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

REQUIRED SUPPLEMENTARY INFORMATION**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****BUDGETARY GENERAL FUND****For the Fiscal Year Ended June 30, 2011****(Expressed in Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
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)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
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

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
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	—
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:

<i>Budgetary funds</i>	<i>Budgetary</i>	<i>Other</i>	<i>Major Special Revenue Funds</i>			
	<i>General Fund</i>	<i>Budgeted Funds</i>	<i>Departmental Program Services</i>	<i>Local Government Infrastructure</i>	<i>Department of Transportation Special Revenue</i>	<i>State Tobacco Settlement</i>
<i>GAAP funds</i>	<i>General Fund</i>	<i>Not Applicable</i>	<i>Departmental Program Services</i>	<i>Local Government Infrastructure</i>	<i>Department of Transportation Special Revenue</i>	<i>State Tobacco Settlement</i>
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	\$ —	\$ 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 its 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.