisions for contractual and other adjustments in the amount of \$1.825 billion and uncollectible accounts in the amount of \$102.745 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 contributions.

At June 30, 2011, \$18.095 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, \$107 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 and institutions that recorded investment income in donor-restricted endowments during the fiscal year ended June 30, 2011, the predominant policy was to authorize the spending of 4.0% to 5.0% 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, 2011, 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, 2011, are presented on the following pages:

CONDENSED STATEMENT OF NET ASSETS

| | Single Family | | Mortgage Revenue | | Hom | eownership Bond | Revenue Reserve | |
|----------------------------------|------------------|---------|---------------------|---------|-------|--------------------|--------------------|--------|
| Assets | | | | | | | | |
| Current restricted assets | \$ | 33,017 | \$ | 84,319 | \$ | 53,255 | \$ | 32,103 |
| Other current assets | | 36 | | 370 | | 60 | | 112 |
| Noncurrent restricted assets | | 160,584 | | 521,930 | | 126,882 | | 7,328 |
| Other noncurrent assets | | 601 | 4,346 | | 1,114 | | | |
| Total assets | | 194,238 | | 610,965 | | 181,311 | | 39,543 |
| Liabilities | | | | | • | | | |
| Current liabilities payable from | | | | | | | | |
| restricted assets | | 2,359 | | 35,246 | | 6,391 | | _ |
| Other current liabilities | | 39 | | 278 | | 1,077 | | 141 |
| Noncurrent liabilities | | 88,870 | | 503,169 | | 172,924 | | _ |
| Total liabilities | | 91,268 | | 538,693 | | 180,392 | | 141 |
| Net assets | | | | | • | | | |
| Restricted and expendable for: | | | | | | | | |
| Debt service | | 2,309 | | 29,454 | | _ | | _ |
| Bond reserves | | 3,209 | | 5,760 | | _ | | _ |
| Special programs | | 97,452 | | 37,058 | | 919 | | 39,402 |
| Total net assets | \$ | 102,970 | \$ | 72,272 | \$ | 919 | \$ | 39,402 |

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

| | Single Family | | Mortgage Revenue | | Homeownership Bond | | Revenue Reserve | |
|---------------------------------|------------------|---------|---------------------|--------|-----------------------|-------|--------------------|--------|
| | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Pledged revenues: | | | | | | | | |
| Interest on loans | \$ | 7,423 | \$ | 34,689 | \$ | _ | \$ | 968 |
| Income on deposit | | 967 | | 2,370 | | 3,938 | | (12) |
| Other revenues: | | | | | | | | |
| Administrative fees and other | | 49 | | 485 | | 37 | | 12 |
| Total operating revenues | | 8,439 | | 37,544 | | 3,975 | | 968 |
| Operating expenses: | | | | | | | | |
| Bond issuance cost amortization | | 35 | | 393 | | 39 | | _ |
| Other operating expenses | | 5,000 | | 31,801 | | 4,198 | | 117 |
| Total operating expenses | | 5,035 | | 32,194 | | 4,237 | | 117 |
| Operating income | | 3,404 | | 5,350 | | (262) | | 851 |
| Transfers: | | | | | | | | |
| Transfers in | | 771 | | _ | | 765 | | _ |
| Transfers out | | | | (771) | | | | |
| Increase in net assets | | 4,175 | | 4,579 | | 503 | | 851 |
| Beginning net assets | | 98,795 | | 67,693 | | 416 | | 38,551 |
| Ending net assets | \$ | 102,970 | \$ | 72,272 | \$ | 919 | \$ | 39,402 |

| CONDENSED | | |
|-----------|--|--|
| | | |

| | | Single Family | fortgage Revenue | Hom | eownership Bond | evenue Reserve |
|-------------------------------------|----|------------------|---------------------|-----|--------------------|-----------------------|
| Net cash provided (used) by: | - | | | | | |
| Operating activities | \$ | 19,228 | \$ 87,323 | \$ | 1,168 | \$ 25,240 |
| Noncapital financing activities | | (17,816) | (103,428) | | 53,913 | (36) |
| Investing activities | | (23,542) | (13,052) | | (123,423) | 9,505 |
| Net increase (decrease) | | (22,130) | (29,157) | | (68,342) | 34,709 |
| Beginning cash and cash equivalents | | 25,020 | 79,611 | | 121,118 | (3,143) |
| Ending cash and cash equivalents | \$ | 2,890 | \$ 50,454 | \$ | 52,776 | \$ 31,566 |

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

The Public Service Authority (the Authority), a major discretely presented component unit, along with five unrelated publicly owned electric utilities own a wholesale power marketing joint venture called The Energy Authority (TEA). The Authority engages in gas hedging activities through TEA to reduce the cost of fuel inventories. The Authority now has a 22.0% 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 an agreement.

During its fiscal year ended December 31, 2010, the Authority received distributions of \$12.006 million from TEA and recognized \$13.074 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 \$70.900 million to support TEA's activities.

At December 31, 2010, the Authority had a payable to TEA of \$29.100 million for power and gas purchases. In addition, the Authority had a receivable due from TEA of approximately \$5.200 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 \$529.400 million, accumulated depreciation of \$306.800 million, and expenses of \$71.900 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 \$166.200 million (adjusted to market) at December 31, 2010, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated 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, 2011, the Educational Television Endowment of South Carolina, Inc., disbursed \$5.287 million on behalf of the Program Services 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 Medical University of South Carolina Foundation; the Medical University of South Carolina Foundation for Research Development; the Coastal Educational Foundation, Inc.; the Coastal Carolina University Student Housing Foundation; Coastal Carolina Booster/Athletic Foundation; the Horry County Higher Education Commission; the College of Charleston Foundation; the Cougar Club; 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; South Carolina State Real Estate 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 Community College Foundation; Tri-County Technical College Foundation; Trident Technical College Foundation; and York Technical College Foundation. During the fiscal year ended June 30, 2011, 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-\$113.875 million; donations of cash and other assets from foundations-\$163.155 million; expenditures paid to foundations-\$6.327 million; and reimbursements to the State for expenses/expenditures the State incurred on behalf of foundations-\$4.176 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, 2011, the enterprise fund entered into various transactions with SLC. Approximate amounts within the enterprise fund that represent these transactions include: accounts receivable from SLC-\$128.120 million; program revenue from SLC-\$6.436 million; reimbursements to SLC for administrative costs-\$3.085 million; and payable to SLC-\$15.261 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 \$18.514 million during the Authority's fiscal year ended December 31, 2010.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of \$45.0 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 \$1.0 million during the fiscal year ended June 30, 2011.

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 \$262.270 million during the fiscal year ended June 30, 2011; the Commission owed an additional \$34.755 million to the Fund at June 30, 2011.

b. Concentrations of Customer 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 customer 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, 2010, were as follows (expressed in thousands):

| | | % of Total Sales | | |
|---|-------------|---------------------|--|--|
| Customer | Revenue | Revenue | | |
| Central Electric Power Cooperative, Inc | \$1,096,000 | 58% | | |
| Alumax of South Carolina, Inc | 176,000 | 9% | | |

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

State Ports Authority

During the fiscal year ended June 30, 2011, of the State Ports Authority's total revenues, three customers accounted for approximately 13%, 13%, and 10% 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 \$205.687 million and Due to Primary Government was \$206.410 million, a difference of \$723 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, 2011, the Public Service Authority owed the General Fund its semi-annual payment of \$9.719 million in lieu of taxes, which is reported as Due from Component Units. At December 31, 2010, the Connector 2000 Association, Inc. owed the Department of Transportation Special Revenue Fund \$10.442 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, 2011, are six cases that challenge the legality of certain taxes. In the event of unfavorable outcomes for these cases, the State estimates the potential loss of \$301.846 million. Although State losses in these cases could reduce future revenues, the preceding estimates do not include any impact on future revenues or future accruals of interest on disputed refunds.

The South Carolina Retirement Systems (the Systems) is involved in a putative class action lawsuit 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. The action was filed in federal court in August, 2010 alleging the provisions of Act 153 are unconstitutional and illegal. The plaintiffs all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. As of June 30, 2011, the Systems had collected approximately \$91.000 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 this claim.

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 these matters, the State's estimated liability would be approximately \$130.100 million. While the State is uncertain as to the ultimate outcome of any of the individual 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 has entered into a settlement agreement with the plaintiffs, which involves 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 \$15.600 million for those claims. The claims of seven landowners were tried in July 2009. The court entered a judgment in the amount of \$55.000 million plus prejudgment interest at eight percent compounded annually. The Authority paid the judgment amount, approximately \$206.000 million including interest. All remaining issues in the District Court action are expected to be resolved in 2011. 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 disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2011, 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, 2011, these loans totaled \$3.015 billion. The United States Department of Education reinsures 100.0% of losses under these guarantees for loans made prior to October 1, 1993; 98.0% of losses for loans made between October 1, 1993 and October 1, 1998; and 95.0% for loans made on or after October 1, 1998. If the loan default rate exceeds 5.0% 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, 2011, was 1.1%.

A nonmajor enterprise fund guarantees 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, 2010, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$2.334 billion for coal. In addition, minimum obligations under two purchased power contracts as of December 31, 2010, were approximately \$62.500 million with a remaining term of twenty-four years and \$38.400 million with a term of four years. Also at December 31, 2010, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of \$221.000 million over the next thirteen years. The enrichment and fabrication component of these commitments from 2011 through 2013 totaling \$21.000 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 \$8.100 million annually through July 2023.

Major Discretely Presented Component Unit—Lottery Commission

At June 30, 2011, the Lottery Commission had remaining commitments of \$49.761 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

As of June 30, 2011, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has \$904.927 million remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has \$96.763 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, \$34.341 million will be funded by federal grants and 62.422 million will be funded with private aid.
- The Budget and Control Board has \$65.465 million to provide loans and grants for water and wastewater projects and energy efficiency improvement projects. Federal grants will fund \$23.936 million of this commitment.
- The Division of Aeronautics has \$1.414 million for grants made to municipal and county airports for capital improvements.
- The State Board for Technical and Comprehensive Education has \$10.411 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has \$65.445 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which \$65.017 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has \$58.144 million, all of which will be funded by federal grants.
- The State Housing Finance and Development Authority has \$25 thousand for special initiatives under the Program
 Fund and \$6.972 million from the Housing Trust Fund, reported within the nonmajor governmental funds, 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 its first notice of default from the Trustee in January 2008. The bond documents provide the Trustee with certain specific remedies in the event of such default.

In early 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 consultant advised the Association that any restructuring of its obligations within the remaining term of the License Agreement with the South Carolina Department of Transportation (SCDOT) would require a substantial reduction in the principal amount of the bond indenture and 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 response to the study's findings, the Association requested and received approval from SCDOT for a toll rate increase that was implemented in November 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 three optional debt adjustment plans to the Senior Bond Trustee, the Subordinate Trustee, SCDOT and certain bondholders owning a majority of outstanding principal of the 1998 Senior Bonds (the Restricted Owners). All of these plans were rejected by one or all of the parties. On January 20, 2010, the Association's Board of Directors adopted a resolution authorizing the Association's management, when management so deemed it appropriate, to file a petition for bankruptcy protection under the United States Bankruptcy Code and to take related actions in connection with the bankruptcy. On June 24, 2010, following the failure of negotiations for debt adjustment plans, the Association filed its Chapter 9 bankruptcy petition in the U.S. Bankruptcy Court at the direction of its Executive Vice President and General Manager.

GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies (GASB 58) requires that liabilities subject to adjustment in a Chapter 9 bankruptcy proceeding be frozen as of the date of the bankruptcy petition. As of June 24, 2010, and through the effective date of the Association's Plan, the Association's liabilities subject to adjustment in bankruptcy (the 1998 Bonds payable liabilities, all amounts owed to SCDOT and the excess collateral liability) were frozen by the U.S. Bankruptcy Law. Accordingly, no additional amounts were accrued after June 24, 2010 pertaining to these liabilities.

During the remainder of 2010 and during the pendency of the bankruptcy proceeding, the Association continued to operate the Southern Connector as usual and paid its non-Bondholder and non-SCDOT creditors in the ordinary course of business. As mentioned previously, payments were no longer made to the bondholders, although the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, their respective counsel and advisors were paid their fees and expenses from the toll revenues collected. The Association continued its negotiations with the 1998 Senior Bonds Trustee, the Subordinate Bonds Trustee, the Restricted Owners and SCDOT, and filed a First Amended Plan for Adjustment of Debts in November 2010. That document, along with the Addendum to First Amended Plan for Adjustment of Debts filed in January 2011 and Debtor's Modification to the First Amended Plan for Adjustment of Debts filed in March 2011, form the Plan that was later confirmed by the U.S. Bankruptcy Court on April 1, 2011 and became effective on April 21, 2011.

Full details of the plan are available on the Association's website, www.SouthernConnector.com under the News & Filings tab. The plan includes an amendment to the License Agreement between the Association and SCDOT under which (1) SCDOT assumes the obligation of future highway maintenance, repair, renewal, and replacement and related costs and (2) toll rates and future rate changes will be determined by independent traffic engineering studies. Under the Plan, Amended and Restated Bonds (the "2011 Bonds") were issued in exchange for the 1998 Bonds. The 2011 Bonds consist of Series 2011A Bonds and Series 2011B Bonds (exchanged for the 1998 Senior Bonds) and Series 2011C Bonds (exchanged for the 1998 Subordinate Bonds). These were issued in three series. In accordance with GASB 58, preliminary calculations indicate that the Association will recognize an extraordinary gain from the adjustment of debts totaling approximately \$186.5 million.

h. Unemployment Compensation Benefits Fund—Liquidity

In recent years, 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 paid, and the increased length of time over which benefits are paid, the Fund has been required to obtain additional advances from the Federal Unemployment Compensation Fund of \$115.595 resulting in a balance of \$967.068 million as of June 30, 2011.

Revamped tax legislation, effective January 1, 2011, significantly increased tax assessment revenue for the Fund, coupled with decreases in the number of individuals eligible for benefits, have enabled the Fund to operate without obtaining additional advances from the Federal government since April of 2011. See Note 12, subsection i for further discussion of the changes to the Unemployment Insurance (UI) tax structure.



REQUIRED SUPPLEMENTARY INFORMATION—

Other than Management's Discussion and Analysis (Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)

BUDGETARY GENERAL FUND

| | Budgeted Original | I Amounts Final | Actual Amounts (Budgetary Basis) | Variance from Final Budget— Positive (Negative) | | |
|---------------------------------------|-------------------|-----------------|---|---|--|--|
| Revenues: | | | | | | |
| Regular sources | | | | | | |
| Retail sales tax | \$ 2,137,180 | \$ 2,228,521 | \$ 2,244,715 | \$ 16,194 | | |
| Income tax, individual | 2,046,314 | 2,278,670 | 2,396,092 | 117,422 | | |
| Income tax, corporation | 119,996 | 199,031 | 182,648 | (16,383) | | |
| Total income and sales tax | 4,303,490 | 4,706,222 | 4,823,455 | 117,233 | | |
| Admissions tax | 27,467 | 27,472 | 26,889 | (583) | | |
| Aircraft tax | 5,115 | 5,496 | 3,813 | (1,683) | | |
| Alcoholic liquor tax | 57,362 | 58,038 | 59,144 | 1,106 | | |
| Bank tax | 7,425 | 16,142 | 24,451 | 8,309 | | |
| Beer and wine tax | 107,385 | 101,710 | 101,449 | (261) | | |
| Tobacco tax | 28,000 | 28,867 | 24,692 | (4,175) | | |
| Coin-operated device tax | 1,518 | 2,240 | 1,559 | (681) | | |
| Corporation license tax | 90,340 | 78,828 | 88,714 | 9,886 | | |
| Departmental revenue (primarily fees | | | | | | |
| for services) | 40,065 | 41,215 | 41,993 | 778 | | |
| Documentary tax | 37,966 | 31,550 | 28,590 | (2,960) | | |
| Earned on investments | 46,000 | 34,000 | 33,434 | (566) | | |
| Estate tax | _ | _ | 8 | 8 | | |
| Insurance tax | 173,600 | 185,408 | 186,966 | 1,558 | | |
| Motor transport fees | 10 | 4 | _ | (4) | | |
| Motor vehicle licenses | 15,627 | 12,610 | 14,952 | 2,342 | | |
| Private car lines tax | 4,034 | 4,111 | 3,926 | (185) | | |
| Public Service Authority | 16,340 | 19,866 | 18,734 | (1,132) | | |
| Retailers' license tax | 884 | 811 | 877 | 66 | | |
| Savings and loan association tax | 2,002 | 3,525 | 1,707 | (1,818) | | |
| Workers' compensation insurance tax | 14,656 | 13,139 | 11,424 | (1,715) | | |
| Total regular sources | 4,979,286 | 5,371,254 | 5,496,777 | 125,523 | | |
| Miscellaneous sources | | | | | | |
| Circuit and family court fines | 10,665 | 9,822 | 9,565 | (257) | | |
| Debt service reimbursement | 188 | 188 | 562 | 374 | | |
| Indirect cost recoveries | 16,731 | 11,061 | 11,187 | 126 | | |
| Mental health fees | 3,200 | 3,400 | 3,400 | _ | | |
| Parole and probation supervision fees | 3,393 | 3,393 | 3,393 | _ | | |
| Unclaimed property fund transfer | 15,000 | 15,000 | 15,000 | _ | | |
| Nonrecurring revenue | 92,943 | 92,943 | 92,943 | _ | | |
| Total miscellaneous sources | 142,120 | 135,807 | 136,050 | 243 | | |
| Total revenues | 5,121,406 | 5,507,061 | 5,632,827 | 125,766 | | |

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)

BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

| | | Budgeted | l Amo | | | Actual Amounts Sudgetary | Variance from Final Budget— Positive | | |
|--|----------|-----------|-------|-----------|--------|--------------------------------|--------------------------------------|----------|--|
| | Original | | Final | | Basis) | | <u>(N</u> | egative) | |
| Expenditures: | | | | | | | | | |
| Legislative | \$ | 35,983 | \$ | 40,400 | \$ | 30,295 | \$ | 10,105 | |
| Judicial | | 37,443 | | 37,641 | | 37,623 | | 18 | |
| Executive and administrative | | 153,848 | | 123,868 | | 107,167 | | 16,701 | |
| Educational | | 2,452,789 | | 2,514,744 | | 2,502,264 | | 12,480 | |
| Health | | 1,082,209 | | 1,245,349 | | 1,236,986 | | 8,363 | |
| Social rehabilitation services | | 125,486 | | 127,053 | | 126,389 | | 664 | |
| Correctional and public safety | | 469,447 | | 473,957 | | 468,751 | | 5,206 | |
| Conservation, natural resources, and | | | | | | | | | |
| development | | 80,703 | | 96,942 | | 90,595 | | 6,347 | |
| Regulatory | | 48,227 | | 47,976 | | 46,981 | | 995 | |
| Transportation | | 623 | | 6,516 | | 1,704 | | 4,812 | |
| Debt service | | 210,237 | | 212,782 | | 207,791 | | 4,991 | |
| Aid to subdivisions | | 307,194 | | 310,808 | | 310,706 | | 102 | |
| Total expenditures | | 5,004,189 | | 5,238,036 | | 5,167,252 | | 70,784 | |
| Excess of revenues over | | | | | | | | | |
| expenditures—budgetary basis | | 117,217 | | 269,025 | | 465,575 | | 196,550 | |
| Fund balance at beginning of year— | | | | | | | | | |
| budgetary basis | | 246,167 | | 246,167 | | 246,167 | | | |
| Fund balance at end of year— budgetary basis | \$ | 363,384 | \$ | 515,192 | \$ | 711,742 | \$ | 196,550 | |

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)

OTHER BUDGETED FUNDS

| (Expressed in Thousands) | | | | | | , | /! |
|--|-----------------|-----|------------|----|--------------------------------|---------|--|
| | Budgeted | Amo | ounts | | Actual Amounts Budgetary | fı E | Variance rom Final Budget— Positive |
| | Original | | Final | • | Basis) | (I | Negative) |
| Revenues: | | | | | • | | , |
| Federal | \$ 8,267,948 | \$ | 9,387,451 | \$ | 9,351,621 | \$ | (35,830) |
| Earmarked | 4,866,396 | | 5,246,202 | | 4,184,372 | | (1,061,830) |
| Restricted | 2,899,222 | | 2,971,071 | | 2,723,070 | | (248,001) |
| Total revenues | 16,033,566 | | 17,604,724 | | 16,259,063 | | (1,345,661) |
| Expenditures: | | | | | | | |
| Legislative | 1,776 | | 4,271 | | 2,402 | | 1,869 |
| Judicial | 29,619 | | 36,596 | | 23,211 | | 13,385 |
| Executive and administrative | 547,164 | | 625,875 | | 487,460 | | 138,415 |
| Educational | 5,242,733 | | 6,103,184 | | 5,342,969 | | 760,215 |
| Health | 6,162,733 | | 6,447,601 | | 5,974,228 | | 473,373 |
| Social rehabilitation services | 1,847,551 | | 2,224,678 | | 2,077,429 | | 147,249 |
| Correctional and public safety | 271,587 | | 314,141 | | 250,835 | | 63,306 |
| Conservation, natural resources, and | | | | | | | |
| development | 324,394 | | 346,366 | | 212,490 | | 133,876 |
| Regulatory | 415,439 | | 524,598 | | 366,804 | | 157,794 |
| Transportation | 1,647,467 | | 1,663,529 | | 1,278,633 | | 384,896 |
| Other | | | 35,480 | | 35,480 | | |
| Total expenditures | 16,490,463 | | 18,326,319 | | 16,051,941 | | 2,274,378 |
| Net increase (decrease) in fund balance— | | | | | | | |
| budgetary basis | (456,897) | | (721,595) | | 207,122 | | 928,717 |
| Fund balance at beginning of year— budgetary basis | 1,690,856 | | 1,690,856 | | 1,690,856 | | _ |
| • • | .,000,000 | | .,000,000 | | .,000,000 | | |
| Fund balance at end of year—budgetary basis | \$ 1,233,959 | \$ | 969,261 | \$ | 1,897,978 | \$ | 928,717 |

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriations 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 Appropriations 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 Appropriations 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 Appropriations 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 Appropriations 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 Appropriations 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 Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations 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 Appropriations Act for the 2010-2011 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 Appropriations 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 Appropriations 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 Acts for the 2010-2011 fiscal year has approximately 2,510 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 Appropriations 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 Appropriations Act. These differences (expressed in thousands) for the fiscal year ended June 30, 2011, were as follows:

| Budgetary funds | Budgetary General Fund | Other Budgeted Funds | | | | | | | | | | |
|--|------------------------------|----------------------------|-----------------------------|------------------------------|--------------------|-----------------------|--|--|--|--|--|--|
| | | | Major Special Revenue Funds | | | | | | | | | |
| | | | | | Department of | _ | | | | | | |
| | 0 | N | Departmental | Local | Transportation | State | | | | | | |
| GAAP funds | General Fund | Not Applicable | Program Services | Government Infrastructure | Special Revenue | Tobacco Settlement | | | | | | |
| Net increase in fund balance—budgetary basis | \$ 465,575 | \$ 207,122 | \$ — | \$ — | \$ — | \$ — | | | | | | |
| Perspective differences: | | | | | | | | | | | | |
| Other Budgeted Funds attributable to nonmajor | | | | | | | | | | | | |
| governmental and other GAAP funds | _ | (123,356) | _ | _ | _ | _ | | | | | | |
| Other Budgeted Funds net increase (decrease) | | | | | | | | | | | | |
| allocated among the State's major governmental | | | | | | | | | | | | |
| GAAP funds | (42,524) | (83,766) | 137,516 | (1,359) | (9,870) | 3 | | | | | | |
| Basis of accounting differences | (166,504) | _ | (127,899) | 222,941 | (61,587) | (2) | | | | | | |
| Entity differences | 119,219 | | 59,859 | 35,718 | | (8,064) | | | | | | |
| Net increase (decrease) in fund balance—GAAP basis | \$ 375,766 | <u>\$</u> | \$ 69,476 | \$ 257,300 | \$ (71,457) | \$ (8,063) | | | | | | |

NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, the Education function within Other Budgeted Funds had \$82.215 million of expenditures in excess of appropriations at the level of legal control. These over-expenditures were mostly associated with the State's Technical College System. Each technical college within the System maintains it own accounting system and internal controls. All of the colleges within the System had sufficient budgetary-basis revenue and cash to provide for their budgetary-basis expenditures.



SUPPLEMENTARY INFORMATION

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

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:

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.

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.

Governmental Funds

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. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. 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.

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.

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

| | | | | | | | | | SP | ECIAL |
|---|---------------------|----------------|--|-----------|---|--------|----------------------|----------|----|---------------------------------|
| | Waste Management | | Accommodations and Local Option Sales Tax | | Tobacco Settlement Revenue Management Authority | | Education Lottery | | СО | olic Tele- ommun- cations |
| ASSETS Cash and cash equivalents | \$ | 162 002 | \$ | 142,516 | \$ 5.449 | | \$ | 59.016 | \$ | 7.550 |
| Invested securities lending collateral | Ф | 163,902 406 | Ф | 83 | Ф | 5,449 | Ф | 138 | Ф | 7,550 3 |
| Receivables, net: | | 400 | | 03 | | _ | | 130 | | 3 |
| Accounts | | _ | | _ | | _ | | _ | | _ |
| Accrued interest | | 728 | | 98 | | _ | | 411 | | 7 |
| Sales and other taxes | | 38 | | 75,332 | | _ | | | | _ ` |
| Loans and notes | | _ | | _ | | _ | | _ | | _ |
| Due from Federal government | | | | | | | | | | |
| and other grantors | | _ | | _ | | _ | | _ | | _ |
| Due from other funds | | 165 | | 94 | | _ | | _ | | _ |
| Due from component units | | _ | | _ | | _ | | 34,754 | | _ |
| Interfund receivables | | _ | | _ | | _ | | _ | | _ |
| Restricted assets: | | | | | | | | | | |
| Cash and cash equivalents | | _ | | _ | | 15,587 | | _ | | _ |
| Other | | | | | 36,425 | | | | | |
| Total assets | \$ | 165,239 | \$ | 218,123 | \$ | 57,461 | \$ | 94,319 | \$ | 7,560 |
| LIABILITIES AND FUND BALANCES (DEFICITS) Liabilities: | | | | | | | | | | |
| Accounts payable | \$ | 73 | \$ | 33 | \$ | 127 | \$ | 2.778 | \$ | 3.847 |
| Accrued salaries and related | , | | · | | · | | • | , - | · | -,- |
| expenditures | | 11 | | _ | | _ | | 14 | | _ |
| Retainages payable | | _ | | _ | | _ | | _ | | _ |
| Tax refunds payable | | _ | | 110 | | _ | | _ | | _ |
| Intergovernmental payables | | 431 | | 261,212 | | _ | | 8,329 | | _ |
| Due to other funds | | 5 | | 297 | | _ | | 29,319 | | 133 |
| Interfund payables | | _ | | _ | | _ | | _ | | _ |
| Deferred revenues | | _ | | _ | | _ | | _ | | _ |
| Securities lending collateral | | 951 | | 194 | | _ | | 322 | | 8 |
| Other liabilities | | | | | | | | | | |
| Total liabilities | | 1,471 | | 261,846 | | 127 | | 40,762 | | 3,988 |
| Fund balances (deficits): | | | | | | | | | | |
| Nonspendable | | _ | | _ | | _ | | _ | | _ |
| Restricted | | 163,768 | | | | 52,012 | | 53,557 | | 3,572 |
| Committed | | | | _ | | _ | | <u>.</u> | | <u></u> |
| Assigned | | _ | | _ | | 5,322 | | _ | | _ |
| Unassigned | | _ | | (43,723) | | _ | | _ | | _ |
| Total fund balances (deficits) | | 163,768 | | (43,723) | | 57,334 | | 53,557 | | 3,572 |
| Total liabilities and fund balances | \$ | 165,239 | \$ | 218,123 | \$ | 57,461 | \$ | 94,319 | \$ | 7,560 |
| | <u> </u> | , | Ť | , | Ť | , ·•· | Ť | , | Ť | .,,,,,,, |

| RE | EVENUE | | | | PERMANENT | | | | | | | | | | | |
|----|-----------------------------------|---|----|--|-----------|------------------------------|----|---------------------------|----|-------------------------------|----|-----------------------------|---------|-------------------------------------|----|---|
| | Other Special Revenue | Totals | | APITAL DEBT Children's OJECTS SERVICE Bequests Endowment | | Education Bequests Endowment | | Education Wildlife | | | , | Totals | <u></u> | OTALS | | |
| \$ | 86,898 152 | \$ 465,331 782 | \$ | 116,052 255 | \$ | 14,242 — | \$ | 1,341 4 | \$ | 10,423 24 | \$ | 3,337 12 | \$ | 15,101 40 | \$ | 610,726 1,077 |
| | 2 383 554 14,976 | 2 1,627 75,924 14,976 | | 453 | | 6,357 | | _ 10 | | 35 | | 30 | | 75 _ _ | | 2 2,155 82,281 14,976 |
| | 3,732 1,773 | 3,991 34,754 1,773 | | 1,890 — — 8,812 | | | | _ _ _ _ | | _ _ _ | | 15 | | — 15 — — | | 1,890 4,006 34,754 10,585 |
| \$ | 108,470 | \$ 15,587 36,425 651,172 | \$ | 127,462 | \$ | 20,599 | \$ | 1,355 | \$ | 10,482 | \$ | 3,394 | \$ | 15,231 | \$ | 15,587 36,425 814,464 |
| \$ | 6,472 | \$ 13,330 | \$ | 915 | \$ | _ | \$ | _ | \$ | _ | \$ | _ | \$ | _ | \$ | 14,245 |
| | 100 — — 4,670 | 125 — 110 274,642 | | 3 147 — — | | _ _ _ _ | | _ _ _ _ | | _ _ _ _ | | 12 — — — | | 12 — — — | | 140 147 110 274,642 |
| | 537 — 4,971 358 | 30,291 — 4,971 1,833 | | 4,298 13,810 15 598 | | _ _ _ _ | | _ _ _ _ 10 | | 56 | | 5 - - 28 | | 5 — — 94 | | 34,594 13,810 4,986 2,525 |
| _ | 70 17,178 | 70 325,372 | _ | 19,786 | | | _ | 10 | _ | 56 | _ | 45 | | 111 | _ | 70 345,269 |
| | 11,396 79,273 623 — — | 11,396 352,182 623 5,322 (43,723) | | 8,700 — — 98,976 — | | 20,599 — — — — | | 689 656 — — — | | 9,364 1,062 — — — | | 2,837 512 — — — | | 12,890 2,230 — — — — | | 32,986 375,011 623 104,298 (43,723) |
| \$ | 91,292 108,470 | \$ 325,800 651,172 | \$ | 107,676 127,462 | \$ | 20,599 20,599 | \$ | 1,345 1,355 | \$ | 10,426 10,482 | \$ | 3,349 3,394 | \$ | 15,120 15,231 | \$ | 469,195 814,464 |

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

NONMAJOR GOVERNMENTAL FUNDS

| | | | | | | | | SF | PECIAL |
|--|--------------------|--------------|----|---|---|----------|----------------------|----|---------------------------------|
| | Waste Managemen | | Lo | mmodations and cal Option ales Tax | Tobacco s Settlement Revenue Management Authority | | Education Lottery | cc | olic Tele- ommun- cations |
| Revenues: | | | | | | | | | |
| Taxes: | • | 4 004 | • | 000 000 | • | | • | • | |
| Retail sales and use | \$ | 1,821 | \$ | 620,898 | \$ | _ | \$ — | \$ | _ |
| Other | | 37 | | 7 | | _ | _ | | |
| Licenses, fees, and permits | | 1,332 950 | | — (67) | | 9 | 1 202 | | 80,779 |
| Interest and other investment income | | 950 | | (67) | | 9 | 1,392 | | 4 |
| Federal Departmental services | | _ | | _ | | _ | | | _ |
| Contributions | | _ | | | | _ | 275,253 | | _ |
| Fines and penalties | | _ | | _ | | _ | | | _ |
| Tobacco legal settlement | | _ | | _ | | 69,808 | _ | | _ |
| Other | | 417 | | _ | | _ | 321 | | 5 |
| Total revenues | | 4,557 | | 620,838 | | 69,817 | 276,966 | | 80,788 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | | _ | | _ | | 964 | 2,500 | | 78,458 |
| Education | | _ | | _ | | _ | 200,994 | | _ |
| Health and environment | | 1,487 | | _ | | _ | 79 | | _ |
| Social services | | _ | | _ | | _ | _ | | _ |
| Administration of justice | | _ | | _ | | _ | 67 | | _ |
| Resources and economic development | | _ | | _ | | _ | _ | | _ |
| Capital outlay | | _ | | _ | | _ | _ | | _ |
| Debt service: | | | | | | | | | |
| Principal retirement | | _ | | _ | | 65,265 | _ | | _ |
| Interest and fiscal charges | | _ | | _ | | 6,848 | | | _ |
| Intergovernmental | | 1,820 | | 618,554 | | | 50,481 | | |
| Total expenditures | | 3,307 | | 618,554 | | 73,077 | 254,121 | | 78,458 |
| Excess of revenues over (under) expenditures | | 1,250 | | 2,284 | | (3,260) | 22,845 | | 2,330 |
| Other financing sources (uses): | | | | | | | | | |
| Bonds and notes issued | | _ | | _ | | _ | | | |
| Transfers in | | | | — (4.000) | | <u> </u> | 50 | | 110 |
| Transfers out | | (29) | | (4,032) | | (1,393) | (12,665) | | (345) |
| Total other financing sources (uses) | | (29) | | (4,032) | | (1,393) | (12,615) | | (235) |
| Net change in fund balances | | 1,221 | | (1,748) | | (4,653) | 10,230 | | 2,095 |
| Fund balances (deficits) at beginning of year (restated) | | 162,547 | | (41,975) | | 61,987 | 43,327 | | 1,477 |
| Fund balances (deficits) at end of year | \$ | 163,768 | \$ | (43,723) | \$ | 57,334 | \$ 53,557 | \$ | 3,572 |

| RE | VENUE | | | | | | | | |
|----|-----------------------------|------------|---------------------|-----------------|----------|--------------------------------------|-----------------------|-----------|------------|
| | Other Special Levenue | Totals | CAPITAL PROJECTS | DEBT SERVICE | Bequests | Children's Education Endowment | Wildlife Endowment | Totals | TOTALS |
| \$ | _ | \$ 622,719 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 622,719 |
| | 7,489 | 7,533 | _ | 20,599 | _ | _ | _ | _ | 28,132 |
| | 16,480 | 98,591 | _ | _ | _ | _ | 280 | 280 | 98,871 |
| | 554 | 2,842 | (3,788) | _ | 6 | 66 | 19 | 91 | (855) |
| | 2,647 | 2,647 | 7,993 | _ | _ | _ | _ | _ | 10,640 |
| | 6,199 | 6,199 | _ | _ | _ | _ | _ | _ | 6,199 |
| | 184 | 275,437 | 807 | _ | _ | _ | _ | _ | 276,244 |
| | 9,001 | 9,001 | _ | _ | _ | _ | _ | _ | 9,001 |
| | _ | 69,808 | _ | _ | _ | _ | _ | _ | 69,808 |
| | 45 | 788 | 24 | | | | | | 812 |
| | 42,599 | 1,095,565 | 5,036 | 20,599 | 6 | 66 | 299 | 371 | 1,121,571 |
| | | | | | | | | | |
| | 27,973 | 109,895 | _ | _ | _ | _ | _ | _ | 109,895 |
| | 1 | 200,995 | _ | _ | _ | 6,904 | _ | 6,904 | 207,899 |
| | 22 | 1,588 | _ | _ | 7 | _ | _ | 7 | 1,595 |
| | 10,744 | 10,744 | _ | _ | _ | _ | _ | _ | 10,744 |
| | _ | 67 | _ | _ | _ | _ | _ | _ | 67 |
| | 71 | 71 | _ | _ | _ | _ | 255 | 255 | 326 |
| | _ | _ | 220,402 | _ | _ | _ | _ | _ | 220,402 |
| | _ | 65,265 | 1,284 | _ | _ | _ | _ | _ | 66,549 |
| | _ | 6,848 | 1,614 | _ | _ | _ | _ | _ | 8,462 |
| | 9,954 | 680,809 | | | | 2,818 | | 2,818 | 683,627 |
| | 48,765 | 1,076,282 | 223,300 | | 7 | 9,722 | 255 | 9,984 | 1,309,566 |
| | (6,166) | 19,283 | (218,264) | 20,599 | (1) | (9,656) | 44 | (9,613) | (187,995) |
| | _ | _ | 1,927 | _ | _ | _ | _ | _ | 1,927 |
| | 9,736 | 9,896 | 49,937 | _ | _ | 4,477 | _ | 4,477 | 64,310 |
| | (1,890) | (20,354) | (76,313) | _ | _ | <u>-</u> | _ | <u>-</u> | (96,667) |
| | 7,846 | (10,458) | (24,449) | | | 4,477 | | 4,477 | (30,430) |
| | 1,680 | 8,825 | (242,713) | 20,599 | (1) | (5,179) | 44 | (5,136) | (218,425) |
| | 89,612 | 316,975 | 350,389 | | 1,346 | 15,605 | 3,305 | 20,256 | 687,620 |
| \$ | 91,292 | \$ 325,800 | \$ 107,676 | \$ 20,599 | \$ 1,345 | \$ 10,426 | \$ 3,349 | \$ 15,120 | \$ 469,195 |
| | | | | | | | | | |

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. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012 which requires the amount to be gradually increased one-half of one percent annually until the fund is five 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:

| Fiscal Year Ended June 30 | Start-of- Year Balance | Deposits | Withdrawals | End-of-Year Balance | Full-Funding Amount ^a | Actual End-of- Year % Funded ^b |
|------------------------------|------------------------------|----------|-------------|------------------------|-------------------------------------|--|
| 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% |
| 2011 | 110,883 | 55,442 | _ | 166,325 | 166,325 | 100% |

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

^bEquals (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, 2010.

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

| | | tients' ensation | Deve | iots Point elopment uthority | Second Injury | | Tuition Prepayment Program | | | Citadel |
|--|----|---------------------|------|------------------------------------|------------------|---------|----------------------------------|---------|----|-------------|
| ASSETS | | | | · | | | | | | <u></u> |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ | 4,150 | \$ | 3,743 | \$ | 199 | \$ | 163,021 | \$ | 222 |
| Investments | | 16,825 | | _ | | _ | | | | 1,675 |
| Invested securities lending collateral | | _ | | 8 | | 101 | | 1,015 | | |
| Receivables, net: | | | | | | | | , | | |
| Accounts | | _ | | 459 | | _ | | _ | | 3 |
| Contributions | | _ | | _ | | _ | | _ | | 45 |
| Participants | | _ | | _ | | _ | | 2,076 | | _ |
| Accrued interest | | 114 | | _ | | _ | | | | 92 |
| Patient accounts | | _ | | _ | | _ | | _ | | |
| Due from Federal government and other grantors | | | | _ | | _ | | | | 1 |
| Due from other funds | | _ | | 5 | | _ | | _ | | |
| Inventories | | _ | | 296 | | | | | | |
| Restricted assets: | | | | 250 | | | | | | |
| Cash and cash equivalents | | _ | | | | 39,654 | | | | 1,654 |
| Investments | | _ | | _ | | JJ,UJ4 | | _ | | 8,709 |
| Loans receivable | | _ | | _ | | _ | | _ | | 6,709 74 |
| | | _ | | _ | | 252 | | _ | | |
| Other | | | | — 9 | | 252 | | _ | | 193 |
| Prepaid items | | 234 | | 9 | | 425 | | _ | | 11 |
| Other current assets | | | | | | 135 | | | | |
| Total current assets | | 21,323 | | 4,520 | | 40,341 | | 166,112 | | 12,679 |
| Long-term assets: | | | | | | | | | | |
| Investments | | _ | | _ | | _ | | | | 4,351 |
| Receivables, net: | | | | | | | | | | |
| Accounts | | _ | | _ | | _ | | _ | | _ |
| Contributions | | _ | | _ | | _ | | _ | | 132 |
| Participants | | _ | | _ | | _ | | 6,309 | | _ |
| Interfund receivables | | _ | | _ | | _ | | _ | | _ |
| Restricted assets: | | | | | | | | | | |
| Cash and cash equivalents | | _ | | _ | | _ | | _ | | 1,142 |
| Investments | | _ | | _ | | _ | | _ | | 52,847 |
| Loans receivable | | _ | | _ | | _ | | _ | | 92 |
| Other | | _ | | _ | | _ | | _ | | 150 |
| Prepaid items | | _ | | _ | | _ | | _ | | _ |
| Other long-term assets | | _ | | _ | | _ | | _ | | 12 |
| Deferred charges | | _ | | _ | | _ | | _ | | |
| Non-depreciable capital assets | | 466 | | 4.589 | | _ | | | | 2,182 |
| Depreciable capital assets, net | | _ | | 18,692 | | 7 | | _ | | |
| Total long-term assets | - | 466 | | 23,281 | | 7 | | 6,309 | | 60,908 |
| • | • | | | | | | | | - | |
| Total assets | | 21,789 | | 27,801 | | 40,348 | | 172,421 | | 73,587 |

| University of South Carolina Trust | University Medical Associates | Medical University Facilities Corporation | CHS Development Company | Enterprise Campus Authority | Other Enterprise | Totals |
|---|-------------------------------------|--|---------------------------------------|-----------------------------------|--|--|
| \$ 11,920 6,943 — | \$ 112,380 53,500 — | \$ <u> </u> | \$ <u>—</u> — — | \$ — — — | \$ 26,179 300 39 | \$ 321,814 79,243 1,163 |
| 5,376 — — — 3,340 — | 1,076 — — — 31,539 | _ _ _ _ 7 _ | _ _ _ _ _ | _ _ _ _ _ | 1,161 — — 131 — | 8,075 45 2,076 344 34,879 |
| | 17,347 — | _ _ | _ _ | 1,655 — | 3,365 | 19,007 3,661 |
| 141 — — — — — | | 32 316 — 2,163 — 64 | 956 702 — 1,056 156 60 | _ _ _ _ _ | 400 — — — — — — — | 42,837 9,727 74 3,664 868 2,135 |
| 27,720 | 218,056 | 2,582 | 2,930 | 1,655 | 31,695 | 529,613 |
| _ | 9,115 | _ | _ | _ | 400 | 13,866 |
| _ _ _ _ | 2,123 | _ _ _ _ | _ _ _ _ | _ _ _ _ | 19 — — 700 | 19 132 6,309 2,823 |
| _ _ _ _ | 9,179 | 1,350 213 — 7,543 | 3,551 — — 18,244 1,803 | _ _ _ _ | 5,790 | 6,043 53,060 5,882 25,937 10,982 |
| 12,481 | 5,741 603 16,886 37,332 | 162 92 — — | 700 — — | | 39,001 12,183 | 5,915 1,395 65,656 85,965 |
| 12,481 40,201 | 80,979 299,035 | 9,360 11,942 | 24,298 27,228 | 7,802 9,457 | 58,093 89,788 | 283,984 813,597 |

Combining Statement of Net Assets

NONMAJOR ENTERPRISE FUNDS (Continued)

| | Patients' Compensation | | Patriots Point Development Authority | | Second Injury | | Tuition Prepayment Program | | Citadel |
|--|---------------------------|--------------|--------------------------------------|--------|------------------|----|----------------------------------|----|---------|
| LIABILITIES | | | _ | | | | | - | |
| Current liabilities: | | | | | | | | | |
| Accounts payable | \$ | 11 | \$ | 4 | \$ _ | \$ | | \$ | 10 |
| Accrued salaries and related expenses | | 27 | | 296 | 94 | | _ | | 1 |
| Accrued interest payable | | _ | | _ | _ | | _ | | _ |
| Retainages payable | | _ | | _ | _ | | | | _ |
| Tuition benefits payable | | _ | | _ | _ | | 25,281 | | _ |
| Policy claims | | 16,539 | | _ | _ | | | | _ |
| Due to other funds | | _ | | 17 | 1 | | | | _ |
| Unearned revenues | | 5,250 | | 149 | _ | | | | _ |
| Amounts held in custody for others | | _ | | _ | _ | | | | _ |
| Securities lending collateral | | 1 | | 19 | 234 | | 1,020 | | _ |
| Liabilities payable from restricted assets: | | | | | | | | | |
| Accrued interest payable | | _ | | _ | _ | | | | _ |
| Other | | _ | | _ | 39,906 | | | | _ |
| Notes payable | | _ | | _ | _ | | | | |
| Revenue bonds payable | | _ | | _ | _ | | _ | | _ |
| Capital leases payable | | _ | | _ | _ | | _ | | _ |
| Compensated absences payable | | 17 | | 22 | 65 | | _ | | 98 |
| Other current liabilities | | 97 | | _ | _ | | 1,487 | | 8 |
| Total current liabilities | | 21,942 | | 507 | 40,300 | | 27,788 | | 117 |
| Long-term liabilities: | | | | | | | | | |
| Tuition benefits payable | | _ | | _ | _ | | 145,790 | | _ |
| Policy claims | | 105,554 | | _ | _ | | — | | _ |
| Interfund payables | | - | | 8,832 | _ | | _ | | _ |
| Unearned revenues | | _ | | 383 | _ | | _ | | _ |
| Other liabilities payable from restricted assets | | _ | | _ | _ | | _ | | _ |
| Notes payable | | _ | | _ | _ | | _ | | _ |
| Revenue bonds payable | | _ | | _ | _ | | _ | | _ |
| Capital leases payable | | _ | | _ | _ | | _ | | _ |
| Compensated absences payable | | _ | | 273 | 41 | | _ | | 4 |
| Other long-term liabilities | | _ | | _ | _ | | _ | | 18 |
| Total long-term liabilities | | 105,554 | | 9,488 | 41 | | 145,790 | | 22 |
| Total liabilities | | 127,496 | | 9,995 | 40,341 | | 173,578 | | 139 |
| Total habilities | 1 | 127,490 | | 9,995 | 40,341 | | 173,376 | | 139 |
| NET ASSETS (DEFICITS) | | | | | | | | | |
| Invested in capital assets, net of related debt | | 466 | | 14,581 | 7 | | _ | | 2,182 |
| Restricted: | | | | | | | | | |
| Expendable: | | | | | | | | | |
| Education | | _ | | _ | _ | | _ | | 25,881 |
| Capital projects | | _ | | _ | _ | | _ | | 314 |
| Debt service | | _ | | _ | _ | | _ | | _ |
| Nonexpendable: | | | | | | | | | |
| Education | | _ | | _ | _ | | | | 38,725 |
| Unrestricted | | (106,173) | | 3,225 | _ | | (1,157) | | 6,346 |
| Total net assets (deficits) | \$ | (105,707) | \$ | 17,806 | \$ 7 | \$ | (1,157) | \$ | 73,448 |

| University of South Carolina Trust | University Medical Associates | Medical University Facilities Corporation | CHS Development Company | Enterprise Campus Authority | Other Enterprise | Totals |
|---|--|--|---|--|---|---|
| \$ 6,786 130 — — — — — — — — | \$ 4,746 17,711 215 — — — 801 — | \$ — 120 — 120 — — — — 13 — — — | \$ — 602 — — — — — — | \$ 53 — 6 — 6 — — — — — — — — — — — — — — — — | \$ 614 342 — — — — 1,184 62 288 94 | \$ 12,224 18,601 937 6 25,281 16,539 2,003 5,474 288 1,368 |
| 6,375 132 626 —— 14,049 | 3,840 — — 2,301 3,064 — 32,678 | 1,360 858 — — — — 2,351 | 1,365 — — — — — — — 1,967 | | 439 — 3,129 | 39,906 6,565 7,233 132 3,568 4,656 |
| | 17,887 46,811 — 1,534 1,961 68,193 | 3,110 4,954 — — — — — — — 162 8,226 — | 24,557 ——————————————————————————————————— | | 5,795 6 — 228 — 6,029 9,158 | 145,790 105,554 14,627 383 6 45,554 51,765 426 2,785 2,339 369,229 514,116 |
| 5,547 | 17,452 | _ | _ | 7,802 | 51,184 | 99,221 |
| 142 | _ _ _ | 1,365 | 704 | _ _ _ | _ _ _ | 25,881 314 2,211 38,725 |
| 19,134 \$ 24,823 | 180,712 \$ 198,164 | <u> </u> | <u> </u> | 1,596 \$ 9,398 | 29,446 \$ 80,630 | 133,129 \$ 299,481 |

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

NONMAJOR ENTERPRISE FUNDS

| | _ | Patients' npensation | Dev | iots Point elopment uthority | | econd njury | Pre | uition payment ogram | | e Citadel ust, Inc. |
|--|----|-------------------------|-----|------------------------------------|----|----------------|-----|----------------------------|----|------------------------|
| Operating revenues: | | | | | | | | | | |
| Charges for services | \$ | 18,271 | \$ | 8,959 | \$ | 1,473 | \$ | 927 | \$ | _ |
| Contributions | | _ | | _ | | _ | | 665 | | _ |
| Interest and other investment income | | _ | | _ | | _ | | 10,808 | | 11,501 |
| Operating revenues pledged for revenue bonds | | _ | | _ | | _ | | _ | | _ |
| Federal operating grants and contracts | | _ | | _ | | _ | | _ | | _ |
| Other operating revenues | | | | | | | | | | |
| Total operating revenues | | 18,271 | | 8,959 | | 1,473 | | 12,400 | | 11,501 |
| Operating expenses: | | | | | | | | | | |
| General operations and administration | | 1,635 | | 7.140 | | 1,622 | | _ | | 156 |
| Benefits and claims | | 956 | | _ | | _ | | _ | | _ |
| Tuition plan disbursements | | _ | | _ | | _ | | 4,750 | | _ |
| Depreciation and amortization | | _ | | 989 | | 4 | | _ | | _ |
| Other operating expenses | | _ | | 485 | | 22 | | _ | | _ |
| Total operating expenses | | 2,591 | | 8,614 | | 1,648 | | 4,750 | | 156 |
| Operating income (loss) | | 15,680 | | 345 | | (175) | | 7,650 | | 11,345 |
| Nonoperating revenues (expenses): | | | | | | | | | | |
| Interest income | | 150 | | 76 | | 171 | | 5 | | _ |
| Contributions | | _ | | 10 | | _ | | _ | | 2,064 |
| Federal grants and contracts | | _ | | 34 | | | | _ | | _ |
| Local/private grants and contracts | | _ | | _ | | _ | | _ | | 393 |
| Interest expense | | _ | | _ | | _ | | _ | | _ |
| Net other nonoperating revenues (expenses) | | | | | _ | | | | _ | 205 |
| Total nonoperating revenues (expenses) | | 150 | | 120 | | 171 | | 5 | | 2,662 |
| Income (loss) before other revenues, expenses, | | | | | | | | | | |
| and transfers | | 15,830 | | 465 | | (4) | | 7,655 | | 14,007 |
| Federal capital grants and contracts | | _ | | _ | | _ | | _ | | _ |
| Additions to endowments | | _ | | | | _ | | | | 1,795 |
| Transfers in | | _ | | _ | | _ | | _ | | _ |
| Transfers out | | | | (85) | | | | (492) | | (5,418) |
| Change in net assets | | 15,830 | | 380 | | (4) | | 7,163 | | 10,384 |
| Net assets (deficits) at beginning of year | | (121,537) | | 17,426 | | 11 | | (8,320) | | 63,064 |
| Net assets (deficits) at end of year | \$ | (105,707) | \$ | 17,806 | \$ | 7 | \$ | (1,157) | \$ | 73,448 |

| O C | niversity f South arolina Trust | ı | niversity Medical ssociates | Un Fa | ledical iversity icilities poration | CHS Development Company | | Enterprise Campus Authority | | Other Enterprise | | _ | Totals |
|--------|--|----|-----------------------------------|----------|--|-------------------------------|-----------|-----------------------------------|----------|---------------------|-------------------|----|-------------------|
| \$ | 37,806 | \$ | 313,729 | \$ | _ | \$ | _ | \$ | _ | \$ | 27,944 | \$ | 409,109 |
| | _ | | _ | | — 33 | | _ | | _ | | 20 | | 665 22,362 |
| | _ | | _ | | 720 | | 1,037 | | _ | | _ | | 1,757 |
| | _ | | _ | | _ | | _ | | _ | | 62 | | 62 |
| | 30,277 | | 8,406 | | | | | | 41 | | 248 | | 38,972 |
| | 68,083 | | 322,135 | | 753 | | 1,037 | | 41 | | 28,274 | - | 472,927 |
| | 57,589 | | 237,483 | | _ | | _ | | 70 | | 23,993 | | 329,688 |
| | _ | | _ | | _ | | _ | | _ | | _ | | 956 |
| | — 1,088 | | — 3,064 | | — 64 | | 217 | | — 178 | | — 749 | | 4,750 6,353 |
| | _ | | _ | | 636 | | 1,231 | | _ | | 59 | | 2,433 |
| | 58,677 | | 240,547 | | 700 | | 1,448 | | 248 | | 24,801 | | 344,180 |
| | 9,406 | | 81,588 | | 53 | | (411) | | (207) | | 3,473 | | 128,747 |
| | 832 | | 9,255 | | _ | | _ | | _ | | 745 | | 11,234 |
| | _ | | _ | | _ | | _ | | _ | | | | 2,074 |
| | _ | | _ | | _ | | _ | | _ | | 496 | | 530 393 |
| | (365) | | — (4,126) | | _ | | _ | | _ | | (280) | | (4,771) |
| | (33) | _ | (5,540) | | | | | | | | `899 [´] | | (4,469) |
| | 434 | | (411) | | | | | | | | 1,860 | | 4,991 |
| | 9,840 | | 81,177 | | 53 | | (411) | | (207) | | 5,333 | | 133,738 |
| | _ | | _ | | _ | | _ | | _ | | 183 | | 183 |
| | _ | | _ | | _ | | _ | | _ | | _ | | 1,795 |
| | _ | | — (46,160) | | (30) | | 691 — | | 700 — | | 200 (2,935) | | 1,591 (55,120) |
| | 9,840 | | 35,017 | • | 23 | | 280 | | 493 | | 2,781 | - | 82,187 |
| | 14,983 | | 163,147 | | 1,342 | | 424 | | 8,905 | | 77,849 | | 217,294 |
| \$ | 24,823 | \$ | 198,164 | \$ | 1,365 | \$ | 704 | \$ | 9,398 | \$ | 80,630 | \$ | 299,481 |
| | | _ | | | | | | | | | | | |

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

| | Patients' Compensation | Patriots Point Development Authority | Second Injury | Tuition Prepayment Program |
|---|-------------------------------------|--|---------------------------------------|---|
| Cash flows from operating activities: Receipts from customers, patients, and third-party payers Assessments received Tuition plan contributions received Other operating cash receipts Claims and benefits paid | (17,517) | \$ 8,960 — — — — | \$ — 88,952 — — (102,803) | \$ 927 — 786 — |
| Payments to suppliers for goods and services Payments to employees Other operating cash payments Net cash provided by (used in) operating activities | (1,473) (366) — (2,738) | (2,606) (3,738) (1,255) 1,361 | (1,622) (3) (22) (15,498) | (12,824) (11,111) |
| Cash flows from noncapital financing activities: Principal paid on noncapital debt | _ _ _ _ _ | | _ _ _ _ _ | |
| Net cash provided by (used in) noncapital financing activities | | (6) | | (492) |
| Cash flows from capital and related financing activities: Acquisition of capital assets | (76) | (25) — (500) — — — | - - - - - - | |
| Net cash used in capital and related financing activities | (76) | (525) | | |
| Cash flows from investing activities: Proceeds from sales and maturities of investments. Purchase of investments. Interest and dividends on investments. Collection of interfund receivables. Collection of interest on interfund receivables. Collection of escrow payments from borrower. | 24,338 (23,746) 494 — — | | | 243,617 (333,220) 102,433 — — |
| Net cash provided by (used in) investing activities | 1,086 | 75 | 533 | 12,830 |
| Net increase (decrease) in cash and cash equivalents | (1,728) | 905 | (14,965) | 1,227 |
| Cash and cash equivalents at beginning of year | 5,878 | 2,838 | 54,818 | 161,794 |
| Cash and cash equivalents at end of year | \$ 4,150 | \$ 3,743 | \$ 39,853 | \$ 163,021 |

| University of South ae Citadel Carolina rust, Inc. Trust | | Medical University University Medical Facilities Associates Corporation | | | CHS velopment company | Enterprise Campus Authority | | Other Enterprise | | Totals | |
|--|----|---|--------------------|----|-----------------------------|-----------------------------------|----|---------------------|----|-----------|--------------------|
| \$ _ | \$ | 37,536 | \$ 316,019 | \$ | _ | \$ _ | \$ | _ | \$ | 27,617 | \$ 407,677 |
| _ | | _ | _ | | _ | _ | | _ | | _ | 88,952 |
| _ | | — 29,978 | — 18,497 | | _ | _ | | — 70 | | 2 202 | 786 51,937 |
| | | 29,976 | 10,497 | | | | | _ 70 | | 3,392 | (120,320) |
| (79) | | (20,494) | (93,038) | | _ | _ | | (70) | | (19,460) | (138,842) |
| (77) | | (39,130) | (143,232) | | _ | _ | | _ | | (4,392) | (190,938) |
| | | | | | | _ | | | | (370) | (14,471) |
| (156) | | 7,890 | 98,246 | | | | | | | 6,787 | 84,781 |
| _ | | _ | (1,956) | | _ | _ | | _ | | (1,047) | (3,003) |
| _ | | _ | (1,266) | | _ | _ | | _ | | (302) | (1,568) |
| 4,175 | | _ | (9,461) | | _ | _ | | _ | | 519 | (4,733) |
| 332 | | _ | _ | | _ | — 691 | | _ | | 200 | 377 891 |
| (5,418) | | | — (46,160) | | (18) | | | | | (2,935) | (55,108) |
| (911) | | | (58,843) | | (18) | 691 | _ | | | (3,565) | (63,144) |
| _ | | (215) | (9,006) | | _ | _ | | _ | | (24,154) | (33,476) |
| _ | | _ | 62,085 | | _ | _ | | _ | | 3 | 62,088 |
| _ | | (531) | (64,019) | | (2,097) | (1,300) | | _ | | _ | (68,447) |
| _ | | (364) | (1,206) (1,313) | | (654) | (1,269) | | | | _ | (3,493) (1,313) |
| _ | | _ | (1,010) | | _ | | | _ | | 447 | 447 |
| | | | | | | | | | | 103 | 103 |
| | | (1,110) | (13,459) | | (2,751) | (2,569) | | | _ | (23,601) | (44,091) |
| 12,365 | | 2,494 | 26,123 | | 1,278 | 11,553 | | _ | | _ | 321,768 |
| (12,561) | | (3,028) | (41,046) | | (1,278) | (9,021) | | _ | | (250) | (424,150) |
| 430 | | 516 | 1,419 | | 32 | 227 | | _ | | 459 | 106,618 |
| _ | | _ | _ | | 2,016 716 | 1,011 866 | | | | | 3,027 1,582 |
| _ | | _ | _ | | | _ | | _ | | 1,739 | 1,739 |
| 234 | | (18) | (13,504) | | 2,764 | 4,636 | | | | 1,948 | 10,584 |
| (833) | | 6,762 | 12,440 | | (5) | 2,758 | | _ | | (18,431) | (11,870) |
| 3,851 | | 5,299 | 99,940 | | 1,387 | 1,749 | | | | 45,010 | 382,564 |
| \$ 3,018 | \$ | 12,061 | \$ 112,380 | \$ | 1,382 | \$ 4,507 | \$ | | \$ | 26,579 | \$ 370,694 |

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

| | Patients' Compensation | | Patriots Point Development Authority | | Second Injury | | Pr | Tuition epayment Program |
|---|------------------------|---------------|--|-------|------------------|-----------|----------|--------------------------------|
| Reconciliation of operating income(loss) to net cash | | | | | | | | |
| provided by (used in) operating activities: | | | | | | | | |
| Operating income (loss) | \$ | 15,680 | \$ | 345 | \$ | (175) | \$ | 7,650 |
| Adjustments to reconcile operating income (loss) | | | | | | | | |
| to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation and amortization | | _ | | 989 | | 4 | | _ |
| Provision for bad debts | | _ | | _ | | _ | | |
| Net (increase) decrease in the fair value of investments | | _ | | _ | | | | (10,808) |
| Amounts received for payment of claims | | _ | | _ | | 87,308 | | _ |
| Payment of claims | | _ | | _ | | (102,803) | | _ |
| Other nonoperating revenues | | _ | | _ | | _ | | _ |
| Other nonoperating expenses | | _ | | _ | | _ | | _ |
| Effect of change in operating assets and liabilities: | | | | | | | | 404 |
| Accounts receivable, net | | _ | | 84 | | _ | | 121 |
| Due from other funds | | 9 | | (5) | | _ | | _ |
| Inventories | | _ | | (2) | | _ | | _ |
| Other assets | | 93 | | _ | | 211 | | _ |
| Accounts payable | | (28) | | _ | • | | | _ |
| Accrued salaries and related expenses Tuition benefits payable | | (8) | | 22 | | (3) | | — (0.074) |
| | | — (16 563) | | _ | | _ | | (8,074) |
| Policy claims | | (16,562) | | _ | | _ | | _ |
| Due to other funds | | — (1,653) | | (83) | | _ | | _ |
| Compensated absences payable | | (1,055) | | (63) | | _ | | _ |
| Other liabilities | | (273) | | 11 | | (40) | | _ |
| | | | _ | | _ | | _ | |
| Net cash provided by (used in) operating activities | \$ | (2,738) | \$ | 1,361 | \$ | (15,498) | \$ | (11,111) |
| Noncash capital, investing, and financing activities: | | | | | | | | |
| Disposal of capital assets | \$ | _ | \$ | _ | \$ | _ | \$ | _ |
| Borrowing under capital leases. | Ψ | _ | Ψ | _ | Ψ | _ | Ψ | _ |
| Increase in fair value of investments. | | (237) | | _ | | _ | | 144.511 |
| Transfers of non-financial assets | | | | _ | | _ | | |
| Other noncash activity | | _ | | _ | | _ | | _ |
| | \$ | (237) | \$ | | \$ | | \$ | 144,511 |
| | | (=0.) | <u> </u> | | _ | | <u> </u> | , • |

| e Citadel ust, Inc. | 0 | niversity f South carolina Trust | N | niversity /ledical sociates | U F | Medical niversity acilities rporation | CHS velopment company | С | terprise ampus uthority | Other nterprise | Totals |
|------------------------|----|--|----|--|--------|---|--|----|--|--|--|
| \$ 11,345 | \$ | 9,406 | \$ | 81,588 | \$ | 53 | \$ (411) | \$ | (207) | \$ 3,473 | \$ 128,747 |
| | | 1,088 — — — — — — | | 3,064 23,144 — — — 4,992 (6) | | 64 (753) 636 | 217 (1,037) 1,231 | | 178 (19) — — — — | 749 — (20) — (203) — | 6,353 23,125 (22,329) 87,308 (102,803) 2,999 1,861 |
| \$ | \$ | (569) — — (1,978) 17 — — — (74) — 7,890 | \$ | (22,456) 5,414 — (591) 2,342 — — — 514 — 272 (31) 98,246 | \$ | - - - - - - - - - - - - - - - - - - - | \$ - - - - - - - - - - - - | \$ | 8 — 8 — — 40 — — — — — — — — — — — — — — — — | \$ (356) 1,294 213 1,885 (147) (15) — (482) 29 79 288 6,787 | \$ (23,168) 6,712 211 1,598 189 13 (8,074) (16,562) 72 (1,707) 292 (56) 84,781 |
| \$ 7,999 7,999 | \$ | (33) 23 397 — — — 387 | \$ | 7,473 266 7,739 | \$ | | \$ | \$ | | \$ _ _ _ _ | \$ (33) 23 160,143 (12) 966 161,087 |

Combining Statement of Net Assets

INTERNAL SERVICE FUNDS

| | | Insurance Reserve | | Employee Insurance Programs | | State Accident | | General Services | | Central upplies and uipment |
|---|----|----------------------|----|-----------------------------------|----|-------------------|----|---------------------|----|-----------------------------|
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ | 29,122 | \$ | 298,699 | \$ | 199,440 | \$ | 30,640 | \$ | 1,674 |
| Invested securities lending collateralReceivables, net: | | 1,856 | | 736 | | 496 | | 4 | | _ |
| Accounts | | 12,517 | | 26,649 | | 63,509 | | 592 | | |
| Accrued interest | | 4,177 | | 93 | | 889 | | 5 | | |
| Due from other funds | | 143 | | 39,295 | | 236 | | 3,600 | | 806 |
| Due from component units | | _ | | _ | | _ | | _ | | _ |
| Inventories | | _ | | _ | | _ | | 814 | | 2,249 |
| Prepaid items | | 17,741 | | | | 10 | | | | |
| Total current assets | | 65,556 | _ | 365,472 | _ | 264,580 | _ | 35,655 | | 4,729 |
| Long-term assets: | | | | | | | | | | |
| Investments | 4 | 26,585 | | _ | | _ | | _ | | _ |
| Accounts receivable, net | | _ | | _ | | 57 | | | | |
| Interfund receivables | | 5,790 | | _ | | | | 13,780 | | |
| Other long-term assets | | _ | | _ | | 444 | | _ | | _ |
| Deferred charges | | _ | | _ | | _ | | 78 | | _ |
| Non-depreciable capital assets | | _ | | _ | | _ | | 6,897 | | _ |
| Depreciable capital assets, net | | 16 | _ | 16 | | 29 | | 93,049 | | 2 |
| Total long-term assets | 4 | 32,391 | _ | 16 | _ | 530 | _ | 113,804 | | 2 |
| Total assets | 4 | 97,947 | _ | 365,488 | | 265,110 | | 149,459 | | 4,731 |

| Motor Pool | Pension Adminis- tration | Prison Industries | Other Internal Service | Totals |
|---|--------------------------------|--|--------------------------------------|--|
| \$ 14,030 — | \$ 2,448 6 | \$ 1,506 — | \$ 215 — | \$ 577,774 3,098 |
| 498 — 2,875 2 30 — 17,435 | | 1,881 — 397 — 3,332 — 7,116 | 23 | 105,646 5,184 47,375 2 6,425 17,751 763,255 |
| | | 1,172 — — — — — — 5,286 — 6,458 | - - - - - - - - | 426,585 1,229 19,570 444 78 7,067 103,947 558,920 |
| 22,541 | 3,087 | 13,574 | 238 | 1,322,175 |

Combining Statement of Net Assets

INTERNAL SERVICE FUNDS (Continued)

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services | Central Supplies and Equipment |
|---|----------------------|-----------------------------------|-------------------|---------------------|---|
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 388 | \$ 629 | \$ 250 | \$ 3,573 | \$ 110 |
| Accrued salaries and related expenses | 291 | 398 | 283 | 1,172 | _ |
| Accrued interest payable | _ | _ | _ | 404 | _ |
| Retainages payable | _ | _ | _ | 248 | _ |
| Intergovernmental payables | _ | _ | _ | 108 | _ |
| Policy claims | 237,874 | 144,879 | 78,668 | _ | _ |
| Due to other funds | 307 | 250 | 4 | 2,542 | 5 |
| Unearned revenues | 59,921 | 6,138 | 72,693 | _ | _ |
| Securities lending collateral | 4,353 | 1,727 | 1,162 | 9 | _ |
| Notes payable | _ | _ | _ | _ | _ |
| Revenue bonds payable | _ | _ | _ | 1,695 | _ |
| Limited obligation bonds payable | _ | _ | _ | 1,345 | _ |
| Compensated absences payable | 146 | 198 | 269 | 1,120 | _ |
| Other current liabilities | | | 10,133 | | |
| Total current liabilities | 303,280 | 154,219 | 163,462 | 12,216 | 115 |
| Long-term liabilities: | | | | | |
| Policy claims | _ | _ | 159,122 | _ | _ |
| Interfund payables | _ | _ | _ | 330 | 555 |
| Notes payable | _ | _ | _ | _ | _ |
| Revenue bonds payable | _ | _ | _ | 12,681 | _ |
| Limited obligation bonds payable | _ | _ | _ | 3,816 | _ |
| Compensated absences payable | 151 | 267 | 81 | 1,118 | |
| Total long-term liabilities | 151 | 267 | 159,203 | 17,945 | 555 |
| Total liabilities | 303,431 | 154,486 | 322,665 | 30,161 | 670 |
| NET ASSETS (DEFICITS) | | | | | |
| Invested in capital assets, net of related debt | 16 | 16 | 29 | 80,487 | 2 |
| Restricted: | | | | 33, .3. | _ |
| Expendable: | | | | | |
| Loan programs | 20,000 | _ | _ | _ | _ |
| Insurance programs | 174,500 | 210,986 | _ | _ | _ |
| Unrestricted | _ | _ | (57,584) | 38,811 | 4,059 |
| Total net assets (deficits) | \$ 194,516 | \$ 211,002 | \$ (57,555) | \$ 119,298 | \$ 4,061 |
| Total not assocs (actions) | Ψ 104,510 | Ψ 211,002 | Ψ (31,333) | Ψ 113,230 | Ψ +,001 |

| Motor Pool | Pension Adminis- tration | Prison Industries | Other Internal Service | Totals |
|--|---|--|---|--|
| \$ 4,503 93 139 — — 40 — 1,953 — 88 — 6,816 | \$ 388 813 — — — — 451 — 15 — — — 720 — 2,387 | \$ 193 826 — — — 401 — — — — 271 — 1,691 | \$ 3 8 — — — — — — — — — — — — — — — — — — — | \$ 10,037 3,884 543 248 108 461,421 4,004 138,752 7,266 1,953 1,695 1,345 2,823 10,133 644,212 |
| 1,984 88 2,072 8,888 | 719 719 3,106 | | | 159,122 885 1,984 12,681 3,816 2,706 181,194 |
| 1,169 12,484 \$ 13,653 | 613 — — — — — — (632) \$ (19) | 5,286 — — 6,327 \$ 11,613 | | 20,000 385,486 3,665 \$ 496,769 |

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

INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2011

| For the Fiscal Year Ended June | 30, 2011 |
|--------------------------------|----------|
| (Expressed in Thousands) | |

| Operating expenses: General operations and administration. 62,696 162,398 4,644 57,567 3,405 Benefits and claims. 49,176 1,632,239 61,719 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — — 7 — — — 7 — — — — — 7 — | | Insurance Reserve | Employee Insurance Programs | State Accident | General Services | Central Supplies and Equipment |
|--|--|----------------------|-----------------------------------|-------------------|---------------------|---|
| Interest and other investment income | . • | | | | | 4 |
| Clicenses, fees, and permits | • | \$ 101,156 | \$ 1,771,193 | \$ 83,189 | , | \$ 4,289 |
| Committee Comm | | _ | _ | _ | | _ |
| Other operating revenues — 108,340 — <th< td=""><td></td><td>_</td><td></td><td>_</td><td>7</td><td>_</td></th<> | | _ | | _ | 7 | _ |
| Total operating revenues 101,156 1,906,675 83,189 60,512 4,289 Operating expenses: | | _ | , | _ | _ | _ |
| Operating expenses: General operations and administration. 62,696 162,398 4,644 57,567 3,405 Benefits and claims. 49,176 1,632,239 61,719 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — — 7 — — — 7 — — — — — 7 — | Other operating revenues | | 108,340 | | | |
| General operations and administration 62,696 162,398 4,644 57,567 3,405 Benefits and claims 49,176 1,632,239 61,719 — — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — 7 — — — 7 — — — 1 — | Total operating revenues | 101,156 | 1,906,675 | 83,189 | 60,512 | 4,289 |
| Benefits and claims | Operating expenses: | | | | | |
| Interest | General operations and administration | 62,696 | 162,398 | 4,644 | 57,567 | 3,405 |
| Depreciation and amortization | Benefits and claims | 49,176 | 1,632,239 | 61,719 | _ | _ |
| Other operating expenses — — 4,554 412 55 Total operating expenses 111,922 1,794,650 70,976 64,648 3,411 Operating income (loss) (10,766) 112,025 12,213 (4,136) 878 Nonoperating revenues (expenses): 12,975 6,864 4,258 2 — Interest expense — — — (959) — Net other nonoperating revenues 19 — 40 1,259 1 Total nonoperating revenues (expenses) 12,994 6,864 4,298 302 1 Income (loss) before other revenues and transfers 2,228 118,889 16,511 (3,834) 879 Transfers in — 45 — 2,627 700 Transfers out (541) (266) — (7,793) — Change in net assets 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year 192,829 92,334 (74,066) <td>Interest</td> <td>_</td> <td>_</td> <td>_</td> <td>7</td> <td>_</td> | Interest | _ | _ | _ | 7 | _ |
| Total operating expenses. 111,922 1,794,650 70,976 64,648 3,411 Operating income (loss). (10,766) 112,025 12,213 (4,136) 878 Nonoperating revenues (expenses): 12,975 6,864 4,258 2 — Interest expense. - - - (959) — Net other nonoperating revenues. 19 - 40 1,259 1 Total nonoperating revenues (expenses). 12,994 6,864 4,298 302 1 Income (loss) before other revenues and transfers. 2,228 118,889 16,511 (3,834) 879 Transfers in. - 45 - 2,627 700 Transfers out. (541) (266) - (7,793) - Change in net assets. 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year. 192,829 92,334 (74,066) 128,298 2,482 | Depreciation and amortization | 50 | 13 | 59 | 6,662 | 1 |
| Nonoperating revenues (expenses): 12,975 6,864 4,258 2 — Interest income 12,975 6,864 4,258 2 — Interest expense — — — (959) — Net other nonoperating revenues 19 — 40 1,259 1 Total nonoperating revenues (expenses) 12,994 6,864 4,298 302 1 Income (loss) before other revenues and transfers 2,228 118,889 16,511 (3,834) 879 Transfers in — 45 — 2,627 700 Transfers out (541) (266) — (7,793) — Change in net assets 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year 192,829 92,334 (74,066) 128,298 2,482 | Other operating expenses | | | 4,554 | 412 | 5 |
| Nonoperating revenues (expenses): Interest income | Total operating expenses | 111,922 | 1,794,650 | 70,976 | 64,648 | 3,411 |
| Interest income | Operating income (loss) | (10,766) | 112,025 | 12,213 | (4,136) | 878 |
| Interest expense | Nonoperating revenues (expenses): | | | | | |
| Net other nonoperating revenues 19 — 40 1,259 1 Total nonoperating revenues (expenses) 12,994 6,864 4,298 302 1 Income (loss) before other revenues and transfers 2,228 118,889 16,511 (3,834) 879 Transfers in — 45 — 2,627 700 Transfers out (541) (266) — (7,793) — Change in net assets 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year 192,829 92,334 (74,066) 128,298 2,482 | Interest income | 12,975 | 6,864 | 4,258 | 2 | _ |
| Total nonoperating revenues (expenses). 12,994 6,864 4,298 302 1 Income (loss) before other revenues and transfers. 2,228 118,889 16,511 (3,834) 879 Transfers in. — 45 — 2,627 700 Transfers out. (541) (266) — (7,793) — Change in net assets. 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year. 192,829 92,334 (74,066) 128,298 2,482 | Interest expense | _ | _ | _ | ` , | _ |
| Income (loss) before other revenues and transfers | Net other nonoperating revenues | 19 | | 40 | 1,259 | 1 |
| transfers 2,228 118,889 16,511 (3,834) 879 Transfers in — 45 — 2,627 700 Transfers out (541) (266) — (7,793) — Change in net assets 1,687 118,668 16,511 (9,000) 1,579 Net assets (deficits) at beginning of year 192,829 92,334 (74,066) 128,298 2,482 | Total nonoperating revenues (expenses) | 12,994 | 6,864 | 4,298 | 302 | 1 |
| Transfers in | Income (loss) before other revenues and | | | | | |
| Transfers out | transfers | 2,228 | 118,889 | 16,511 | (3,834) | 879 |
| Transfers out | Transfers in | _ | 45 | _ | 2.627 | 700 |
| Net assets (deficits) at beginning of year | | (541) | | | , | |
| | Change in net assets | 1,687 | 118,668 | 16,511 | (9,000) | 1,579 |
| Net assets (deficits) at end of year \$ 194,516 \$ 211,002 \$ (57,555) \$ 119,298 \$ 4,061 | Net assets (deficits) at beginning of year | 192,829 | 92,334 | (74,066) | 128,298 | 2,482 |
| | Net assets (deficits) at end of year | \$ 194,516 | \$ 211,002 | \$ (57,555) | \$ 119,298 | \$ 4,061 |

| | Motor Pool | Pension Adminis- tration | Prison Industries | Other Internal Service | Totals |
|----|--|--|--|--|--|
| \$ | 25,913 — — — — — — — — 25,913 | \$ 21,231 - - - - - 21,231 | \$ 14,941 | \$ 150 ———————————————————————————————————— | \$ 2,081,842 725 70 27,142 108,340 2,218,119 |
| | 16,239 — — 9,773 — — 26,012 | 20,522 5 — 216 138 20,881 | 21,301 — — — 344 145 — 21,790 | 245 — — — — 1 — 246 | 349,017 1,743,139 7 17,118 5,255 2,114,536 |
| | (99) | 350 | (6,786) | (96) | 103,583 |
| _ | | 63 136 199 | 9,636 9,636 | 1 1 | 24,162 (1,187) 11,792 34,767 |
| | 373 | 549 | 2,850 | (95) | 138,350 |
| | 2 (2,516) | (523) | | 141 (1) | 3,515 (11,640) |
| | (2,141) | 26 | 2,850 | 45 | 130,225 |
| | 15,794 | (45) | 8,763 | 155 | 366,544 |
| \$ | 13,653 | \$ (19) | \$ 11,613 | \$ 200 | \$ 496,769 |

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

| | Insurance Reserve | Employee Insurance Programs | State Accident | General Services |
|---|----------------------|-----------------------------------|-------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 59,610 | \$ 1,353,152 | \$ 15,328 | \$ — |
| Internal activity–payments from other funds | 48,741 | 433,738 | 70,453 | 59,997 |
| Other operating cash receipts | _ | 129,114 | 17,434 | 2,122 |
| Claims paid | 50,075 | (1,604,288) | (63,940) | _ |
| Payments to suppliers for goods and services | (151,348 |) (179,684) | (5,292) | (33,779) |
| Payments to employees | (3,514 |) (5,562) | (3,683) | (23,151) |
| Internal activity–payments to other funds | (14 |) (17,097) | (5,958) | |
| Net cash provided by (used in) operating activities | 3,550 | 109,373 | 24,342 | 5,189 |
| Cash flows from noncapital financing activities: | | | | |
| Principal payments received from other funds | 1,047 | _ | _ | 7,535 |
| Principal payments made to other funds | _ | _ | _ | (1,695) |
| Receipt of interest from other funds | 303 | _ | _ | _ |
| Transfers in | _ | 45 | _ | 2,627 |
| Transfers out | (541 |) (266) | | (7,793) |
| Net cash provided by (used in) noncapital | | | | |
| financing activities | 809 | (221) | | 674 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | _ | _ | (14) | (2,663) |
| Principal payments on limited obligation bonds | _ | _ | _ | (1,345) |
| Principal payments on capital debt | _ | _ | _ | (211) |
| Interest payments on capital debt | | | | (960) |
| Net cash used in capital financing activities | | | (14) | (5,179) |
| Cash flows from investing activities: | | | | |
| Proceeds from sales and maturities of investments | 52,054 | | _ | _ |
| Purchase of investments | (105,990 | | _ | |
| Interest on investments | 16,466 | 6,775 | 4,214 | 76 |
| Net cash provided by (used in) investing activities | (37,470 |) 6,775 | 4,214 | 76 |
| Net increase (decrease) in cash and cash equivalents | (33,111 |) 115,927 | 28,542 | 760 |
| Cash and cash equivalents at beginning of year | 62,233 | 182,772 | 170,898 | 29,880 |
| Cash and cash equivalents at end of year | \$ 29,122 | \$ 298,699 | \$ 199,440 | \$ 30,640 |

| Central Supplies and Equipment | | Motor Pool | | P | Pension Adminis- tration | | Prison adustries | | Other Internal Service | | Totals |
|---|----------------------|---------------|-------------|----|--------------------------------|----|---------------------|----|------------------------------|----|----------------------|
| \$ | | \$ | | \$ | | \$ | 15,004 | \$ | 150 | \$ | 1 442 244 |
| Ф | — 4,289 | Ф | — 26,491 | Ф | — 21,244 | Ф | 15,004 | Ф | | Ф | 1,443,244 664,953 |
| | — — | | (10) | | 143 | | 9,636 | | _ | | 158,439 |
| | _ | | _ | | _ | | _ | | _ | | (1,618,153) |
| | (3,405) | | (14,441) | | (6,010) | | (8,896) | | (77) | | (402,932) |
| | _ | | (1,605) | | (14,734) | | (15,283) | | (210) | | (67,742) |
| | _ | | _ | | | | | | _ ` ´ | | (23,069) |
| | 884 | | 10,435 | | 643 | | 461 | | (137) | | 154,740 |
| | | | | | | | | | | | 8,582 |
| | — (445) | | _ | | | | | | | | (2,140) |
| | — (11 3) | | _ | | _ | | _ | | _ | | 303 |
| | 700 | | 2 | | _ | | _ | | 141 | | 3,515 |
| | | | (2,516) | | (523) | | | | (1) | | (11,640) |
| | 255 | | (2,514) | | (523) | | | | 140 | | (1,380) |
| | _ | | _ | | (274) | | _ | | _ | | (2,951) |
| | _ | | _ | | _ | | _ | | _ | | (1,345) |
| | _ | | (3,631) | | _ | | _ | | _ | | (3,842) |
| | | | (227) | | _ | | | | | | (1,187) |
| | | | (3,858) | | (274) | | | | | | (9,325) |
| | _ | | _ | | _ | | _ | | _ | | 52,054 |
| | _ | | _ | | _ | | _ | | _ | | (105,990) |
| | | | | | | | | | | | 27,531 |
| | | | | | | | | | | | (26,405) |
| | 1,139 | | 4,063 | | (154) | | 461 | | 3 | | 117,630 |
| | 535 | | 9,967 | | 2,602 | | 1,045 | | 212 | | 460,144 |
| \$ | 1,674 | \$ | 14,030 | \$ | 2,448 | \$ | 1,506 | \$ | 215 | \$ | 577,774 |

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS (Continued)

| | nsurance Reserve | Ir | mployee surance rograms | State accident | General Services |
|---|-------------------------|----|-------------------------------|-----------------------|---------------------|
| Reconciliation of operating income (loss) to net cash | | | | | |
| provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ (10,766) | \$ | 112,025 | \$ 12,213 | \$ (4,136) |
| Adjustments to reconcile operating income (loss) | | | | | |
| to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 50 | | 13 | 59 | 6,662 |
| Other nonoperating revenues | _ | | _ | 40 | 2,101 |
| Effect of change in operating assets and liabilities: | | | | | |
| Accounts receivable, net | 5,180 | | 38,364 | 17,529 | (387) |
| Accrued interest | _ | | _ | _ | 3 |
| Due from other funds | 158 | | (22,891) | _ | _ |
| Inventories | _ | | _ | _ | (111) |
| Other assets | 316 | | _ | 4 | _ |
| Accounts payable | (232) | | 58 | 9,916 | 1,282 |
| Accrued salaries and related expenses | (1) | | _ | 4 | (84) |
| Accrued interest payable | _ | | _ | _ | (51) |
| Policy claims | 7,863 | | (12,330) | _ | _ |
| Due to other funds | 229 | | 241 | _ | _ |
| Unearned revenues | 753 | | (6,145) | (15,423) | _ |
| Compensated absences payable | | | 38 | | (90) |
| Net cash provided by (used in) operating activities | \$ 3,550 | \$ | 109,373 | \$ 24,342 | \$ 5,189 |

| Central Supplies and Equipment | | Motor Pool | Pension Adminis- tration | | _ | Prison Industries | | | Totals |
|---|----|---------------|--------------------------------|-------|----|----------------------|----|-------|---------------|
| \$ 878 | \$ | (99) | \$ | 350 | \$ | (6,786) | \$ | (96) | \$ 103,583 |
| 1 | | 9,773 | | 216 | | 344 | | _ | 17,118 |
| _ | | 62 | | 144 | | 9,636 | | _ | 11,983 |
| _ | | 578 | | _ | | (2,042) | | _ | 59,222 |
| _ | | _ | | 13 | | _ | | _ | 16 |
| 700 | | 2 | | _ | | 348 | | (18) | (21,701) |
| (697) | | (4) | | _ | | 447 | | _ | (365) |
| _ | | _ | | _ | | _ | | _ | 320 |
| 1 | | 254 | | (179) | | (396) | | _ | 10,704 |
| _ | | _ | | 43 | | (75) | | (7) | (120) |
| _ | | (79) | | _ | | _ | | _ | (130) |
| _ | | _ | | _ | | _ | | _ | (4,467) |
| 1 | | (60) | | _ | | (1,040) | | (4) | (633) |
| _ | | _ | | _ | | _ | | _ | (20,815) |
| | | 8 | | 56 | | 25 | | (12) | 25 |
| \$ 884 | \$ | 10,435 | \$ | 643 | \$ | 461 | \$ | (137) | \$ 154,740 |



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

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

| | PENSION TRUST | | | | | | | | | |
|--|---|---|----|--|---|--------|---|---------|--|--------|
| | South Carolina Retirement System | | Re | Police Officers' etirement System | General Assembly Retirement System | | Judges' and Solicitors' Retirement System | | National Guard Retiremen System | |
| ASSETS Cash and cash equivalents | \$ | 2,571,401 | \$ | 381,861 | \$ | 4,565 | \$ | 15,118 | \$ | 3,020 |
| Receivables: | • | _,_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | • | , | • | ,,,,,, | • | , | • | -, |
| Contributions | | 147,843 | | 16,963 | | 34 | | 684 | | 15 |
| Employer long-term | | 18 | | 8 | | _ | | _ | | _ |
| Accrued interest | | 55,107 | | 7,761 | | 90 | | 308 | | 40 |
| Unsettled investment sales | | 641,058 | | 93,240 | | 960 | | 3,572 | | 461 |
| Other investment receivables | | 21,697 | | 3,139 | | 33 | | 121 | | 16 |
| Total receivables | | 865,723 | | 121,111 | | 1,117 | | 4,685 | | 532 |
| Due from other funds | | 6,988 | | 604 | | _ | | 92 | | _ |
| Investments, at fair value: | | | | | | | | | | |
| Short term securities | | 10,113 | | 1,471 | | 16 | | 56 | | 7 |
| Debt-domestic | | 3,309,873 | | 481,410 | | 4,955 | | 18,445 | | 2,380 |
| Debt-international | | 2,780,555 | | 404,422 | | 4,163 | | 15,495 | | 1,999 |
| Equity-domestic | | 1,808,944 | | 263,105 | | 2,708 | | 10,080 | | 1,301 |
| Equity-international | | 1,075,869 | | 156,482 | | 1,611 | | 5,996 | | 773 |
| Alternatives | | 11,713,707 | | 1,703,719 | | 17,537 | | 65,277 | | 8.422 |
| Financial and other | | _ | | _ | | _ | | _ | | _ |
| Total investments | - | 20,699,061 | | 3,010,609 | | 30,990 | | 115,349 | - | 14,882 |
| Invested securities lending collateral | | 198,711 | | 28,902 | | 298 | | 1,107 | | 143 |
| Capital assets, net | | 2,795 | | 286 | | 8 | | 1,107 | | _ |
| Prepaid items | | 924 | | 132 | | 2 | | 4 | | 1 |
| Total assets | | 24,345,603 | | 3,543,505 | | 36,980 | | 136,369 | | 18,578 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable | | 16,059 | | 2,336 | | 24 | | 91 | | 11 |
| Accounts payable–unsettled investment | | .0,000 | | _,000 | | | | ٠. | | |
| purchases | | 1,161,046 | | 168,870 | | 1.738 | | 6,470 | | 835 |
| Policy claims | | | | - | | _ | | _ | | _ |
| Due to other funds | | 41,847 | | 1,583 | | _ | | _ | | _ |
| Deferred retirement benefits | | 363,373 | | _ | | _ | | 632 | | _ |
| Securities lending collateral | | 282,139 | | 41,036 | | 423 | | 1,572 | | 203 |
| Other liabilities | | 86,110 | | 12,147 | | 126 | | 452 | | 63 |
| Total liabilities | | 1,950,574 | | 225,972 | | 2,311 | | 9,217 | | 1,112 |
| NET ASSETS | | | | | | | | | | |
| Held in trust for pension and other post-employment benefits | \$ | 22,395,029 | \$ | 3,317,533 | \$ | 34,669 | \$ | 127,152 | \$ | 17,466 |

| | OPEB | T | | | | | | | |
|--------------|---|------------|--|--------|----------------------|--|--|--|--|
| C F In | South Farolina Retiree Health surance ust Fund | Dis Ins | ng-term sability urance st Fund | Totals | | | | | |
| \$ | 56,825 | \$ | 3,608 | \$ | 3,036,398 | | | | |
| | _ | | _ | | 165,539 26 | | | | |
| | 4,778 | | 356 | | 68,440 | | | | |
| | _ | | _ | | 739,291 25,006 | | | | |
| | 4,778 | | 356 | _ | 998,302 | | | | |
| | 42,880 | | _ | | 50,564 | | | | |
| | _ | | _ | | 11,663 | | | | |
| | 378,319 | | 24,803 | | 4,220,185 | | | | |
| | _ | | _ | | 3,206,634 | | | | |
| | _ | | _ | | 2,086,138 | | | | |
| | _ | | _ | | 1,240,731 | | | | |
| | — 26.050 | | — F 206 | | 13,508,662 | | | | |
| | 36,959 415,278 | | 5,206 30,009 | _ | 42,165 24,316,178 | | | | |
| | 2,513 | | 347 | | 232,021 | | | | |
| | 2,313 | | | | 3,103 | | | | |
| | _ | | _ | | 1,063 | | | | |
| | 522,274 | • | 34,320 | | 28,637,629 | | | | |
| | | | | | | | | | |
| | _ | | _ | | 18,521 | | | | |
| | _ | | _ | | 1,338,959 | | | | |
| | _ | | 203 | | 203 | | | | |
| | 39,273 | | 21 | | 82,724 | | | | |
| | — - 077 | | | | 364,005 | | | | |
| | 5,877 — | | 813 — | | 332,063 98,898 | | | | |
| | 45,150 | • | 1,037 | | 2,235,373 | | | | |
| \$ | 477,124 | \$ | 33,283 | \$ | 26,402,256 | | | | |
| _ | | _ | , | ÷ | -,, | | | | |

Combining Statement of Changes in Plan Net Assets

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

| | | ı | PENSION TRUS | ST T | |
|--|---|---|---|---|---|
| | South Carolina Retirement System | Police Officers' Retirement System | General Assembly Retirement System | Judges' and Solicitors' Retirement System | National Guard Retirement System |
| Additions: Contributions: Employer Employee | \$ 809,175 562,170 | \$ 129,351 79,334 | \$ 2,414 624 | \$ 8,414 2,209 | \$ 3,904 |
| Total contributions | 1,371,345 | 208,685 | 3,038 | 10,623 | 3,904 |
| Investment income: Interest income and net appreciation in investments Securities lending income | 3,658,520 1,167_ | 528,308 168 | 5,778 2 | 20,432 6 | 2,574 2 |
| Total investment income | 3,659,687 | 528,476 | 5,780 | 20,438 | 2,576 |
| Less investment expense: Investment expense Securities lending expense | 61,618 | 8,945 | 98 | 346 | 43 |
| Net investment income | 3,598,069 | 519,531 | 5,682 | 20,092 | 2,533 |
| Assets moved between pension trust funds | 52 | 1,907 | 1 | 193 | _ |
| Total additions | 4,969,466 | 730,123 | 8,721 | 30,908 | 6,437 |
| Deductions: | | | | | |
| Regular retirement benefitsSupplemental retirement benefits | 1,977,325 832 | 242,872 37 | 6,528 — | 14,518 — | 4,011 — |
| Deferred retirement benefits Refunds of retirement contributions | 155,874 | _ | _ | 232 | _ |
| to members Death benefit claims | 84,591 16,485 | 14,902 1,984 | 57 58 | — 128 | _ |
| Accidental death benefits | _ | 1,534 | _ | _ | _ |
| Other post-employment benefits | _ | _ | _ | _ | _ |
| Depreciation | 107 | 11 | _ | _ | _ |
| Administrative expense | 18,446 | 2,632 92 | 32 | 104 | 13 |
| Assets moved between pension trust funds | 1,914 | | 147 | 44.000 | |
| Total deductions | 2,255,574 | 264,064 | 6,822 | 14,982 | 4,024 |
| Change in net assets | 2,713,892 | 466,059 | 1,899 | 15,926 | 2,413 |
| Net assets at beginning of year | 19,681,137 | 2,851,474 | 32,770 | 111,226 | 15,053 |
| Net assets at end of year | \$ 22,395,029 | \$ 3,317,533 | \$ 34,669 | \$ 127,152 | \$ 17,466 |

| | OPEB | ST | | | | | |
|----|--|---------|--|--------|-----------------------------|--|--|
| Ir | South Carolina Retiree Health nsurance rust Fund | D In | ong-term isability surance ust Fund | Totals | | | |
| | | | | | | | |
| \$ | 302,756 — | \$ | 6,746 — | \$ | 1,262,760 644,337 | | |
| | 302,756 | | 6,746 | | 1,907,097 | | |
| | 17,059 38_ | | 917 — | | 4,233,588 1,383 | | |
| | 17,097 | | 917 | | 4,234,971 | | |
| | - 6 | | _ | | 71,050 6 | | |
| | 17,091 | | 917 | | 4,163,915 | | |
| | | | | | 2,153 | | |
| | 319,847 | | 7,663 | _ | 6,073,165 | | |
| | | | | | | | |
| | _ _ _ | | _ _ _ | | 2,245,254 869 156,106 | | |
| | _ | | _ | | 99,550 | | |
| | _ | | _ | | 18,655 | | |
| | — 330,162 | | — 7,070 | | 1,534 337,232 | | |
| | — — | | - 7,070 | | 118 | | |
| | 57 | | _ | | 21,284 | | |
| | | | | | 2,153 | | |
| | 330,219 | | 7,070 | _ | 2,882,755 | | |
| | (10,372) | | 593 | | 3,190,410 | | |
| | 487,496 | | 32,690 | | 23,211,846 | | |
| \$ | 477,124 | \$ | 33,283 | \$ | 26,402,256 | | |
| | | | | | | | |

Combining Statement of Fiduciary Net Assets

PRIVATE-PURPOSE TRUST FUNDS

| | Other College Private-Purpo Savings Plan Trust | | |
|--|--|--------------|--------------|
| ASSETS | <u> </u> | | |
| Cash and cash equivalents | \$ — | \$ 14,241 | \$ 14,241 |
| Receivables, net: | | | |
| Accrued interest | 790 | 124 | 914 |
| Unsettled investment sales | 530 | _ | 530 |
| Investments | 1,437,890 | _ | 1,437,890 |
| Invested securities lending collateral | _ | 47 | 47 |
| Other assets | | 4,905 | 4,905 |
| Total assets | 1,439,210 | 19,317 | 1,458,527 |
| LIABILITIES | | | |
| Accounts payable | 1,123 | 164 | 1,287 |
| Accounts payable-unsettled investment | • | | • |
| purchases | 183 | _ | 183 |
| Securities lending collateral | | 110 | 110 |
| Total liabilities | 1,306 | 274 | 1,580 |
| | | | |
| NET ASSETS | | | |
| Held in trust for other purposes | \$ 1,437,904 | \$ 19,043 | \$ 1,456,947 |

Combining Statement of Changes in Fiduciary Net Assets

PRIVATE-PURPOSE TRUST FUNDS

| | College vings Plan | Priva | Other te-Purpose Trust | Totals |
|--|-----------------------|-------|------------------------------|-----------------|
| Additions: | | | | |
| Licenses, fees, and permits | \$ _ | \$ | 43 | \$ 43 |
| Tuition plan deposits | 79,773 | | | 79,773 |
| Contributions | _ | | 7 | 7 |
| Interest income | 252,932 | | (37) | 252,895 |
| Total additions | 332,705 | | 13 | 332,718 |
| Deductions: | | | | |
| Administrative expense | 9,089 | | 2,374 | 11,463 |
| Payments in accordance with trust agreements | _ | | 153 | 153 |
| Other expenses | <u> </u> | | 80 | 80 |
| Total deductions | 9,089 | | 2,607 | 11,696 |
| Change in net assets | 323,616 | | (2,594) | 321,022 |
| Net assets at beginning of year | 1,114,288 | | 21,637 | 1,135,925 |
| Net assets at end of year | \$ 1,437,904 | \$ | 19,043 | \$ 1,456,947 |



Combining Statement of Assets and Liabilities

AGENCY FUNDS

| | Payroll Clearing | | Other Agency | | | Totals |
|--|---------------------|-------------|-----------------|-------------|----|---------|
| ASSETS | - | | | | - | |
| Cash and cash equivalents | \$ | 1,572 | \$ | 226,458 | \$ | 228,030 |
| Receivables, net: | · | , - | • | -, | , | -, |
| Accounts | | 22 | | 2.015 | | 2.037 |
| Accrued interest | | _ | | 567 | | 567 |
| Taxes | | | | 538 | | 538 |
| Due from other funds | | 43.057 | | 11.738 | | 54.795 |
| Investments | | | | 22,097 | | 22,097 |
| Invested securities lending collateral | | | | 418 | | 418 |
| invested securities lending collateral | | | | 410 | | 410 |
| Total assets | \$ | 44,651 | \$ | 263,831 | \$ | 308,482 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ | 1.623 | \$ | 11.992 | \$ | 13.615 |
| Tax refunds payable | · | _ | • | 50 | , | 50 |
| Intergovernmental payables | | _ | | 19.888 | | 19,888 |
| Deposits | | | | 3,000 | | 3,000 |
| Amounts held in custody for others | | 43,028 | | 227,920 | | 270,948 |
| Securities lending collateral | | .0,020 | | 981 | | 981 |
| occurring conditional | | | | 301 | | 901 |
| Total liabilities | \$ | 44,651 | \$ | 263,831 | \$ | 308,482 |

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

| | | Balance lly 1, 2010 | Additions | | Deductions | | Balance June 30, 2011 | |
|--|----|--|-----------|---|------------|--|--------------------------|---|
| PAYROLL CLEARING | | | | | | | | |
| Assets: Cash and cash equivalents | \$ | 5.903 | \$ | 1,037,638 | \$ | 1,041,969 | \$ | 1,572 |
| Accounts receivable | φ | 3,903 44 | φ | 1,037,036 | φ | 1,041,909 | φ | 1,372 |
| Due from other funds | | 50,709 | | 43,057 | | 50,709 | | 43,057 |
| | | | | | | | | |
| Total assets | \$ | 56,656 | \$ | 1,080,717 | \$ | 1,092,722 | \$ | 44,651 |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ | 13,449 | \$ | 1,623 | \$ | 13,449 | \$ | 1,623 |
| Amounts held in custody for others | | 43,207 | | 896,450 | | 896,629 | | 43,028 |
| Total liabilities | \$ | 56,656 | \$ | 898,073 | \$ | 910,078 | \$ | 44,651 |
| OTHER AGENCY Assets: Cash and cash equivalents | \$ | 225,548 2,666 1,222 200 5,920 29,023 9,812 | \$ | 2,767,876 4,067 567 2,421 24,775 50 418 | \$ | 2,766,966 4,718 1,222 2,083 18,957 6,976 9,812 | \$ | 226,458 2,015 567 538 11,738 22,097 418 |
| Ç | | · · · · · · · · · · · · · · · · · · · | | | | , | | |
| Total assets | \$ | 274,391 | \$ | 2,800,174 | \$ | 2,810,734 | \$ | 263,831 |
| Liabilities: | _ | 4.4 ===0 | • | | | 0= 440 | | 44.000 |
| Accounts payable | \$ | 14,779 | \$ | 22,325 50 | \$ | 25,112 | \$ | 11,992 50 |
| Tax refunds payableIntergovernmental payables | | 3,363 12,913 | | 20,473 | | 3,363 13,498 | | 19,888 |
| Deposits | | 3,372 | | 3,000 | | 3,372 | | 3,000 |
| Amounts held in custody for others | | 229,146 | | 2,262,245 | | 2,263,471 | | 227,920 |
| Securities lending collateral | | 10,818 | | 981 | | 10,818 | | 981 |
| Total liabilities | \$ | 274,391 | \$ | 2,309,074 | \$ | 2,319,634 | \$ | 263,831 |

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

| | - | Balance lly 1, 2010 | Additions | | Deductions | | Balance June 30, 2011 | |
|--|----|------------------------|-----------|-----------|------------|-----------|--------------------------|---------|
| TOTALS - ALL AGENCY FUNDS | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and cash equivalents | \$ | 231,451 | \$ | 3,805,514 | \$ | 3,808,935 | \$ | 228,030 |
| Accounts receivable | | 2,710 | | 4,089 | | 4,762 | | 2,037 |
| Accrued interest receivable | | 1,222 | | 567 | | 1,222 | | 567 |
| Taxes receivable | | 200 | | 2,421 | | 2,083 | | 538 |
| Due from other funds | | 56,629 | | 67,832 | | 69,666 | | 54,795 |
| Investments | | 29,023 | | 50 | | 6,976 | | 22,097 |
| Invested securities lending collateral | | 9,812 | | 418 | | 9,812 | | 418 |
| Total assets | \$ | 331,047 | \$ | 3,880,891 | \$ | 3,903,456 | \$ | 308,482 |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ | 28,228 | \$ | 23,948 | \$ | 38,561 | \$ | 13,615 |
| Tax refunds payable | | 3,363 | | 50 | | 3,363 | | 50 |
| Intergovernmental payables | | 12,913 | | 20,473 | | 13,498 | | 19,888 |
| Deposits | | 3,372 | | 3,000 | | 3,372 | | 3,000 |
| Amounts held in custody for others | | 272,353 | | 3,158,695 | | 3,160,100 | | 270,948 |
| Securities lending collateral | | 10,818 | | 981 | | 10,818 | | 981 |
| Total liabilities | \$ | 331,047 | \$ | 3,207,147 | \$ | 3,229,712 | \$ | 308,482 |



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, 2010.

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, 2010.

Combining Statement of Net Assets

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

| | Clemson University Foundation | (Ec | niversity of South Carolina lucational bundation | I Ma Lial Und | South Carolina Medical alpractice bility Joint derwriting sociation | Ca Firs to Rea E | South arolina st Steps School adiness Soard rustees | Children's Trust Fund of S.C., Inc. | _ | Totals |
|--|-------------------------------------|---------|--|------------------------|---|------------------------------|---|---|----|---------|
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,584 | \$ | 4,813 | \$ | 10,147 | \$ | 2,630 | \$ 113 | \$ | 19,287 |
| Investments | _ | | 10,746 | | 53,599 | | | 869 | | 65,214 |
| Invested securities lending collateral | _ | | _ | | _ | | 5 | _ | | 5 |
| Receivables, net | | | | | | | | | | |
| Accounts | 376 | | 261 | | 2,543 | | _ | 18 | | 3,198 |
| Contributions | 5,292 | | 467 | | | | _ | 3 | | 5,762 |
| Accrued interest | _ | | | | 493 | | 23 | _ | | 516 |
| Loans and notes | _ | | 25 | | _ | | _ | | | 25 |
| Due from Federal government and other grantors | _ | | _ | | _ | | _ | 309 | | 309 |
| Restricted assets: | | | | | | | | | | |
| Cash and cash equivalents | 22,738 | | _ | | _ | | _ | _ | | 22,738 |
| Prepaid items | | | _ | | _ | | _ | 16 | | 16 |
| Other current assets | 177 | | _ | | 108 | | _ | _ | | 285 |
| Deferred charges | | | | | 1,219 | | | | _ | 1,219 |
| Total current assets | 30,167 | | 16,312 | | 68,109 | | 2,658 | 1,328 | _ | 118,574 |
| Long-term assets: | | | | | | | | | | |
| Investments | 455,651 | | 296,040 | | _ | | _ | _ | | 751,691 |
| Receivables, net: | | | | | | | | | | |
| Accounts | 1,667 | | 2,102 | | _ | | _ | _ | | 3,769 |
| Contributions | 21,532 | | 15,754 | | _ | | _ | _ | | 37,286 |
| Loans and notes | _ | | 30 | | _ | | _ | _ | | 30 |
| Other long-term assets | 12 | | _ | | _ | | _ | 19 | | 31 |
| Non-depreciable capital assets | 8,971 | | _ | | _ | | _ | _ | | 8,971 |
| Depreciable capital assets, net | 622 | | 26 | | 27 | | 2 | 1 | _ | 678 |
| Total long-term assets | 488,455 | | 313,952 | | 27 | | 2 | 20 | _ | 802,456 |
| Total assets | 518,622 | | 330,264 | | 68,136 | | 2,660 | 1,348 | _ | 921,030 |
| | | | | | | | | | | |

Combining Statement of Net Assets

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

| | 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 |
|---|-------------------------------------|---|---|--|---|------------|
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 140 | \$ 1,191 | \$ 470 | \$ 112 | \$ 137 | \$ 2,050 |
| Accrued salaries and related expenses | _ | _ | _ | 51 | _ | 51 |
| Intergovernmental payables | _ | _ | _ | _ | 20 | 20 |
| Policy claims | _ | _ | 26,000 | _ | _ | 26,000 |
| Due to primary government | 137,803 | 23,391 | _ | 20 | _ | 161,214 |
| Unearned revenues and deferred credits | _ | _ | 13,036 | _ | 8 | 13,044 |
| Amounts held in custody for others | 359 | _ | _ | _ | _ | 359 |
| Securities lending collateral | _ | _ | _ | 11 | _ | 11 |
| Accounts payable from restricted assets | 470 | _ | _ | _ | _ | 470 |
| Notes payable | _ | 22 | _ | _ | _ | 22 |
| Compensated absences payable | _ | | _ | 59 | | 59 |
| Other current liabilities | | 442 | | | 4 | 446 |
| Total current liabilities | 138,772 | 25,046 | 39,506 | 253 | 169 | 203,746 |
| Long-term liabilities: | | | | | | |
| Policy claims | _ | _ | 114,434 | _ | | 114,434 |
| Amounts held in custody for others | 2,448 | | 74 | | | 2,522 |
| Compensated absences payable | _ | _ | _ | 59 | 24 | 83 |
| Other long-term liabilities | 5,832 | 2,724 | | | | 8,556 |
| Total long-term liabilities | 8,280 | 2,724 | 114,508 | 59 | 24 | 125,595 |
| Total liabilities | 147,052 | 27,770 | 154,014 | 312 | 193 | 329,341 |
| NET ASSETS (DEFICIT) | | | | | | |
| Invested in capital assets, net of related debt | 9,593 | 26 | 27 | 2 | 1 | 9,649 |
| Restricted: | | | | | | |
| Expendable: | | | | | | |
| Education | 133,728 | 98,630 | _ | 215 | _ | 232,573 |
| Other | _ | _ | 2,177 | _ | _ | 2,177 |
| Nonexpendable, education | 209,766 | 170,348 | _ | _ | _ | 380,114 |
| Unrestricted | 18,483 | 33,490 | (88,082) | 2,131 | 1,154 | (32,824) |
| Total net assets (deficit) | \$ 371,570 | \$ 302,494 | \$ (85,878) | \$ 2,348 | \$ 1,155 | \$ 591,689 |

Combining Statement of Activities

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

| | | | Program Revenues | | | | |
|--|----|---------|----------------------|----|--------------------------------------|----|----------------------------|
| | E | kpenses | arges for ervices | Gr | perating rants and ntributions | = | Net Revenue Expense) |
| Clemson University FoundationUniversity of South Carolina Educational | \$ | 20,577 | \$ _ | \$ | 88,477 | \$ | 67,900 |
| Foundation South Carolina Medical Malpractice Liability | | 22,517 | _ | | 76,525 | | 54,008 |
| Joint Underwriting Association South Carolina First Steps to School Readiness | | 14,540 | 26,236 | | 3,495 | | 15,191 |
| Board of Trustees | | 13,083 | _ | | 12,764 | | (319) |
| Children's Trust Fund of S.C., Inc | | 2,371 | | | 2,411 | | 40 |
| Totals | \$ | 73,088 | \$ 26,236 | \$ | 183,672 | \$ | 136,820 |

| Assets (Deficit) inning of Year | Assets (Deficit) End of Year |
|------------------------------------|---------------------------------|
| \$ 303,670 | \$ 371,570 |
| 248,486 | 302,494 |
| (101,069) | (85,878) |
| 2,667 1,115 | 2,348 1,155 |
| \$ 454,869 | \$ 591,689 |

Balance Sheet

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS BOARD OF TRUSTEES

| Invested securities lending collateral | ASSETS Cash and cash equivalents | | \$ | 2,630 |
|--|--|--------------|--------|---------------------|
| LIABILITIES AND FUND BALANCE Liabilities: Accounts payable | | | | _ |
| Liabilities: Accounts payable | Total assets | | \$ | 2,658 |
| Accounts payable | | | | |
| Due to primary government | | | \$ | 112 |
| Securities lending collateral | · | | | |
| Total liabilities | | | | |
| Fund Balance: Restricted for education | · | | | |
| Restricted for education | Total liabilities | | | 194 |
| Assigned for education | Fund Balance: | | | |
| Total fund balance | | | | |
| Total liabilities and fund balance | Assigned for education | | | 2,249 |
| Reconciliation of the Balance Sheet to the Combining Statement of Net Assets Nonmajor Discretely Presented Component Units Total fund balance | 7.00igition for conduction | | | |
| Nonmajor Discretely Presented Component Units Total fund balance | · | | | 2,464 |
| 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 | Total fund balance | | \$ | • |
| 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 | Total fund balance Total liabilities and fund balance Reconciliation of the Balance Sheet to the Combining State | | | 2,658 |
| resources and therefore are not reported in the Balance Sheet. These assets consist of: Capital assets | Total fund balance Total liabilities and fund balance Reconciliation of the Balance Sheet to the Combining State Nonmajor Discretely Presented Component Units | | Assets | 2,658 |
| in the current period and therefore are not reported in the Balance Sheet | Total fund balance Total liabilities and fund balance Reconciliation of the Balance Sheet to the Combining State Nonmajor Discretely Presented Component Units Total fund balance Amounts reported for First Steps in the Combining Statement of | | Assets | 2,658 |
| Net assets | Total fund balance Total liabilities and fund balance | ement of Net | Assets | 2,658 S 2,464 |
| | Total fund balance | ement of Net | Assets | 2,658 2,464 |

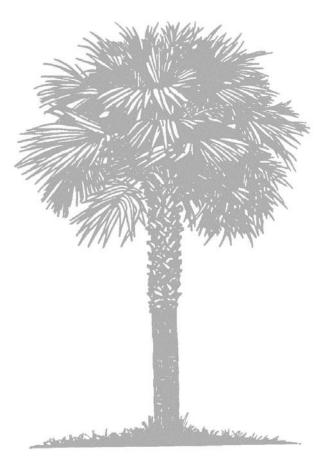
Statement of Revenues, Expenditures, and Changes in Fund Balance

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS BOARD OF TRUSTEES

| Revenues: | | |
|---|-----------|---------------|
| Interest and other investment income | \$ | 137 |
| State operating grants and contracts | | 12,097 |
| Contributions | | 530 |
| Total revenues | | 12,764 |
| | | 12,101 |
| Expenditures: | | |
| Current: Education | | 6,988 |
| Intergovernmental | | 6,079 |
| | | |
| Total expenditures | | 13,067 |
| Excess of expenditures over revenues | | (303) |
| Fund balance at beginning of year | | 2,767 |
| Fund balance at end of year | \$ | 2,464 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Combining Statement of Acti Nonmajor Discretely Presented Component Units | vities | |
| Net change in fund balance | \$ | (303) |
| | | |
| Amounts reported for First Steps in the Combining Statement of Activities are different because: | | |
| | | (16) |
| Activities are different because: 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. | \$ | (16) (319) |



Statistical Section (Unaudited)



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.

| \sim | $\overline{}$ | | _ | _ | | _ | \sim |
|--------|---------------|----|---|---|----|---|--------|
| | | N | | _ | N | | • |
| С | v | 14 | | _ | 14 | | u |

| <u></u> | Page |
|---|------|
| 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 Ten Fiscal Years (Accrual basis of accounting, expressed in thousands)

| | | | For | the Fiscal Year |
|---|---------------|---------------|---------------|-----------------|
| | 2002 | 2003 | 2004 | 2005 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 7,621,846 | \$ 8,077,945 | \$ 8,534,931 | \$ 8,880,082 |
| Restricted | 2,431,538 | 2,385,607 | 2,445,033 | 2,735,158 |
| Unrestricted | (1,002,579) | (1,103,579) | (960,949) | (172,175) |
| Total governmental activities net assets | \$ 9,050,805 | \$ 9,359,973 | \$ 10,019,015 | \$ 11,443,065 |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 1,551,604 | \$ 1,648,504 | \$ 1,695,208 | \$ 1,778,072 |
| Restricted | 1,291,069 | 1,187,558 | 1,186,958 | 1,232,819 |
| Unrestricted | 159,956 | 217,017 | 270,380 | 360,037 |
| Total business-type activities net assets | \$ 3,002,629 | \$ 3,053,079 | \$ 3,152,546 | \$ 3,370,928 |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 9,173,450 | \$ 9,726,449 | \$ 10,230,139 | \$ 10,658,154 |
| Restricted | 3,722,607 | 3,573,165 | 3,631,991 | 3,967,977 |
| Unrestricted | (842,623) | (886,562) | (690,569) | 187,862 |
| Total primary government net assets | \$ 12,053,434 | \$ 12,413,052 | \$ 13,171,561 | \$ 14,813,993 |

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------|----------------------|----------------------|----------------------|----------------------|---------------|
| | | | | | |
| \$ 9,386,248 | \$ 9,728,397 | \$ 10,044,439 | \$ 10,276,019 | \$ 10,966,666 | \$ 10,766,855 |
| 3,089,099 | 3,498,173 | 3,597,084 | 3,351,317 | 3,202,747 | 3,273,224 |
| 445,362 | 603,503 | 46,185 | (161,946) | (371,761) | 759,206 |
| \$ 12,920,709 | \$ 13,830,073 | \$ 13,687,708 | \$ 13,465,390 | \$ 13,797,652 | \$ 14,799,285 |
| | | | | | |
| | | | | | |
| \$ 1,973,060 | \$ 2,133,862 | \$ 2,315,357 | \$ 2,429,521 | \$ 2,539,652 | \$ 2,628,292 |
| . , , | | | | | . , , |
| 1,253,359 | 1,406,468 | 1,381,777 | 1,123,060 | 1,225,352 | 1,443,470 |
| | 1,406,468 594,033 | 1,381,777 646,266 | 1,123,060 399,730 | 1,225,352 322,575 | |

\$ 12,705,540

\$ 17,417,701

4,474,377

237,784

\$ 13,506,318

\$ 17,885,231

4,428,099

(49,186)

\$ 12,359,796

\$ 18,031,108

4,978,861

692,451

Ended June 30

\$ 11,359,308

\$ 16,589,886

4,342,458

888,120

\$ 11,862,259

\$ 17,964,436

4,904,641

1,197,536

\$ 13,395,147

\$ 19,579,008

4,716,694

1,467,167

Changes in Net Assets

Last Ten Fiscal Years (Accrual basis of accounting, expressed in thousands)

| | | | For th | ne Fiscal Year |
|---|--------------|--------------|--------------|----------------|
| | 2002 | 2003 | 2004 | 2005 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,749,351 | \$ 1,485,190 | \$ 1,587,442 | \$ 1,725,343 |
| Education | 920,695 | 1,110,675 | 1,228,354 | 1,280,791 |
| Health and environment | 3,888,356 | 4,240,170 | 4,588,137 | 4,767,155 |
| Social services | 798,409 | 846,818 | 942,591 | 992,960 |
| Administration of justice | 693,478 | 676,157 | 628,227 | 629,185 |
| Resources and economic development | 221,644 | 202,982 | 192,000 | 197,351 |
| Transportation | 340,405 | 473,086 | 531,667 | 664,125 |
| Intergovernmental ^a | 3,807,548 | 3,686,361 | 3,813,383 | 3,848,454 |
| Unallocated interest expense | 71,883 | 76,130 | 67,614 | 67,705 |
| Total governmental activities expenses | 12,491,769 | 12,797,569 | 13,579,415 | 14,173,069 |
| Business-type activities: | | | | |
| Higher education | 2,270,359 | 2,460,589 | 2,527,649 | 2,679,238 |
| Higher education institution support | 717,480 | 728,103 | 757,252 | 800,151 |
| Unemployment compensation benefits | 526,954 | 546,389 | 493,619 | 366,820 |
| Financing of housing facilities | 125,422 | 133,632 | 137,671 | 147,021 |
| Medical malpractice insurance | 78,949 | 50,113 | 30,733 | 47,432 |
| Financing of student loans | 36,748 | 41,409 | 39,641 | 43,567 |
| Tuition prepayment program | 33,862 | 27,208 | 30,620 | 26,653 |
| State maritime museum | 6,717 | 6,986 | 6,976 | 6,638 |
| Insurance claims processing | 1,467 | 1,603 | 1,586 | 1,655 |
| Other | 28,362 | 25,452 | 22,659 | 29,055 |
| Total business-type activities expenses | 3,826,320 | 4,021,484 | 4,048,406 | 4,148,230 |
| Total primary government expenses | 16,318,089 | 16,819,053 | 17,627,821 | 18,321,299 |

| En | de | h | JI. | ur | 1e | 3 | n |
|----|----|---|-----|----|----|---|---|
| | | | | | | | |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | |
| | | | | | |
| \$ 2,642,678 | \$ 3,430,569 | \$ 4,521,252 | \$ 4,331,740 | \$ 4,475,571 | \$ 4,462,454 |
| 2,452,623 | 4,078,954 | 4,401,108 | 4,109,666 | 4,400,125 | 4,004,703 |
| 6,025,626 | 4,897,060 | 5,209,149 | 5,825,749 | 6,007,179 | 6,584,487 |
| 1,347,522 | 1,152,324 | 1,300,347 | 1,533,666 | 1,847,028 | 1,900,026 |
| 873,911 | 742,064 | 789,071 | 774,533 | 760,379 | 746,462 |
| 272,777 | 367,727 | 407,392 | 372,073 | 351,882 | 221,075 |
| 1,166,910 | 1,018,800 | 941,924 | 940,226 | 1,179,611 | 1,203,952 |
| _ | _ | | | _ | _ |
| 100,109 | 108,401 | 102,825 | 98,728 | 81,838 | 90,848 |
| 14,882,156 | 15,795,899 | 17,673,068 | 17,986,381 | 19,103,613 | 19,214,007 |
| | | | | | |
| | | | | | |
| 2,871,493 | 3,120,278 | 3,405,491 | 3,396,191 | 3,520,564 | 3,684,769 |
| 881,583 | 965,686 | 1,121,483 | 1,200,456 | 1,252,222 | 1,321,213 |
| 365,091 | 390,087 | 449,775 | 1,332,402 | 2,026,866 | 2,171,063 |
| 150,626 | 158,031 | 174,152 | 180,555 | 238,191 | 272,880 |
| 52,598 | 24,809 | 13,259 | (6,724) | 2,324 | 2,591 |
| 61,472 | 61,537 | 77,249 | 52,699 | 36,694 | 21,847 |
| 38,849 | 8,100 | (5,844) | 10,598 | 910 | 4,750 |
| 6,911 | 7,061 | 7,848 | 8,622 | 9,300 | 8,614 |
| 1,536 | 1,553 | 1,677 | 1,699 | 1,720 | 1,648 |
| 24,172 | 27,458 | 27,614 | 30,634 | 25,563 | 25,278 |
| 4,454,331 | 4,764,600 | 5,272,704 | 6,207,132 | 7,114,354 | 7,514,653 |
| 19,336,487 | 20,560,499 | 22,945,772 | 24,193,513 | 26,217,967 | 26,728,660 |

Continued on Next Page

Changes in Net Assets (Continued)

Last Ten Fiscal Years (Accrual basis of accounting, expressed in thousands)

| | | | For th | e Fiscal Year |
|--|--------------|--------------|--------------|---------------|
| | 2002 | 2003 | 2004 | 2005 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 1,233,641 | \$ 1,020,219 | \$ 1,231,619 | \$ 1,390,695 |
| Other activities | 511,095 | 480,021 | 368,240 | 425,896 |
| Operating grants and contributions | 4,472,482 | 5,139,624 | 5,656,373 | 6,052,454 |
| Capital grants and contributions | 514,815 | 516,167 | 584,722 | 650,384 |
| Total governmental activities program revenues | 6,732,033 | 7,156,031 | 7,840,954 | 8,519,429 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Higher education | 1,290,521 | 1,543,441 | 1,724,447 | 1,858,869 |
| Higher education institution support | 708,450 | 742,754 | 769,118 | 833,452 |
| Unemployment compensation benefits | 266,678 | 374,112 | 367,632 | 309,975 |
| Other activities | 136,854 | 153,085 | 148,827 | 171,522 |
| Operating grants and contributions | 523,672 | 429,283 | 422,971 | 419,672 |
| Capital grants and contributions | 29,635 | 47,381 | 47,136 | 55,166 |
| Total business-type activities program revenues | 2,955,810 | 3,290,056 | 3,480,131 | 3,648,656 |
| Total primary government activities program revenues | 9,687,843 | 10,446,087 | 11,321,085 | 12,168,085 |
| Net Expenses | | | | |
| Governmental activities | (5,759,736) | (5,641,538) | (5,738,461) | (5,653,640) |
| Business-type activities | (870,510) | (731,428) | (568,275) | (499,574) |
| Total primary government net expense | (6,630,246) | (6,372,966) | (6,306,736) | (6,153,214) |

| En | de | Ы | .lı | ın | _ | 3 | n |
|----|----|---|-----|-----|---|---|---|
| | uc | u | υL | 411 | ┖ | | u |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | |
| | | | | | |
| | | | | | |
| \$ 1,530,670 | \$ 1,617,400 | \$ 1,694,147 | \$ 1,654,616 | \$ 1,945,319 | \$ 1,929,867 |
| 472,511 | 453,957 | 466,621 | 463,801 | 411,485 | 533,342 |
| 5,773,902 | 5,848,554 | 6,313,817 | 7,045,052 | 8,274,731 | 8,118,411 |
| 621,512 | 503,633 | 333,255 | 382,979 | 570,743 | 615,292 |
| 9 209 505 | 9 422 544 | 0 007 040 | 0 546 449 | 11 202 279 | 11 106 012 |
| 8,398,595 | 8,423,544 | 8,807,840 | 9,546,448 | 11,202,278 | 11,196,912 |
| | | | | | |
| 2,000,940 | 2,116,206 | 2,337,123 | 2,454,076 | 2,377,719 | 2,579,679 |
| 905,000 | 984,723 | 1,075,408 | 1,201,181 | 1,314,062 | 1,363,957 |
| 333,423 | 339,715 | 343,104 | 791,037 | 1,575,257 | 2,298,971 |
| 176,324 | 173,689 | 206,113 | 189,406 | 154,051 | 133,195 |
| 478,462 | 577,625 | 438,376 | 409,628 | 1,042,850 | 1,115,603 |
| 74,224 | 86,807 | 47,226 | 52,809 | 100,884 | 96,366 |
| | | | | | |
| 3,968,373 | 4,278,765 | 4,447,350 | 5,098,137 | 6,564,823 | 7,587,771 |
| 12,366,968 | 12,702,309 | 13,255,190 | 14,644,585 | 17,767,101 | 18,784,683 |
| , | | | ,, | | |
| | | | | | |
| (6,483,561) | (7,372,355) | (8,865,228) | (8,439,933) | (7,901,335) | (8,017,095) |
| (485,958) | (485,835) | (825,354) | (1,108,995) | (549,531) | 73,118 |
| (6,969,519) | (7,858,190) | (9,690,582) | (9,548,928) | (8,450,866) | (7,943,977) |

Changes in Net Assets (Continued)

Last Ten Fiscal Years (Accrual basis of accounting, expressed in thousands)

| | | | For th | ne Fiscal Year |
|--|--------------|--------------|--------------|----------------|
| | 2002 | 2003 | 2004 | 2005 |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Individual income tax | \$ 2,357,050 | \$ 2,282,464 | \$ 2,416,437 | \$ 2,762,538 |
| Retail sales and use tax | 2,788,909 | 2,820,520 | 3,009,485 | 3,221,466 |
| Other taxes | 1,271,326 | 1,323,521 | 1,390,893 | 1,469,701 |
| Unrestricted grants and contributions | 37,744 | 82,721 | 80,333 | 26,391 |
| Unrestricted investment income | 79,119 | 29,535 | 18,723 | 32,628 |
| Tobacco legal settlement | 88,290 | 80,042 | 74,180 | 73,231 |
| Other revenues | 70,137 | 71,621 | 75,967 | 71,090 |
| Special and extraordinary items | _ | | _ | _ |
| Transfers | (862,126) | (782,874) | (668,515) | (714,238) |
| Total governmental activities | 5,830,449 | 5,907,550 | 6,397,503 | 6,942,807 |
| Business-type activities: | | | | |
| Gain on early extinguishment of debt | _ | _ | _ | _ |
| Additions to endowments | _ | _ | _ | _ |
| Special and extraordinary items | (6,851) | (996) | (773) | (556) |
| Transfers | 862,126 | 782,874 | 668,515 | 714,238 |
| Total business-type activities | 855,275 | 781,878 | 667,742 | 713,682 |
| Total primary government | 6,685,724 | 6,689,428 | 7,065,245 | 7,656,489 |
| Change in Net Assets | | | | |
| Governmental activities | 70,713 | 266,012 | 659,042 | 1,289,167 |
| Business-type activities | (15,235) | 50,450 | 99,467 | 214,108 |
| Total primary government | \$ 55,478 | \$ 316,462 | \$ 758,509 | \$ 1,503,275 |

^a 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.

| En | ded | 1. | ına | 30 |
|----|-----|----|-----|-----|
| | ueu | JL | me | ่วบ |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | |
| \$ 3,156,028 | \$ 3,349,358 | \$ 3,341,265 | \$ 2,805,998 | \$ 2,659,728 | \$ 2,880,504 |
| 3,613,754 | 3,803,732 | 4,236,156 | 3,908,318 | 3,855,095 | 3,969,218 |
| 1,753,214 | 1,787,974 | 1,838,101 | 1,682,300 | 1,616,347 | 1,835,036 |
| 18,664 | 15,642 | 19,279 | 23,896 | 205,965 | 223,959 |
| 69,438 | 134,196 | 156,974 | 86,639 | 41,555 | 15,097 |
| 67,841 | 79,912 | 83,494 | 95,115 | 68,709 | 69,808 |
| 67,012 | 61,926 | 57,256 | 301,321 | 433,166 | 571,998 |
| _ | _ | 5,611 | - | _ | _ |
| (784,746) | (951,021) | (1,015,273) | (685,972) | (653,389) | (546,892) |
| 7,961,205 | 8,281,719 | 8,722,863 | 8,217,615 | 8,227,176 | 9,018,728 |
| | | | | | |
| _ | _ | _ | _ | _ | 35,189 |
| _ | _ | 19,118 | 31,934 | 30,480 | 36,945 |
| (539) | _ | _ | _ | _ | _ |
| 784,746 | 951,021 | 1,015,273 | 685,972 | 653,389 | 546,892 |
| 784,207 | 951,021 | 1,034,391 | 717,906 | 683,869 | 619,026 |
| 8,745,412 | 9,232,740 | 9,757,254 | 8,935,521 | 8,911,045 | 9,637,754 |
| | | | | | |
| | | | | | |
| 1,477,644 | 909,364 | (142,365) | (222,318) | 325,841 | 1,001,633 |
| 298,249 | 465,186 | 209,037 | (391,089) | 134,338 | 692,144 |
| \$ 1,775,893 | \$ 1,374,550 | \$ 66,672 | \$ (613,407) | \$ 460,179 | \$ 1,693,777 |

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Modified accrual basis of accounting, expressed in thousands)

| | | | For the | he Fiscal Year |
|------------------------------------|--------------|--------------|--------------|----------------|
| | 2002 | 2003 | 2004 | 2005 |
| General Fund | | | | |
| Reserved ¹ | \$ 67,611 | \$ 57,982 | \$ 90,605 | \$ 142,662 |
| Non-spendable | а | а | а | а |
| Restricted | а | а | а | а |
| Committed | а | а | а | а |
| Assigned | а | а | а | а |
| Unassigned, previously unreserved | (207,562) | (204,352) | (97,632) | 345,437 |
| Total General Fund | (139,951) | (146,370) | (7,027) | 488,099 |
| All other governmental funds | | | | |
| Reserved ¹ | 1,521,120 | 1,644,870 | 1,902,990 | 1,942,261 |
| Non-spendable | а | а | а | а |
| Restricted | а | а | а | а |
| Committed | а | а | а | а |
| Assigned | а | а | а | а |
| Special revenue funds | 1,435,046 | 1,083,312 | 961,307 | 1,224,530 |
| Capital projects fund | 112,525 | 104,289 | 178,711 | 183,763 |
| Permanent funds | 579 | 839 | 970 | 983 |
| Unassigned, previously unreserved | 1,548,150 | 1,188,440 | 1,140,988 | 1,409,276 |
| Total all other governmental funds | 3,069,270 | 2,833,310 | 3,043,978 | 3,351,537 |
| Total fund balances, | | | | |
| governmental funds | \$ 2,929,319 | \$ 2,686,940 | \$ 3,036,951 | \$ 3,839,636 |

Note: Certain fiscal year data has been restated for consistency.

Balances were not restated for GASB 54 effects in this presentation.

¹ Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal 2010-2011.

^a Information detailed in presentation changed in fiscal 2010-2011 with the implementation of GASB 54.

Ended June 30

| Ended Julie 30 | | | 0000 | | | |
|----------------|--------------|--------------|--------------|--------------|--------------|--|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | |
| | | | | | | |
| \$ 280,169 | \$ 413,157 | \$ 341,773 | \$ 231,201 | \$ 184,645 | \$ — | |
| а | а | а | а | а | 86,993 | |
| а | а | а | а | а | 1,077 | |
| а | а | а | а | а | 582,085 | |
| а | а | а | а | а | 349,619 | |
| 833,676 | 679,780 | (9,977) | (125,972) | (36,290) | 478,756 | |
| 1,113,845_ | 1,092,937_ | 331,796 | 105,229 | 148,355 | 1,498,530 | |
| | | | | | | |
| | | | | | | |
| 2,027,383 | 2,153,086 | 2,077,825 | 2,124,977 | 2,167,253 | _ | |
| а | а | а | а | а | 790,205 | |
| а | а | а | а | а | 2,297,364 | |
| а | а | а | а | а | 127,220 | |
| а | а | а | а | а | 104,298 | |
| 614,501 | 1,454,483 | 1,258,938 | 806,524 | 726,389 | а | |
| 307,633 | 240,134 | 234,123 | 248,130 | 362,097 | а | |
| 496,290 | 1,070 | 1,209 | 1,502 | 1,473 | а | |
| 1,418,424 | 1,695,687 | 1,494,270 | 1,056,156 | 1,089,959 | (1,000,102) | |
| 3,445,807 | 3,848,773 | 3,572,095 | 3,181,133 | 3,257,212 | 2,318,985 | |
| | | | | | | |
| \$ 4,559,652 | \$ 4,941,710 | \$ 3,903,891 | \$ 3,286,362 | \$ 3,405,567 | \$ 3,817,515 | |

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Modified accrual basis of accounting, dollars in thousands)

| | - | | |
|--------------------------------------|--------------|--------------|--------------|
| | 2002 | 2003 | 2004 |
| Revenues | | | |
| Taxes: | | | |
| Individual income | \$ 2,340,840 | \$ 2,287,989 | \$ 2,408,756 |
| Retail sales and use | 2,771,191 | 2,817,138 | 2,996,073 |
| Other | 1,244,487 | 1,292,376 | 1,373,468 |
| Licenses, fees, and permits | 270,005 | 390,390 | 415,445 |
| Interest and other investment income | 194,743 | 157,858 | 75,349 |
| Federal | 4,596,726 | 5,014,039 | 5,659,928 |
| Local and private grants | 9,299 | 9,330 | 9,183 |
| State grants | _ | _ | _ |
| Departmental services | 638,330 | 703,823 | 668,252 |
| Contributions | 178,427 | 335,846 | 534,455 |
| Fines and penalties | 82,893 | 81,532 | 105,601 |
| Tobacco legal settlement | 88,291 | 86,313 | 74,180 |
| Other | 121,945 | 124,038 | 86,796 |
| Total revenues | 12,537,177 | 13,300,672 | 14,407,486 |
| Expenditures | | | |
| Current: | | | |
| General government | 491,678 | 475,705 | 533,227 |
| Education | 485,133 | 632,906 | 652,102 |
| Health and environment | 4,218,410 | 4,512,620 | 4,931,105 |
| Social services | 803,313 | 844,927 | 874,703 |
| Administration of justice | 644,270 | 644,896 | 574,404 |
| Resources and economic development | 180,203 | 162,798 | 154,066 |
| Transportation | 435,384 | 559,466 | 614,220 |
| Capital outlay | 627,588 | 525,284 | 531,822 |
| Debt service: | | | |
| Principal retirement | 185,031 | 231,533 | 220,265 |
| Interest and fiscal charges | 226,568 | 236,281 | 239,553 |
| Intergovernmental | 4,530,261 | 4,469,022 | 4,594,739 |
| Total expenditures | 12,827,839 | 13,295,438 | 13,920,206 |

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 2,765,012 | \$ 3,127,734 | \$ 3,337,312 | \$ 3,360,054 | \$ 2,828,668 | \$ 2,658,700 | \$ 2,898,388 |
| 3,225,931 | 3,631,350 | 3,805,628 | 4,254,318 | 3,908,318 | 3,855,095 | 3,969,218 |
| 1,437,920 | 1,740,273 | 1,762,708 | 1,810,088 | 1,653,678 | 1,586,023 | 1,753,388 |
| 462,186 | 493,527 | 519,707 | 522,131 | 502,811 | 468,758 | 511,818 |
| 122,958 | 157,015 | 273,949 | 315,962 | 225,837 | 172,561 | 81,772 |
| 5,975,208 | 5,949,905 | 5,770,911 | 6,015,003 | 6,801,787 | 8,475,813 | 8,404,416 |
| 9,924 | 11,448 | 9,715 | 52,347 | 50,523 | 40,287 | 55,466 |
| 3,469 | 65 | <u> </u> | _ | <u> </u> | · — | _ |
| 640,350 | 727,251 | 638,441 | 747,419 | 746,106 | 232,079 | 625,124 |
| 681,174 | 406,031 | 373,238 | 331,689 | 379,042 | 434,832 | 437,570 |
| 107,197 | 111,480 | 113,340 | 121,359 | 120,705 | 163,389 | 122,790 |
| 73,231 | 67,841 | 79,912 | 83,493 | 95,115 | 68,709 | 69,808 |
| 84,203 | 98,457 | 126,857 | 129,096 | 376,747 | 446,384 | 572,361 |
| 15,588,763 | 16,522,377 | 16,811,718 | 17,742,959 | 17,689,337 | 18,602,630 | 19,502,119 |
| | | | | | | |
| 613,314 | 633,822 | 857,359 | 824,171 | 752,983 | 711,761 | 690,566 |
| 680,676 | 752,980 | 811,465 | 872,898 | 811,215 | 820,352 | 809,161 |
| 5,129,240 | 5,143,590 | 5,243,672 | 5,564,099 | 6,219,832 | 5,963,035 | 6,867,229 |
| 999,624 | 1,048,720 | 1,143,967 | 1,271,986 | 1,529,925 | 1,831,650 | 1,878,099 |
| 582,748 | 637,444 | 698,429 | 751,182 | 716,476 | 686,975 | 681,808 |
| 179,635 | 198,445 | 231,468 | 256,526 | 205,489 | 163,858 | 173,047 |
| 629,430 | 779,985 | 742,299 | 715,538 | 655,964 | 902,784 | 867,372 |
| 607,683 | 623,365 | 342,857 | 220,744 | 384,197 | 470,201 | 568,225 |
| 243,050 | 250,785 | 264,967 | 789,639 | 353,204 | 713,643 | 313,261 |
| 252,889 | 257,609 | 254,938 | 341,027 | 220,309 | 200,409 | 205,811 |
| 4,678,620 | 4,985,632 | 5,113,092 | 6,178,735 | 5,869,496 | 6,109,264 | 5,705,721 |
| 14,596,909 | 15,312,377 | 15,704,513 | 17,786,545 | 17,719,090 | 18,573,932 | 18,760,300 |

Changes in Fund Balances

GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

(Modified accrual basis of accounting, dollars in thousands)

| | 2002 | 2003 | 2004 |
|---|--------------|--------------|-------------|
| Excess of revenues over (under) expenditures | \$ (290,662) | \$ 5,234 | \$ 487,280 |
| Other financing sources (uses) | | | |
| Bonds and notes issued | 646,571 | 492,895 | 467,795 |
| Refunding bonds issued | | 105,415 | 524,860 |
| Accrued interest on refunding bonds issued | | | _ |
| Premiums on bonds issued | 14,858 | 11,323 | 11,334 |
| Discounts on bonds issued | (1,461) | — | _ |
| Capital leases | 140 | 1,088 | _ |
| Receipts from swap counter-parties | _ | _ | _ |
| Payment of termination fee to swap counter-party | | | _ |
| Payments to refunded bond escrow agent | | (106,267) | (524,606) |
| Redemption of refunded bonds | | <u> </u> | · — |
| Transfers in | 348,088 | 408,663 | 552,574 |
| Transfers out | (1,207,429) | (1,160,730) | (1,206,111) |
| Total other financing sources (uses) | (199,233) | (247,613) | (174,154) |
| Net change in fund balances | \$ (489,895) | \$ (242,379) | \$ 313,126 |
| Debt service as a percentage of noncapital expenditures | 3.5% | 3.7% | 3.5% |

Note: Certain fiscal year data has been restated for consistency.

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------|--------------|--------------|---------------|--------------|-------------|------------|
| \$ 991,854 | \$ 1,210,000 | \$ 1,107,205 | \$ (43,586) | \$ (29,753) | \$ 28,698 | \$ 741,819 |
| 303,820 | 289,475 | 306,991 | _ | 91,521 | 301,672 | 205,507 |
| 448,160 | 221,045 | 102,015 | 275,730 | _ | 388,450 | 676,115 |
| _ | _ | _ | 957 | _ | _ | _ |
| 41,225 | 22,222 | 9,456 | _ | 4,541 | 49,600 | 37,581 |
| | _ | (8) | (8,249) | | (87) | (5,314) |
| 700 | 250 | _ | 513 | 19 | _ | 166 |
| _ | _ | _ | 7,599 | _ | _ | _ |
| _ | _ | _ | (7,599) | _ | _ | _ |
| (332,801) | (241,235) | (118,350) | (251,180) | _ | _ | (528,423) |
| _ | _ | _ | _ | _ | _ | (184,087) |
| 205,963 | 488,833 | 384,755 | 1,099,105 | 759,447 | 735,715 | 311,010 |
| (915,263) | (1,270,574) | (1,410,006) | (2,111,109) | (1,443,304) | (1,383,899) | (849,777) |
| (248,196) | (489,984) | (725,147) | (994,233) | (587,776) | 91,451 | (337,222) |
| \$ 743,658 | \$ 720,016 | \$ 382,058 | \$(1,037,819) | \$ (617,529) | \$ 120,149 | \$ 404,597 |
| 3.6% | 3.5% | 3.4% | 6.5% | 3.3% | 5.1% | 2.9% |

Personal Income by Industry

Last Ten Calendar Years (Dollars in millions)

| Sources | 2001 | 2002 | 2003 | 2004 |
|---|------------|------------|------------|------------|
| Farm earnings | \$ 647 | \$ 226 | \$ 540 | \$ 639 |
| Agricultural services, forestry, fishing, and other | 310 | 299 | 307 | 333 |
| Mining | 88 | 86 | 91 | 97 |
| Construction | 5,823 | 5,824 | 6,153 | 6,527 |
| Manufacturing | 14,340 | 14,320 | 14,830 | 14,568 |
| Transportation and public utilities | 3,225 | 3,260 | 3,456 | 3,650 |
| Wholesale trade | 3,279 | 3,396 | 3,411 | 3,788 |
| Retail trade | 6,407 | 6,562 | 6,879 | 7,178 |
| Finance, insurance, and real estate | 4,957 | 5,319 | 5,568 | 5,743 |
| Services | 22,560 | 23,626 | 24,824 | 26,920 |
| Federal government, civilian | 1,843 | 1,984 | 2,023 | 2,221 |
| Military | 2,209 | 2,484 | 2,775 | 3,068 |
| State and local government | 11,178 | 11,557 | 12,064 | 12,550 |
| Other ^a | 27,349 | 28,059 | 27,739 | 29,966 |
| Total personal income | \$ 104,215 | \$ 107,002 | \$ 110,660 | \$ 117,248 |
| Average effective rate b | 2.1% | 2.1% | 2.1% | 2.1% |

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

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.

^c Information not yet available.

| Cal | len | dar | Yea | ar |
|-----|-----|-----|-----|----|
| | | wai | 160 | 71 |

| 2005 | | 2006 | | 2007 2008 | | 2009 | 2010 | |
|---------------|------|--------|----|-----------|----|----------|---------------|---------------|
| \$ 649 | \$ | 461 | \$ | 287 | \$ | 493 | \$ 451 | \$ 420 |
| 320 | | 345 | | 341 | | 327 | 325 | 311 |
| 99 | | 107 | | 102 | | 116 | 100 | 80 |
| 6,980 | | 7,814 | | 7,727 | | 6,817 | 5,408 | 5,609 |
| 14,650 | | 15,016 | | 15,083 | | 15,288 | 14,114 | 13,849 |
| 3,834 | | 4,124 | | 4,118 | | 4,175 | 4,007 | 4,038 |
| 4,164 | | 4,521 | | 4,922 | | 5,023 | 4,588 | 4,489 |
| 7,479 | | 7,823 | | 8,033 | | 7,801 | 7,413 | 7,779 |
| 6,235 | | 6,711 | | 6,768 | | 6,605 | 6,558 | 6,747 |
| 28,458 | | 30,572 | | 32,534 | | 33,533 | 32,982 | 35,165 |
| 2,327 | | 2,470 | | 2,615 | | 2,777 | 2,902 | 3,094 |
| 3,282 | | 3,432 | | 3,693 | | 4,023 | 4,360 | 4,442 |
| 13,378 | | 14,086 | | 15,077 | | 16,134 | 16,511 | 16,424 |
| 32,537 | | 36,715 | | 40,750 | | 45,258 | 47,782 | 48,049 |
| | | | | | | | | |
| \$ 124,392 | \$ 1 | 34,197 | \$ | 142,050 | \$ | 148,370 | \$ 147,501 | \$ 150,496 |
| | | | | | | | | |
| 2.2% | | 2.2% | | 2.1% | | 1.9% | 1.8% | С |

Taxable Sales by Industry

Last Ten Fiscal Years (Expressed in millions)

For the Fiscal Year E 2003 2004 2005 **Sources** 2002 Retail trade..... 33,980 34,692 38,118 41,133 Services..... 4.119 4.222 4.552 4.747 Transportation, communication, and utilities... 3,533 3,587 4,054 4,175 Wholesale trade..... 3,002 3,041 2,950 3,173 843 863 1,073 1,390 45,477 Total taxable sales..... 46,405 50,747 54,618

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

| | | | For the I | Fiscal Year E |
|--|--------|--------|-----------|---------------|
| Sources | 2002 | 2003 | 2004 | 2005 |
| Retail trade | 74.7% | 74.8% | 75.1% | 75.3% |
| Services | 9.1% | 9.1% | 9.0% | 8.7% |
| Transportation, communication, and utilities | 7.8% | 7.7% | 8.0% | 7.6% |
| Wholesale trade | 6.6% | 6.5% | 5.8% | 5.8% |
| Other | 1.8% | 1.9% | 2.1% | 2.6% |
| Total taxable sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Sales tax rate ^a | 5.0% | 5.0% | 5.0% | 5.0% |

^a 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

^b Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 ^b |
|--------------|--------------|--------------|--------------|--------------|-----------------------|
| \$ 44,258 | \$ 47,331 | \$ 44,061 | \$ 38,129 | \$ 37,132 | \$ 31,293 |
| 5,172 | 5,426 | 5,754 | 5,189 | 4,976 | 14,990 |
| 4,682 | 5,041 | 5,229 | 5,292 | 5,403 | 2,125 |
| 3,466 | 2,851 | 2,869 | 2,519 | 2,338 | 2,041 |
| 1,781 | 1,935 | 1,748 | 1,539 | 1,276 | 933 |
| \$ 59,359 | \$ 62,584 | \$ 59,661 | \$ 52,668 | \$ 51,125 | \$ 51,382 |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------|--------|--------|--------|--------|--------|
| 74.6% | 75.6% | 73.9% | 72.4% | 72.6% | 60.9% |
| 8.7% | 8.7% | 9.6% | 9.9% | 9.7% | 29.2% |
| 7.9% | 8.1% | 8.8% | 10.0% | 10.6% | 4.1% |
| 5.8% | 4.5% | 4.8% | 4.8% | 4.6% | 4.0% |
| 3.0% | 3.1% | 2.9% | 2.9% | 2.5% | 1.8% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 5.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |

Personal Income Tax Rates

Last Ten Calendar Years

| Tax | Tax | Number | Income | Brackets | Average Effective |
|------|-------------|-------------|--------|----------|----------------------|
| Year | Rates | of Brackets | Low | High | Rate |
| 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 | 0.0% |
| 2010 | 0.0% - 7.0% | 6 | _ | _ | b |

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

^a 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.

^b Not yet available.

Personal Income Tax Filers and Liability by Income Level

Calendar Years 2009 and 2000 (Dollars, except Income Level, expressed in thousands)

| 2 | n | n | a | ć |
|---|---|---|---|---|
| | | | | |

| State Taxable Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|----------------------------|---------------------|------------------------|-------------------------------------|------------------------|
| \$100,001 and higher | 75,335 | 3.7% | \$ 972,218 | 37.0% |
| \$75,001 - \$100,000 | 61,654 | 3.0% | 320,080 | 12.2% |
| \$50,001 - \$75,000 | 133,118 | 6.5% | 473,140 | 18.0% |
| \$25,001 - \$50,000 | 288,629 | 14.2% | 556,440 | 21.1% |
| \$10,001 - \$25,000 | 348,235 | 17.1% | 242,379 | 9.2% |
| \$10,000 and lower | 1,128,632 | 55.5% | 65,651 | 2.5% |
| Total | 2,035,603 | 100.0% | \$ 2,629,908 | 100.0% |

| 2 | n | n | r |
|---|---|---|---|
| _ | v | v | ι |

| State Taxable Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|----------------------------|---------------------|------------------------|-------------------------------------|------------------------|
| \$100,001 and higher | 45,314 | 2.5% | \$ 674,274 | 31.4% |
| \$75,001 - \$100,000 | 38,263 | 2.1% | 202,002 | 9.4% |
| \$50,001 - \$75,000 | 108,502 | 6.0% | 389,333 | 18.1% |
| \$25,001 - \$50,000 | 290,975 | 16.0% | 582,937 | 27.1% |
| \$10,001 - \$25,000 | 381,046 | 21.0% | 299,416 | 13.9% |
| \$10,000 and lower | 950,247 | 52.4% | b | b |
| Total | 1,814,347 | 100.0% | \$ 2,147,962 | 99.9% |

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

^a Information for 2010 not yet available.

^b No liability was reported for taxpayers at this level in this year.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Dollars in thousands unless otherwise indicated)

| | 2002 | 2003 | 2004 | 2005 |
|---|--------------|--------------|--------------|--------------|
| Governmental Activities | | | | |
| General obligation bonds | \$ 2,204,129 | \$ 2,239,207 | \$ 2,266,261 | \$ 2,298,253 |
| Limited obligation bonds | 30,597 | 27,040 | 23,304 | 19,392 |
| Tobacco Authority bonds | 902,920 | 869,870 | 845,630 | 820,905 |
| Infrastructure Bank bonds | 1,193,046 | 1,463,582 | 1,725,514 | 1,947,393 |
| Revenue bonds | _ | 26,034 | 24,802 | 23,521 |
| Notes payable | 4,398 | 7,395 | 8,884 | 10,311 |
| Capital leases | 8,185 | 4,106 | 3,256 | 2,856 |
| Total governmental activities | 4,343,275 | 4,637,234 | 4,897,651 | 5,122,631 |
| Business-Type Activities | | | | |
| General obligation bonds | 134,235 | 208,968 | 242,740 | 230,423 |
| General obligation bonds anticipation notes payable | 8,400 | _ | _ | _ |
| Revenue bonds | 1,417,382 | 1,480,054 | 1,542,828 | 2,312,032 |
| Revenue bonds anticipation notes payable | 16,400 | 28,025 | 44,310 | 9,345 |
| Advances from Federal government | _ | _ | _ | _ |
| Notes payable | 157,216 | 163,134 | 207,276 | 224,080 |
| Certificates of participation payable | 18,036 | 13,525 | _ | _ |
| Capital leases | 46,633 | 65,445 | 54,585 | 52,555 |
| Total business-type activities | 1,798,302 | 1,959,151 | 2,091,739 | 2,828,435 |
| Total primary government | \$ 6,141,577 | \$ 6,596,385 | \$ 6,989,390 | \$ 7,951,066 |
| Debt as a percentage of personal income | 5.7% | 6.0% | 6.0% | 6.4% |
| Debt per capita expressed in actual dollars | \$ 1,497 | \$ 1,591 | \$ 1,664 | \$ 1,868 |

^a Not yet available.

| For the | Tional | V | | 1 | 20 |
|---------|--------|------|-------|------|-----|
| For the | FISCAL | Year | Ended | June | .30 |

| 2006 | 2007 | 2007 2008 2009 2010 | | 2011 | |
|--------------|--------------|---------------------|--------------|--------------|--------------|
| | | | | | |
| \$ 2,405,119 | \$ 2,214,865 | \$ 2,016,952 | \$ 1,857,510 | \$ 1,950,048 | \$ 1,756,397 |
| 15,291 | 10,985 | 9,352 | 7,629 | 6,435 | 5,161 |
| 796,900 | 769,755 | 242,891 | 176,180 | 120,653 | 63,161 |
| 1,917,706 | 2,162,973 | 2,125,640 | 2,091,864 | 2,051,545 | 2,135,772 |
| 22,169 | 41,044 | 38,598 | 35,982 | 33,251 | 30,400 |
| 21,021 | 15,622 | 20,362 | 35,820 | 60,944 | 50,172 |
| 1,894 | 939 | 672 | 404 | 242 | 261 |
| 5,180,100 | 5,216,183 | 4,454,467 | 4,205,389 | 4,223,118 | 4,041,324 |
| | | | | | |
| 249,514 | 356,795 | 351,481 | 354,252 | 387,464 | 484,500 |
| <u> </u> | _ | 30,000 | 30,000 | 30,000 | 30,000 |
| 2,532,352 | 2,709,144 | 2,928,641 | 2,981,089 | 2,916,166 | 2,107,366 |
| 6,855 | 4,500 | _ | 53,100 | 51,100 | 33,500 |
| _ | _ | _ | 344,881 | 886,662 | 967,068 |
| 249,674 | 253,357 | 341,009 | 264,174 | 219,279 | 155,430 |
| _ | _ | _ | _ | _ | _ |
| 44,987 | 46,069 | 48,048 | 87,224 | 106,468 | 104,369 |
| 3,083,382 | 3,369,865 | 3,699,179 | 4,114,720 | 4,597,139 | 3,882,233 |
| \$ 8,263,482 | \$ 8,586,048 | \$ 8,153,646 | \$ 8,320,109 | \$ 8,820,257 | \$ 7,923,557 |
| | | | | | |
| 6.2% | 6.0% | 5.5% | 5.6% | 5.9% | а |
| \$ 1,904 | \$ 1,941 | \$ 1,811 | \$ 1,824 | \$ 1,907 | а |

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years (Dollars in thousands unless otherwise indicated)

| | 20 | 002 | | 2003 | | 2004 | | 2005 |
|---|--------|---------|------|-----------|------|----------|------|-----------|
| Governmental Activities | | | | | | | | |
| Capital improvement bonds | \$ 9 | 31,044 | \$ | 919,382 | \$ | 917,949 | \$ | 801,626 |
| State highway bonds | 6 | 351,135 | | 630,730 | | 609,939 | | 725,434 |
| State school facilities bonds | 6 | 321,950 | | 689,095 | | 650,565 | | 611,126 |
| Infrastructure Bank bonds | | _ | | _ | | 60,333 | | 58,785 |
| State economic development bonds | | _ | | _ | | 27,475 | | 101,282 |
| Research university infrastructure bonds | | _ | | _ | | _ | | _ |
| Air carrier hub terminal facilities bonds | | | | | | | | |
| Total governmental activities | 2,2 | 204,129 | 2 | 2,239,207 | 2 | ,266,261 | | 2,298,253 |
| Business-Type Activities | | | | | | | | |
| State institution bonds | 1 | 34,235 | | 208,968 | | 242,740 | | 230,423 |
| Total primary government | \$ 2,3 | 338,364 | \$ 2 | 2,448,175 | \$ 2 | ,509,001 | \$ 2 | 2,528,676 |
| Debt as a percentage of personal income | | 2.2% | | 2.2% | | 2.1% | | 2.0% |
| Debt per capita expressed in actual dollars | \$ | 570 | \$ | 590 | \$ | 597 | \$ | 594 |

^a Not yet available.

| For the Fiscal Year Ended June | ne งบ |
|--------------------------------|-------|
|--------------------------------|-------|

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 693,815 | 5 \$ 603,762 | \$ 514,410 | \$ 424,080 | \$ 355,264 | \$ 294,497 |
| 699,669 | 663,582 | 622,145 | 548,278 | 510,365 | 470,125 |
| 567,873 | 523,305 | 476,498 | 427,355 | 375,742 | 321,243 |
| 57,171 | 55,491 | 53,742 | 51,921 | 50,026 | 48,055 |
| 238,109 | 227,992 | 217,449 | 206,371 | 417,633 | 398,026 |
| 148,482 | 140,733 | 132,708 | 199,505 | 190,594 | 176,817 |
| | | | | 50,424 | 47,634 |
| 2,405,119 | 2,214,865 | 2,016,952 | 1,857,510 | 1,950,048 | 1,756,397 |
| | | | | | |
| 249,514 | 356,795 | 351,481 | 354,252 | 387,464 | 484,500 |
| \$ 2,654,633 | \$ 2,571,660 | \$ 2,368,433 | \$ 2,211,762 | \$ 2,337,512 | \$ 2,240,897 |
| 2.09 | % 1.8% | 1.6% | 1.5% | 1.6% | а |
| \$ 612 | 2 \$ 581 | \$ 526 | \$ 485 | \$ 505 | а |

Computation of Legal Debt Margin

June 30, 2011

(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 | | ior Year evenues | Con | 90% nputation | aximum ot Service | Margin | | |
|---|----|---------------------|-----|------------------|--------------------------|--------|--------|--|
| The Citadel | \$ | 690 | \$ | 621 | \$ 258 | \$ | 363 | |
| Clemson University | | 20,493 | | 18,444 | 9,189 | | 9,255 | |
| Coastal Carolina University | | 7,093 | | 6,384 | 5,317 | | 1,067 | |
| College of Charleston | | 675 | | 608 | 573 | | 35 | |
| Lander University | | 24,471 | | 22,024 | 1,368 | | 20,656 | |
| Medical University of South Carolina | | 10,656 | | 9,590 | 6,271 | | 3,319 | |
| South Carolina State University a | | 2,989 | | 2,690 | 2,715 | | (25) | |
| University of South Carolina | | 23,074 | | 20,767 | 13,685 | | 7,082 | |
| Winthrop University | | 6,367 | | 5,730 | 4,873 | | 857 | |
| Midlands Technical College ^D | | 1,850 | | 1,665 | 2,553 | | (888) | |
| Totals | \$ | 98,358 | \$ | 88,523 | \$ 46,802 | \$ | 41,721 | |

HIGHWAY BONDS

| 2009-2010 Budgetary General Fund revenues pledged for highway bonds | \$ 12,362 |
|---|--------------|
| 2009-2010 other revenues pledged for highway bonds | 612,496 |
| 2009-2010 revenues pledged for highway bonds | 624,858 |
| 15% of 2009-2010 revenues pledged for highway bonds | 93,729 |
| Less: maximum annual debt service for highway bonds ^c | 58,831 |
| Legal debt service margin at June 30, 2011highway bonds | \$ 34,898 |

Computation of Legal Debt Margin (Continued)

June 30, 2011

(Expressed in Thousands)

GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)^f

| 2009-2010 Budgetary General Fund revenues | \$ 5,241,896 12,362 | | | | |
|--|------------------------|--|--|--|--|
| 2009-2010 net Budgetary General Fund revenues | 5,229,534 | | | | |
| 6% of 2009-2010 net Budgetary General Fund revenues Less: maximum annual debt service for general obligation bonds | 313,772 | | | | |
| excluding institution and highway bonds and bond anticipation notes " | 183,438 | | | | |
| Legal debt service margin at June 30, 2011general obligation bonds excluding institution and highway bonds and bond anticipation notes | \$ 130,334 | | | | |
| ECONOMIC DEVELOPMENT BONDS ⁹ | | | | | |
| 2009-2010 Budgetary General Fund revenues | \$ 5,241,896 12,362 | | | | |
| 2009-2010 net Budgetary General Fund revenues | 5,229,534 | | | | |
| 0.5% of 2009-2010 net Budgetary General Fund revenues Less: maximum annual debt service for economic development bonds ^e | 26,148 24,655 | | | | |
| Legal debt service margin at June 30, 2011economic development bonds | | | | | |
| RESEARCH UNIVERSITY INFRASTRUCTURE BONDS | | | | | |
| 2009-2010 Budgetary General Fund revenues | \$ 5,241,896 12,362 | | | | |
| 2009-2010 net Budgetary General Fund revenues | 5,229,534 | | | | |
| 0.5% of 2009-2010 net Budgetary General Fund revenues | 26,148 20,820 | | | | |
| Legal debt service margin at June 30, 2011research university infrastructure bonds | \$ 5,328 | | | | |

South C arolina S tate U niversity e xceeded i ts I egal de bt s ervice I imit on i ts S tate i nstitution b onds by appr oximately \$25 thousand at June 30, 2011. The University will adjust tuition fees in subsequent years to cover the debt requirement.

^b Midlands Technical College exceeded its legal debt service limit on its State institution bonds by approximately \$888 thousand at June 30, 2011.

^c As of June 30, 2011, the maximum annual debt service will occur in the fiscal year ending June 30, 2012.

^d For the fiscal year ended June 30, 2011, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

^e As of June 30, 2011, the maximum annual debt service will occur in the fiscal year ending June 30, 2023.

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.

⁹ During the fiscal year ended June 30, 2010, the State issued \$170 million of Economic Development bonds which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. This \$170 million bond issue has been excluded from the debt service limit calculations.

Legal Debt Margin Information

| | | 2002 | | 2003 | | 2004 |
|--|----|-------|----|-------|----|--------|
| State Institution Bonds | | | | | | |
| The Citadel | | | | | | |
| Debt service limitation | \$ | 475 | \$ | 505 | \$ | 503 |
| Debt service applicable to limit | | 461 | | 460 | | 460 |
| Legal debt margin at June 30 | \$ | 14 | \$ | 45 | \$ | 43 |
| Legal debt margin as a percentage of debt service limitation | | 2.9% | | 8.9% | | 8.5% |
| Clemson University | | | | | | |
| Debt service limitation | \$ | 3,893 | \$ | 4,359 | \$ | 6,188 |
| Debt service applicable to limit | | 1,542 | | 4,046 | | 4,800 |
| Legal debt margin at June 30 | \$ | 2,351 | \$ | 313 | \$ | 1,388 |
| Legal debt margin as a percentage of debt service limitation | E | 60.4% | | 7.2% | 2 | 22.4% |
| Coastal Carolina University | | | | | | |
| Debt service limitation | \$ | _ | \$ | 757 | \$ | 778 |
| Debt service applicable to limit | | | | 696 | | 696 |
| Legal debt margin at June 30 | \$ | | \$ | 61 | \$ | 82 |
| Legal debt margin as a percentage of debt service limitation | | _ | | 8.1% | 1 | 10.5% |
| College of Charleston | | | | | | |
| Debt service limitation | \$ | _ | \$ | 2,250 | \$ | 3,776 |
| Debt service applicable to limit | | | | 573 | | 573 |
| Legal debt margin at June 30 | \$ | | \$ | 1,677 | \$ | 3,203 |
| Legal debt margin as a percentage of debt service limitation | | _ | 7 | 74.5% | 8 | 34.8% |
| Francis Marion University | | | | | | |
| Debt service limitation | \$ | _ | \$ | _ | \$ | _ |
| Debt service applicable to limit | | | | | | |
| Legal debt margin at June 30 | \$ | | \$ | | \$ | |
| Legal debt margin as a percentage of debt service limitation | | _ | | _ | | _ |
| Lander University | | | | | | |
| Debt service limitation | \$ | _ | \$ | _ | \$ | 10,771 |
| Debt service applicable to limit | | | | | | 788 |
| Legal debt margin at June 30 | \$ | | \$ | | \$ | 9,983 |
| Legal debt margin as a percentage of debt service limitation | | _ | | _ | Ş | 92.7% |

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | |
|-------------------------|---------------------------|---------------------------|--------------------|--------------------|--------------------|-----------------------|--|
| | | | | | | | |
| | | | | | | | |
| \$ 506 | \$ 515 | \$ 527 | \$ 527 | \$ 584 | \$ 604 | \$ 621 | |
| 457 | 457 | 258 | 258 | 258 | 258 | 258 | |
| \$ 49 | \$ 58 | \$ 269 | \$ 269 | \$ 326 | \$ 346 | \$ 363 | |
| 9.7% | 11.3% | 51.0% | 51.0% | 55.8% | 57.3% | 58.5% | |
| | | | | | | | |
| Ф C 400 | Ф C 400 | Ф 7.000 | Ф 40.747 | ф. 42.004 | Ф 4 7 .040 | Ф 40 444 | |
| \$ 6,193 4,800 | \$ 6,408 4,800 | \$ 7,860 6,025 | \$ 10,747 6,025 | \$ 13,981 6,025 | \$ 17,646 6,025 | \$ 18,444 0.180 | |
| \$ 1,393 | \$ 1,608 | \$ 1,835 | \$ 4,722 | \$ 7,956 | \$ 11,621 | 9,189 9,255 | |
| 22.5% | 25.1% | 23.3% | 43.9% | 56.9% | 65.9% | 50.2% | |
| 22.070 | 20.170 | 20.070 | 40.070 | 00.070 | 00.070 | 00.270 | |
| | | | | | | | |
| \$ 871 | \$ 1,210 | \$ 1,519 | \$ 1,818 | \$ 5,754 | \$ 6,135 | \$ 6,384 | |
| 696 | 696 | 1,435 | 1,425 | 1,420 | 5,404 | 5,317 | |
| \$ 175 | \$ 514 | \$ 84 | \$ 393 | \$ 4,334 | <u>\$ 731</u> | \$ 1,067 | |
| 20.1% | 42.5% | 5.5% | 21.6% | 75.3% | 11.9% | 16.7% | |
| | | | | | | | |
| \$ 3,793 | \$ 1,186 | \$ 1,107 | \$ 1,310 | \$ 1,343 | \$ 1,488 | \$ 608 | |
| 573 | 573 | 573 | 573 | 573 | 573 | 573 | |
| \$ 3,220 | \$ 613 | \$ 534 | \$ 737 | \$ 770 | \$ 915 | \$ 35 | |
| 84.9% | 51.7% | 48.2% | 56.3% | 57.3% | 61.5% | 5.8% | |
| | | | | | | | |
| \$ — | \$ 185 | \$ 191 | \$ 191 | \$ — | \$ — | \$ — | |
| Ψ — — | ψ 165 156 | 156 | ψ 191 — | Ψ — — | Ψ — | Ψ — | |
| * — | \$ 29 | \$ 35 | \$ 191 | <u> </u> | <u> </u> | <u> </u> | |
| _ | 15.7% | 18.3% | 100.0% | | | | |
| | | | | | | | |
| * 44.40 = | | . | | | • 40.0== | | |
| \$ 11,107 | \$ 12,342 | \$ 13,588 | \$ 14,425 | \$ 17,105 | \$ 19,855 | \$ 22,024 | |
| 775 | 1,388 \$ 10,954 | 1,383 \$ 12,205 | 1,379 | 1,368 | 1,368 | 1,368 | |
| \$ 10,332 | \$ 10.954 | \$ 12,205 | \$ 13,046 | \$ 15,737 | \$ 18,487 | \$ 20,656 | |
| 93.0% | 88.8% | 89.8% | 90.4% | 92.0% | 93.1% | 93.8% | |

Legal Debt Margin Information (Continued)

| | | 2002 | | 2003 | | 2004 | |
|--|----|-------|----|-------|----|-------|--|
| State Institution Bonds | | | | | | | |
| Medical University of South Carolina | | | | | | | |
| Debt service limitation | \$ | 5,064 | \$ | 5,894 | \$ | 6,098 | |
| Debt service applicable to limit | | 4,300 | | 4,938 | | 5,776 | |
| Legal debt margin at June 30 | \$ | 764 | \$ | 956 | \$ | 322 | |
| Legal debt margin as a percentage of debt service limitation | 1 | 5.1% | 1 | 16.2% | | 5.3% | |
| South Carolina State University | | | | | | | |
| Debt service limitation | \$ | _ | \$ | 611 | \$ | 610 | |
| Debt service applicable to limit | | | | 318 | | 318 | |
| Legal debt margin at June 30 | \$ | | \$ | 293 | \$ | 292 | |
| Legal debt margin as a percentage of debt service limitation | | _ | 4 | 18.0% | 4 | 17.9% | |
| University of South Carolina | | | | | | | |
| Debt service limitation | \$ | 7,651 | \$ | 8,794 | \$ | 9,009 | |
| Debt service applicable to limit | | 6,987 | | 6,522 | | 7,054 | |
| Legal debt margin at June 30 | \$ | 664 | \$ | 2,272 | \$ | 1,955 | |
| Legal debt margin as a percentage of debt service limitation | | 8.7% | 2 | 25.8% | 2 | 21.7% | |
| Winthrop University | | | | | | | |
| Debt service limitation | \$ | 798 | \$ | 1,071 | \$ | 1,399 | |
| Debt service applicable to limit | | 665 | | 910 | | 1,318 | |
| Legal debt margin at June 30 | \$ | 133 | \$ | 161 | \$ | 81 | |
| Legal debt margin as a percentage of debt service limitation | 1 | 6.7% | 1 | 15.0% | | 5.8% | |
| Central Carolina Technical College | | | | | | | |
| Debt service limitation | \$ | 243 | \$ | 655 | \$ | 763 | |
| Debt service applicable to limit | | 202 | | 202 | | 202 | |
| Legal debt margin at June 30 | \$ | 41 | \$ | 453 | \$ | 561 | |
| Legal debt margin as a percentage of debt service limitation | 1 | 6.9% | • | 69.2% | 7 | 73.5% | |
| Greenville Technical College | | | | | | | |
| Debt service limitation | \$ | 161 | \$ | _ | \$ | _ | |
| Debt service applicable to limit | | 106 | | | | | |
| Legal debt margin at June 30 | \$ | 55 | \$ | | \$ | | |
| Legal debt margin as a percentage of debt service limitation | 3 | 84.2% | | | | | |

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | 2010 | | | 2011 | | |
|-----|---------|-----|-----------------|----|------------------|----------|------------------|----|----------|-------|------------------|----------|------------------|---|-------|
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| \$ | 6,480 | \$ | 7,560 | \$ | 7,560 | \$ | 7,560 | \$ | 7,560 | \$ | 7,751 | \$ | 9,590 | | |
| _ | 5,747 | _ | 5,657 | _ | 5,128 | _ | 5,128 | _ | 5,107 | _ | 5,073 | \$ | 6,271 | | |
| \$ | 733 | \$ | 1,903 | \$ | 2,432 | \$ | 2,432 | \$ | | | \$ 2,678 | | 3,319 | | |
| 1 | 11.3% | 2 | 5.2% | ; | 32.2% | | 32.2% | ; | 32.4% | 34.6% | | 34.6% | | ; | 34.6% |
| | | | | | | | | | | | | | | | |
| \$ | 656 | \$ | 963 | \$ | 940 | \$ | 2,201 | \$ | 2,491 | \$ | 2,075 | \$ | 2,690 | | |
| | 318 | | 318 | | 2,731 | | 2,731 | | 2,724 | | 2,719 | | 2,715 | | |
| \$ | 338 | \$ | 645 | \$ | (1,791) | \$ | (530) | \$ | (233) | \$ | (644) | \$ | (25) | | |
| - 5 | 51.5% | - 6 | 7.0% | -1 | 90.5% | _ | -24.1% | | -9.4% | - | 31.0% | | -0.9% | | |
| | | | | | | | | | | | | | | | |
| \$ | 10,316 | æ | 12 704 | \$ | 14 126 | æ | 16 726 | æ | 17,209 | \$ | 10 510 | \$ | 20.767 | | |
| Ф | 7,054 | Ф | 12,704 7,054 | Ф | 14,136 11,287 | \$ | 16,726 11,287 | Ф | 11,946 | Ф | 19,519 11,946 | Ф | 20,767 13,685 | | |
| \$ | 3,262 | \$ | 5,650 | \$ | 2,849 | \$ | 5,439 | \$ | | \$ | 7,573 | \$ | 7,082 | | |
| | 31.6% | | 4.5% | | 20.2% | | 32.5% | | | 30.6% | | 38.8% | | | 34.1% |
| • | J1.0 /0 | 7 | 7.5 /0 | - | 20.270 | | J2.3 /0 | • | 30.070 | • | 30.0 /0 | • | J-1.1 /0 | | |
| | | | | | | | | | | | | | | | |
| \$ | 2,969 | \$ | 4,244 | \$ | 5,074 | \$ | 5,432 | \$ | 5,701 | \$ | 5,817 | \$ | 5,730 | | |
| | 1,318 | | 3,077 | | 3,059 | | 3,879 | | 4,873 | _ | 4,873 | _ | 4,873 | | |
| \$ | 1,651 | \$ | 1,167 | \$ | 2,015 | \$ | 1,553 | \$ | 828 | \$ | 944 | \$ | 857 | | |
| 5 | 55.6% | 2 | 7.5% | ; | 39.7% | 2 | 28.6% | • | 14.5% | • | 16.2% | • | 15.0% | | |
| | | | | | | | | | | | | | | | |
| \$ | 743 | \$ | 759 | \$ | 689 | \$ | 689 | \$ | 780 | \$ | | \$ | | | |
| • | 202 | · | 202 | • | 202 | , | 200 | • | 200 | • | _ | • | _ | | |
| \$ | 541 | \$ | 557 | \$ | 487 | \$ | 489 | \$ | 580 | \$ | | \$ | | | |
| 7 | 72.8% | 7 | 3.4% | - | 70.7% | 7 | 71.0% | | 74.4% | | | | _ | | |
| | | | | | | | | | | | | | | | |
| \$ | | \$ | | \$ | | \$ | | \$ | | \$ | | \$ | | | |
| Ψ | | Ψ | | Ψ | | Ψ | _ | Ψ | <u> </u> | Ψ | | Ψ | | | |
| \$ | | \$ | | \$ | | \$ | | \$ | | \$ | | \$ | | | |
| | | | | | | <u> </u> | | | | | | <u> </u> | | | |

Legal Debt Margin Information (Continued)

| | 2 | 2002 | : | 2003 | | 2004 |
|--|-----------|--------|----|---------|----|---------|
| State Institution Bonds | | | | | | |
| Midlands Technical College | | | | | | |
| Debt service limitation | \$ | 900 | \$ | 1,019 | \$ | 1,019 |
| Debt service applicable to limit | | 832 | | 827 | | 827 |
| Legal debt margin at June 30 | \$ | 68 | \$ | 192 | \$ | 192 |
| Legal debt margin as a percentage of debt service limitation | 7 | 7.6% | | 18.8% | 1 | 8.8% |
| Tri-County Technical College | | | | | | |
| Debt service limitation | \$ | 934 | \$ | 968 | \$ | 1,358 |
| Debt service applicable to limit | | 735 | | 735 | | 735 |
| Legal debt margin at June 30 | \$ | 199 | \$ | 233 | \$ | 623 |
| Legal debt margin as a percentage of debt service limitation | 2 | 1.3% | 7 | 24.1% | | 15.9% |
| State Highway Bonds | | | | | | |
| Debt service limitation | \$ | 80,208 | \$ | 82,238 | \$ | 83,574 |
| Debt service applicable to limit | | 60,283 | | 60,226 | | 60,412 |
| Legal debt margin at June 30 | \$ | 19,925 | \$ | 22,012 | \$ | 23,162 |
| Legal debt margin as a percentage of debt service limitation | 2 | 4.8% | 2 | 26.8% | 2 | 27.7% |
| General Obligation Bonds excluding Institution and | | | | | | |
| Highway Bonds and Bond Anticipation Notes | Φ 0 | F4 404 | Φ. | 242.024 | Φ. | 20.004 |
| Debt service limitation | | 51,161 | | 243,631 | | 270,334 |
| Debt service applicable to limit | | 21,644 | | 218,653 | | 233,275 |
| Legal debt margin at June 30 | | 29,517 | | 24,978 | | 37,059 |
| Legal debt margin as a percentage of debt service limitation | 1 | 1.8% | • | 10.3% | 1 | 3.7% |
| Economic Development Bonds | | | | | | |
| Debt service limitation | \$ | _ | \$ | _ | \$ | 24,576 |
| Debt service applicable to limit | | | | | - | 2,198 |
| Legal debt margin at June 30 | <u>\$</u> | | \$ | | \$ | 22,378 |
| Legal debt margin as a percentage of debt service limitation | | _ | | _ | ç | 91.1% |
| Research University Infrastructure Bonds | | | | | | |
| Debt service limitation | \$ | _ | \$ | _ | \$ | _ |
| Debt service applicable to limit | | | | | | |
| Legal debt margin at June 30 | \$ | | \$ | | \$ | |
| Legal debt margin as a percentage of debt service limitation | | _ | | _ | | _ |
| Source: South Carolina Comptroller General's Office | | | | | | |

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------|-------------------|------------|------------|------------|------------|------------|
| | | | | | | |
| | | | | | | |
| \$ 1,345 | \$ 1,620 | \$ 1,620 | \$ 1,620 | \$ 1,369 | \$ 2,880 | \$ 1,665 |
| 827 | 827 | 1,395 | 1,395 | 1,395 | 1,395 | 2,553 |
| \$ 518 | \$ 793 | \$ 225 | \$ 225 | \$ (26) | \$ 1,485 | \$ (888) |
| 38.5% | 49.0% | 13.9% | 13.9% | -1.9% | 51.6% | -53.3% |
| | | | | | | |
| \$ 968 | \$ 939 | \$ 970 | \$ 1,046 | \$ — | \$ — | \$ — |
| 735 | 735 | 735 | 735 | · <u> </u> | · <u>—</u> | · <u>—</u> |
| \$ 233 | \$ 204 | \$ 235 | \$ 311 | \$ — | <u> </u> | <u> </u> |
| 24.1% | 21.7% | 24.2% | 29.7% | | | |
| | | | | | | |
| \$ 87,988 | \$ 90,101 | \$ 96,128 | \$ 101,853 | \$ 98,037 | \$ 93,382 | \$ 93,729 |
| 71,766 | 71,766 | 71,766 | 71,766 | 64,078 | 60,997 | 58,831_ |
| \$ 16,222 | \$ 18,335 | \$ 24,362 | \$ 30,087 | \$ 33,959 | \$ 32,385 | \$ 34,898 |
| 18.4% | 20.3% | 25.3% | 29.5% | 34.6% | 34.7% | 37.2% |
| | | | | | | |
| | | | | | | |
| \$ 278,531 | \$ 332,122 | \$ 370,495 | \$ 397,558 | \$ 382,086 | \$ 331,738 | \$ 313,772 |
| 226,157 | 230,124 | 225,409 | 221,525 | 198,074 | 199,556 | 183,438 |
| \$ 52,374 | \$ 101,998 | \$ 145,086 | \$ 176,033 | \$ 184,012 | \$ 132,182 | \$ 130,334 |
| 18.8% | 30.7% | 39.2% | 44.3% | 48.2% | 39.8% | 41.5% |
| | | | | | | |
| \$ 25,321 | \$ 27,677 | \$ 30,875 | \$ 33,130 | \$ 31,841 | \$ 27,645 | \$ 26,148 |
| 9,632 | 21,342 | 21,284 | 21,229 | 21,229 | 24,655 | 24,655 |
| \$ 15,689 | \$ 6,335 | \$ 9,591 | \$ 11,901 | \$ 10,612 | \$ 2,990 | \$ 1,493 |
| 62.0% | 22.9% | 31.1% | 35.9% | 33.3% | 10.8% | 5.7% |
| | | | | | | |
| \$ — | \$ 27,677 | \$ 30,875 | \$ 33,130 | \$ 31,841 | \$ 27,645 | \$ 26,148 |
| | 13,980 | 13,882 | 13,777 | 21,019 | 21,019 | 20,820 |
| \$ — | \$ 13,697 | \$ 16,993 | \$ 19,353 | \$ 10,822 | \$ 6,626 | \$ 5,328 |
| | 49.5% | 55.0% | 58.4% | 34.0% | 24.0% | 20.4% |

Pledged Revenue Coverage

| Fiscal Year | Revenue | De | ebt Service Require | ments | |
|------------------|-------------------------------|-------------------|---------------------|----------|-------------------|
| Ended June 30 | Available for Debt Service | Principal | Interest | Total | Coverage Ratio |
| Budget and Cor | ntrol Board—Reve | nue 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 |
| 2011 | 2.382 | 1,620 | 762 | 2,382 | 1.00 |
| The Citadel—Re | , | -, | | _, | |
| 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 |
| 2010 | 6,163 | 1,885 | 993 | 2,878 | 2.14 |
| | • | | 993 | 2,070 | 2.14 |
| 2004 | hletic Facilities Re | | \$ 133 | \$ 287 | 9.84 |
| | \$ 2,823 | \$ 154 | • | | |
| 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 |
| 2011 | 6,738 | 754 | 1,161 | 1,915 | 3.52 |
| | rsity—Plant Improv | | | | |
| 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 |
| 2011 | 1,080 | 820 | 31 | 851 | 1.27 |
| Clemson Unive | rsity—Athletic Faci | ilities Revenue E | Bonds | | |
| 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 | | | 1,404 | | 2.30 |
| | 5,875 | 1,155 | • | 2,559 | |
| 2007 | 10,531 | 1,220 | 1,635 | 2,855 | 3.69 |
| 2008 | 8,747 | 1,490 | 1,585 | 3,075 | 2.84 |

| Fiscal Year | | evenue | Debt Service Requirements | | | | | | • |
|------------------|----------------|--------------------------|---------------------------|------------------|------|---|----------|--------------------|-------------------|
| Ended June 30 | | ilable for ot Service | P | rincipal | li | nterest | | Total | Coverage Ratio |
| Clemson Unive | | | | | | | ۰۹) — | | |
| 2009 | isity / | 6,392 | iitics i | 1,565 | onas | 1,524 | u) | 3,089 | 2.07 |
| 2010 | | 3,584 | | 1,640 | | 1,460 | | 3,100 | 1.16 |
| 2011 | | 4,090 | | 1,725 | | 1,392 | | 3,100 | 1.10 |
| | | | | 1,723 | | 1,392 | | 3,117 | 1.51 |
| Clemson Unive | - | | | 0.445 | Φ. | 0.000 | c | 4.705 | 2.27 |
| 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 2006 | | 13,170 | | 2,605 3,505 | | 3,126 3,233 | | 5,731 6,738 | 2.30 1.95 |
| 2007 | | 13,149 14,761 | | 4,000 | | 3,204 | | 7,204 | 2.05 |
| 2007 | | 16,130 | | 4,000 4,185 | | 3,204 | | 7,204 7,201 | 2.03 |
| 2009 | | 14,569 | | 4,185 | | 2,816 | | 7,201 | 2.02 |
| 2010 | | 17,557 | | 4,590 | | 2,293 | | 6,883 | 2.55 |
| 2011 | | 17,306 | | 4,810 | | 1,875 | | 6,685 | 2.59 |
| | | | | • | | 1,070 | | 0,000 | 2.00 |
| Coastal Carolin | | | | | Φ. | 4 500 | c | 0.405 | 4.50 |
| 2002 | \$ | 3,352 | \$ | 675 | \$ | 1,520 | \$ | 2,195 | 1.53 |
| 2003 | | 3,159 | | 710 | | 1,485 | | 2,195 | 1.44 |
| 2004 2005 | | 2,832 2,798 | | 640 790 | | 1,445 | | 2,085 | 1.36 1.32 |
| 2006 | | 6,184 | | 825 | | 1,323 1,272 | | 2,113 2,097 | 2.95 |
| 2007 | | 10,624 | | 1,190 | | 907 | | 2,097 | 5.07 |
| 2007 | | 8,383 | | 970 | | 1,076 | | 2,097 | 4.10 |
| 2009 | | 10,605 | | 1,010 | | 1,070 | | 2,040 | 5.19 |
| 2010 | | 6,243 | | 1,060 | | 985 | | 2,045 | 3.05 |
| 2011 | | 4,192 | | 1,105 | | 941 | | 2,046 | 2.05 |
| | | | ماء مرم | ., | | • | | _,0.0 | |
| College of Char | rieston- \$ | 2,959 | sonas \$ | 1,410 | \$ | 1,005 | \$ | 2,415 | 1.23 |
| 2002 | φ | 4,177 | φ | 1,410 | φ | 2,147 | φ | 3,307 | 1.26 |
| 2003 | | 8,913 | | 2,050 | | 2,147 | | 3,307 4,798 | 1.86 |
| 2005 | | 13,522 | | 2,815 | | 4,193 | | 7,008 | 1.93 |
| 2006 | | 14,492 | | 3,070 | | 4,085 | | 7,000 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 |
| 2011 | | 25,375 | | 5,415 | | 7,763 | | 13,178 | 1.93 |
| | anl. D. | | | -, | | , | | -, | |
| Infrastructure E | sank Bo \$ | 147,206 | \$ | 27,855 | \$ | 89,313 | \$ | 117,168 | 1.26 |
| 2005 | Ф | | Ф | | Ф | 93,409 | Ф | | 1.27 |
| 2006 | | 166,443 195,754 | | 37,940 41,070 | | 93,409 90,284 | | 131,349 131,354 | 1.49 |
| 2007 | | 195,754 | | 44,355 | | 103,541 | | 147,896 | 1.49 |
| 2009 | | 207,747 | | 40,750 | | 99,446 | | 147,896 | 1.48 |
| 2010 | | 213,689 | | 46,275 | | 99,624 | | 145,899 | 1.46 |
| 2011 | | 246,542 | | 48,418 | | 96,606 | | 145,024 | 1.70 |
| =2 | | , | | , | | , | | , | 3 |

Pledged Revenue Coverage (Continued)

| Fiscal | | | | | |
|----------------|---------------------|-----------------|----------------------|---------------|----------|
| Year | Revenue | D | ebt Service Requirer | nents | |
| Ended | Available for | | | | Coverage |
| June 30 | Debt Service | Principal | Interest | Total | Ratio |
| Lander Univers | ity—2002 Higher Ed | ucation Facilit | ies Revenue Bon | nds | |
| 2003 | \$ 1,352 | \$ 165 | \$ 94 | \$ 259 | 5.22 |
| 2004 | 1,394 | 170 | 86 | 256 | 5.45 |
| 2005 | 1,507 | 180 | 78 | 258 | 5.84 |
| 2006 | 1,479 | 185 | 70 | 255 | 5.80 |
| 2007 | 1,759 | 195 | 61 | 256 | 6.87 |
| 2008 | 1,094 | 200 | 52 | 252 | 4.34 |
| 2009 | 2,225 | 210 | 43 | 253 | 8.80 |
| 2010 | 2,625 | 215 | 33 | 248 | 10.59 |
| 2011 | 2,568 | 225 | 23 | 248 | 10.36 |
| South Carolina | State University—R | evenue Bonds | | | |
| 2002 | \$ 556 | \$ 370 | \$ 325 | \$ 695 | 0.80 |
| 2003 | 1,505 | 385 | 306 | 691 | 2.18 |
| 2004 | 1,780 | 415 | 284 | 699 | 2.55 |
| 2005 | 1,888 | 430 | 267 | 697 | 2.71 |
| 2006 | 569 | 334 | 173 | 507 | 1.12 |
| 2007 | 1,785 | 552 | 821 | 1,373 | 1.30 |
| 2008 | 2,638 | 396 | 2,097 | 2,493 | 1.06 |
| 2009 | 3,015 | 759 | 2,048 | 2,807 | 1.07 |
| 2010 | 3,470 | 940 | 2,205 | 3,145 | 1.10 |
| 2011 | 5,673 | 1,488 | 2,367 | 3,855 | 1.47 |
| Spartanburg Te | echnical College—19 | 999 Special Stu | dent Fee Capital | Improvement E | Bonds |
| 2002 | \$ 389 | \$ 160 | \$ 138 | \$ 298 | 1.31 |
| 2003 | 377 | 168 | 130 | 298 | 1.27 |
| 2004 | 365 | 177 | 121 | 298 | 1.22 |
| 2005 | 339 | 185 | 113 | 298 | 1.14 |
| 2006 | 355 | 195 | 103 | 298 | 1.19 |
| 2007 | 348 | 204 | 94 | 298 | 1.17 |
| 2008 | 382 | 215 | 83 | 298 | 1.28 |
| 2009 | 400 | 225 | 73 | 298 | 1.34 |
| 2010 | 341 | 236 | 62 | 298 | 1.14 |
| 2011 | 345 | 248 | 50 | 298 | 1.16 |
| Spartanburg Te | echnical College—20 | 001 Special Stu | dent Fee Capital | Improvement E | Bonds |
| 2002 | \$ 370 | \$ 129 | \$ 115 | \$ 244 | 1.52 |
| 2003 | 312 | 127 | 117 | 244 | 1.28 |
| 2004 | 287 | 133 | 111 | 244 | 1.18 |
| 2005 | 282 | 139 | 105 | 244 | 1.16 |
| 2006 | 297 | 147 | 97 | 244 | 1.22 |
| 2007 | 291 | 154 | 90 | 244 | 1.19 |
| 2008 | 319 | 161 | 83 | 244 | 1.31 |
| 2009 | 334 | 169 | 75 | 244 | 1.37 |
| 2010 | 247 | 177 | 67 | 244 | 1.01 |
| 2011 | 289 | 186 | 58 | 244 | 1.18 |
| | | | | | |

| Fiscal Year Ended | | evenue ilable for | | D | ebt Serv | ice Requirer | ments | | Coverage |
|-------------------------|----------|----------------------|----------|-----------|--------------------|--------------|---------|----------|----------|
| June 30 | | t Service | Pr | incipal | Ir | nterest | | Total | Ratio |
| Spartanburg To | echnical | College- | | | ıdent F | ee Capital | I Impro | | onds |
| 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 |
| 2011 | | 486 | | 320 | | 131 | | 451 | 1.08 |
| Spartanburg To | echnical | College- | -2005 Sr | ecial Stu | ident F | ee Capital | Impro | vement E | onds |
| 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 |
| 2011 | | 313 | | 192 | | 90 | | 282 | 1.11 |
| Tobacco Settle | ment Re | evenue Ma | nageme | ent Autho | rity Bo | nds | | | |
| 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 |
| 2011 | | 69,808 | | _ | | 3,585 | | 3,585 | 19.47 |
| University of S | outh Ca | | an Camr | nis—199 | 9 Διι γ ili | | nue Ro | | |
| 2002 | \$ | 389 | \$ S | 175 | \$ Auxiii | 214 | \$ | 389 | 1.00 |
| 2003 | Ψ | 387 | Ψ | 180 | Ψ | 207 | Ψ | 387 | 1.00 |
| 2003 | | 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 |
| 2011 | | 390 | | 255 | | 135 | | 390 | 1.00 |
| University of S | outh Ca | rolina Aike | en Camp | us—200 | 6 Auxili | arv Rever | nue Bo | nds | |
| 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 |
| 2011 | | 1,044 | | 550 | | 494 | | 1,044 | 1.00 |
| | | | | | | | | | |

Pledged Revenue Coverage (Continued)

| Fiscal Year | | evenue | | | Debt Service Rec | uirements | | 0 |
|------------------|-----------|-------------------------|------|------------|------------------|----------------|----------------|-------------------|
| Ended June 30 | | ilable for t Service | | Principal | Interest | | Total | Coverage Ratio |
| University of | South Ca | rolina Colu | | | –2000 Auxilia | – rv Revenu | ie Bonds | |
| 2002 | \$ | 1,470 | \$ | 305 | \$ 1,16 | - | 1,470 | 1.00 |
| 2003 | • | 1,469 | • | 320 | 1,14 | | 1,469 | 1.00 |
| 2004 | | 1,473 | | 340 | 1,13 | | 1,473 | 1.00 |
| 2005 | | 1,470 | | 355 | 1,11 | | 1,470 | 1.00 |
| 2006 | | 485 | | 375 | 11 | | 485 | 1.00 |
| 2007 | | 486 | | 395 | | 1 | 486 | 1.00 |
| 2007 | | 486 | | | | 1 | 486 | |
| | | | | 415 | | | | 1.00 |
| 2009 | | 490 | | 440 | | 0 | 490 | 1.00 |
| 2010 | | 485 | | 460 | 2 | 5 | 485 | 1.00 |
| 2011 | | _ | | _ | _ | • | _ | _ |
| University of | South Ca | rolina Colu | mbia | Campus- | –2003 Parking | g Facilities | s Revenue | Bonds |
| 2004 | \$ | 399 | \$ | 235 | \$ 17 | - * | 413 | 0.97 |
| 2005 | | 412 | | 210 | 20 | | 412 | 1.00 |
| 2006 | | 406 | | 215 | 19 | | 406 | 1.00 |
| 2007 | | 401 | | 220 | 18 | | 401 | 1.00 |
| 2008 | | 395 | | 225 | 17 | | 395 | 1.00 |
| 2009 | | 395 | | 230 | 16 | | 395 | 1.00 |
| 2010 2011 | | 393 396 | | 235 235 | 15 15 | | 393 393 | 1.00 1.01 |
| 2011 | | 390 | | 233 | 10 | 0 | 393 | 1.01 |
| University of | South Ca | | mbia | - | | - | ie Bonds | |
| 2005 | \$ | 1,838 | \$ | 725 | \$ 1,20 | 2 \$ | 1,927 | 0.95 |
| 2006 | | 1,919 | | 505 | 1,41 | 4 | 1,919 | 1.00 |
| 2007 | | 1,919 | | 525 | 1,39 | | 1,919 | 1.00 |
| 2008 | | 1,923 | | 550 | 1,37 | | 1,923 | 1.00 |
| 2009 | | 1,924 | | 570 | 1,35 | | 1,924 | 1.00 |
| 2010 | | 1,930 | | 595 | 1,33 | | 1,930 | 1.00 |
| 2011 | | 1,940 | | 625 | 1,31 | 5 | 1,940 | 1.00 |
| University of | South Ca | rolina Colu | mbia | | –2005 Auxilia | ry Revenu | ie Bonds | |
| 2006 | \$ | 669 | \$ | 185 | \$ 48 | , | 669 | 1.00 |
| 2007 | | 744 | | 225 | 51 | | 744 | 1.00 |
| 2008 | | 743 | | 235 | 50 | | 743 | 1.00 |
| 2009 | | 745 | | 245 | 50 | | 745 | 1.00 |
| 2010 | | 746 | | 255 | 49 | | 746 | 1.00 |
| 2011 | | 747 | | 265 | 48 | 2 | 747 | 1.00 |
| University of | South Car | rolina Colu | mbia | Campus- | –2005 Auxilia | rv Refund | lina Reveni | ue Bonds |
| 2006 | \$ | 2,606 | \$ | 1,330 | \$ 1,56 | - | 2,896 | 0.90 |
| 2007 | Ψ | 3,102 | Ψ | 1,200 | ψ 1,90 2,03 | | 3,235 | 0.96 |
| 2007 | | 3,102 | | 1,200 | 2,03 1,99 | | 3,235 3,461 | 1.00 |
| 2009 | | 3,445 | | 1,500 | 1,94 | | 3,445 | 1.00 |
| 2010 | | 3,458 | | 1,565 | 1,89 | | 3,458 | 1.00 |
| 2011 | | 3,943 | | 2,105 | 1,83 | | 3,943 | 1.00 |
| | | • | | | , | | • | |

| Fiscal Year | Revenue | Del | ot Service Requirem | ents | |
|------------------|-------------------------------|---------------|---------------------|---------------|-------------------|
| Ended June 30 | Available for Debt Service | Principal | Interest | Total | Coverage Ratio |
| University of So | outh Carolina Colum | bia Campus—2 | 008 Auxiliary Re | venue 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 |
| 2011 | 4,248 | 1,125 | 3,123 | 4,248 | 1.00 |
| University of So | outh Carolina Colum | bia Campus—2 | 010A Auxiliary R | Revenue Bonds | |
| 2011 | 1,793 | 500 | 1,293 | 1,793 | 1.00 |
| University of So | outh Carolina Sparta | nburg Campus- | —1997 Auxiliarv | Revenue Bonds | |
| 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 |
| 2007 | 221 | 210 | 11 | 221 | 1.00 |
| 2009 | _ | _ | _ | _ | _ |
| 2010 | _ | _ | _ | _ | _ |
| | _ | _ | _ | _ | _ |
| 2011 | _ | _ | _ | _ | _ |
| University of So | outh Carolina Sparta | nburg Campus- | -2009 Auxiliary | Revenue Bonds | |
| 2009 | \$ 263 | \$ — | \$ 320 | \$ 320 | 0.82 |
| 2010 | 1,813 | 535 | 1,278 | 1,813 | 1.00 |
| 2011 | 1,815 | 550 | 1,265 | 1,815 | 1.00 |
| Winthrop Unive | rsity—Facilities Rev | enue Bonds | | | |
| 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 | 670 694 | 274 | 944 | 3.05 |
| 2008 2009 | 2,768 3,109 | 729 | 245 215 | 939 944 | 2.95 3.29 |
| 2010 | 3,218 | 1,081 | 444 | 1,525 | 2.11 |
| 2010 | 2,576 | 1,030 | 454 | 1,484 | 1.74 |
| | rsity—2001 Athletic | | | 1,404 | 1.7-7 |
| 2002 | \$ 458 | \$ 120 | \$ 67 | \$ 187 | 2.45 |
| 2003 | Ψ 486 | ψ 120 120 | 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 |
| 2011 | 482 | 120 | 61 | 181 | 2.66 |
| | | | | | |

Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years (Dollars in Thousands)

| Fiscal Year | On another a | | Less: | Net Funds | Debt | Service Requir | ements | 0 |
|------------------|-----------------------|------------------|-----------------------|-------------------------------|-----------|----------------|-----------|-------------------|
| Ended June 30 | Operating Revenues | Loan Payments | Operating Expenses | Available for Debt Service | Principal | Interest | Total | Coverage Ratio |
| 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 |
| 2011 | 5,353 | 800,456 | (5,331) | 800,478 | 821,605 | 7,304 | 828,909 | 0.97 |
| Housing A | uthority | | | | | | | |
| 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 |
| 2011 | 50,925 | 210,995 | (4,055) | 257,865 | 86,090 | 37,268 | 123,358 | 2.09 |

Note: All prior fiscal year data that is available has been presented.

Demographic Statistics

Last Ten Calendar Years

| <u>Year</u> | Population at July 1 ^a | Per Capita Income ^b | Average Annual Unemployment Rate ^c |
|-------------|---|-----------------------------------|---|
| 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% |
| 2010 | 4,625,364 | 31,890 | 11.2% |

^a Source: U.S. Census Bureau

^b Per capita income is calculated by dividing total personal income by population.

^c Source: U.S. Department of Labor

Employment by Industry

Latest Completed Calendar Year and Nine Years Prior

| | 2001 | <u> </u> | 2010 | | |
|---|-----------|----------|------------------|----------|--|
| | Number of | Percent | Number of | Percent | |
| Sources | Employees | of Total | Employees | of Total | |
| Contract construction | 113,100 | 6.2% | 78,900 | 4.4% | |
| Manufacturing: | | | | | |
| Durable goods | 149,100 | 8.2% | 113,700 | 6.3% | |
| Nondurable goods | 164,500 | 9.0% | 93,700 | 5.2% | |
| Transportation, communication, and public utilities | 61,100 | 3.3% | 57,800 | 3.2% | |
| Wholesale and retail trade: | | | | | |
| Wholesale | 62,800 | 3.4% | 64,300 | 3.6% | |
| Retail | 228,900 | 12.6% | 222,300 | 12.3% | |
| Finance, insurance and real estate | 88,100 | 4.8% | 97,400 | 5.4% | |
| Services and mining | 603,100 | 33.1% | 706,100 | 39.1% | |
| Government: | | | | | |
| Federal | 28,600 | 1.6% | 34,500 | 1.9% | |
| State and local | 325,000 | 17.8% | 336,500 | 18.6% | |
| Total wage and salary employment | 1,824,300 | 100.0% | 1,805,200 | 100.0% | |

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 Nine Years Prior (Listed alphabetically)

| Bi-Lo, Inc. | Bi-Lo, Inc. |
|--|---------------------------------|
| Blue Cross/Blue Shield of South Carolina | Blue Cross/Blue Shield of South |

Blue Cross/Blue Shield of South Carolina

Greenville County School District

2001

Michelin North America, Inc.

Springs Industries, Inc.

U.S. Department of Defense

U.S. Postal Service

University of South Carolina

Wal-Mart Associates, Inc.

Westinghouse Savannah River

Blue Cross/Blue Shield of South Carolina

Greenville County School District

2010

Greenville Hospital System

Michelin North America, Inc.

Palmetto Health Alliance, Inc.

U.S. Department of Defense

U.S. Postal Service

University of South Carolina

Wal-Mart Associates, Inc.

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

| | | | Permanent Employees | | |
|--|--------|--------|---------------------|--------|--|
| Function | 2002 | 2003 | 2004 | 2005 | |
| Governmental activities: | | | | | |
| General government | 5,243 | 5,115 | 6,136 | 6,195 | |
| Education | 3,255 | 3,116 | 3,054 | 3,053 | |
| Health and environment | 13,849 | 13,610 | 13,341 | 13,010 | |
| Social services | 4,489 | 4,196 | 3,693 | 3,618 | |
| Administration of justice | 11,336 | 10,966 | 9,620 | 9,417 | |
| Resources and economic development | 2,005 | 1,892 | 1,727 | 1,746 | |
| Transportation | 4,954 | 4,826 | 4,960 | 5,002 | |
| Business-type activities: | | | | | |
| Higher education | 20,335 | 20,420 | 20,523 | 20,893 | |
| Higher education institutional support | 5,158 | 5,291 | 5,555 | 5,676 | |
| Financing of housing facilities | 116 | 114 | 117 | 114 | |
| Medical malpractice insurance | 3 | 3 | 4 | 5 | |
| Financing of student loans | 53 | 66 | 63 | 67 | |
| Tuition prepayment program | 2 | 2 | 2 | 2 | |
| Patriots Point development | 71 | 66 | 69 | 68 | |
| Insurance claims processing | 21 | 23 | 23 | 23 | |
| Other | 37_ | 35_ | 32 | 34 | |
| Totals | 70,927 | 69,741 | 68,919 | 68,923 | |

as of June 30

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------|--------|--------|--------|--------|--------|
| | | | | | |
| 6,267 | 6,457 | 6,532 | 6,307 | 6,108 | 5,915 |
| 2,922 | 3,014 | 3,084 | 2,990 | 2,968 | 2,772 |
| 12,461 | 12,237 | 12,286 | 11,487 | 10,998 | 10,399 |
| 3,627 | 3,904 | 3,998 | 3,990 | 3,689 | 3,235 |
| 9,747 | 10,098 | 10,280 | 9,954 | 9,631 | 9,442 |
| 1,776 | 1,818 | 1,856 | 1,738 | 1,675 | 1,437 |
| 4,794 | 4,880 | 5,065 | 5,050 | 5,006 | 4,536 |
| | | | | | |
| 21,195 | 21,962 | 22,403 | 22,263 | 22,250 | 22,180 |
| 5,990 | 4,133 | 4,569 | 6,008 | 6,164 | 6,367 |
| 112 | 116 | 116 | 123 | 123 | 121 |
| 5 | 5 | 4 | 5 | 5 | 5 |
| 69 | 66 | 69 | 67 | 59 | 45 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 67 | 67 | 67 | 62 | 66 | 76 |
| 19 | 22 | 20 | 21 | 20 | 18 |
| 32_ | 36 | 35_ | 37_ | 39_ | 40 |
| 69,085 | 68,817 | 70,386 | 70,104 | 68,803 | 66,590 |

Operating Indicators By Function

Last Seven Fiscal Years ^a

| | 2005 | 2006 | 2007 |
|---|------------|----------------------|------------|
| General government | | | |
| 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 |
| Education | | | |
| 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 |
| Health and environment | 002 004 | 020.700 | 000 200 |
| 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 |
| Social services | 040.000 | 005.450 | 004.050 |
| Average food stamp households per month | 216,602 | 225,456 | 231,053 |
| Child Protective Services investigations | 17,186 | 16,898 | 18,168 |
| Administration of justice | 00.070 | 00.004 | 00.407 |
| Adult prison average daily population | 22,970 | 22,964 | 23,437 |
| Juvenile facility average daily population | 1,074 | 1,043 | 985 |
| Resources and economic development | 105 | 137 | 139 |
| Dept of Commerce capital investment projects | | | |
| Welcome Center visitors | 2,525,294 | 2,454,311 781,882 | 2,378,630 |
| Hunting and fishing licenses processed | 704,882 | · | 811,025 |
| Watercraft registrations | 396,915 | 415,993 | 433,158 |
| Transportation | 472.020 | 462.000 | 107.551 |
| Miles of surface repair | 173,620 | 163,829 | 167,551 |
| Miles of roadway inspections | 270,024 | 313,530 | 332,559 |
| Higher education and support | 470.000 | 474.000 | 470 445 |
| Total headcount enrollment | 172,386 | 174,686 | 176,415 |
| Degrees awarded | 24,826 | 25,622 | 26,063 |
| Unemployment compensation benefits | 040.000 | 000.075 | 004.404 |
| Initial claims | 313,629 | 299,975 | 304,464 |
| Total benefit weeks claimed | 2,129,960 | 1,930,718 | 1,998,836 |
| Financing of housing facilities | 10.011 | 40.504 | 45.045 |
| Mortgage loans managed | 12,314 | 13,504 | 15,815 |
| Families receiving rental assistance | 20,478 | 20,872 | 20,129 |
| Medical malpractice insurance | | | |
| Membership total | 7,166 | 7,050 | 6,320 |
| Financing of student loans | | | |
| Number of student loans outstanding | 332,794 | 323,536 | 351,024 |
| Tuition prepayment program | | | |
| Individual accounts | 6,262 | 6,452 | 6,388 |
| State maritime museum | | | |
| Museum visitors and other area patrons | 240,811 | 260,827 | 259,425 |
| Insurance claims processing | | | |
| Second Injury Fund claims paid | 4,520 | 3,860 | 3,951 |
| Other | | | |
| Public railway carloads (calendar year) | 88,242 | 88,245 | 82,036 |
| | | | |

^a Prior fiscal year data is not readily available.

| 2008 | 2009 | 2010 | 2011 |
|-------------------|-------------------|------------|-------------------|
| 2,421,786 | 2,393,919 | 2,379,693 | 2,482,647 |
| 166,237 | 185,200 | 183,224 | 197,608 |
| 13,234,198 | 12,430,183 | 11,989,686 | 12,458,447 |
| 77,961 | 63,493 | 53,407 | 43,464 |
| 704 740 | 707 700 | 740.040 | 74.4.404 |
| 701,749 | 707,739 | 712,240 | 714,421 |
| 15,651 131,731 | 15,600 154 487 | 15,795 | 15,950 136 346 |
| 131,731 | 154,487 | 156,810 | 136,346 |
| 903,397 | 934,090 | 975,275 | 1,019,508 |
| 124,033 | 134,618 | 133,942 | 130,097 |
| 87,762 | 88,999 | 88,726 | 85,244 |
| 248,314 | 287,867 | 346,807 | 384,936 |
| 18,560 | 17,621 | 18,805 | 17,763 |
| | ,- | ,,,,,, | , |
| 23,958 | 24,081 | 24,105 | 23,358 |
| 910 | 858 | 739 | 635 |
| 179 | 190 | 161 | 172 |
| 2,281,295 | 2,123,161 | 2,323,877 | 2,023,488 |
| 839,696 | 840,956 | 958,014 | 996,890 |
| 430,377 | 429,532 | 429,233 | 442,057 |
| | 2,22 | , | , |
| 158,512 | 162,938 | 178,084 | 150,590 |
| 342,981 | 401,426 | 448,492 | 361,226 |
| 180,479 | 187,253 | 200,204 | 205,080 |
| 26,237 | 26,835 | 27,705 | 35,958 |
| 292,661 | 545,137 | 386,818 | 310,528 |
| 1,964,982 | 4,206,476 | 4,331,564 | 2,992,594 |
| 1,001,002 | 1,200,170 | 1,001,001 | 2,002,001 |
| 17,734 | 17,518 | 16,831 | 16,207 |
| 20,100 | 19,955 | 19,931 | 19,918 |
| 5,466 | 4,568 | 4,230 | 3,570 |
| 400.000 | 000 740 | 074 005 | 507.000 |
| 189,292 | 386,748 | 371,205 | 537,090 |
| 6,315 | 6,239 | 6,135 | 6,052 |
| 264,326 | 264,244 | 268,965 | 270,802 |
| 3,661 | 3,404 | 3,118 | 3,224 |
| 65.504 | 00.405 | 0.4.55 | 20.045 |
| 95,521 | 92,136 | 64,554 | 66,618 |

Capital Assets By Function

Last Seven Fiscal Years ^a

| | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|--------|--------|--------|--------|
| General government | | | | |
| 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 |
| Education | | | | |
| School buses | 6,453 | 5,788 | 6,274 | 6,420 |
| Television transmitters | 11 | 11 | 11 | 11 |
| Vocational training/client centers | 35 | 35 | 35 | 35 |
| Health and environment | | | | |
| Mental health hospitals | 111 | 111 | 137 | 154 |
| Community mental health centers | 60 | 60 | 59 | 47 |
| Regional special needs centers | 5 | 5 | 5 | 5 |
| Social services | | | | |
| Buildings and facilities | 66 | 66 | 66 | 66 |
| Administration of justice | | | | |
| 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 |
| Resources and economic development | | | | |
| 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 |
| Transportation | | | | |
| 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 |
| Higher education | | | | |
| 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 |
| State maritime museum | | | | |
| Vintage aircraft | 4 | 4 | 4 | 4 |
| Historical period exhibits | 3 | 15 | 15 | 15 |
| Other | | | | |
| Rail yards | 3 | 3 | 3 | 3 |
| State-owned locomotives | 13 | 13 | 13 | 10 |
| | | | | |

^a Prior fiscal year data is not readily available.

| 2009 | 2010 | 2011 |
|--------|--------|--------|
| 32 | 32 | 33 |
| 65 | 63 | 63 |
| 3,599 | 3,316 | 2,957 |
| 69 | 69 | 68 |
| 6,117 | 5,677 | 5,636 |
| 11 | 11 | 11 |
| 35 | 35 | 35 |
| 150 | 151 | 150 |
| 49 | 47 | 48 |
| 5 | 5 | 5 |
| 66 | 66 | 66 |
| 28 | 28 | 28 |
| 7 | 7 | 7 |
| 7 | 7 | 6 |
| 1,162 | 1,162 | 1,060 |
| 82,813 | 83,118 | 83,118 |
| 92,552 | 92,552 | 94,215 |
| 53 | 53 | 53 |
| 3 | 3 | 3 |
| 1,203 | 1,121 | 841 |
| 66,256 | 66,262 | 66,008 |
| 9 | 9 | 8 |
| 320 | 350 | 350 |
| 476 | 476 | 480 |
| 33 | 33 | 33 |
| 792 | 833 | 857 |
| 302 | 303 | 308 |
| 327 | 300 | 297 |
| 4 | 4 | 4 |
| 15 | 15 | 15 |
| 3 | 3 | 3 |
| 10 | 10 | 10 |



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information: Total printing cost was \$290.29; 100 copies were printed at a cost of \$2.90 each.



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