

A full-page background image showing a sunset over the ocean. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky is filled with scattered, golden clouds. In the foreground, there is a dark, silhouetted area of grass or reeds.

# STATE OF SOUTH CAROLINA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



FRONT COVER

*Sunrise on the South Carolina shore*

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

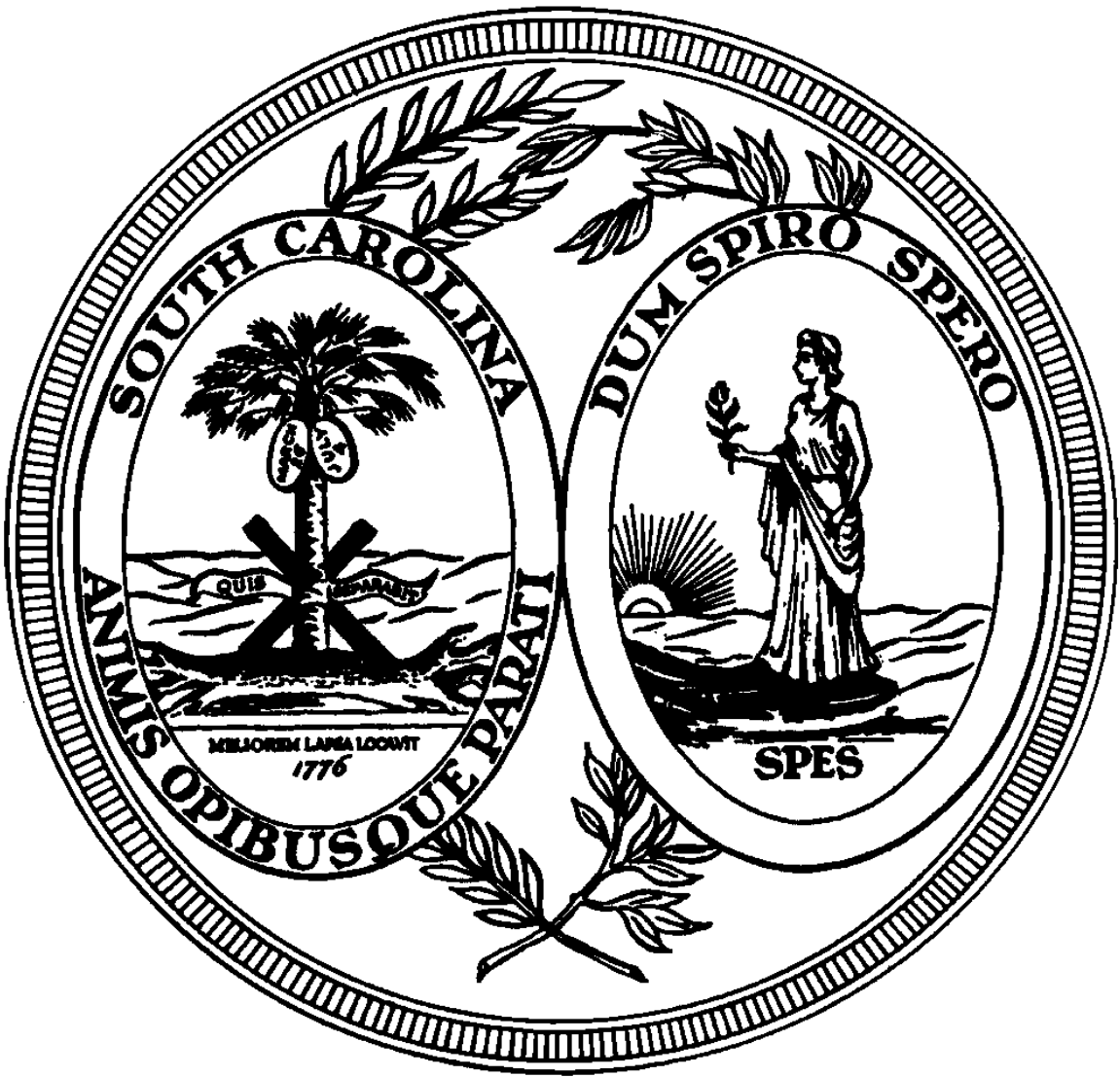
A large, black-outlined map of the state of South Carolina is centered on the page. The text of the report title is placed within the map's boundaries.

**STATE OF  
SOUTH CAROLINA**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30,  
2011**

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



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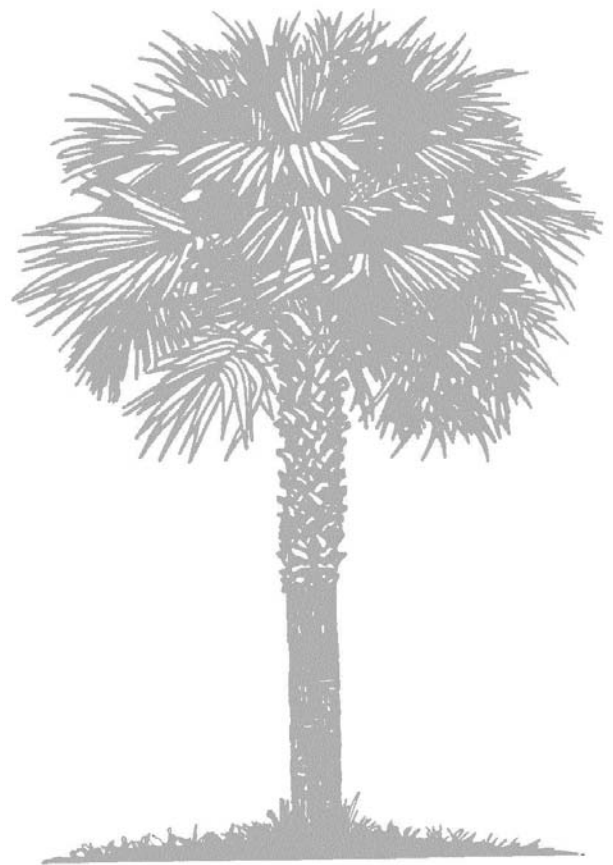
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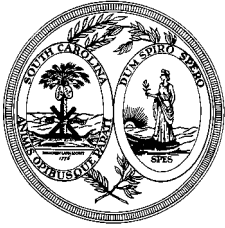
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# *Introductory Section*

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Letter of Transmittal  
Certificate of Achievement  
Principal State Officials  
Organizational Chart



**RICHARD ECKSTROM, CPA**  
COMPTROLLER GENERAL

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**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.

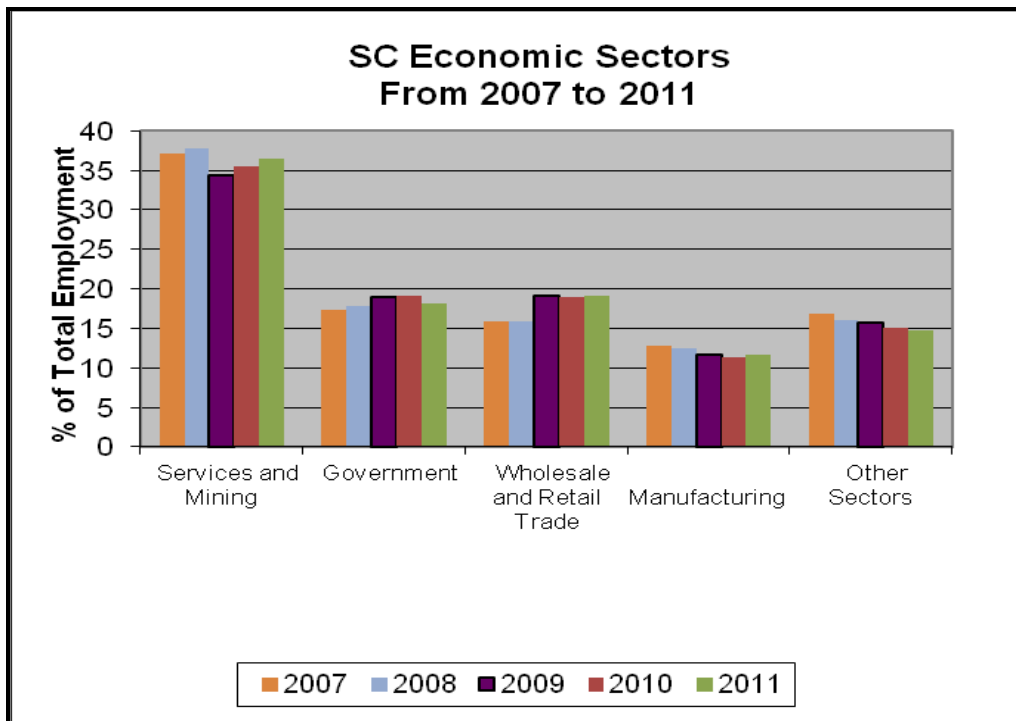
South Carolina’s annual Appropriations Act includes legally adopted budgets for the Budgetary General Fund and for Total Funds. The initial budget appears in the annual Appropriations Act. After the budget year begins, the State Budget and Control Board, comprised of five key executive and legislative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

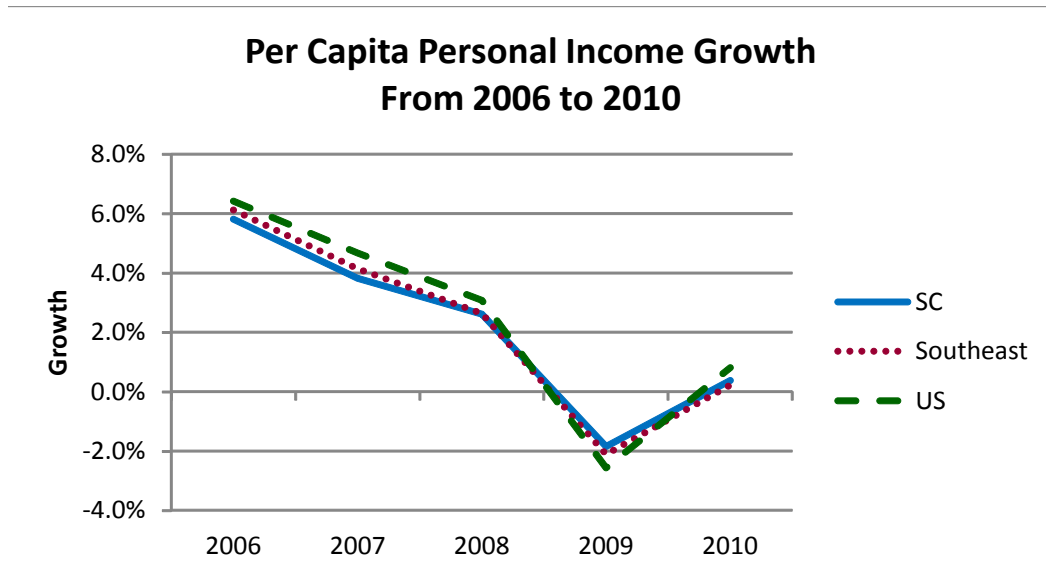
**STATE ECONOMY**

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 Carolina 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.

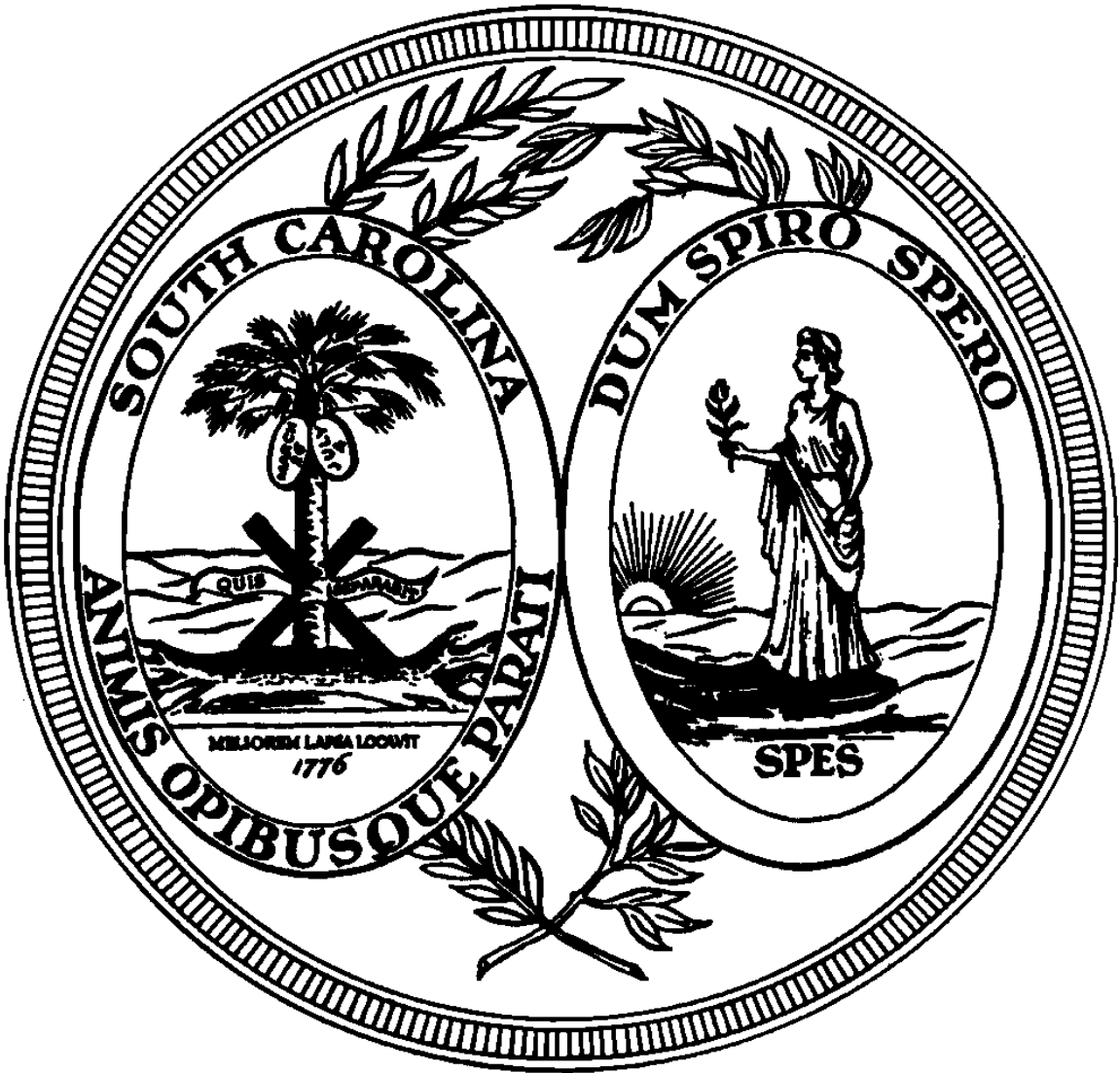
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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



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

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of South Carolina

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

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

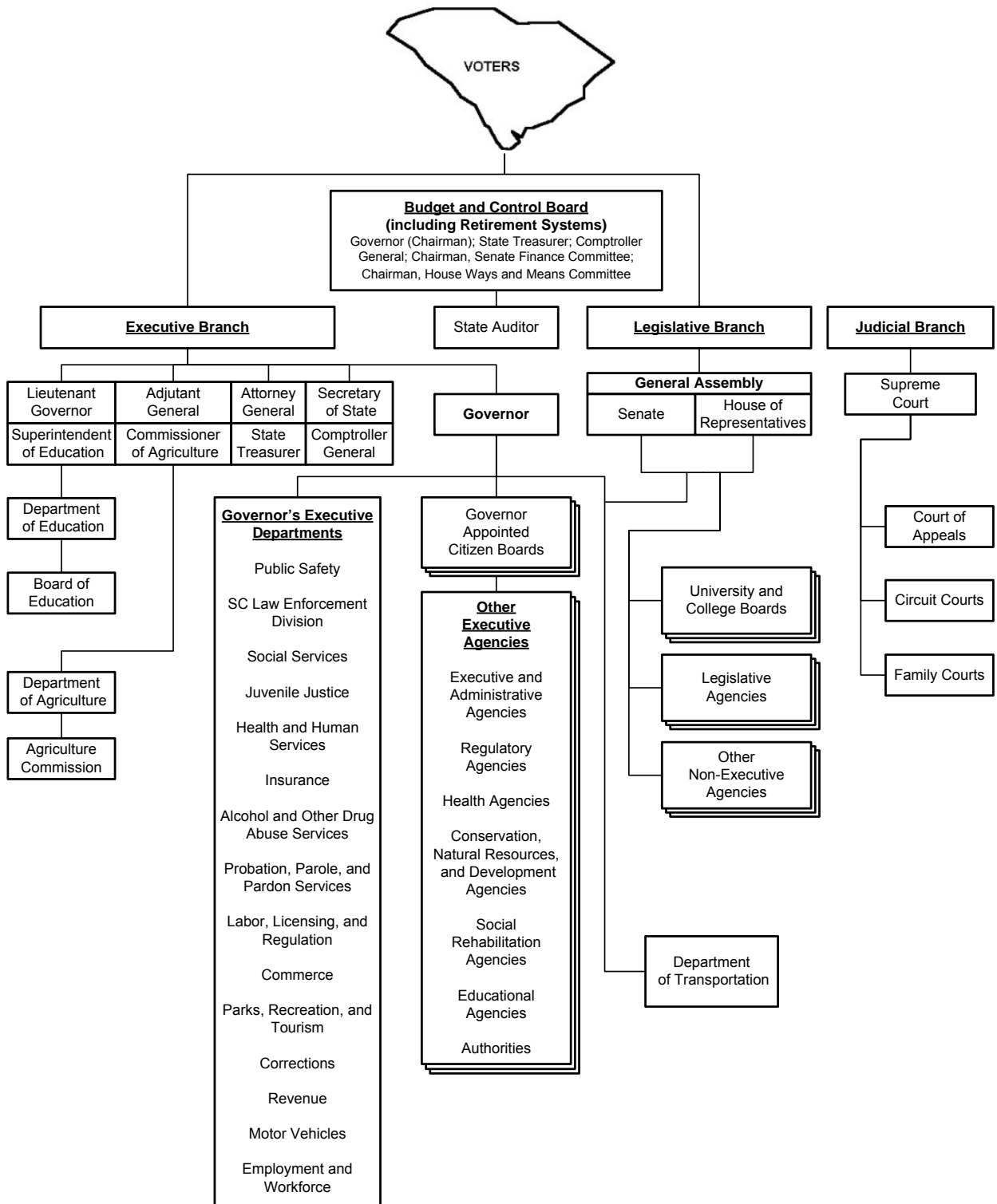
### **JUDICIAL**

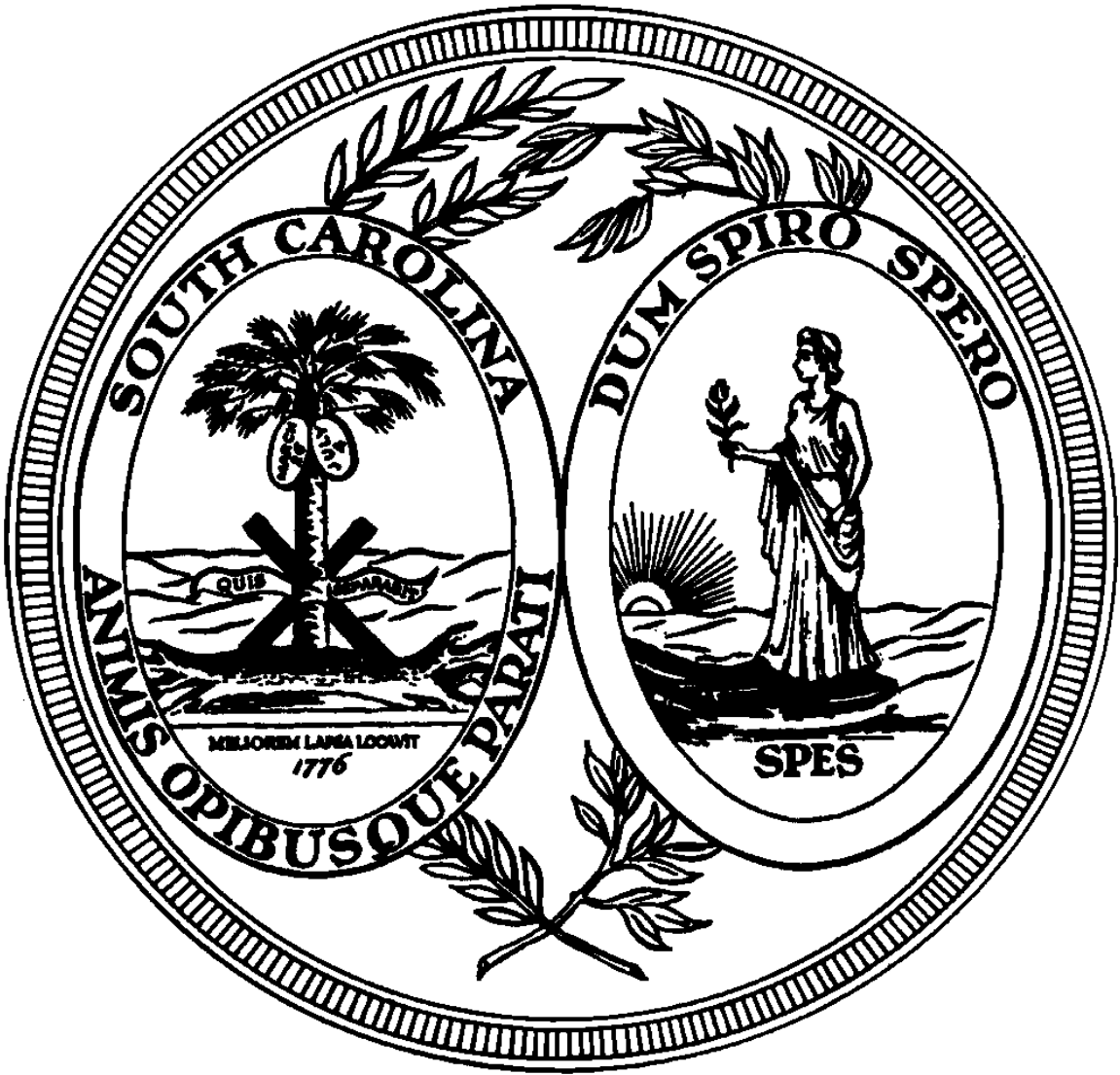
Jean H. Toal, Chief Justice, Supreme Court

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

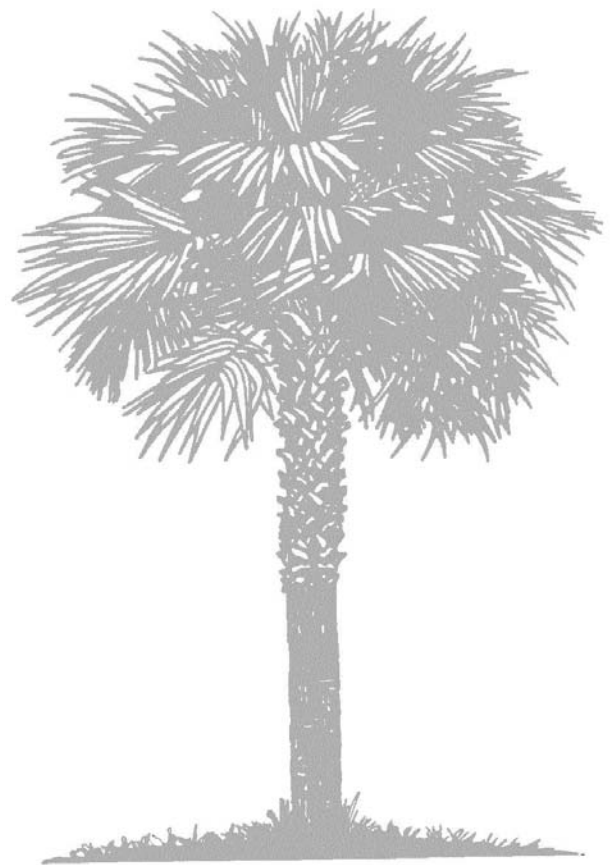




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# *Financial Section*

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



## Independent Auditors' Report

The Honorable 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.

	Percentage Audited by Clifton Gunderson Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
<b><u>Government-wide</u></b>				
Governmental activities	-	-	68	18
Business-type activities	-	-	98	100
Component units	-	-	100	100
<b><u>Fund Statements</u></b>				
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.

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

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

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## Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 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:

***Statement of net assets:*** This statement presents information on *all* of the State's assets and liabilities, both short-term (*current*) and long-term (*non-current*). In addition, the statement reports the difference between assets and liabilities as *net assets*. Over time, the comparison of net assets to liabilities may indicate whether the State's financial health is strengthening or weakening. However, the statement of net assets does not tell the whole story. To assess the State's overall financial health, 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).

***Statement of activities:*** This statement presents information showing how the State's overall net assets changed during the year. The State reports a change in its net assets as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs the State to provide various services. It also 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*:

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

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

***Component units:*** Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the Connector 2000 Association, Inc. (which operates the Southern Connector, a toll road), and the Lottery Commission are the State's major component units. Some financial information for these component units is included in this report. 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*:

**Governmental funds:** The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, 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.

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

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

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change 2010-2011
	2011	(Restated) 2010	2011	2010	2011	(Restated) 2010	
<b>Assets</b>							
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%
<b>Total assets.....</b>	<b>22,728,114</b>	<b>22,280,731</b>	<b>9,778,555</b>	<b>9,882,032</b>	<b>32,506,669</b>	<b>32,162,763</b>	<b>1.1%</b>
<b>Liabilities</b>							
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%)
<b>Total liabilities.....</b>	<b>7,928,829</b>	<b>8,483,079</b>	<b>4,998,832</b>	<b>5,794,453</b>	<b>12,927,661</b>	<b>14,277,532</b>	<b>(9.5%)</b>
<b>Net Assets</b>							
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%)
<b>Total net assets.....</b>	<b>\$ 14,799,285</b>	<b>\$ 13,797,652</b>	<b>\$ 4,779,723</b>	<b>\$ 4,087,579</b>	<b>\$ 19,579,008</b>	<b>\$ 17,885,231</b>	<b>9.5%</b>

### Net Assets

As we noted earlier, the comparison of net assets to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 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.

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

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
<b>Revenues</b>							
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%
<b>Total revenues.....</b>	<b>20,762,532</b>	<b>20,082,843</b>	<b>7,587,771</b>	<b>6,564,823</b>	<b>28,350,303</b>	<b>26,647,666</b>	<b>6.4%</b>
<b>Expenses</b>							
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.....	6,584,487	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.....	746,462	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:							
Higher education.....	—	—	3,684,769	3,520,564	3,684,769	3,520,564	4.7%
Higher education institution support <sup>a</sup> .....	—	—	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.....	—	—	2,591	2,324	2,591	2,324	11.5%
Financing of student loans.....	—	—	21,847	36,694	21,847	36,694	(40.5%)
Tuition prepayment program.....	—	—	4,750	910	4,750	910	422.0%
Other.....	—	—	35,540	36,583	35,540	36,583	(2.9%)
<b>Total expenses.....</b>	<b>19,214,007</b>	<b>19,103,613</b>	<b>7,514,653</b>	<b>7,114,354</b>	<b>26,728,660</b>	<b>26,217,967</b>	<b>1.9%</b>
<b>Excess (deficiency) before additions to endowments and transfers.....</b>	<b>1,548,525</b>	<b>979,230</b>	<b>73,118</b>	<b>(549,531)</b>	<b>1,621,643</b>	<b>429,699</b>	<b>277.4%</b>
Gain on early retirement of debt.....	—	—	35,189	—	35,189	—	—
Additions to endowments.....	—	—	36,945	30,480	36,945	30,480	21.2%
Net transfers.....	(546,892)	(653,389)	546,892	653,389	—	—	—
<b>Increase (decrease) in net assets.....</b>	<b>1,001,633</b>	<b>325,841</b>	<b>692,144</b>	<b>134,338</b>	<b>1,693,777</b>	<b>460,179</b>	<b>268.1%</b>
<b>Net assets, beginning of year.....</b>	<b>13,790,301</b>	<b>13,465,390</b>	<b>4,087,579</b>	<b>3,952,311</b>	<b>17,877,880</b>	<b>17,417,701</b>	<b>2.6%</b>
<b>Restatement of beginning net assets <sup>b</sup>.....</b>	<b>7,351</b>	<b>(930)</b>	<b>—</b>	<b>930</b>	<b>7,351</b>	<b>—</b>	<b>—</b>
<b>Net assets, end of year.....</b>	<b>\$ 14,799,285</b>	<b>\$ 13,790,301</b>	<b>\$ 4,779,723</b>	<b>\$ 4,087,579</b>	<b>\$ 19,579,008</b>	<b>\$ 17,877,880</b>	<b>9.5%</b>

<sup>a</sup> The higher education institution support activity represents certain associations, foundations, and authorities created for the benefit of the State's higher education institutions.

<sup>b</sup> 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.

**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**

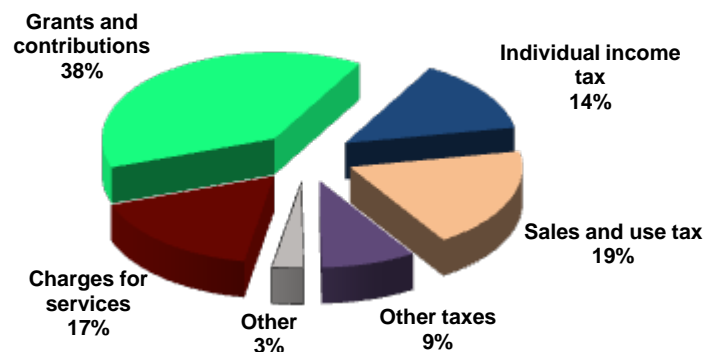
Net assets of the State's governmental activities increased by \$1.002 billion or 7.3%. Revenue increased from last year by \$679.689 million or 3.4%, which is an increase of \$685.055 million or 7.7% in general revenue and a decrease of \$5.366 million or 0.1% in program revenue. Revenues that support 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.

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.

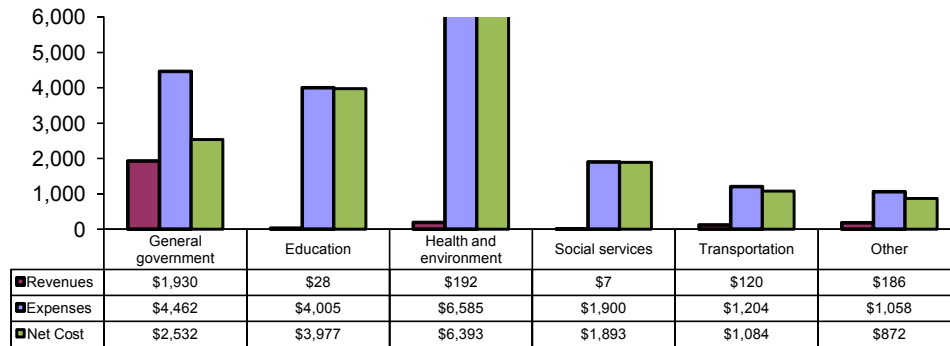
The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2010-2011 fiscal year:

- 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	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	State Tobacco Settlement	Nonmajor Governmental Funds	Total Governmental 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)
<b>Totals.....</b>	<b>\$ 1,498,530</b>	<b>\$ 180,573</b>	<b>\$ 1,907,193</b>	<b>\$ (260,780)</b>	<b>\$ 22,804</b>	<b>\$ 469,195</b>	<b>\$ 3,817,515</b>
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.

# State of South Carolina

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)*

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

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		Business-type Activities		Totals—Primary Government		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
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%
<b>Total.....</b>	<b>\$ 14,578,201</b>	<b>\$ 14,212,229</b>	<b>\$ 4,530,494</b>	<b>\$ 4,401,142</b>	<b>\$ 19,108,695</b>	<b>\$ 18,613,371</b>	<b>2.7%</b>

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)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Backed by the State:							
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%)
<b>Total.....</b>	<b>\$ 4,041,063</b>	<b>\$ 4,222,876</b>	<b>\$ 2,810,796</b>	<b>\$ 3,604,009</b>	<b>\$ 6,851,859</b>	<b>\$ 7,826,885</b>	<b>(12.5%)</b>

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”

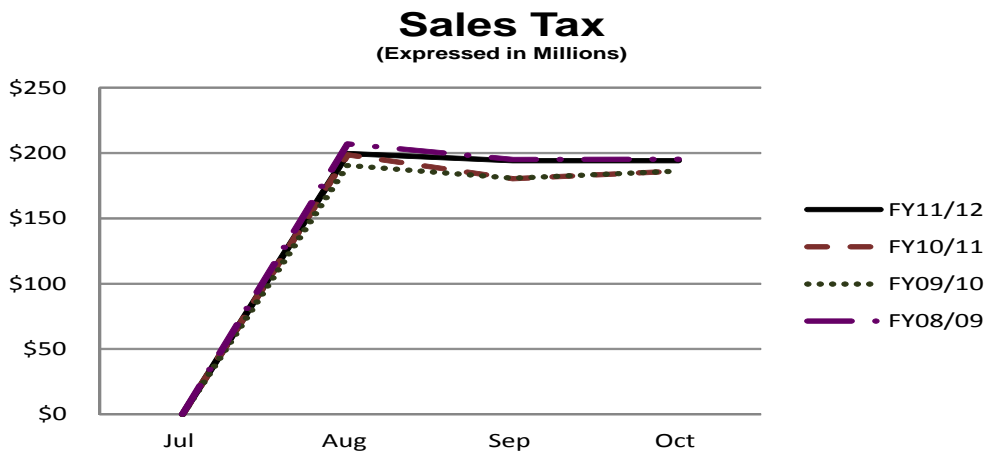
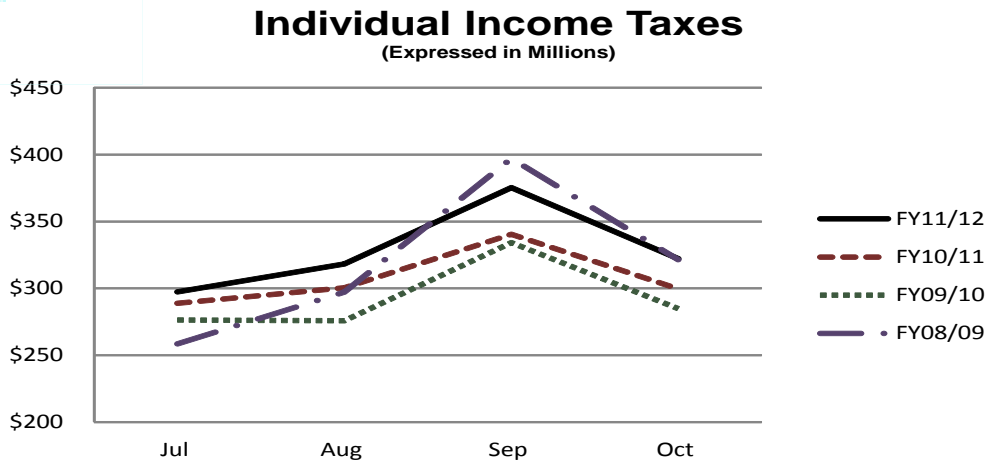
At June 30, 2011, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of \$166.325 million which increased from the prior year by \$55.442 million appropriated by the 2010-2011 Appropriations Act. The balance is fully funded in accordance with the State’s Constitution. The 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

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**BASIC  
FINANCIAL STATEMENTS**

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# Statement of Net Assets

June 30, 2011

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS</b>				
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.....	<u>6,068,330</u>	<u>3,630,050</u>	<u>9,698,380</u>	<u>2,035,742</u>

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

## Statement of Net Assets (Continued)

June 30, 2011

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
Long-term assets:				
Investments.....	\$ 463,509	\$ 34,850	\$ 498,359	\$ 866,809
Receivables, net:				
Accounts.....	33,731	39,854	73,585	3,769
Contributions.....	—	2,646	2,646	37,286
Participants.....	—	6,309	6,309	—
Income taxes.....	15,215	—	15,215	—
Sales and other taxes.....	51,080	—	51,080	—
Student accounts.....	—	38	38	—
Patient accounts.....	9,212	—	9,212	—
Loans and notes.....	483,496	101,578	585,074	30
Due from Federal government and other grantors.....	1,342	—	1,342	—
Restricted assets:				
Cash and cash equivalents.....	666,533	279,796	946,329	333,228
Investments.....	—	220,175	220,175	451,730
Accounts receivable.....	320,221	—	320,221	—
Loans receivable.....	—	812,078	812,078	—
Other.....	3,865	67,132	70,997	—
Prepaid items.....	1,176	13,865	15,041	—
Other long-term assets.....	1,215	12,183	13,398	59,405
Deferred charges.....	30,988	28,994	59,982	726,283
Investment in joint venture.....	—	—	—	10,769
Non-depreciable capital assets.....	4,719,124	680,532	5,399,656	1,401,425
Depreciable capital assets, net.....	9,859,077	3,849,962	13,709,039	4,245,153
Total long-term assets.....	<u>16,659,784</u>	<u>6,149,992</u>	<u>22,809,776</u>	<u>8,135,887</u>
<b>Total assets.....</b>	<b><u>22,728,114</u></b>	<b><u>9,780,042</u></b>	<b><u>32,508,156</u></b>	<b><u>10,171,629</u></b>

Continued on Next Page

# Statement of Net Assets (Continued)

June 30, 2011

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
<b>LIABILITIES</b>				
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.....	<u>3,695,466</u>	<u>1,107,070</u>	<u>4,802,536</u>	<u>1,309,688</u>

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

## Statement of Net Assets (Continued)

June 30, 2011

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
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.....	—	—	—	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.....	154,371	66,010	220,381	112,701
Total long-term liabilities.....	4,233,363	3,893,249	8,126,612	5,851,485
<b>Total liabilities.....</b>	<b>7,928,829</b>	<b>5,000,319</b>	<b>12,929,148</b>	<b>7,161,173</b>
<b>NET ASSETS</b>				
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
<b>Total net assets.....</b>	<b>\$ 14,799,285</b>	<b>\$ 4,779,723</b>	<b>\$ 19,579,008</b>	<b>\$ 3,010,456</b>

# Statement of Activities

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

	Program Revenues				Net Revenues (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions</b>					
<b>Primary government:</b>					
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)
<b>Total governmental activities.....</b>	<b>19,214,007</b>	<b>2,463,209</b>	<b>8,118,411</b>	<b>615,292</b>	<b>(8,017,095)</b>
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
<b>Total business-type activities.....</b>	<b>7,514,653</b>	<b>6,375,802</b>	<b>1,115,603</b>	<b>96,366</b>	<b>73,118</b>
<b>Total primary government.....</b>	<b>\$ 26,728,660</b>	<b>\$ 8,839,011</b>	<b>\$ 9,234,014</b>	<b>\$ 711,658</b>	<b>\$ (7,943,977)</b>
<b>Component units:</b>					
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
<b>Total component units.....</b>	<b>\$ 3,055,215</b>	<b>\$ 3,099,178</b>	<b>\$ 193,884</b>	<b>\$ 2,975</b>	<b>\$ 240,822</b>

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



## Statement of Activities (Continued)

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets:</b>				
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	—	—
<b>Total general revenues, additions to     endowments, and transfers.....</b>	<b>9,018,728</b>	<b>619,026</b>	<b>9,637,754</b>	<b>—</b>
<b>Change in net assets.....</b>	<b>1,001,633</b>	<b>692,144</b>	<b>1,693,777</b>	<b>240,822</b>
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

June 30, 2011

(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,867,457	\$ 185,682	\$ 377,930	\$ 109,286
Investments.....	36,616	308	—	—
Invested securities lending collateral.....	11,044	112	2,895	286
Receivables, net:				
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 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
<b>Total assets.....</b>	<b>\$ 2,941,630</b>	<b>\$ 1,003,107</b>	<b>\$ 2,296,250</b>	<b>\$ 317,892</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>				
<b>Liabilities:</b>				
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	—	—
<b>Total liabilities.....</b>	<b>1,443,100</b>	<b>822,534</b>	<b>389,057</b>	<b>578,672</b>
<b>Fund balances (deficit):</b>				
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)
<b>Total fund balances (deficit).....</b>	<b>1,498,530</b>	<b>180,573</b>	<b>1,907,193</b>	<b>(260,780)</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 2,941,630</b>	<b>\$ 1,003,107</b>	<b>\$ 2,296,250</b>	<b>\$ 317,892</b>

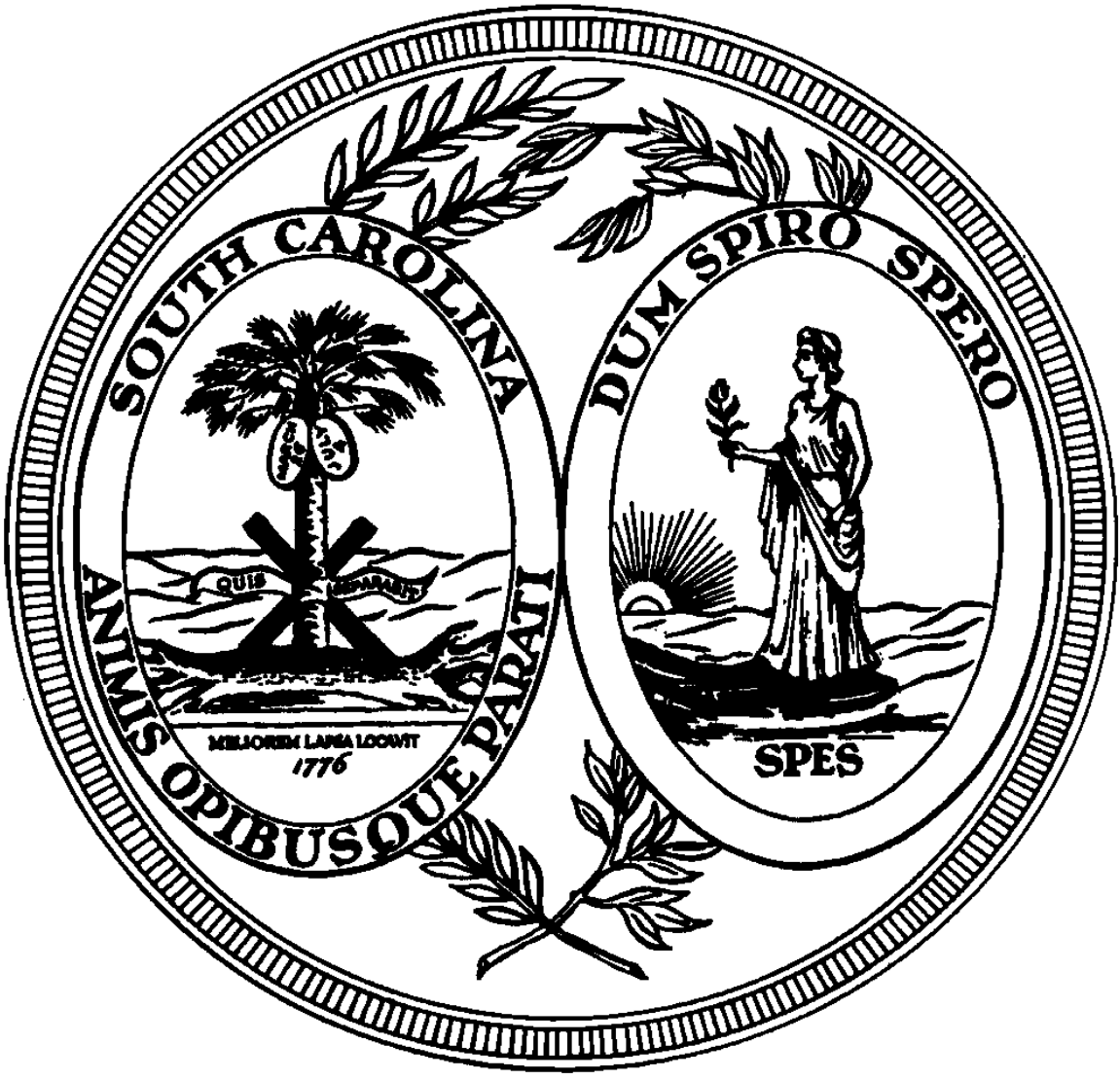
The Notes to the Financial Statements are an integral part of this statement.

State Tobacco Settlement	Nonmajor Governmental 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
<b>\$ 22,921</b>	<b>\$ 814,464</b>	<b>\$ 7,396,264</b>
\$ —	\$ 14,245	\$ 795,664
—	140	115,166
—	147	1,398
—	110	704,643
—	—	7,050
—	274,642	599,078
—	34,594	198,473
—	13,810	342,174
—	4,986	724,474
117	2,525	36,260
—	70	54,369
<b>117</b>	<b>345,269</b>	<b>3,578,749</b>
—	32,986	877,198
22,804	375,011	2,298,441
—	623	709,305
—	104,298	453,917
—	(43,723)	(521,346)
<b>22,804</b>	<b>469,195</b>	<b>3,817,515</b>
<b>\$ 22,921</b>	<b>\$ 814,464</b>	<b>\$ 7,396,264</b>

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

June 30, 2011  
(Expressed in Thousands)

<b>Total fund balances—governmental funds.....</b>		<b>\$ 3,817,515</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-depreciable capital assets.....	\$ 4,712,057	
Depreciable capital assets.....	14,087,544	
Accumulated depreciation.....	<u>(4,332,414)</u>	
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.....	(67,332)	
Other.....	<u>(54,989)</u>	
Total long-term liabilities.....		<u>(4,448,871)</u>
<b>Net assets of governmental activities.....</b>		<b>\$ <u>14,799,285</u></b>



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

## GOVERNMENTAL FUNDS

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

	General Fund	Departmental Program Services	Local Government Infrastructure
<b>Revenues:</b>			
Taxes:			
Individual income.....	\$ 2,886,388	\$ —	\$ 12,000
Retail sales and use.....	3,343,926	2,573	—
Other.....	1,170,845	11,896	—
Licenses, fees, and permits.....	296,348	18,605	97,994
Interest and other investment income.....	23,530	188	54,434
Federal.....	81,700	7,560,826	26,310
Local and private grants.....	49,009	6,457	—
Departmental services.....	583,759	17,108	204
Contributions.....	39,716	55,236	66,374
Fines and penalties.....	100,405	13,384	—
Tobacco legal settlement.....	—	—	—
Other.....	295,748	267,127	25
<b>Total revenues.....</b>	<b>8,871,374</b>	<b>7,953,400</b>	<b>257,341</b>
<b>Expenditures:</b>			
Current:			
General government.....	498,400	81,775	496
Education.....	420,096	181,166	—
Health and environment.....	2,170,109	4,685,503	—
Social services.....	157,153	1,710,202	—
Administration of justice.....	612,466	69,275	—
Resources and economic development.....	119,682	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
<b>Total expenditures.....</b>	<b>7,923,457</b>	<b>7,961,272</b>	<b>197,557</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>947,917</b>	<b>(7,872)</b>	<b>59,784</b>
<b>Other financing sources (uses):</b>			
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)
<b>Total other financing sources (uses).....</b>	<b>(572,151)</b>	<b>77,348</b>	<b>197,516</b>
<b>Net change in fund balances.....</b>	<b>375,766</b>	<b>69,476</b>	<b>257,300</b>
<b>Fund balances (deficit) at beginning of year (restated).....</b>	<b>1,122,764</b>	<b>111,097</b>	<b>1,649,893</b>
<b>Fund balances (deficit) at end of year.....</b>	<b>\$ 1,498,530</b>	<b>\$ 180,573</b>	<b>\$ 1,907,193</b>

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

<u>Department of Transportation Special Revenue</u>	<u>State Tobacco Settlement</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ —	\$ —	\$ —	\$ 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
<u>1,295,974</u>	<u>2,459</u>	<u>1,121,571</u>	<u>19,502,119</u>
—	—	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
<u>1,358,426</u>	<u>10,022</u>	<u>1,309,566</u>	<u>18,760,300</u>
<u>(62,452)</u>	<u>(7,563)</u>	<u>(187,995)</u>	<u>741,819</u>
—	—	1,927	205,507
—	—	—	676,115
—	—	—	37,581
—	—	—	(5,314)
—	—	—	166
—	—	—	(528,423)
—	—	—	(184,087)
1,057	—	64,310	311,010
<u>(10,062)</u>	<u>(500)</u>	<u>(96,667)</u>	<u>(849,777)</u>
<u>(9,005)</u>	<u>(500)</u>	<u>(30,430)</u>	<u>(337,222)</u>
<u>(71,457)</u>	<u>(8,063)</u>	<u>(218,425)</u>	<u>404,597</u>
<u>(189,323)</u>	<u>30,867</u>	<u>687,620</u>	<u>3,412,918</u>
<u>\$ (260,780)</u>	<u>\$ 22,804</u>	<u>\$ 469,195</u>	<u>\$ 3,817,515</u>

# 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)

<b>Net change in fund balances--total governmental funds.....</b>		<b>\$ 404,597</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay.....	\$ 637,544	
Depreciation expense.....	<u>(283,890)</u>	
Excess of capital outlay over depreciation expense.....		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.....	(881,622)	
Net bond premiums and discounts.....	<u>(32,267)</u>	
Net bond and note proceeds.....		(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.....	476,506	
Note principal retirement.....	9,044	
Capital lease payments.....	147	
Payment to bond refunding agent.....	528,423	
Deferred loss on bond refunding.....	<u>11,651</u>	
Total long-term debt repayment.....		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.		
Increase in deferred revenues.....		16,627
Eliminations relating to the consolidation of internal service funds resulted in a net increase in expenses 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.....	<u>(25,602)</u>	\$ (25,602)
<b>Change in net assets of governmental activities.....</b>		<b><u><u>\$ 1,001,633</u></u></b>

# Statement of Net Assets

## PROPRIETARY FUNDS

June 30, 2011

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>ASSETS</b>			
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.....	1,136	—	22,683
Other.....	7,345	—	7,377
Prepaid items.....	25,671	—	—
Other current assets.....	6,616	—	539
Total current assets.....	<u>2,135,464</u>	<u>415,858</u>	<u>240,524</u>
Long-term assets:			
Investments.....	20,984	—	—
Receivables, net:			
Accounts.....	—	—	—
Contributions.....	2,514	—	—
Participants.....	—	—	—
Student accounts.....	38	—	—
Loans and notes.....	768	—	18,226
Interfund receivables.....	—	—	—
Restricted assets:			
Cash and cash equivalents.....	220,118	—	—
Investments.....	19	—	126,882
Loans receivable.....	53,845	—	752,351
Other.....	66,982	—	—
Prepaid items.....	2,883	—	—
Other long-term assets.....	3,707	—	—
Deferred charges.....	3,450	—	6,527
Non-depreciable capital assets.....	603,616	—	—
Depreciable capital assets, net.....	3,249,029	—	880
Total long-term assets.....	<u>4,227,953</u>	<u>—</u>	<u>904,866</u>
<b>Total assets.....</b>	<b><u>6,363,417</u></b>	<b><u>415,858</u></b>	<b><u>1,145,390</u></b>

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

**FUNDS**

<u>Medical University Hospital Authority</u>	<u>Education Assistance Authority</u>	<u>Nonmajor Enterprise</u>	<u>Totals</u>	<u>INTERNAL SERVICE FUNDS</u>
\$ 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	—
<u>257,733</u>	<u>111,965</u>	<u>529,613</u>	<u>3,691,157</u>	<u>763,255</u>
—	—	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
<u>637,630</u>	<u>124,169</u>	<u>283,984</u>	<u>6,178,602</u>	<u>558,920</u>
<u>895,363</u>	<u>236,134</u>	<u>813,597</u>	<u>9,869,759</u>	<u>1,322,175</u>

Continued on Next Page

# Statement of Net Assets

PROPRIETARY FUNDS (Continued)

June 30, 2011

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable.....	\$ 82,266	\$ 41	\$ —
Accrued salaries and related expenses.....	67,686	—	771
Accrued interest payable.....	13,422	—	—
Retainages payable.....	6,249	—	—
Tax refunds payable.....	—	8,980	—
Unemployment benefits payable.....	—	3,779	—
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	—	—
Amounts held in custody for others.....	6,901	—	—
Securities lending collateral.....	5,891	41	232
Liabilities payable from restricted assets:			
Accounts payable.....	1,368	—	—
Accrued interest payable.....	—	—	18,482
Bonds payable.....	—	—	24,930
Other.....	—	—	4,998
Advances from Federal government.....	—	183,375	—
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.....	<u>587,282</u>	<u>215,590</u>	<u>50,516</u>
Long-term liabilities:			
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	—	379
Total long-term liabilities.....	<u>1,498,929</u>	<u>783,693</u>	<u>765,840</u>
<b>Total liabilities.....</b>	<b><u>2,086,211</u></b>	<b><u>999,283</u></b>	<b><u>816,356</u></b>

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

<b>FUNDS</b>				<b>INTERNAL SERVICE FUNDS</b>
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	
\$ 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
<b>128,500</b>	<b>22,242</b>	<b>144,887</b>	<b>1,149,017</b>	<b>644,212</b>
—	—	—	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	—
430,395	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	—
<b>446,654</b>	<b>74,377</b>	<b>369,229</b>	<b>3,938,722</b>	<b>181,194</b>
<b>575,154</b>	<b>96,619</b>	<b>514,116</b>	<b>5,087,739</b>	<b>825,406</b>

Continued on Next Page

## Statement of Net Assets

PROPRIETARY FUNDS (Continued)

June 30, 2011

(Expressed in Thousands)

	ENTERPRISE		
	Higher Education	Unemployment Compensation	Housing Authority
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt.....	\$ 2,449,361	\$ —	\$ 880
Restricted:			
Expendable:			
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
<b>Total net assets (deficit).....</b>	<b>4,277,206</b>	<b>(583,425)</b>	<b>329,034</b>
Elimination of internal service funds transactions.....	(2,297)	—	—
Elimination of internal lease assets and liabilities.....	29,006	—	—
Net assets of business-type activities after elimination.....	<b>\$ 4,303,915</b>	<b>\$ (583,425)</b>	<b>\$ 329,034</b>

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

<b>FUNDS</b>				<b>INTERNAL SERVICE FUNDS</b>
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	
\$ 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
<b>320,209</b>	<b>139,515</b>	<b>299,481</b>	<b>4,782,020</b>	<b>\$ 496,769</b>
—	—	—	(2,297)	—
—	—	(29,006)	—	—
<b>\$ 320,209</b>	<b>\$ 139,515</b>	<b>\$ 270,475</b>	<b>\$ 4,779,723</b>	

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

## PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<b>ENTERPRISE</b>		
	<b>Higher Education</b>	<b>Unemployment Compensation</b>	<b>Housing Authority</b>
<b>Operating revenues:</b>			
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	—	—
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	—
<b>Total operating revenues.....</b>	<b>2,609,121</b>	<b>2,312,052</b>	<b>65,004</b>
<b>Operating expenses:</b>			
General operations and administration.....	3,176,378	—	16,962
Benefits and claims.....	—	2,171,063	—
Tuition plan disbursements.....	—	—	—
Interest.....	—	—	37,529
Depreciation and amortization.....	195,149	—	731
Scholarships and fellowships.....	262,391	—	—
Other operating expenses.....	—	—	1,396
<b>Total operating expenses.....</b>	<b>3,633,918</b>	<b>2,171,063</b>	<b>56,618</b>
<b>Operating income (loss).....</b>	<b>(1,024,797)</b>	<b>140,989</b>	<b>8,386</b>
<b>Nonoperating revenues (expenses):</b>			
Federal and local government appropriations.....	74,543	—	—
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)
<b>Total nonoperating revenues (expenses).....</b>	<b>683,289</b>	<b>145</b>	<b>4,891</b>
<b>Income (loss) before other revenues, expenses, losses, and transfers.....</b>	<b>(341,508)</b>	<b>141,134</b>	<b>13,277</b>
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)
<b>Change in net assets.....</b>	<b>390,520</b>	<b>176,123</b>	<b>13,203</b>
<b>Net assets (deficit) at beginning of year.....</b>	<b>3,886,686</b>	<b>(759,548)</b>	<b>315,831</b>
<b>Net assets (deficit) at end of year.....</b>	<b>4,277,206</b>	<b>(583,425)</b>	<b>329,034</b>
Elimination of internal service funds transactions.....	11,107	—	—
Elimination of internal lease transactions.....	(1,586)	—	—
<b>Net assets (deficit) after eliminations.....</b>	<b>\$ 4,286,727</b>	<b>\$ (583,425)</b>	<b>\$ 329,034</b>

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



<b>FUNDS</b>				
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ —	\$ —	\$ —	\$ 521,089	\$ —
1,012,421	16,398	409,109	3,020,643	2,081,842
—	—	665	665	—
—	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
<b>1,027,787</b>	<b>16,608</b>	<b>472,927</b>	<b>6,503,499</b>	<b>2,218,119</b>
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
—	—	—	262,391	—
—	3,106	2,433	6,935	5,255
<b>979,470</b>	<b>21,847</b>	<b>344,180</b>	<b>7,207,096</b>	<b>2,114,536</b>
<b>48,317</b>	<b>(5,239)</b>	<b>128,747</b>	<b>(703,597)</b>	<b>103,583</b>
—	—	—	74,543	—
1,665	—	11,234	72,762	24,162
—	—	2,074	108,411	—
—	—	530	711,441	—
—	—	393	10,322	—
(26,188)	—	(4,771)	(90,835)	(1,187)
—	449	(4,469)	(217,402)	11,792
<b>(24,523)</b>	<b>449</b>	<b>4,991</b>	<b>669,242</b>	<b>34,767</b>
23,794	(4,790)	133,738	(34,355)	138,350
—	—	183	34,359	—
—	—	—	62,007	—
—	—	—	35,189	—
—	—	1,795	36,945	—
—	—	1,591	617,006	3,515
—	—	(55,120)	(70,114)	(11,640)
<b>23,794</b>	<b>(4,790)</b>	<b>82,187</b>	<b>681,037</b>	<b>130,225</b>
<b>296,415</b>	<b>144,305</b>	<b>217,294</b>	<b>4,100,983</b>	<b>366,544</b>
<b>320,209</b>	<b>139,515</b>	<b>299,481</b>	<b>4,782,020</b>	<b>\$ 496,769</b>
—	—	—	11,107	—
—	—	1,586	—	—
<b>\$ 320,209</b>	<b>\$ 139,515</b>	<b>\$ 301,067</b>	<b>\$ 4,793,127</b>	

# Statement of Cash Flows

## PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<b>ENTERPRISE</b>		
	<u>Higher Education</u>	<u>Unemployment Compensation</u>	<u>Housing Authority</u>
<b>Cash flows from operating activities:</b>			
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)	—	—
<b>Net cash provided by (used in) operating activities.....</b>	<b><u>(844,125)</u></b>	<b><u>77,261</u></b>	<b><u>125,704</u></b>
<b>Cash flows from noncapital financing activities:</b>			
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	—	—
Payments from Federal grants.....	—	—	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)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b><u>1,337,544</u></b>	<b><u>115,395</u></b>	<b><u>(63,966)</u></b>

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

<b>FUNDS</b>				
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	<b>INTERNAL SERVICE FUNDS</b>
\$ 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)
—	—	—	(133,295)	—
—	—	—	(619,056)	—
—	—	—	(174,421)	—
—	(20,786)	—	(177,124)	—
(88,292)	—	—	(88,292)	(23,069)
—	—	(14,471)	(14,570)	—
<b>75,878</b>	<b>770,622</b>	<b>84,781</b>	<b>290,121</b>	<b>154,740</b>
—	—	—	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)
—	<b>(828,460)</b>	<b>(63,144)</b>	<b>497,369</b>	<b>(1,380)</b>

Continued on Next Page

# Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

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

	<b>ENTERPRISE</b>		
	<u>Higher Education</u>	<u>Unemployment Compensation</u>	<u>Housing Authority</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital appropriations.....	\$ 10,242	\$ —	\$ —
Acquisition of capital assets .....	(301,898)	—	(262)
Principal payments on limited obligation bonds.....	—	—	—
Proceeds from issuance of capital debt.....	268,556	—	—
Principal payments on capital debt.....	(195,111)	—	—
Interest payments on capital debt.....	(58,976)	—	—
Payment of agent and broker fees.....	(90)	—	—
Proceeds from sale or disposal of capital assets.....	1,561	—	—
Capital grants and gifts received.....	92,153	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(183,563)</b>	<b>—</b>	<b>(262)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sales and maturities of investments.....	98,329	—	—
Purchase of investments .....	(102,169)	—	(157,172)
Interest and dividends on investments.....	29,703	144	6,616
Transfer of endowment funds.....	(28,712)	—	—
Net settlement of investment derivative.....	—	—	—
Collection of escrow payments from borrower.....	—	—	—
<b>Net cash provided by (used in) investing activities.....</b>	<b>(2,849)</b>	<b>144</b>	<b>(150,556)</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>307,007</b>	<b>192,800</b>	<b>(89,080)</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>1,476,676</b>	<b>72,838</b>	<b>256,477</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 1,783,683</b>	<b>\$ 265,638</b>	<b>\$ 167,397</b>

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

<b>FUNDS</b>				<b>INTERNAL SERVICE FUNDS</b>
<b>Medical University Hospital Authority</b>	<b>Education Assistance Authority</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	
\$ —	\$ —	\$ —	\$ 10,242	\$ —
(36,168)	(66)	(33,476)	(371,870)	(2,951)
—	—	—	—	(1,345)
—	—	62,088	330,644	—
(23,908)	—	(68,447)	(287,466)	(3,842)
(25,251)	—	(3,493)	(87,720)	(1,187)
(2,006)	—	(1,313)	(3,409)	—
9	—	447	2,017	—
—	—	103	92,256	—
<b>(87,324)</b>	<b>(66)</b>	<b>(44,091)</b>	<b>(315,306)</b>	<b>(9,325)</b>
6,034	—	321,768	426,131	52,054
(10,209)	—	(424,150)	(693,700)	(105,990)
1,654	184	106,618	144,919	27,531
—	—	3,027	(25,685)	—
—	—	1,582	1,582	—
—	—	1,739	1,739	—
<b>(2,521)</b>	<b>184</b>	<b>10,584</b>	<b>(145,014)</b>	<b>(26,405)</b>
<b>(13,967)</b>	<b>(57,720)</b>	<b>(11,870)</b>	<b>327,170</b>	<b>117,630</b>
<b>102,365</b>	<b>156,246</b>	<b>382,564</b>	<b>2,447,166</b>	<b>460,144</b>
<b>\$ 88,398</b>	<b>\$ 98,526</b>	<b>\$ 370,694</b>	<b>\$ 2,774,336</b>	<b>\$ 577,774</b>

# Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<b>ENTERPRISE</b>		
	<u>Higher Education</u>	<u>Unemployment Compensation</u>	<u>Housing Authority</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
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	—	—
<b>Effect of changes in operating assets and liabilities:</b>			
Accounts receivable, net.....	(38,074)	(846)	(71)
Accrued interest.....	30	—	4
Loans receivable.....	2,163	—	80,511
Assessments receivable, net.....	—	(77,458)	—
Due from Federal government and other grantors.....	2,712	22,962	—
Due from other funds.....	—	228	(221)
Inventories.....	(535)	—	—
Other assets.....	(986)	—	(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)
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ (844,125)</b>	<b>\$ 77,261</b>	<b>\$ 125,704</b>
<b>Noncash capital, investing, and financing activities:</b>			
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
<b>Total noncash capital, investing, and financing activities.....</b>	<b>\$ 44,535</b>	<b>\$ —</b>	<b>\$ 85,211</b>

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

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

# Statement of Fiduciary Net Assets

## FIDUCIARY FUNDS

June 30, 2011

(Expressed in Thousands)

	Pension and Other Post- Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private- Purpose Trust	Agency
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 3,036,398	\$ 1,244,507	\$ 14,241	\$ 228,030
Receivables, net:				
Accounts.....	—	—	—	2,037
Contributions.....	165,539	—	—	—
Employer long-term.....	26	—	—	—
Accrued interest.....	68,440	6,079	914	567
Unsettled investment sales.....	739,291	503	530	—
Other investment receivables.....	25,006	—	—	—
Taxes.....	—	—	—	538
Total receivables.....	<u>998,302</u>	<u>6,582</u>	<u>1,444</u>	<u>3,142</u>
Due from other funds.....	50,564	—	—	54,795
Investments, at fair value:				
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.....	1,240,731	—	—	—
Alternatives.....	13,508,662	—	—	—
Financial and other.....	42,165	278,915	1,437,890	22,097
Total investments.....	<u>24,316,178</u>	<u>1,579,638</u>	<u>1,437,890</u>	<u>22,097</u>
Invested securities lending collateral.....	232,021	73,267	47	418
Capital assets, net.....	3,103	—	—	—
Prepaid items.....	1,063	—	—	—
Other assets.....	—	—	4,905	—
<b>Total assets.....</b>	<b><u>28,637,629</u></b>	<b><u>2,903,994</u></b>	<b><u>1,458,527</u></b>	<b><u>\$ 308,482</u></b>
<b>LIABILITIES</b>				
Accounts payable.....	18,521	—	1,287	13,615
Accounts payable—unsettled investment 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.....	—	—	—	270,948
Deferred retirement benefits.....	364,005	—	—	—
Securities lending collateral.....	332,063	73,263	110	981
Due to participants.....	—	22	—	—
Other liabilities.....	98,898	—	—	—
<b>Total liabilities.....</b>	<b><u>2,235,373</u></b>	<b><u>73,285</u></b>	<b><u>1,580</u></b>	<b><u>\$ 308,482</u></b>
<b>NET ASSETS</b>				
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	—
<b>Total net assets.....</b>	<b><u>\$ 26,402,256</u></b>	<b><u>\$ 2,830,709</u></b>	<b><u>\$ 1,456,947</u></b>	

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



# Statement of Changes in Fiduciary Net Assets

## FIDUCIARY FUNDS

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

	Pension and Other Post- Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
<b>Additions:</b>			
Licenses, fees, and permits.....	\$ —	\$ —	\$ 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	—	—
<b>Total additions.....</b>	<b>6,073,165</b>	<b>5,130,204</b>	<b>332,718</b>
<b>Deductions:</b>			
Regular retirement benefits.....	2,245,254	—	—
Supplemental retirement benefits.....	869	—	—
Deferred retirement benefits.....	156,106	—	—
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	—	—
<b>Total deductions.....</b>	<b>2,882,755</b>	<b>4,714,286</b>	<b>11,696</b>
<b>Change in net assets.....</b>	<b>3,190,410</b>	<b>415,918</b>	<b>321,022</b>
<b>Net assets at beginning of year.....</b>	<b>23,211,846</b>	<b>2,414,791</b>	<b>1,135,925</b>
<b>Net assets at end of year.....</b>	<b>\$ 26,402,256</b>	<b>\$ 2,830,709</b>	<b>\$ 1,456,947</b>

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

# Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2011

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Lottery Commission	Nonmajor Component Units	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents.....	\$ 100,799	\$ 237,513	\$ 612	\$ 21,179	\$ 19,287	\$ 379,390
Investments.....	24,574	—	—	—	65,214	89,788
Invested securities lending collateral.....	—	1,071	—	—	5	1,076
Receivables, net:						
Accounts.....	200,978	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.....	586,056	6,079	319	1,710	—	594,164
Restricted assets:						
Cash and cash equivalents.....	148,119	—	—	469	22,738	171,326
Investments.....	109,340	—	—	—	—	109,340
Prepaid items.....	15,024	3,958	44	—	16	19,042
Other current assets.....	237,739	60	—	753	285	238,837
Deferred charges.....	—	—	—	—	1,219	1,219
<b>Total current assets.....</b>	<b>1,425,027</b>	<b>434,894</b>	<b>975</b>	<b>56,272</b>	<b>118,574</b>	<b>2,035,742</b>
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.....	332,280	—	948	—	—	333,228
Investments.....	447,356	—	4,374	—	—	451,730
Other long-term assets.....	53,942	—	—	5,432	31	59,405
Deferred charges.....	721,251	1,527	3,505	—	—	726,283
Investment in joint venture.....	10,769	—	—	—	—	10,769
Non-depreciable capital assets.....	1,048,727	343,727	—	—	8,971	1,401,425
Depreciable capital assets, net.....	3,824,701	274,069	145,165	540	678	4,245,153
<b>Total long-term assets.....</b>	<b>6,537,050</b>	<b>636,417</b>	<b>153,992</b>	<b>5,972</b>	<b>802,456</b>	<b>8,135,887</b>
<b>Total assets.....</b>	<b>7,962,077</b>	<b>1,071,311</b>	<b>154,967</b>	<b>62,244</b>	<b>921,030</b>	<b>10,171,629</b>

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

# Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 2011

(Expressed in Thousands)

	Public Service Authority	State Ports Authority	Connector 2000 Association, Inc.	Lottery Commission	Nonmajor Component Units	Totals
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable.....	\$ 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:						
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	—	—	—	1,451
Commercial paper notes.....	159,338	—	—	—	—	159,338
Compensated absences payable.....	—	2,348	—	551	59	2,958
Other current liabilities.....	70,895	12,981	1,118	220	446	85,660
<b>Total current liabilities.....</b>	<b>975,374</b>	<b>45,997</b>	<b>23,431</b>	<b>61,140</b>	<b>203,746</b>	<b>1,309,688</b>
Long-term liabilities:						
Retainages payable.....	13,061	—	—	—	—	13,061
Policy claims.....	—	—	—	—	114,434	114,434
Unearned revenues and deferred credits.....	332,279	—	—	—	—	332,279
Amounts held in custody for others.....	—	—	—	—	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
<b>Total long-term liabilities.....</b>	<b>5,229,239</b>	<b>177,517</b>	<b>319,039</b>	<b>95</b>	<b>125,595</b>	<b>5,851,485</b>
<b>Total liabilities.....</b>	<b>6,204,613</b>	<b>223,514</b>	<b>342,470</b>	<b>61,235</b>	<b>329,341</b>	<b>7,161,173</b>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt.....	(62,332)	490,660	(58,891)	540	9,649	379,626
Restricted:						
Expendable:						
Education.....	—	—	—	—	232,573	232,573
Capital projects.....	79,079	1,175	—	—	—	80,254
Debt service.....	126,512	9,287	—	—	—	135,799
Other.....	204,305	515	—	469	2,177	207,466
Nonexpendable, education.....	—	—	—	—	380,114	380,114
Unrestricted.....	1,409,900	346,160	(128,612)	—	(32,824)	1,594,624
<b>Total net assets (deficit).....</b>	<b>\$ 1,757,464</b>	<b>\$ 847,797</b>	<b>\$ (187,503)</b>	<b>\$ 1,009</b>	<b>\$ 591,689</b>	<b>\$ 3,010,456</b>

## Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
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	—
<b>Totals.....</b>	<b>\$ 3,055,215</b>	<b>\$ 3,099,178</b>	<b>\$ 193,884</b>	<b>\$ 2,975</b>

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

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

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## Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Scope of Reporting Entity

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

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

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

#### Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below. Most of these have executives or boards appointed by the Governor, the General Assembly, or both. These entities are financially accountable to and fiscally dependent on the State.

Although they operate somewhat autonomously, the entities listed below are included in the State's primary government because they lack full corporate powers.

#### Fiscal year ended June 30, 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.

## State of South Carolina

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### *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](http://www.treasurer.sc.gov)

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

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

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](http://www.musc.edu)

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

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

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

### Discretely Presented Component Units

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

## State of South Carolina

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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](http://www.santeecooper.com)

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

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

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

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

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

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

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

Fund financial statements for the South Carolina First Steps to School Readiness 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
Infrastructure--highways.....	75
Infrastructure--bridges.....	50
Buildings and Improvements.....	5 - 55
Vehicles.....	3 - 20
Machinery and equipment.....	2 - 25
Works of art; historical treasures.....	10 - 25
Intangible assets.....	3 - 38

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

In the government-wide statement of activities, the State reports losses on 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.

**l. Tax Refunds Payable**

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

**m. Long-Term Obligations**

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

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

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

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

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

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

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

#### **p. 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.....	<u>346,345</u>
From special revenue.....	953,381
From capital project.....	20,936
From permanent fund.....	<u>92</u>
Increase in general fund	<u>\$ 974,409</u>

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:

<b>Nonmajor Governmental Funds:</b>	
Accommodations and Local Option Sales Tax.....	\$ 43,723
<b>Nonmajor Enterprise Funds:</b>	
Patients' Compensation.....	105,707
Tuition Prepayment Program.....	1,157
<b>Internal Service Funds:</b>	
State Accident Fund.....	57,555
Pension Administration.....	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 Investment Type	Category		Reported Amount
	A	B	
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
<b>Totals.....</b>	<b>\$ 70,342</b>	<b>\$ 65,600</b>	<b>\$ 135,942</b>

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):

Investment Type and Fair Value	AAA	AA	A / A1	BBB	BB	B	CCC	
							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
<b>Totals.....</b>	<b>\$ 416,121</b>	<b>\$ 469,216</b>	<b>\$ 5,636,487</b>	<b>\$ 1,078,469</b>	<b>\$ 12,072</b>	<b>\$ 711</b>	<b>\$ 523</b>	<b>\$ 2,670,884</b>

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):

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy 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):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasuries.....	\$ 578	\$ —	\$ 578	\$ —	\$ —
U.S. Agencies.....	933,460	74,997	55,835	96,140	706,488
Asset backed securities.....	817,902	—	272	194,686	622,944
Corporate bonds.....	2,476,038	659,838	1,360,499	428,164	27,537
Municipal bonds.....	95,384	—	54,799	40,585	—
Repurchase agreements.....	904,375	904,375	—	—	—
Commercial paper.....	1,070,219	1,070,219	—	—	—
<b>Totals.....</b>	<b>\$ 6,297,956</b>	<b>\$ 2,709,429</b>	<b>\$ 1,471,983</b>	<b>\$ 759,575</b>	<b>\$ 1,356,969</b>

Agencies that manage their own investments have interest rate risk policies that differ from the State Treasurer. Some of these agencies do not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 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):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
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	—	—	—
<b>Totals.....</b>	<b>\$ 3,751,266</b>	<b>\$ 3,223,938</b>	<b>\$ 326,662</b>	<b>\$ 30,882</b>	<b>\$ 169,784</b>

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):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Treasuries.....	\$ 44,982	\$ —	\$ —	\$ 44,982	\$ —
U.S. Agencies.....	765,417	269,127	491,916	—	4,374
Repurchase agreements.....	410,068	410,068	—	—	—
<b>Totals.....</b>	<b>\$ 1,220,467</b>	<b>\$ 679,195</b>	<b>\$ 491,916</b>	<b>\$ 44,982</b>	<b>\$ 4,374</b>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. The State’s policy for reducing 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:

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

**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.



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**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.

## State of South Carolina

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):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
<b><u>Short Term Investments</u></b>		
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
<b><u>Equity Allocation</u></b>		
Preferred.....	1,580	87.63
Convertible Preferred.....	1,296	1.57
<b><u>Fixed Income Allocation</u></b>		
<b>U.S. Government:</b>		
U.S. Government Treasuries.....	1,003,056	3.44
U.S. Government Agencies.....	96,843	3.44
<b>Mortgage Backed:</b>		
Government National Mortgage Association.....	287,955	2.07
Federal National Mortgage Association.....	309,616	4.50
Federal Home Loan Mortgage Association.....	5,294	3.09
Collateralized Mortgage Obligations.....	1,985	0.06
<b>Municipals.....</b>	<b>85,278</b>	<b>6.64</b>
<b>Corporate:</b>		
Corporate Bonds.....	938,492	3.86
Convertible Bonds.....	19,428	2.40
Asset Backed Securities.....	287,948	0.14
<b>Yankee Bonds.....</b>	<b>9,707</b>	<b>3.51</b>
<b>Private Placements.....</b>	<b>496,711</b>	<b>3.62</b>
<b>Global Fixed Income:</b>		
International Asset Backed Securities.....	4,893	0.93
International Corporate Bonds.....	234,290	4.25
International Government Bonds.....	91,181	2.48
<b><u>Alternatives</u></b>		
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
<b>Total Invested Assets.....</b>	<b>\$ 6,288,074</b>	
<b>Total Portfolio Effective Duration (option adjusted duration)</b>		<b>2.16</b>

## Credit Risk of Debt Securities

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

Investment Type and Fair Value	Implied <sup>1</sup>	AAA	AA	A	BAA	BA	B	CAA	CA	NR <sup>2</sup>
<b>Short Term Investments</b>										
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
<b>Equity Investments</b>										
Preferred.....	—	—	—	—	—	—	1,613	135	—	1,444
Convertible Preferred.....	—	—	—	—	1,919	—	—	—	—	817
<b>Fixed Income Allocation</b>										
U.S. Government Agency & Sponsored 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
<b>Alternatives</b>										
Credit Default Swaps.....	—	—	—	—	—	—	—	—	—	650
Equity and Interest Rate Swaps.....	—	—	—	—	—	—	—	—	—	16
Total Return Swaps.....	—	—	—	—	—	—	—	—	—	(1,312)
Futures Contracts.....	—	—	—	—	—	—	—	—	—	76,122
Options.....	—	—	—	—	—	—	—	—	—	(3,138)
<b>Totals.....</b>	<b>\$ 410,612</b>	<b>\$ 1,663,344</b>	<b>\$ 295,866</b>	<b>\$ 307,470</b>	<b>\$ 320,236</b>	<b>\$ 161,231</b>	<b>\$ 329,474</b>	<b>\$ 91,120</b>	<b>\$ 2,204</b>	<b>\$ 4,674,952</b>

<sup>1</sup>Implied 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.

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

## Concentration of Credit Risk –Investments

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

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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	Forward Contracts	Futures Contracts	Private Equity	Alternative Investments	Fixed Income
Australian Dollar.....	\$ 706	\$ 69,259	\$ 1,175	\$ —	\$ —	\$ 35,834
Brazil Real.....	—	337	—	—	—	646
British Pound Sterling.....	(1,030)	249,075	6,289	—	—	11,546
Canadian Dollar.....	(7,437)	105,731	2,785	—	—	40,520
Chinese Yuan Renminbi.....	—	30,163	—	—	—	—
Euro Currency.....	(10,584)	458,013	14,148	112,097	165,584	36,130
Hong Kong Dollar.....	(830)	38,432	595	—	—	—
Japanese Yen.....	(19,222)	275,398	13,810	—	—	(137)
Norwegian Krone.....	82	2,919	—	—	—	—
Philippines Peso.....	—	3,139	—	—	—	—
Singapore Dollar.....	—	5,861	—	—	—	—
South Korean Wom.....	—	2,902	—	—	—	—
Swedish Krona.....	(1,585)	37,211	511	—	—	—
<b>Totals.....</b>	<b>\$ (39,900)</b>	<b>\$ 1,278,440</b>	<b>\$ 39,313</b>	<b>\$ 112,097</b>	<b>\$ 165,584</b>	<b>\$ 124,539</b>

### 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 Value		Fair Value at June 30, 2011	
	Classification	Gain/(Loss)	Classification	Amount
<b>Investment derivatives:</b>				
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 had the following exposure via futures contracts (dollar amounts expressed in thousands):

<u>Futures Contracts</u>	<u>Expiration</u>	<u>Long/Short</u>	<u>Quantity</u>	<u>Notional Value*</u>
MTF CAC40 10EU	July 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
<b>Total International Equity</b>				<u>1,330,873</u>
EMINI S&P 500	September 2011	Long	19,590	1,288,532
<b>Total Large Cap Equity</b>				<u>1,288,532</u>
<b>Totals</b>				<u><b>\$ 2,619,405</b></u>

\* 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):

<u>Broker</u>	<u>Notional Value</u>	<u>Base Gain/(Loss)</u>	<u>Base Exposure</u>
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%
Deutsche 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 Paribas.....	46,399	465	3.39%
<b>Totals.....</b>	<u><b>\$ 1,368,298</b></u>	<u><b>\$ (10,287)</b></u>	<u><b>100.00%</b></u>

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.

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

<u>Quality Rating</u>	<u>Forwards</u>	<u>Swaps</u>	<u>Total</u>
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	<u>\$ (10,287)</u>	<u>\$ (81,443)</u>	<u>\$ (91,730)</u>

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):

<u>Counterparty</u>	<u>Total Return Swaps</u>	<u>SCRS Pays</u>	<u>SCRS Receives</u>	<u>Maturity Date</u>	<u>Current Notional</u>	<u>Gain (Loss) Since Trade</u>
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)
<b>Total Swap Exposures</b>					<b>\$ 2,405,412</b>	<b>\$ 46,820</b>

### 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 €62 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 €55 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	GARS	JSRS	NGPS	TOTALS
<b>Securities lent for cash collateral:</b>						
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
<b>Total securities lent for cash collateral.....</b>	<b>\$ 275,427</b>	<b>\$ 40,060</b>	<b>\$ 413</b>	<b>\$ 1,535</b>	<b>\$ 198</b>	<b>\$ 317,633</b>
<b>Securities lent for non-cash collateral:</b>						
Common Stock.....	7,405	1,077	11	41	5	8,539
	<b>\$ 7,405</b>	<b>\$ 1,077</b>	<b>\$ 11</b>	<b>\$ 41</b>	<b>\$ 5</b>	<b>\$ 8,539</b>
<b>Cash collateral invested as follows:</b>						
Repurchase agreements.....	169,740	24,688	254	946	122	195,750
Floating Rate Notes.....	28,971	4,214	44	161	21	33,411
<b>Total for cash collateral invested.....</b>	<b>\$ 198,711</b>	<b>\$ 28,902</b>	<b>\$ 298</b>	<b>\$ 1,107</b>	<b>\$ 143</b>	<b>\$ 229,161</b>
<b>Securities received as collateral:</b>						
U.S. Government securities.....	7,576	1,102	11	42	5	8,736
	<b>\$ 7,576</b>	<b>\$ 1,102</b>	<b>\$ 11</b>	<b>\$ 42</b>	<b>\$ 5</b>	<b>\$ 8,736</b>

#### 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.

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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 Type	Fair Value	Investment Maturities (in years)			
		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	—
<b>Totals.....</b>	<b>\$ 505,712</b>	<b>\$ 83,336</b>	<b>\$ 164,139</b>	<b>\$ 158,028</b>	<b>\$ 100,209</b>

### Concentration of Credit Risk

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

### Securities Lending

The Trusts participate in the Securities Lending Program as described in subsection c. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2011:

	Amount
<b>Securities lent for cash collateral:</b>	
Corporate bonds.....	\$ 6,546
<b>Total for cash collateral.....</b>	<b>\$ 6,546</b>
<b>Cash collateral invested:</b>	
Asset backed securities.....	\$ 525
Repurchase agreements.....	1,334
Floating Rate Notes.....	1,001
<b>Total collateral invested.....</b>	<b>\$ 2,860</b>



**NOTE 5: RECEIVABLES**

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for uncollectible receivables (expressed in thousands) at June 30, 2011, for the primary government were as follows:

Allowances for Uncollectibles	Governmental Activities					
	Governmental Funds					
	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental 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
<b>Total allowances for uncollectibles.....</b>	<b>\$ 431,776</b>	<b>\$ 22,825</b>	<b>\$ 657</b>	<b>\$ 13,671</b>	<b>\$ 431</b>	<b>\$ 469,360</b>

Allowances for Uncollectibles	Business-type Activities (Enterprise Funds)					
	Higher Education	Unemployment Compensation Benefits	Housing Authority	Medical	Nonmajor Enterprise Funds	Total Business-type Activities
				University Hospital Authority		
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
<b>Total allowances for uncollectibles.....</b>	<b>\$ 23,975</b>	<b>\$ 21,505</b>	<b>\$ 3,511</b>	<b>\$ 50,200</b>	<b>\$ 85,655</b>	<b>\$ 184,846</b>

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2011, were as follows:

Net Long-term Receivables	Governmental Activities						
	Governmental Funds						
	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental 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
<b>Total long-term receivables, net.....</b>	<b>\$ 119,917</b>	<b>\$ 18,043</b>	<b>\$ 759,717</b>	<b>\$ 3,778</b>	<b>\$ 10,271</b>	<b>\$ 1,229</b>	<b>\$ 912,955</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The components of deferred revenue and unearned revenue in the governmental funds (expressed in thousands) at June 30, 2011, were as follows:

	Unavailable	Unearned	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
<b>Total deferred revenues.....</b>	<b>\$ 437,574</b>	<b>286,900</b>	<b>\$ 724,474</b>
Internal service funds.....	—	138,752	138,752
<b>Total governmental activities.....</b>	<b>—</b>	<b>\$ 425,652</b>	<b>\$ 425,652</b>

**NOTE 6: DETAILS OF RESTRICTED ASSETS**

The purposes and amounts of the State’s restricted assets (including the major discretely presented component units) at June 30, 2011 (expressed in thousands) were as follows:

Asset/Restricted For	Governmental Activities	Business-type Activities	Major Component Units
<b>Current:</b>			
<b>Cash and cash equivalents</b>			
Debt service.....	\$ 96,962	\$ 170,549	\$ 146,037
Capital projects.....	—	388,376	—
Student loan programs.....	—	563	—
Donor/sponsor specified.....	—	83,506	—
Second Injury Fund claims.....	—	39,654	—
Other.....	—	13,894	2,551
<b>Total cash and cash equivalents.....</b>	<b><u>\$ 96,962</u></b>	<b><u>\$ 696,542</u></b>	<b><u>\$ 148,588</u></b>
<b>Investments</b>			
Debt service.....	\$ —	\$ 40,791	\$ 93,609
Donor/sponsor specified.....	—	8,709	—
Endowments.....	—	5	—
Other.....	—	—	15,731
<b>Total investments.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 49,505</u></b>	<b><u>\$ 109,340</u></b>
<b>Loans receivable</b>			
Debt service.....	\$ —	\$ 22,683	\$ —
Student loan programs.....	—	1,210	—
<b>Total loans receivable.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 23,893</u></b>	<b><u>\$ —</u></b>
<b>Other</b>			
Debt service.....	\$ 77,536	\$ 7,043	\$ —
Donor/sponsor specified.....	—	7,537	—
Second Injury Fund claims.....	—	253	—
Other.....	—	334	—
<b>Total other.....</b>	<b><u>\$ 77,536</u></b>	<b><u>\$ 15,167</u></b>	<b><u>\$ —</u></b>

Asset/Restricted For	Governmental Activities	Business-type Activities	Major Component Units
<b>Noncurrent:</b>			
<b>Cash and cash equivalents</b>			
Debt service.....	\$ 655,971	\$ 24,016	\$ 948
Capital projects.....	—	158,279	315,287
Student loan programs.....	—	9,839	—
Endowments.....	—	86,323	—
Other.....	10,562	1,339	16,993
<b>Total cash and cash equivalents.....</b>	<b>\$ 666,533</b>	<b>\$ 279,796</b>	<b>\$ 333,228</b>
<b>Investments</b>			
Debt service.....	\$ —	\$ 167,309	\$ 4,374
Capital projects.....	—	—	329,634
Student loan programs.....	—	1,024	—
Endowments.....	—	51,842	—
Other.....	—	—	117,722
<b>Total investments.....</b>	<b>\$ —</b>	<b>\$ 220,175</b>	<b>\$ 451,730</b>
<b>Receivables</b>			
Debt service.....	\$ 320,221	\$ —	\$ —
<b>Total receivables.....</b>	<b>\$ 320,221</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Loans receivable</b>			
Debt service.....	\$ —	\$ 695,632	\$ —
Student loan programs.....	—	53,937	—
Other.....	—	62,509	—
<b>Total loans receivable.....</b>	<b>\$ —</b>	<b>\$ 812,078</b>	<b>\$ —</b>
<b>Other</b>			
Debt service.....	\$ 3,865	\$ —	\$ —
Donor/sponsor specified.....	—	212	—
Endowments.....	—	66,920	—
<b>Total other.....</b>	<b>\$ 3,865</b>	<b>\$ 67,132</b>	<b>\$ —</b>

**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:

	<b>Beginning Balances July 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances June 30, 2011</b>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
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
<i>Total capital assets not being depreciated.....</i>	<u>4,931,021</u>	<u>395,474</u>	<u>(607,371)</u>	<u>4,719,124</u>
<i>Capital assets being depreciated:</i>				
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.....	<u>13,561,024</u>	<u>881,284</u>	<u>(56,831)</u>	<u>14,385,477</u>
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.....	<u>(4,279,816)</u>	<u>(297,852)</u>	<u>51,268</u>	<u>(4,526,400)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>9,281,208</u>	<u>583,432</u>	<u>(5,563)</u>	<u>9,859,077</u>
<b>Capital assets for governmental activities, net.....</b>	<u><b>\$ 14,212,229</b></u>	<u><b>\$ 978,906</b></u>	<u><b>\$ (612,934)</b></u>	<u><b>\$ 14,578,201</b></u>

	Beginning Balances July 1, 2010	Increases	Decreases	Ending Balances June 30, 2011
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
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
<i>Total capital assets not being depreciated.....</i>	<u>529,361</u>	<u>291,624</u>	<u>(140,453)</u>	<u>680,532</u>
<i>Capital assets being depreciated:</i>				
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.....	<u>6,357,140</u>	<u>244,505</u>	<u>(41,544)</u>	<u>6,560,101</u>
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.....	<u>(2,485,359)</u>	<u>(256,833)</u>	<u>32,053</u>	<u>(2,710,139)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>3,871,781</u>	<u>(12,328)</u>	<u>(9,491)</u>	<u>3,849,962</u>
<b>Capital assets for business-type activities, net.....</b>	<u><b>\$ 4,401,142</b></u>	<u><b>\$ 279,296</b></u>	<u><b>\$ (149,944)</b></u>	<u><b>\$ 4,530,494</b></u>

Capital assets for the State's fiduciary funds were comprised of land totaling \$582 thousand and a building totaling \$4.749 million with accumulated depreciation of \$2.228 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.

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

	Beginning Balances January 1, 2010	Increases	Decreases	Ending Balances December 31, 2010
<b>Public Service Authority:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 110,927	\$ —	\$ (454)	\$ 110,473
Construction in progress.....	851,442	248,523	(161,711)	938,254
<i>Total capital assets not being depreciated.....</i>	<u>962,369</u>	<u>248,523</u>	<u>(162,165)</u>	<u>1,048,727</u>
<i>Capital assets being depreciated:</i>				
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.....	<u>6,419,101</u>	<u>162,162</u>	<u>(33,527)</u>	<u>6,547,736</u>
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.....	<u>(2,564,327)</u>	<u>(185,694)</u>	<u>26,986</u>	<u>(2,723,035)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>3,854,774</u>	<u>(23,532)</u>	<u>(6,541)</u>	<u>3,824,701</u>
<b>Public Service Authority, net.....</b>	<u><b>\$ 4,817,143</b></u>	<u><b>\$ 224,991</b></u>	<u><b>\$ (168,706)</b></u>	<u><b>\$ 4,873,428</b></u>
	Beginning Balances January 1, 2010	Increases	Decreases	Ending Balances December 31, 2010
<b>Connector 2000 Association:</b>				
<i>Capital assets being depreciated:</i>				
Infrastructure (toll road).....	\$ 192,487	\$ —	\$ —	\$ 192,487
Machinery and equipment.....	819	110	(27)	902
Total capital assets being depreciated, at historical cost.....	<u>193,306</u>	<u>110</u>	<u>(27)</u>	<u>193,389</u>
Less accumulated depreciation for:				
Infrastructure (toll road).....	(43,997)	(3,571)	—	(47,568)
Machinery and equipment.....	(603)	(80)	27	(656)
Total accumulated depreciation.....	<u>(44,600)</u>	<u>(3,651)</u>	<u>27</u>	<u>(48,224)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>148,706</u>	<u>(3,541)</u>	<u>—</u>	<u>145,165</u>
<b>Connector 2000 Association, net.....</b>	<u><b>\$ 148,706</b></u>	<u><b>\$ (3,541)</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 145,165</b></u>

	Beginning Balances July 1, 2010	Increases	Decreases	Ending Balances June 30, 2011
<b>State Ports Authority:</b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 198,573	\$ 1,057	\$ —	\$ 199,630
Construction in progress.....	123,012	48,957	(30,062)	141,907
Intangibles.....	2,190	—	—	2,190
<i>Total capital assets not being depreciated.....</i>	<u>323,775</u>	<u>50,014</u>	<u>(30,062)</u>	<u>343,727</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	216,102	21,984	—	238,086
Buildings and improvements.....	319,661	4,825	(130)	324,356
Machinery and equipment.....	147,864	3,269	(1,461)	149,672
Intangibles.....	876	—	—	876
Total capital assets being depreciated, at historical cost.....	<u>684,503</u>	<u>30,078</u>	<u>(1,591)</u>	<u>712,990</u>
Less accumulated depreciation for:				
Land improvements.....	(134,274)	(8,714)	—	(142,988)
Buildings and improvements.....	(183,874)	(11,075)	130	(194,819)
Machinery and equipment.....	(92,977)	(9,048)	1,454	(100,571)
Intangibles.....	(508)	(35)	—	(543)
Total accumulated depreciation.....	<u>(411,633)</u>	<u>(28,872)</u>	<u>1,584</u>	<u>(438,921)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>272,870</u>	<u>1,206</u>	<u>(7)</u>	<u>274,069</u>
<b>State Ports Authority, net.....</b>	<u><b>\$ 596,645</b></u>	<u><b>\$ 51,220</b></u>	<u><b>\$ (30,069)</b></u>	<u><b>\$ 617,796</b></u>

	Beginning Balances July 1, 2010	Increases	Decreases	Ending Balances June 30, 2011
<b>Lottery Commission:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and improvements.....	\$ 1,316	\$ —	\$ —	\$ 1,316
Vehicles.....	48	—	—	48
Machinery and equipment.....	2,388	278	(29)	2,637
Total capital assets being depreciated, at historical cost.....	<u>3,752</u>	<u>278</u>	<u>(29)</u>	<u>4,001</u>
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.....	<u>(3,154)</u>	<u>(336)</u>	<u>29</u>	<u>(3,461)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>598</u>	<u>(58)</u>	<u>—</u>	<u>540</u>
<b>Lottery Commission, net.....</b>	<u><b>\$ 598</b></u>	<u><b>\$ (58)</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 540</b></u>

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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):

	<b>Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total Governmental Activities</b>
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
<b>Total depreciation expense, governmental activities.....</b>	<b>\$ 283,890</b>	<b>\$ 13,962</b>	<b>\$ 297,852</b>

	<b>Business-type Activities</b>
Higher Education.....	\$ 194,970
Housing Authority.....	264
Medical University Hospital Authority.....	54,466
Education Assistance Authority.....	59
Other.....	7,074
<b>Total depreciation expense, business-type activities.....</b>	<b>\$ 256,833</b>

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.

	<b>Major Component Units</b>
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.



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

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

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

SCRS, established by Section 9-1-20 of the South Carolina Code of Laws, is a cost-sharing multiple-employer defined benefit pension plan that benefits employees of public schools, the State, and its political subdivisions. Membership is required as a condition of employment, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. Vested members, who retire at age sixty-five or with twenty-eight years of service at any age, receive an annual benefit, payable monthly, for life. The benefit is based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. The annual benefit amount is 1.82% of average final compensation times years of service. Reduced benefits are payable at age fifty-five with 25 years of service credit. A member is eligible to receive a reduced deferred annuity at age 60 with 5 years of earned service.

PORS, established by Section 9-11-20 of the South Carolina Code of Laws, is a cost-sharing multiple-employer defined benefit pension plan that benefits police officers and fire fighters employed by the State or its political subdivisions. Membership is required as a condition of employment, unless exempted by State law. Both employers and employees must contribute. Benefits vest after five years of service. A monthly pension is payable at age fifty-five for members who retire with five years earned service or with 25 years of service regardless of age. The benefit is based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. The annual benefit amount is 2.14% of average final compensation times years of service.

GARS, established by Section 9-9-20 of the South Carolina Code of Laws, is a single-employer defined benefit pension plan that benefits members of the South Carolina General Assembly. Membership is required as a condition of taking office as a member of the General Assembly, unless exempted by State law. Both the members of the General Assembly and the State must contribute. Benefits vest after eight years of service. Vested members, who retire at age sixty or at any age with thirty years of service, receive an annual benefit, payable monthly, for life. 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

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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):

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

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

<sup>b</sup> Members do not contribute; average number of members is 12,274.

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:

<u>Plan</u>	<u>Rate</u>
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:

<u>Plan</u>	<u>Rate</u>
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.

**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:

	<u>GARS</u>	<u>JSRS</u>	<u>NGPS</u>
Annual pension cost.....	\$ 2,414	\$ 8,414	\$ 3,748
Employer contributions made.....	\$ 2,414	\$ 8,414	\$ 3,904
Actuarial valuation date.....	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial cost method.....	Entry age	Entry age	Entry age
Amortization method.....	Level dollar, closed	Level percent, open	Level dollar, open
Remaining amortization period.....	15 years	16 years	22 years
Asset valuation method.....	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return.....	8.00%	8.00%	8.00%
Projected salary increases.....	None	3.25%	None
Assumed inflation rate.....	3.00%	3.00%	3.00%
Assumed cost-of-living adjustments.....	None	3.25%	None

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

	<u>NGPS</u>
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
<b>NPO end of year.....</b>	<b>\$ 9,192</b>

**e. Trend Information**

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

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

	<u>Fiscal Year Ended</u>					
	<u>June 30, 2011</u>		<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Required</u>	<u>% Contributed</u>	<u>Required</u>	<u>% Contributed</u>	<u>Required</u>	<u>% Contributed</u>
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%

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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:

<u>Plan</u>	<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
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:

<u>Plan</u>	<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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:

<u>Plan</u>	<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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 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	GARS	JSRS	NGPS	Totals
<b>Receivables:</b>						
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
<b>Total receivables.....</b>	<b>\$ 865,723</b>	<b>\$ 121,111</b>	<b>\$ 1,117</b>	<b>\$ 4,685</b>	<b>\$ 532</b>	<b>\$ 993,168</b>
<b>Due from other funds.....</b>	<b>\$ 6,988</b>	<b>\$ 604</b>	<b>\$ —</b>	<b>\$ 92</b>	<b>\$ —</b>	<b>\$ 7,684</b>
<b>Investments and invested securities lending collateral:</b>						
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	13,508,662
Invested securities lending collateral.....	198,711	28,902	298	1,107	143	229,161
<b>Total investments.....</b>	<b>\$ 20,897,772</b>	<b>\$ 3,039,511</b>	<b>\$ 31,288</b>	<b>\$ 116,456</b>	<b>\$ 15,025</b>	<b>\$ 24,100,052</b>

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

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

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

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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)
<b>Ending balance of TERI trust accounts.....</b>	<b><u>\$ 363,373</u></b>

### i. Defined Contribution Plan

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

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

Covered payroll.....	\$ 960,684
Employee contributions.....	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 through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.90% 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 30, 2011		June 30, 2010		June 30, 2009	
	Actuarially Required	% Contributed	Actuarially Required	% Contributed	Actuarially 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	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a) / c)
SCRHITF	June 30, 2008	\$ 270,153	\$ 9,279,578	\$ 9,009,425	3%	\$ 7,596,053	119%
SCRHITF	June 30, 2009	\$ 439,903	\$ 9,643,577	\$ 9,203,674	5%	\$ 7,736,161	119%
SCRHITF	June 30, 2010	\$ 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:

	<u>SCRHI</u>	<u>LTDI</u>	<u>Totals</u>
<b>Receivables:</b>			
Accrued interest.....	\$ 4,778	\$ 356	\$ 5,134
<b>Due from other funds.....</b>	<b>\$ 42,880</b>	<b>\$ —</b>	<b>\$ 42,880</b>
<b>Investments and invested securities lending collateral:</b>			
Domestic Debt Instruments.....	\$ 378,319	\$ 24,803	\$ 403,122
Financial Paper.....	36,959	5,206	42,165
Invested securities lending collateral.....	2,513	347	2,860
<b>Total investments.....</b>	<b>\$ 417,791</b>	<b>\$ 30,356</b>	<b>\$ 448,147</b>

**NOTE 10: INSURANCE ACTIVITIES**

**a. Insurance Reserve Fund**

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

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
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	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010	\$ 185,837	\$ 1,615,021	\$ (1,643,889)	\$ 156,969
2011	156,969	1,615,143	(1,627,233)	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 two years were as follows (expressed in thousands):

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010	\$ 214,750	\$ 63,634	\$ (50,239)	\$ 228,145
2011	228,145	56,251	(46,606)	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):

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010	\$ 155,574	\$ 704	\$ (17,624)	\$ 138,654
2011	138,654	956	(17,517)	122,093

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

<u>Fiscal Year Ended Dec 31</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2009	\$ 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):

<u>Fiscal Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010	\$ 32,973	\$ 10,070	\$ (7,333)	\$ 35,710
2011	35,710	8,140	(7,764)	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.

# State of South Carolina

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):

<u>Fiscal Year Ended December 31</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2009	\$ 2,120	\$ 2,027	\$ (2,394)	\$ 1,753
2010	1,753	3,548	(3,038)	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):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
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
<b>Total minimum payments.....</b>	<b>371</b>	<b>194,557</b>	<b>194,928</b>
Less: interest and executory costs.....	(110)	(90,188)	(90,298)
<b>Present value of net minimum payments.....</b>	<b>\$ 261</b>	<b>\$ 104,369</b>	<b>\$ 104,630</b>

<u>Fiscal Year Ending December 31</u>	<u>Component Units</u>	
	<u>Public Service Authority</u>	<u>State Ports Authority</u>
2011	\$ 1,610	\$ 7
2012	1,343	4
2013	1,023	—
2014	252	—
<b>Total minimum payments.....</b>	<b>4,228</b>	<b>11</b>
Less: interest and executory costs.....	(314)	—
<b>Present value of net minimum payments.....</b>	<b>\$ 3,914</b>	<b>\$ 11</b>

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

Assets Acquired Under Capital Leases	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Public Service Authority	State Ports Authority
Land and non-depreciable improvements.....	\$ —	\$ 31,544	\$ 31,544	\$ —	\$ —
Construction in progress.....	—	1,496	1,496	—	—
Buildings and improvements.....	—	220,014	220,014	27,500	26
Machinery and equipment.....	679	8,741	9,420	—	—
<b>Assets acquired under capital leases before accumulated amortization.....</b>	<b>679</b>	<b>261,795</b>	<b>262,474</b>	<b>27,500</b>	<b>26</b>
Less: accumulated amortization.....	(388)	(80,331)	(80,719)	(25,800)	(15)
<b>Assets acquired under capital leases, net.....</b>	<b>\$ 291</b>	<b>\$ 181,464</b>	<b>\$ 181,755</b>	<b>\$ 1,700</b>	<b>\$ 11</b>

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):

Fiscal Year Ending June 30	Primary	Component Unit
	Government	Lottery Commission
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	—
<b>Total minimum payments.....</b>	<b>\$ 260,141</b>	<b>\$ 3,124</b>

<u>Fiscal Year Ending December 31</u>	<u>Component Unit</u>	
	<u>Public Service Authority</u>	
2011	\$	600
2012		600
2013		600
2014		600
2015		600
<b>Total minimum payments.....</b>	<b>\$</b>	<b>3,000</b>

**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):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Unit</u>	
		<u>State Ports Authority</u>	
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		—
<b>Total.....</b>	<b>\$ 34,354</b>	<b>\$</b>	<b>54,631</b>

**NOTE 12: BONDS AND NOTES PAYABLE**

**a. General Obligation Bonds**

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds (expressed in thousands) outstanding at June 30, 2011, were:

<b>Governmental Activities</b>		
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
<b>Subtotal—governmental activities.....</b>		<b>1,756,397</b>
<b>Business-type Activities, Higher Education Fund</b>		
State institution bonds, 2.50% to 6.00%, maturing serially through 2031.....		484,500
<b>Total—general obligation bonds payable.....</b>		<b>\$ 2,240,897</b>

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.

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

Year Ending June 30	Governmental Activities		Business-type Activities (Higher Education Fund)	
	Principal	Interest	Principal	Interest
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
<b>Total debt service requirements.....</b>	<b>1,699,040</b>	<b>\$ 396,386</b>	<b>483,720</b>	<b>\$ 191,232</b>
Unamortized premiums.....	77,719		1,483	
Deferred amount on refunding...	(20,362)		(703)	
<b>Total principal outstanding.....</b>	<b>\$ 1,756,397</b>		<b>\$ 484,500</b>	

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

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 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:

Year Ending June 30	Governmental Activities (Internal Service Funds)	
	Principal	Interest
2012	\$ 1,345	\$ 256
2013	1,420	185
2014	1,495	110
2015	735	32
2016	185	9
<b>Total debt service requirements.....</b>	<b>5,180</b>	<b>\$ 592</b>
Unamortized discounts.....	(19)	
<b>Total principal outstanding.....</b>	<b>\$ 5,161</b>	

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

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

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Tobacco Settlement Revenue Management Authority (Tobacco Authority), Infrastructure Bank, and other bonds and notes (expressed in thousands) outstanding at June 30, 2011, were:

	<u>Bonds</u>	<u>Notes</u>
<b>Primary Government:</b>		
<b>Governmental Activities:</b>		
Infrastructure Bank bonds, 3.00% to 5.75%, maturing serially through 2041.....	\$ 2,135,772	\$ —
Tobacco Authority bonds, 5.00%, maturing serially through 2018.....	63,161	—
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
<b>Totals—governmental activities.....</b>	<b><u>2,229,333</u></b>	<b><u>50,172</u></b>
<b>Business-type Activities:</b>		
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
<b>Totals—business-type activities.....</b>	<b><u>2,107,366</u></b>	<b><u>155,430</u></b>
<b>Totals—primary government.....</b>	<b><u>\$ 4,336,699</u></b>	<b><u>\$ 205,602</u></b>
<b>Major Discretely Presented Component Units:</b>		
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.....	\$ 326,339	\$ —

**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 June 30	Variable Rate Debt		Interest Rate Swaps, Net	Totals
	Principal	Interest		
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
<b>Totals.....</b>	<b>\$ 90,837</b>	<b>\$ 12,568</b>	<b>\$ 23,866</b>	<b>\$ 127,271</b>

*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.

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## 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:

Year Ending June 30	Primary Government			
	Governmental Activities		Business-type Activities	
	Principal	Interest	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
<b>Total debt service requirements.....</b>	<b>2,289,402</b>	<b>\$ 1,512,691</b>	<b>2,269,685</b>	<b>\$ 1,487,531</b>
Net unamortized premiums.....	76,222		34,741	
Deferred amount on refunding.....	(86,119)		(41,630)	
<b>Total principal outstanding.....</b>	<b>\$ 2,279,505</b>		<b>\$ 2,262,796</b>	

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for the State Ports Authority ends June 30. Both entities are major discretely presented component units. At December 31, 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:

Year Ending December 31	Public Service Authority		Connector 2000 Assoc.	
	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	—	—
<b>Total debt service requirements.....</b>	<b>5,150,706</b>	<b>\$ 3,687,357</b>	<b>733,200</b>	<b>\$ 62,368</b>
Unamortized premiums (discounts).....	133,888		(406,861)	
Deferred amount on refunding.....	(164,054)		—	
<b>Total principal outstanding.....</b>	<b>\$ 5,120,540</b>		<b>\$ 326,339</b>	

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](http://www.SouthernConnector.com) under the *News & Filings* tab.

Year Ending June 30	State Ports Authority	
	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
<b>Total debt service requirements.....</b>	<b>179,424</b>	<b>\$143,861</b>
Unamortized premiums.....	2,559	
<b>Total principal outstanding.....</b>	<b>\$181,983</b>	

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2011, in governmental functions for these entities as follows (expressed in thousands):

	Amount
General government.....	\$ 14,349
Transportation.....	138,648
<b>Total allocated interest expense.....</b>	<b>\$ 152,997</b>

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

## **d. Bond Anticipation Notes**

At June 30, 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
<b>Totals.....</b>	<b>\$ 548,895</b>	<b>\$142,390</b>	<b>\$ 691,285</b>

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:

	Balances at July 1, 2010	Increases	Decreases	Balances at June 30, 2011	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
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.....	\$ 1,913,950	\$ 315,865	\$ (530,775)	\$ 1,699,040	\$ 182,320
Unamortized discounts and premiums.....	54,634	37,581	(14,496)	77,719	—
Deferred amount on refunding.....	(18,536)	(4,803)	2,977	(20,362)	—
Total general obligation bonds payable...	\$ 1,950,048	\$ 348,643	\$ (542,294)	\$ 1,756,397	\$ 182,320
Tobacco Authority bonds payable.....	\$ 136,965	\$ —	\$ (65,265)	\$ 71,700	\$ —
Unamortized discount.....	(4,098)	—	1,953	(2,145)	—
Deferred amount on refunding.....	(12,214)	—	5,820	(6,394)	—
Total Tobacco Authority bonds payable...	\$ 120,653	\$ —	\$ (57,492)	\$ 63,161	\$ —
Revenue bonds payable.....	\$ 32,570	\$ —	\$ (2,760)	\$ 29,810	\$ 2,885
Unamortized discounts and premiums.....	681	—	(91)	590	—
Total revenue bonds payable.....	\$ 33,251	\$ —	\$ (2,851)	\$ 30,400	\$ 2,885
Infrastructure Bank bonds payable.....	\$ 1,981,470	\$ 563,830	\$ (407,580)	\$ 2,137,720	\$ 53,210
Unamortized discounts and premiums.....	86,627	(5,314)	(3,536)	77,777	—
Deferred amount on refunding.....	(16,552)	(67,242)	4,069	(79,725)	—
Total Infrastructure Bank bonds payable.	\$ 2,051,545	\$ 491,274	\$ (407,047)	\$ 2,135,772	\$ 53,210
Limited obligation bonds payable.....	\$ 6,460	\$ —	\$ (1,280)	\$ 5,180	\$ 1,345
Unamortized discounts and premiums.....	(25)	—	6	(19)	—
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

# State of South Carolina

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	Balances at June 30, 2011	Amounts Due Within One Year
<b>Primary Government:</b>					
<b>Business-type Activities</b>					
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
General obligation bonds payable.....	\$ 387,505	\$ 140,360	\$ (44,145)	\$ 483,720	\$ 26,450
Unamortized discounts and premiums.....	742	813	(72)	1,483	—
Deferred amount on refunding.....	(783)	—	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	14,875	(1,817)	34,674	—
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	Decreases	Balances at December 31, 2010	Amounts Due Within One Year
<b>Major Component Units:</b>					
<b>Public Service Authority</b>					
Policy claims.....	\$ 1,753	\$ 3,548	\$ (3,038)	\$ 2,263	\$ 2,263
Revenue bonds payable.....	\$ 4,635,833	\$ 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	\$ —
<b>Connector 2000 Association, Inc.</b>					
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



	<u>Balances at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
<b>State Ports Authority</b>					
Notes payable.....	\$ 1,294	\$ —	\$ (345)	\$ 949	\$ 345
Revenue bonds payable.....	\$ 97,955	\$ 170,000	\$ (89,480)	\$ 178,475	\$ 4,125
Unamortized discounts and premiums.....	556	2,595	(592)	2,559	—
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
<b>Lottery Commission</b>					
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:

	<u>Balances at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at June 30, 2011</u>
<b>Primary Government:</b>				
<b>Business-type Activities</b>				
General obligation bond anticipation notes payable.....	\$ 30,000	\$ 30,000	\$ (30,000)	\$ 30,000
Revenue bond anticipation notes payable.....	\$ 51,100	\$ 51,100	\$ (68,700)	\$ 33,500
	<u>Balances at January 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at December 3, 2010</u>
<b>Major Component Unit:</b>				
<b>Public Service Authority</b>				
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:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	State Tobacco Settlement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Non-spendable:</b>							
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
Endowments .....	—	—	—	771	—	12,890	13,661
<b>Total Non-spendable</b>	<b>86,993</b>	<b>5,900</b>	<b>737,676</b>	<b>13,643</b>	<b>—</b>	<b>32,986</b>	<b>877,198</b>
<b>Restricted:</b>							
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
<b>Total Restricted</b>	<b>1,077</b>	<b>86,044</b>	<b>1,803,505</b>	<b>10,000</b>	<b>22,804</b>	<b>375,011</b>	<b>2,298,441</b>
<b>Committed:</b>							
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
<b>Total Committed</b>	<b>582,085</b>	<b>89,985</b>	<b>—</b>	<b>36,612</b>	<b>—</b>	<b>623</b>	<b>709,305</b>
<b>Assigned:</b>							
Appropriations to be carried forward .....	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
<b>Total Assigned</b>	<b>349,619</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>104,298</b>	<b>453,917</b>
<b>Total Unrestricted, unassigned</b>	<b>478,756</b>	<b>(1,356)</b>	<b>(633,988)</b>	<b>(321,035)</b>	<b>—</b>	<b>(43,723)</b>	<b>(521,346)</b>
<b>Total Fund Balance.....</b>	<b>\$ 1,498,530</b>	<b>\$ 180,573</b>	<b>\$ 1,907,193</b>	<b>\$ (260,780)</b>	<b>\$ 22,804</b>	<b>\$ 469,195</b>	<b>\$ 3,817,515</b>

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):

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
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
	<u>58,948</u>	<u>69,886</u>
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
	<u>12,613</u>	<u>73,814</u>
Local Government Infrastructure		
General.....	9,031	—
Department of Transportation Special Revenue.....	8,191	—
Internal service.....	—	15
Fiduciary.....	—	15
	<u>17,222</u>	<u>30</u>

Funds	Due From	Due To
<b>Department of Transportation Special Revenue Fund</b>		
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
	<u>5,963</u>	<u>20,149</u>
<b>Nonmajor Governmental Funds</b>		
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.....	—	64
	<u>4,006</u>	<u>34,594</u>
<b>Higher Education</b>		
General.....	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
	<u>47,550</u>	<u>38,483</u>
<b>Unemployment Compensation Benefits</b>		
General.....	—	5,086
	<u>—</u>	<u>5,086</u>
<b>Housing Authority</b>		
Departmental Program Services.....	—	236
Nonmajor governmental funds.....	221	—
Internal service.....	—	33
	<u>221</u>	<u>269</u>
<b>Medical University Hospital Authority</b>		
Higher Education.....	11,977	—
Nonmajor enterprise funds.....	801	—
	<u>12,778</u>	<u>—</u>
<b>Nonmajor Enterprise Funds</b>		
General.....	—	1,080
Departmental Program Services.....	5	6
Nonmajor governmental funds.....	—	15
Higher Education.....	19,002	2
Hospital Authority.....	—	801
Internal service.....	—	6
Fiduciary.....	—	93
	<u>19,007</u>	<u>2,003</u>

Funds	Due From	Due To
<b>Internal Service</b>		
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
	<u>47,375</u>	<u>4,004</u>
<b>Fiduciary</b>		
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
	<u>105,359</u>	<u>82,724</u>
<b>Totals.....</b>	<b><u>\$ 331,042</u></b>	<b><u>\$ 331,042</u></b>

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

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
Higher Education			
General.....	\$ —	\$ 1,742	\$ —
Nonmajor governmental funds.....	—	1,194	—
	<u>—</u>	<u>2,936</u>	<u>—</u>
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	—
	<u>2,823</u>	<u>14,627</u>	<u>2,123</u>
Internal Service			
General.....	—	885	—
Nonmajor governmental funds.....	13,780	—	12,085
Nonmajor enterprise funds.....	5,790	—	5,790
	<u>19,570</u>	<u>885</u>	<u>17,875</u>
<b>Totals.....</b>	<b><u>\$ 362,745</u></b>	<b><u>\$ 362,745</u></b>	<b><u>\$ 335,326</u></b>

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



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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>		
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	—
Nonmajor enterprise funds.....	2,717	200
Internal service.....	8,283	2,267
	<u>120,769</u>	<u>694,267</u>
<b>Departmental Program Services</b>		
General.....	95,931	35,308
Local Government Infrastructure.....	590	—
Nonmajor governmental funds.....	5,386	3,411
Higher Education.....	10,826	500
Housing Authority.....	472	—
Nonmajor enterprise funds.....	710	—
Internal service.....	3,019	372
	<u>116,934</u>	<u>39,591</u>
<b>Local Government Infrastructure</b>		
General.....	7,940	7,100
Departmental Program Services.....	—	590
Department of Transportation Special Revenue.....	—	1,000
	<u>7,940</u>	<u>8,690</u>
<b>Department of Transportation Special Revenue Fund</b>		
General.....	57	10,062
Local Government Infrastructure.....	1,000	—
	<u>1,057</u>	<u>10,062</u>
<b>State Tobacco Settlement</b>		
General.....	—	500
	<u>—</u>	<u>500</u>
<b>Nonmajor Governmental Funds</b>		
General.....	55,737	54,519
Departmental Program Services.....	3,411	5,386
Nonmajor governmental funds.....	5,077	5,077
Higher Education.....	—	30,772
Housing Authority.....	—	400
Nonmajor enterprise funds.....	85	—
Internal service.....	—	513
	<u>64,310</u>	<u>96,667</u>
<b>Higher Education</b>		
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
	<u>615,015</u>	<u>14,320</u>
<b>Unemployment Compensation Benefits</b>		
General.....	—	200
	<u>—</u>	<u>200</u>

Funds	Transfers 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	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
<b>Totals.....</b>	<b>\$ 931,530</b>	<b>\$ 931,530</b>

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds. During the fiscal year ended June 30, 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):

	<b>Scholarship Allowances</b>
Charges for Services.....	\$ 590,820
Operating revenues pledged for revenue bonds.....	26,755
<b>Total.....</b>	<b>\$ 617,575</b>

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.

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**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**

	<u>Single Family</u>	<u>Mortgage Revenue</u>	<u>Homeownership Bond</u>	<u>Revenue Reserve</u>
<b>Assets</b>				
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.....	<u>194,238</u>	<u>610,965</u>	<u>181,311</u>	<u>39,543</u>
<b>Liabilities</b>				
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.....	<u>91,268</u>	<u>538,693</u>	<u>180,392</u>	<u>141</u>
<b>Net assets</b>				
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
<b>Total net assets.....</b>	<b><u>\$ 102,970</u></b>	<b><u>\$ 72,272</u></b>	<b><u>\$ 919</u></b>	<b><u>\$ 39,402</u></b>

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

	<u>Single Family</u>	<u>Mortgage Revenue</u>	<u>Homeownership Bond</u>	<u>Revenue Reserve</u>
<b>Operating revenues:</b>				
<b>Pledged revenues:</b>				
Interest on loans.....	\$ 7,423	\$ 34,689	\$ —	\$ 968
Income on deposit.....	967	2,370	3,938	(12)
<b>Other revenues:</b>				
Administrative fees and other.....	49	485	37	12
Total operating revenues.....	<u>8,439</u>	<u>37,544</u>	<u>3,975</u>	<u>968</u>
<b>Operating expenses:</b>				
Bond issuance cost amortization.....	35	393	39	—
Other operating expenses.....	5,000	31,801	4,198	117
Total operating expenses.....	<u>5,035</u>	<u>32,194</u>	<u>4,237</u>	<u>117</u>
Operating income.....	<u>3,404</u>	<u>5,350</u>	<u>(262)</u>	<u>851</u>
<b>Transfers:</b>				
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
<b>Ending net assets.....</b>	<b><u>\$ 102,970</u></b>	<b><u>\$ 72,272</u></b>	<b><u>\$ 919</u></b>	<b><u>\$ 39,402</u></b>

**CONDENSED STATEMENT OF CASH FLOWS**

	<b>Single Family</b>	<b>Mortgage Revenue</b>	<b>Homeownership Bond</b>	<b>Revenue Reserve</b>
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)
<b>Ending cash and cash equivalents.....</b>	<b>\$ 2,890</b>	<b>\$ 50,454</b>	<b>\$ 52,776</b>	<b>\$ 31,566</b>

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

**NOTE 19: JOINT VENTURE AND JOINT OPERATION****a. Joint Venture**

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):

<u>Customer</u>	<u>Revenue</u>	<u>% of Total Sales Revenue</u>
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.

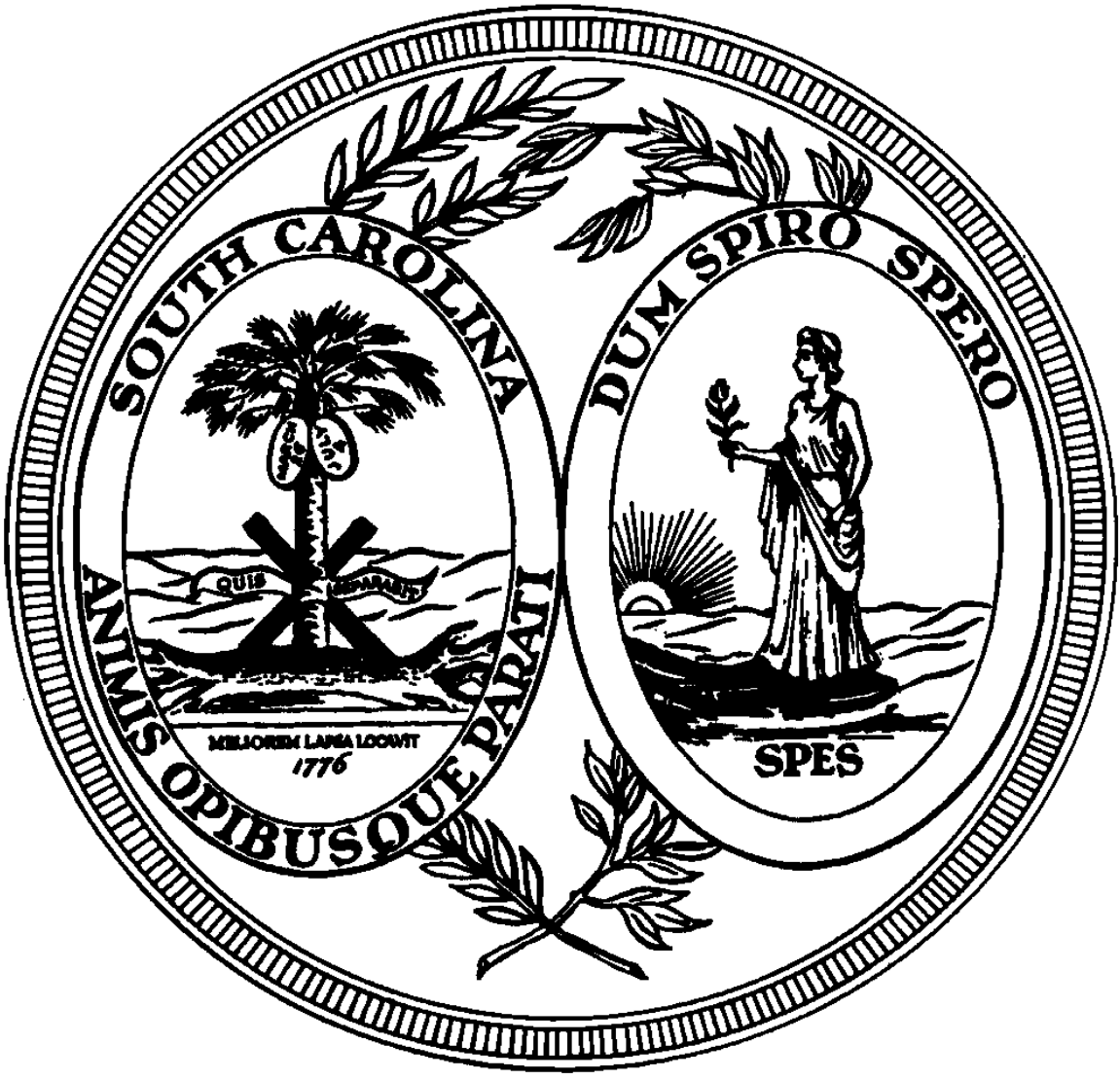
During the remainder of 2010 and during the pendency of the bankruptcy proceeding, the Association continued to operate the Southern Connector as usual and paid its non-Bondholder and non-SCDOT creditors in the ordinary course of business. As mentioned previously, payments were no longer made to the 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](http://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.



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

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

**BUDGETARY GENERAL FUND**

**For the Fiscal Year Ended June 30, 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>		
<b>Revenues:</b>				
<b>Regular sources</b>				
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.....	<u>4,303,490</u>	<u>4,706,222</u>	<u>4,823,455</u>	<u>117,233</u>
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.....	<u>4,979,286</u>	<u>5,371,254</u>	<u>5,496,777</u>	<u>125,523</u>
<b>Miscellaneous sources</b>				
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.....	<u>142,120</u>	<u>135,807</u>	<u>136,050</u>	<u>243</u>
<b>Total revenues.....</b>	<b><u>5,121,406</u></b>	<b><u>5,507,061</u></b>	<b><u>5,632,827</u></b>	<b><u>125,766</u></b>

**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>		
<b>Expenditures:</b>				
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
<b>Total expenditures.....</b>	<b>5,004,189</b>	<b>5,238,036</b>	<b>5,167,252</b>	<b>70,784</b>
<b>Excess of revenues over expenditures—budgetary basis.....</b>	<b>117,217</b>	<b>269,025</b>	<b>465,575</b>	<b>196,550</b>
<b>Fund balance at beginning of year— budgetary basis.....</b>	<b>246,167</b>	<b>246,167</b>	<b>246,167</b>	<b>—</b>
<b>Fund balance at end of year— budgetary basis.....</b>	<b>\$ 363,384</b>	<b>\$ 515,192</b>	<b>\$ 711,742</b>	<b>\$ 196,550</b>

## 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		
<b>Revenues:</b>				
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)
<b>Total revenues.....</b>	<b>16,033,566</b>	<b>17,604,724</b>	<b>16,259,063</b>	<b>(1,345,661)</b>
<b>Expenditures:</b>				
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	—
<b>Total expenditures.....</b>	<b>16,490,463</b>	<b>18,326,319</b>	<b>16,051,941</b>	<b>2,274,378</b>
<b>Net increase (decrease) in fund balance— budgetary basis.....</b>	<b>(456,897)</b>	<b>(721,595)</b>	<b>207,122</b>	<b>928,717</b>
<b>Fund balance at beginning of year— budgetary basis.....</b>	<b>1,690,856</b>	<b>1,690,856</b>	<b>1,690,856</b>	<b>—</b>
<b>Fund balance at end of year—budgetary basis.....</b>	<b>\$ 1,233,959</b>	<b>\$ 969,261</b>	<b>\$ 1,897,978</b>	<b>\$ 928,717</b>



## 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.

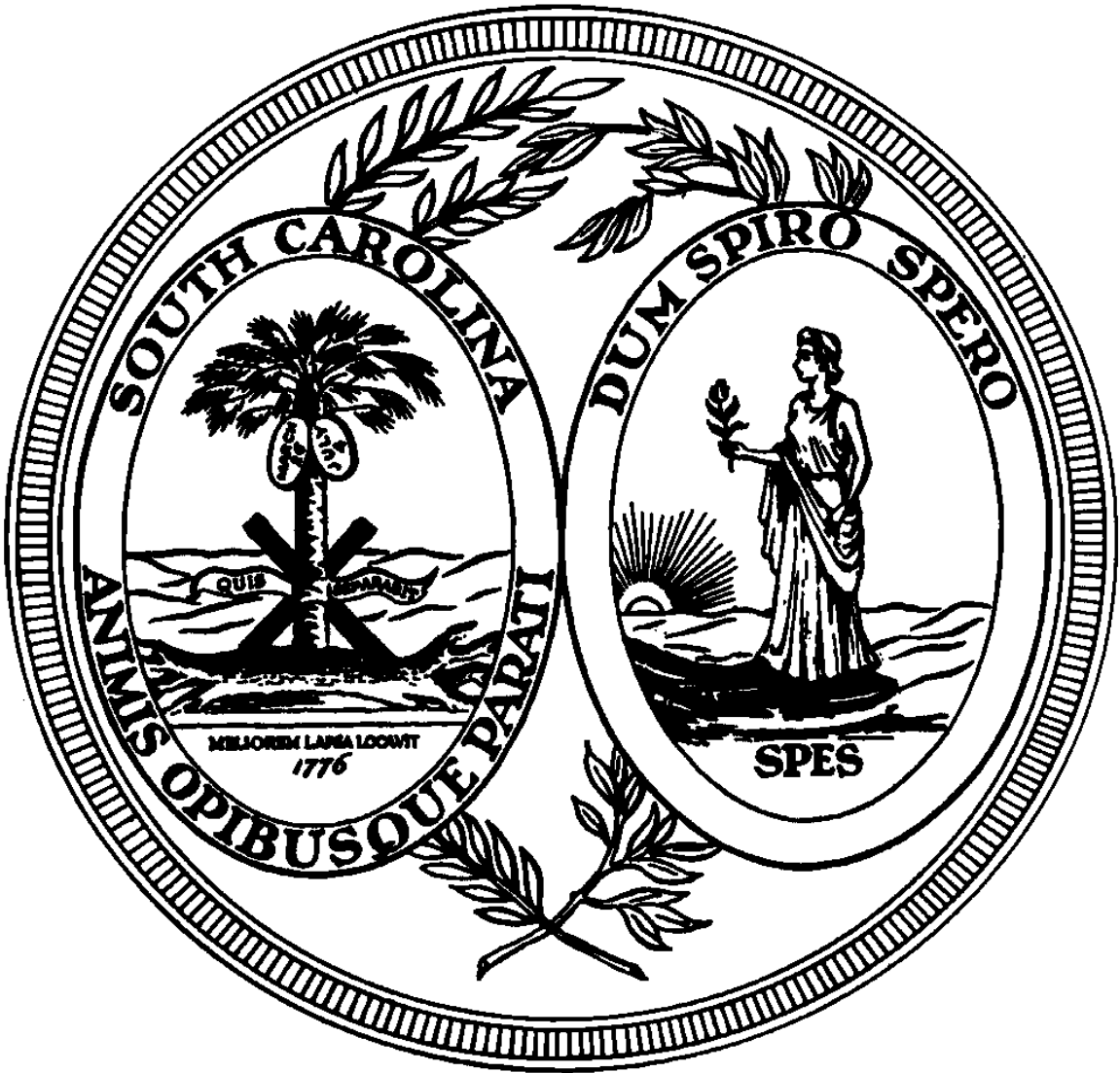
**NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES**

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>
<b>GAAP funds</b>	<b>General Fund</b>	<b>Not Applicable</b>				
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)
<b>Net increase (decrease) in fund balance—GAAP basis .....</b>	<b>\$ 375,766</b>	<b>\$ —</b>	<b>\$ 69,476</b>	<b>\$ 257,300</b>	<b>\$ (71,457)</b>	<b>\$ (8,063)</b>

**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.



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**SUPPLEMENTARY  
INFORMATION**

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## Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, 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.

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## 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

June 30, 2011

(Expressed in Thousands)

	<b>SPECIAL</b>				
	<b>Waste Management</b>	<b>Accommodations and Local Option Sales Tax</b>	<b>Tobacco Settlement Revenue Management Authority</b>	<b>Education Lottery</b>	<b>Public Tele- communi- cations</b>
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 163,902	\$ 142,516	\$ 5,449	\$ 59,016	\$ 7,550
Invested securities lending collateral.....	406	83	—	138	3
Receivables, net:					
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	—	—
<b>Total assets.....</b>	<b>\$ 165,239</b>	<b>\$ 218,123</b>	<b>\$ 57,461</b>	<b>\$ 94,319</b>	<b>\$ 7,560</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>Liabilities:</b>					
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.....	—	—	—	—	—
<b>Total liabilities.....</b>	<b>1,471</b>	<b>261,846</b>	<b>127</b>	<b>40,762</b>	<b>3,988</b>
<b>Fund balances (deficits):</b>					
Nonspendable.....	—	—	—	—	—
Restricted.....	163,768	—	52,012	53,557	3,572
Committed.....	—	—	—	—	—
Assigned.....	—	—	5,322	—	—
Unassigned.....	—	(43,723)	—	—	—
<b>Total fund balances (deficits).....</b>	<b>163,768</b>	<b>(43,723)</b>	<b>57,334</b>	<b>53,557</b>	<b>3,572</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 165,239</b>	<b>\$ 218,123</b>	<b>\$ 57,461</b>	<b>\$ 94,319</b>	<b>\$ 7,560</b>



**REVENUE**

**PERMANENT**

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

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

NONMAJOR GOVERNMENTAL FUNDS

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

	<b>SPECIAL</b>				
	<b>Waste Management</b>	<b>Accommodations and Local Option Sales Tax</b>	<b>Tobacco Settlement Revenue Management Authority</b>	<b>Education Lottery</b>	<b>Public Tele- commun- ications</b>
<b>Revenues:</b>					
Taxes:					
Retail sales and use.....	\$ 1,821	\$ 620,898	\$ —	\$ —	\$ —
Other.....	37	7	—	—	—
Licenses, fees, and permits.....	1,332	—	—	—	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
<b>Total revenues.....</b>	<b>4,557</b>	<b>620,838</b>	<b>69,817</b>	<b>276,966</b>	<b>80,788</b>
<b>Expenditures:</b>					
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	—
<b>Total expenditures.....</b>	<b>3,307</b>	<b>618,554</b>	<b>73,077</b>	<b>254,121</b>	<b>78,458</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>1,250</b>	<b>2,284</b>	<b>(3,260)</b>	<b>22,845</b>	<b>2,330</b>
<b>Other financing sources (uses):</b>					
Bonds and notes issued.....	—	—	—	—	—
Transfers in.....	—	—	—	50	110
Transfers out.....	(29)	(4,032)	(1,393)	(12,665)	(345)
<b>Total other financing sources (uses).....</b>	<b>(29)</b>	<b>(4,032)</b>	<b>(1,393)</b>	<b>(12,615)</b>	<b>(235)</b>
<b>Net change in fund balances.....</b>	<b>1,221</b>	<b>(1,748)</b>	<b>(4,653)</b>	<b>10,230</b>	<b>2,095</b>
<b>Fund balances (deficits) at beginning of year (restated).....</b>	<b>162,547</b>	<b>(41,975)</b>	<b>61,987</b>	<b>43,327</b>	<b>1,477</b>
<b>Fund balances (deficits) at end of year.....</b>	<b>\$ 163,768</b>	<b>\$ (43,723)</b>	<b>\$ 57,334</b>	<b>\$ 53,557</b>	<b>\$ 3,572</b>

REVENUE				PERMANENT				
Other Special Revenue	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
<b>42,599</b>	<b>1,095,565</b>	<b>5,036</b>	<b>20,599</b>	<b>6</b>	<b>66</b>	<b>299</b>	<b>371</b>	<b>1,121,571</b>
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
<b>48,765</b>	<b>1,076,282</b>	<b>223,300</b>	<b>—</b>	<b>7</b>	<b>9,722</b>	<b>255</b>	<b>9,984</b>	<b>1,309,566</b>
<b>(6,166)</b>	<b>19,283</b>	<b>(218,264)</b>	<b>20,599</b>	<b>(1)</b>	<b>(9,656)</b>	<b>44</b>	<b>(9,613)</b>	<b>(187,995)</b>
—	—	1,927	—	—	—	—	—	1,927
9,736	9,896	49,937	—	—	4,477	—	4,477	64,310
(1,890)	(20,354)	(76,313)	—	—	—	—	—	(96,667)
<b>7,846</b>	<b>(10,458)</b>	<b>(24,449)</b>	<b>—</b>	<b>—</b>	<b>4,477</b>	<b>—</b>	<b>4,477</b>	<b>(30,430)</b>
<b>1,680</b>	<b>8,825</b>	<b>(242,713)</b>	<b>20,599</b>	<b>(1)</b>	<b>(5,179)</b>	<b>44</b>	<b>(5,136)</b>	<b>(218,425)</b>
<b>89,612</b>	<b>316,975</b>	<b>350,389</b>	<b>—</b>	<b>1,346</b>	<b>15,605</b>	<b>3,305</b>	<b>20,256</b>	<b>687,620</b>
<b>\$ 91,292</b>	<b>\$ 325,800</b>	<b>\$ 107,676</b>	<b>\$ 20,599</b>	<b>\$ 1,345</b>	<b>\$ 10,426</b>	<b>\$ 3,349</b>	<b>\$ 15,120</b>	<b>\$ 469,195</b>

## General Reserve Fund Activity

### BUDGETARY GENERAL FUND Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund. The reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. 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.

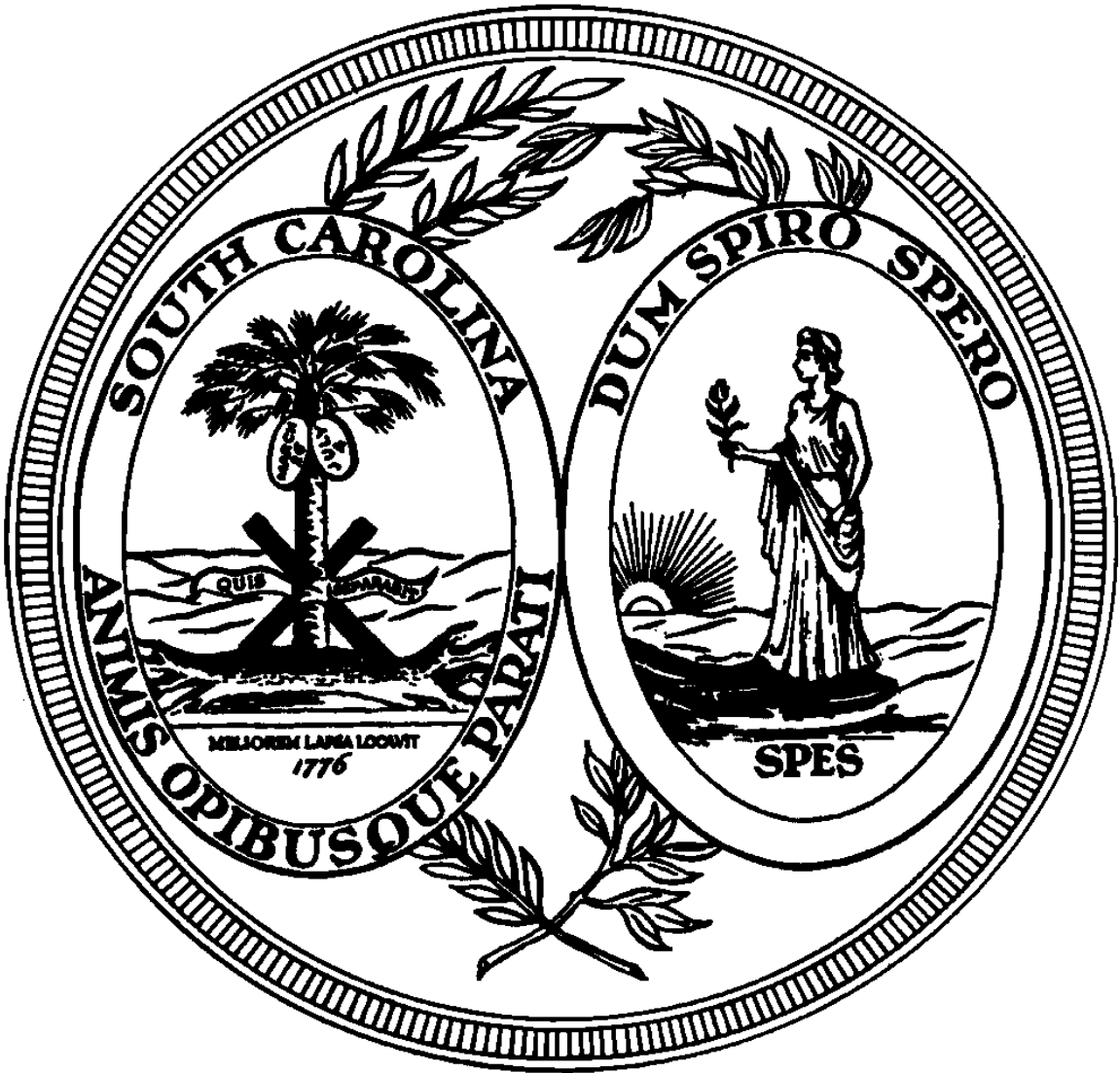
If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts (dollars in thousands) for the General Reserve Fund for the last ten fiscal years are:

<u>Fiscal Year Ended June 30</u>	<u>Start-of- Year Balance</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>End-of-Year Balance</u>	<u>Full-Funding Amount<sup>a</sup></u>	<u>Actual End-of- Year % Funded<sup>b</sup></u>
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%

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

<sup>b</sup>Equals (End-of-Year Balance/Full-Funding Amount) expressed as a percentage.



## Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Assets—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Assets—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

### a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

*Patients' Compensation Fund.* This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

*Patriots Point Development Authority Fund.* The Patriots Point Development Authority is responsible for developing and operating the Patriots Point area near Charleston, including a naval museum. The Authority is supported by user fees.

*Second Injury Fund.* This fund serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment.

*Tuition Prepayment Program Fund.* This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

*The Citadel Trust, Inc., Fund.* The Citadel Trust was formed for the purpose of investing funds in order to provide scholarship and other financial assistance or support to The Citadel, a higher education institution reported in the Higher Education Fund, a major enterprise fund.

*University of South Carolina Trust Fund (the Trust).* The Trust operates exclusively for the benefit of the University of South Carolina's School of Medicine to augment and aid education, research, and service in the field of health sciences. The University of South Carolina is a higher education institution reported in the Higher Education Fund, a major enterprise fund. The Trust's fiscal year ends December 31, and the accompanying supplementary information includes the Trust's financial information for the fiscal year ended December 31, 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

June 30, 2011

(Expressed in Thousands)

	<u>Patients'</u> <u>Compensation</u>	<u>Patriots Point</u> <u>Development</u> <u>Authority</u>	<u>Second</u> <u>Injury</u>	<u>Tuition</u> <u>Prepayment</u> <u>Program</u>	<u>The Citadel</u> <u>Trust, Inc.</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 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:					
Cash and cash equivalents.....	—	—	39,654	—	1,654
Investments.....	—	—	—	—	8,709
Loans receivable.....	—	—	—	—	74
Other.....	—	—	252	—	193
Prepaid items.....	234	9	—	—	11
Other current assets.....	—	—	135	—	—
Total current assets.....	<u>21,323</u>	<u>4,520</u>	<u>40,341</u>	<u>166,112</u>	<u>12,679</u>
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.....	<u>466</u>	<u>23,281</u>	<u>7</u>	<u>6,309</u>	<u>60,908</u>
<b>Total assets.....</b>	<b><u>21,789</u></b>	<b><u>27,801</u></b>	<b><u>40,348</u></b>	<b><u>172,421</u></b>	<b><u>73,587</u></b>



<u>University of South Carolina Trust</u>	<u>University Medical Associates</u>	<u>Medical University Facilities Corporation</u>	<u>CHS Development Company</u>	<u>Enterprise Campus Authority</u>	<u>Other Enterprise</u>	<u>Totals</u>
\$ 11,920	\$ 112,380	\$ —	\$ —	\$ —	\$ 26,179	\$ 321,814
6,943	53,500	—	—	—	300	79,243
—	—	—	—	—	39	1,163
5,376	1,076	—	—	—	1,161	8,075
—	—	—	—	—	—	45
—	—	—	—	—	—	2,076
—	—	7	—	—	131	344
3,340	31,539	—	—	—	—	34,879
—	—	—	—	—	—	1
—	17,347	—	—	1,655	—	19,007
—	—	—	—	—	3,365	3,661
141	—	32	956	—	400	42,837
—	—	316	702	—	—	9,727
—	—	—	—	—	—	74
—	—	2,163	1,056	—	—	3,664
—	338	—	156	—	120	868
—	1,876	64	60	—	—	2,135
<u>27,720</u>	<u>218,056</u>	<u>2,582</u>	<u>2,930</u>	<u>1,655</u>	<u>31,695</u>	<u>529,613</u>
—	9,115	—	—	—	400	13,866
—	—	—	—	—	19	19
—	—	—	—	—	—	132
—	—	—	—	—	—	6,309
—	2,123	—	—	—	700	2,823
—	—	1,350	3,551	—	—	6,043
—	—	213	—	—	—	53,060
—	—	—	—	—	5,790	5,882
—	—	7,543	18,244	—	—	25,937
—	9,179	—	1,803	—	—	10,982
—	5,741	162	—	—	—	5,915
—	603	92	700	—	—	1,395
—	16,886	—	—	2,532	39,001	65,656
<u>12,481</u>	<u>37,332</u>	<u>—</u>	<u>—</u>	<u>5,270</u>	<u>12,183</u>	<u>85,965</u>
<u>12,481</u>	<u>80,979</u>	<u>9,360</u>	<u>24,298</u>	<u>7,802</u>	<u>58,093</u>	<u>283,984</u>
<u>40,201</u>	<u>299,035</u>	<u>11,942</u>	<u>27,228</u>	<u>9,457</u>	<u>89,788</u>	<u>813,597</u>

Continued on Next Page

# Combining Statement of Net Assets

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2011

(Expressed in Thousands)

	<u>Patients'</u> <u>Compensation</u>	<u>Patriots Point</u> <u>Development</u> <u>Authority</u>	<u>Second</u> <u>Injury</u>	<u>Tuition</u> <u>Prepayment</u> <u>Program</u>	<u>The Citadel</u> <u>Trust, Inc.</u>
<b>LIABILITIES</b>					
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.....	<u>21,942</u>	<u>507</u>	<u>40,300</u>	<u>27,788</u>	<u>117</u>
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.....	<u>105,554</u>	<u>9,488</u>	<u>41</u>	<u>145,790</u>	<u>22</u>
<b>Total liabilities.....</b>	<b><u>127,496</u></b>	<b><u>9,995</u></b>	<b><u>40,341</u></b>	<b><u>173,578</u></b>	<b><u>139</u></b>
<b>NET ASSETS (DEFICITS)</b>					
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
<b>Total net assets (deficits).....</b>	<b><u>\$ (105,707)</u></b>	<b><u>\$ 17,806</u></b>	<b><u>\$ 7</u></b>	<b><u>\$ (1,157)</u></b>	<b><u>\$ 73,448</u></b>

<u>University of South Carolina Trust</u>	<u>University Medical Associates</u>	<u>Medical University Facilities Corporation</u>	<u>CHS Development Company</u>	<u>Enterprise Campus Authority</u>	<u>Other Enterprise</u>	<u>Totals</u>
\$ 6,786	\$ 4,746	\$ —	\$ —	\$ 53	\$ 614	\$ 12,224
130	17,711	—	—	—	342	18,601
—	215	120	602	—	—	937
—	—	—	—	6	—	6
—	—	—	—	—	—	25,281
—	—	—	—	—	—	16,539
—	801	—	—	—	1,184	2,003
—	—	13	—	—	62	5,474
—	—	—	—	—	288	288
—	—	—	—	—	94	1,368
—	—	—	—	—	106	106
—	—	—	—	—	—	39,906
—	3,840	1,360	1,365	—	—	6,565
6,375	—	858	—	—	—	7,233
132	—	—	—	—	—	132
626	2,301	—	—	—	439	3,568
—	3,064	—	—	—	—	4,656
<u>14,049</u>	<u>32,678</u>	<u>2,351</u>	<u>1,967</u>	<u>59</u>	<u>3,129</u>	<u>144,887</u>
—	—	—	—	—	—	145,790
—	—	—	—	—	—	105,554
—	—	—	—	—	5,795	14,627
—	—	—	—	—	—	383
—	—	—	—	—	6	6
—	17,887	3,110	24,557	—	—	45,554
—	46,811	4,954	—	—	—	51,765
426	—	—	—	—	—	426
705	1,534	—	—	—	228	2,785
198	1,961	162	—	—	—	2,339
<u>1,329</u>	<u>68,193</u>	<u>8,226</u>	<u>24,557</u>	<u>—</u>	<u>6,029</u>	<u>369,229</u>
<u>15,378</u>	<u>100,871</u>	<u>10,577</u>	<u>26,524</u>	<u>59</u>	<u>9,158</u>	<u>514,116</u>
5,547	17,452	—	—	7,802	51,184	99,221
—	—	—	—	—	—	25,881
—	—	—	—	—	—	314
142	—	1,365	704	—	—	2,211
—	—	—	—	—	—	38,725
19,134	180,712	—	—	1,596	29,446	133,129
<u>\$ 24,823</u>	<u>\$ 198,164</u>	<u>\$ 1,365</u>	<u>\$ 704</u>	<u>\$ 9,398</u>	<u>\$ 80,630</u>	<u>\$ 299,481</u>

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

## NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program	The Citadel Trust, Inc.
<b>Operating revenues:</b>					
Charges for services.....	\$ 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.....	—	—	—	—	—
<b>Total operating revenues.....</b>	<b>18,271</b>	<b>8,959</b>	<b>1,473</b>	<b>12,400</b>	<b>11,501</b>
<b>Operating expenses:</b>					
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	—	—
<b>Total operating expenses.....</b>	<b>2,591</b>	<b>8,614</b>	<b>1,648</b>	<b>4,750</b>	<b>156</b>
<b>Operating income (loss).....</b>	<b>15,680</b>	<b>345</b>	<b>(175)</b>	<b>7,650</b>	<b>11,345</b>
<b>Nonoperating revenues (expenses):</b>					
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
<b>Total nonoperating revenues (expenses).....</b>	<b>150</b>	<b>120</b>	<b>171</b>	<b>5</b>	<b>2,662</b>
<b>Income (loss) before other revenues, expenses, and transfers.....</b>	<b>15,830</b>	<b>465</b>	<b>(4)</b>	<b>7,655</b>	<b>14,007</b>
Federal capital grants and contracts.....	—	—	—	—	—
Additions to endowments.....	—	—	—	—	1,795
Transfers in.....	—	—	—	—	—
Transfers out.....	—	(85)	—	(492)	(5,418)
<b>Change in net assets.....</b>	<b>15,830</b>	<b>380</b>	<b>(4)</b>	<b>7,163</b>	<b>10,384</b>
<b>Net assets (deficits) at beginning of year.....</b>	<b>(121,537)</b>	<b>17,426</b>	<b>11</b>	<b>(8,320)</b>	<b>63,064</b>
<b>Net assets (deficits) at end of year.....</b>	<b>\$ (105,707)</b>	<b>\$ 17,806</b>	<b>\$ 7</b>	<b>\$ (1,157)</b>	<b>\$ 73,448</b>

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

# Combining Statement of Cash Flows

## NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Patients' Compensation	Patriots Point Development Authority	Second Injury	Tuition Prepayment Program
<b>Cash flows from operating activities:</b>				
Receipts from customers, patients, and third-party payers.....	\$ 16,618	\$ 8,960	\$ —	\$ 927
Assessments received.....	—	—	88,952	—
Tuition plan contributions received.....	—	—	—	786
Other operating cash receipts.....	—	—	—	—
Claims and benefits paid.....	(17,517)	—	(102,803)	—
Payments to suppliers for goods and services.....	(1,473)	(2,606)	(1,622)	—
Payments to employees.....	(366)	(3,738)	(3)	—
Other operating cash payments.....	—	(1,255)	(22)	(12,824)
<b>Net cash provided by (used in) operating activities.....</b>	<b>(2,738)</b>	<b>1,361</b>	<b>(15,498)</b>	<b>(11,111)</b>
<b>Cash flows from noncapital financing activities:</b>				
Principal paid on noncapital debt.....	—	—	—	—
Interest payments on noncapital debt.....	—	—	—	—
Gifts and grants for other than capital purposes.....	—	34	—	—
Other cash receipts.....	—	45	—	—
Transfers in.....	—	—	—	—
Transfers out.....	—	(85)	—	(492)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>—</b>	<b>(6)</b>	<b>—</b>	<b>(492)</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets.....	(76)	(25)	—	—
Proceeds from issuance of capital debt.....	—	—	—	—
Principal payments on capital debt.....	—	(500)	—	—
Interest payments on capital debt.....	—	—	—	—
Payment of agent and broker fees.....	—	—	—	—
Proceeds from sale or disposal of capital assets.....	—	—	—	—
Capital grants and gifts received.....	—	—	—	—
<b>Net cash used in capital and related financing activities.....</b>	<b>(76)</b>	<b>(525)</b>	<b>—</b>	<b>—</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments.....	24,338	—	—	243,617
Purchase of investments.....	(23,746)	—	—	(333,220)
Interest and dividends on investments.....	494	75	533	102,433
Collection of interfund receivables.....	—	—	—	—
Collection of interest on interfund receivables.....	—	—	—	—
Collection of escrow payments from borrower.....	—	—	—	—
<b>Net cash provided by (used in) investing activities.....</b>	<b>1,086</b>	<b>75</b>	<b>533</b>	<b>12,830</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(1,728)</b>	<b>905</b>	<b>(14,965)</b>	<b>1,227</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>5,878</b>	<b>2,838</b>	<b>54,818</b>	<b>161,794</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 4,150</b>	<b>\$ 3,743</b>	<b>\$ 39,853</b>	<b>\$ 163,021</b>

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

Continued on Next Page

# Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<u>Patients'</u> <u>Compensation</u>	<u>Patriots Point</u> <u>Development</u> <u>Authority</u>	<u>Second</u> <u>Injury</u>	<u>Tuition</u> <u>Prepayment</u> <u>Program</u>
<b>Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:</b>				
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.....	—	—	—	—
<b>Effect of change in operating assets and liabilities:</b>				
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.....	(8)	22	(3)	—
Tuition benefits payable.....	—	—	—	(8,074)
Policy claims.....	(16,562)	—	—	—
Due to other funds.....	—	—	—	—
Unearned revenues .....	(1,653)	(83)	—	—
Compensated absences payable .....	4	11	—	—
Other liabilities.....	(273)	—	(40)	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ (2,738)</b>	<b>\$ 1,361</b>	<b>\$ (15,498)</b>	<b>\$ (11,111)</b>
<b>Noncash capital, investing, and financing activities:</b>				
Disposal of capital assets.....	\$ —	\$ —	\$ —	\$ —
Borrowing under capital leases.....	—	—	—	—
Increase in fair value of investments.....	(237)	—	—	144,511
Transfers of non-financial assets.....	—	—	—	—
Other noncash activity.....	—	—	—	—
	<b>\$ (237)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 144,511</b>



The Citadel Trust, Inc.	University of South Carolina Trust	University Medical Associates	Medical University Facilities Corporation	CHS Development Company	Enterprise Campus Authority	Other Enterprise	Totals
\$ 11,345	\$ 9,406	\$ 81,588	\$ 53	\$ (411)	\$ (207)	\$ 3,473	\$ 128,747
—	1,088	3,064	64	217	178	749	6,353
—	—	23,144	—	—	(19)	—	23,125
(11,501)	—	—	—	—	—	(20)	(22,329)
—	—	—	—	—	—	—	87,308
—	—	—	—	—	—	—	(102,803)
—	—	4,992	(753)	(1,037)	—	(203)	2,999
—	—	(6)	636	1,231	—	—	1,861
—	(569)	(22,456)	—	—	8	(356)	(23,168)
—	—	5,414	—	—	—	1,294	6,712
—	—	—	—	—	—	213	211
—	—	(591)	—	—	—	1,885	1,598
—	(1,978)	2,342	—	—	—	(147)	189
—	17	—	—	—	—	(15)	13
—	—	—	—	—	—	—	(8,074)
—	—	—	—	—	—	—	(16,562)
—	—	514	—	—	40	(482)	72
—	—	—	—	—	—	29	(1,707)
—	(74)	272	—	—	—	79	292
—	—	(31)	—	—	—	288	(56)
<b>\$ (156)</b>	<b>\$ 7,890</b>	<b>\$ 98,246</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,787</b>	<b>\$ 84,781</b>
\$ —	\$ (33)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (33)
—	23	—	—	—	—	—	23
7,999	397	7,473	—	—	—	—	160,143
—	—	—	(12)	—	—	—	(12)
—	—	266	—	—	700	—	966
<b>\$ 7,999</b>	<b>\$ 387</b>	<b>\$ 7,739</b>	<b>\$ (12)</b>	<b>\$ —</b>	<b>\$ 700</b>	<b>\$ —</b>	<b>\$ 161,087</b>

# Combining Statement of Net Assets

## INTERNAL SERVICE FUNDS

June 30, 2011

(Expressed in Thousands)

	<u>Insurance Reserve</u>	<u>Employee Insurance Programs</u>	<u>State Accident</u>	<u>General Services</u>	<u>Central Supplies and Equipment</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 29,122	\$ 298,699	\$ 199,440	\$ 30,640	\$ 1,674
Invested securities lending collateral.....	1,856	736	496	4	—
Receivables, net:					
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.....	<u>65,556</u>	<u>365,472</u>	<u>264,580</u>	<u>35,655</u>	<u>4,729</u>
Long-term assets:					
Investments.....	426,585	—	—	—	—
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.....	<u>432,391</u>	<u>16</u>	<u>530</u>	<u>113,804</u>	<u>2</u>
<b>Total assets.....</b>	<b><u>497,947</u></b>	<b><u>365,488</u></b>	<b><u>265,110</u></b>	<b><u>149,459</u></b>	<b><u>4,731</u></b>

<u>Motor Pool</u>	<u>Pension Administration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ 14,030	\$ 2,448	\$ 1,506	\$ 215	\$ 577,774
—	6	—	—	3,098
498	—	1,881	—	105,646
—	20	—	—	5,184
2,875	—	397	23	47,375
2	—	—	—	2
30	—	3,332	—	6,425
—	—	—	—	17,751
<u>17,435</u>	<u>2,474</u>	<u>7,116</u>	<u>238</u>	<u>763,255</u>
—	—	—	—	426,585
—	—	1,172	—	1,229
—	—	—	—	19,570
—	—	—	—	444
—	—	—	—	78
—	170	—	—	7,067
5,106	443	5,286	—	103,947
<u>5,106</u>	<u>613</u>	<u>6,458</u>	<u>—</u>	<u>558,920</u>
<u>22,541</u>	<u>3,087</u>	<u>13,574</u>	<u>238</u>	<u>1,322,175</u>

# Combining Statement of Net Assets

INTERNAL SERVICE FUNDS (Continued)

June 30, 2011

(Expressed in Thousands)

	<u>Insurance Reserve</u>	<u>Employee Insurance Programs</u>	<u>State Accident</u>	<u>General Services</u>	<u>Central Supplies and Equipment</u>
<b>LIABILITIES</b>					
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	—	—
<b>Total current liabilities.....</b>	<b><u>303,280</u></b>	<b><u>154,219</u></b>	<b><u>163,462</u></b>	<b><u>12,216</u></b>	<b><u>115</u></b>
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	—
<b>Total long-term liabilities.....</b>	<b><u>151</u></b>	<b><u>267</u></b>	<b><u>159,203</u></b>	<b><u>17,945</u></b>	<b><u>555</u></b>
<b>Total liabilities.....</b>	<b><u>303,431</u></b>	<b><u>154,486</u></b>	<b><u>322,665</u></b>	<b><u>30,161</u></b>	<b><u>670</u></b>
<b>NET ASSETS (DEFICITS)</b>					
Invested in capital assets, net of related debt.....	16	16	29	80,487	2
Restricted:					
Expendable:					
Loan programs.....	20,000	—	—	—	—
Insurance programs.....	174,500	210,986	—	—	—
Unrestricted.....	—	—	(57,584)	38,811	4,059
<b>Total net assets (deficits).....</b>	<b><u>\$ 194,516</u></b>	<b><u>\$ 211,002</u></b>	<b><u>\$ (57,555)</u></b>	<b><u>\$ 119,298</u></b>	<b><u>\$ 4,061</u></b>

<u>Motor Pool</u>	<u>Pension Administration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ 4,503	\$ 388	\$ 193	\$ 3	\$ 10,037
93	813	826	8	3,884
139	—	—	—	543
—	—	—	—	248
—	—	—	—	108
—	—	—	—	461,421
40	451	401	4	4,004
—	—	—	—	138,752
—	15	—	—	7,266
1,953	—	—	—	1,953
—	—	—	—	1,695
—	—	—	—	1,345
88	720	271	11	2,823
—	—	—	—	10,133
<u>6,816</u>	<u>2,387</u>	<u>1,691</u>	<u>26</u>	<u>644,212</u>
—	—	—	—	159,122
—	—	—	—	885
1,984	—	—	—	1,984
—	—	—	—	12,681
—	—	—	—	3,816
88	719	270	12	2,706
<u>2,072</u>	<u>719</u>	<u>270</u>	<u>12</u>	<u>181,194</u>
<u><b>8,888</b></u>	<u><b>3,106</b></u>	<u><b>1,961</b></u>	<u><b>38</b></u>	<u><b>825,406</b></u>
1,169	613	5,286	—	87,618
—	—	—	—	20,000
—	—	—	—	385,486
12,484	(632)	6,327	200	3,665
<u><b>\$ 13,653</b></u>	<u><b>\$ (19)</b></u>	<u><b>\$ 11,613</b></u>	<u><b>\$ 200</b></u>	<u><b>\$ 496,769</b></u>

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

## INTERNAL SERVICE FUNDS

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

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Central Supplies and Equipment
<b>Operating revenues:</b>					
Charges for services.....	\$ 101,156	\$ 1,771,193	\$ 83,189	\$ 59,780	\$ 4,289
Interest and other investment income.....	—	—	—	725	—
Licenses, fees, and permits.....	—	—	—	7	—
Federal operating grants and contracts.....	—	27,142	—	—	—
Other operating revenues.....	—	108,340	—	—	—
<b>Total operating revenues.....</b>	<b>101,156</b>	<b>1,906,675</b>	<b>83,189</b>	<b>60,512</b>	<b>4,289</b>
<b>Operating expenses:</b>					
General operations and administration.....	62,696	162,398	4,644	57,567	3,405
Benefits and claims.....	49,176	1,632,239	61,719	—	—
Interest.....	—	—	—	7	—
Depreciation and amortization.....	50	13	59	6,662	1
Other operating expenses.....	—	—	4,554	412	5
<b>Total operating expenses.....</b>	<b>111,922</b>	<b>1,794,650</b>	<b>70,976</b>	<b>64,648</b>	<b>3,411</b>
<b>Operating income (loss).....</b>	<b>(10,766)</b>	<b>112,025</b>	<b>12,213</b>	<b>(4,136)</b>	<b>878</b>
<b>Nonoperating revenues (expenses):</b>					
Interest income.....	12,975	6,864	4,258	2	—
Interest expense.....	—	—	—	(959)	—
Net other nonoperating revenues.....	19	—	40	1,259	1
<b>Total nonoperating revenues (expenses).....</b>	<b>12,994</b>	<b>6,864</b>	<b>4,298</b>	<b>302</b>	<b>1</b>
<b>Income (loss) before other revenues and transfers.....</b>	<b>2,228</b>	<b>118,889</b>	<b>16,511</b>	<b>(3,834)</b>	<b>879</b>
Transfers in.....	—	45	—	2,627	700
Transfers out.....	(541)	(266)	—	(7,793)	—
<b>Change in net assets.....</b>	<b>1,687</b>	<b>118,668</b>	<b>16,511</b>	<b>(9,000)</b>	<b>1,579</b>
<b>Net assets (deficits) at beginning of year.....</b>	<b>192,829</b>	<b>92,334</b>	<b>(74,066)</b>	<b>128,298</b>	<b>2,482</b>
<b>Net assets (deficits) at end of year.....</b>	<b>\$ 194,516</b>	<b>\$ 211,002</b>	<b>\$ (57,555)</b>	<b>\$ 119,298</b>	<b>\$ 4,061</b>

<b>Motor Pool</b>	<b>Pension Administration</b>	<b>Prison Industries</b>	<b>Other Internal Service</b>	<b>Totals</b>
\$ 25,913	\$ 21,231	\$ 14,941	\$ 150	\$ 2,081,842
—	—	—	—	725
—	—	63	—	70
—	—	—	—	27,142
—	—	—	—	108,340
<b>25,913</b>	<b>21,231</b>	<b>15,004</b>	<b>150</b>	<b>2,218,119</b>
16,239	20,522	21,301	245	349,017
—	5	—	—	1,743,139
—	—	—	—	7
9,773	216	344	—	17,118
—	138	145	1	5,255
<b>26,012</b>	<b>20,881</b>	<b>21,790</b>	<b>246</b>	<b>2,114,536</b>
<b>(99)</b>	<b>350</b>	<b>(6,786)</b>	<b>(96)</b>	<b>103,583</b>
—	63	—	—	24,162
(228)	—	—	—	(1,187)
700	136	9,636	1	11,792
<b>472</b>	<b>199</b>	<b>9,636</b>	<b>1</b>	<b>34,767</b>
<b>373</b>	<b>549</b>	<b>2,850</b>	<b>(95)</b>	<b>138,350</b>
2	—	—	141	3,515
(2,516)	(523)	—	(1)	(11,640)
<b>(2,141)</b>	<b>26</b>	<b>2,850</b>	<b>45</b>	<b>130,225</b>
<b>15,794</b>	<b>(45)</b>	<b>8,763</b>	<b>155</b>	<b>366,544</b>
<b>\$ 13,653</b>	<b>\$ (19)</b>	<b>\$ 11,613</b>	<b>\$ 200</b>	<b>\$ 496,769</b>

## Combining Statement of Cash Flows

### INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
<b>Cash flows from operating activities:</b>				
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)	—
<b>Net cash provided by (used in) operating activities.....</b>	<b>3,550</b>	<b>109,373</b>	<b>24,342</b>	<b>5,189</b>
<b>Cash flows from noncapital financing activities:</b>				
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)
<b>Net cash provided by (used in) noncapital financing activities.....</b>	<b>809</b>	<b>(221)</b>	<b>—</b>	<b>674</b>
<b>Cash flows from capital and related financing activities:</b>				
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)
<b>Net cash used in capital financing activities.....</b>	<b>—</b>	<b>—</b>	<b>(14)</b>	<b>(5,179)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sales and maturities of investments.....	52,054	—	—	—
Purchase of investments.....	(105,990)	—	—	—
Interest on investments.....	16,466	6,775	4,214	76
<b>Net cash provided by (used in) investing activities.....</b>	<b>(37,470)</b>	<b>6,775</b>	<b>4,214</b>	<b>76</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(33,111)</b>	<b>115,927</b>	<b>28,542</b>	<b>760</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>62,233</b>	<b>182,772</b>	<b>170,898</b>	<b>29,880</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>\$ 29,122</b>	<b>\$ 298,699</b>	<b>\$ 199,440</b>	<b>\$ 30,640</b>



<u>Central Supplies and Equipment</u>	<u>Motor Pool</u>	<u>Pension Adminis- tration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ —	\$ —	\$ —	\$ 15,004	\$ 150	\$ 1,443,244
4,289	26,491	21,244	—	—	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)
<b>884</b>	<b>10,435</b>	<b>643</b>	<b>461</b>	<b>(137)</b>	<b>154,740</b>
—	—	—	—	—	8,582
(445)	—	—	—	—	(2,140)
—	—	—	—	—	303
700	2	—	—	141	3,515
—	(2,516)	(523)	—	(1)	(11,640)
<b>255</b>	<b>(2,514)</b>	<b>(523)</b>	<b>—</b>	<b>140</b>	<b>(1,380)</b>
—	—	(274)	—	—	(2,951)
—	—	—	—	—	(1,345)
—	(3,631)	—	—	—	(3,842)
—	(227)	—	—	—	(1,187)
—	<b>(3,858)</b>	<b>(274)</b>	<b>—</b>	<b>—</b>	<b>(9,325)</b>
—	—	—	—	—	52,054
—	—	—	—	—	(105,990)
—	—	—	—	—	27,531
—	—	—	—	—	<b>(26,405)</b>
<b>1,139</b>	<b>4,063</b>	<b>(154)</b>	<b>461</b>	<b>3</b>	<b>117,630</b>
<b>535</b>	<b>9,967</b>	<b>2,602</b>	<b>1,045</b>	<b>212</b>	<b>460,144</b>
<b>\$ 1,674</b>	<b>\$ 14,030</b>	<b>\$ 2,448</b>	<b>\$ 1,506</b>	<b>\$ 215</b>	<b>\$ 577,774</b>

Continued on Next Page

## Combining Statement of Cash Flows

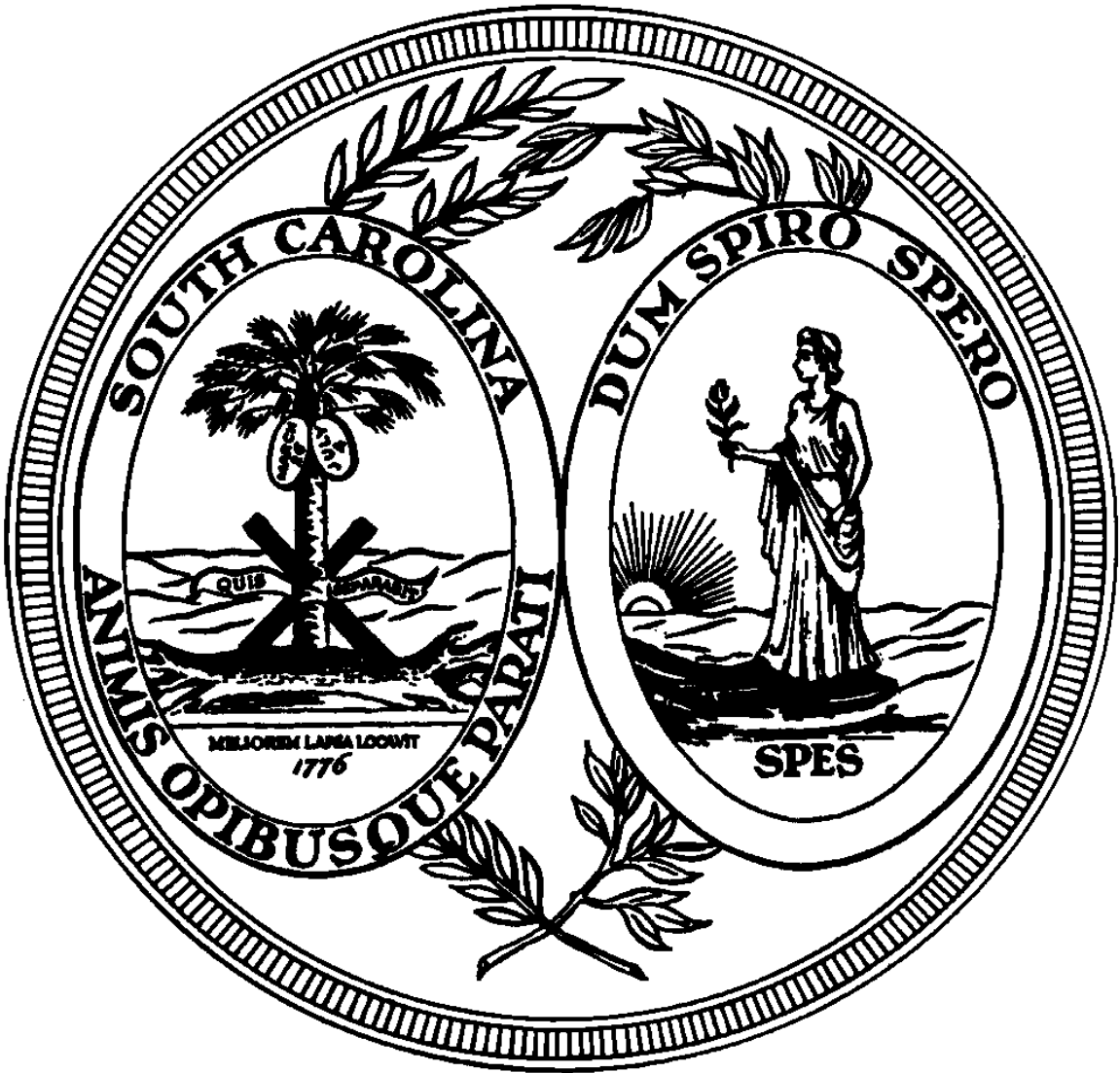
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	<u>Insurance Reserve</u>	<u>Employee Insurance Programs</u>	<u>State Accident</u>	<u>General Services</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
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
<b>Effect of change in operating assets and liabilities:</b>				
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)
<b>Net cash provided by (used in) operating activities.....</b>	<b>\$ 3,550</b>	<b>\$ 109,373</b>	<b>\$ 24,342</b>	<b>\$ 5,189</b>

<u>Central Supplies and Equipment</u>	<u>Motor Pool</u>	<u>Pension Adminis- tration</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Totals</u>
\$ 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
<b>\$ 884</b>	<b>\$ 10,435</b>	<b>\$ 643</b>	<b>\$ 461</b>	<b>\$ (137)</b>	<b>\$ 154,740</b>



## 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

June 30, 2011

(Expressed in Thousands)

### PENSION TRUST

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 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.....	<u>865,723</u>	<u>121,111</u>	<u>1,117</u>	<u>4,685</u>	<u>532</u>
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.....	<u>20,699,061</u>	<u>3,010,609</u>	<u>30,990</u>	<u>115,349</u>	<u>14,882</u>
Invested securities lending collateral.....	198,711	28,902	298	1,107	143
Capital assets, net.....	2,795	286	8	14	—
Prepaid items.....	924	132	2	4	1
<b>Total assets.....</b>	<b><u>24,345,603</u></b>	<b><u>3,543,505</u></b>	<b><u>36,980</u></b>	<b><u>136,369</u></b>	<b><u>18,578</u></b>
<b>LIABILITIES</b>					
Accounts payable.....	16,059	2,336	24	91	11
Accounts payable—unsettled investment 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
<b>Total liabilities.....</b>	<b><u>1,950,574</u></b>	<b><u>225,972</u></b>	<b><u>2,311</u></b>	<b><u>9,217</u></b>	<b><u>1,112</u></b>
<b>NET ASSETS</b>					
Held in trust for pension and other post-employment benefits.....	<b><u>\$ 22,395,029</u></b>	<b><u>\$ 3,317,533</u></b>	<b><u>\$ 34,669</u></b>	<b><u>\$ 127,152</u></b>	<b><u>\$ 17,466</u></b>

<b>OPEB TRUST</b>		
<b>South Carolina Retiree Health Insurance Trust Fund</b>	<b>Long-term Disability Insurance Trust Fund</b>	<b>Totals</b>
\$ 56,825	\$ 3,608	\$ 3,036,398
—	—	165,539
—	—	26
4,778	356	68,440
—	—	739,291
—	—	25,006
<u>4,778</u>	<u>356</u>	<u>998,302</u>
42,880	—	50,564
—	—	11,663
378,319	24,803	4,220,185
—	—	3,206,634
—	—	2,086,138
—	—	1,240,731
—	—	13,508,662
<u>36,959</u>	<u>5,206</u>	<u>42,165</u>
<u>415,278</u>	<u>30,009</u>	<u>24,316,178</u>
2,513	347	232,021
—	—	3,103
—	—	1,063
<u><b>522,274</b></u>	<u><b>34,320</b></u>	<u><b>28,637,629</b></u>
—	—	18,521
—	—	1,338,959
—	203	203
39,273	21	82,724
—	—	364,005
5,877	813	332,063
—	—	98,898
<u><b>45,150</b></u>	<u><b>1,037</b></u>	<u><b>2,235,373</b></u>
<u><b>\$ 477,124</b></u>	<u><b>\$ 33,283</b></u>	<u><b>\$ 26,402,256</b></u>

# Combining Statement of Changes in Plan Net Assets

## PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

### PENSION TRUST

	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
<b>Additions:</b>					
Contributions:					
Employer.....	\$ 809,175	\$ 129,351	\$ 2,414	\$ 8,414	\$ 3,904
Employee.....	562,170	79,334	624	2,209	—
Total contributions.....	1,371,345	208,685	3,038	10,623	3,904
Investment income:					
Interest income and net appreciation in investments.....	3,658,520	528,308	5,778	20,432	2,574
Securities lending income.....	1,167	168	2	6	2
Total investment income.....	3,659,687	528,476	5,780	20,438	2,576
Less investment expense:					
Investment expense.....	61,618	8,945	98	346	43
Securities lending expense.....	—	—	—	—	—
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	—
<b>Total additions.....</b>	<b>4,969,466</b>	<b>730,123</b>	<b>8,721</b>	<b>30,908</b>	<b>6,437</b>
<b>Deductions:</b>					
Regular retirement benefits.....	1,977,325	242,872	6,528	14,518	4,011
Supplemental retirement benefits.....	832	37	—	—	—
Deferred retirement benefits.....	155,874	—	—	232	—
Refunds of retirement contributions to members.....	84,591	14,902	57	—	—
Death benefit claims.....	16,485	1,984	58	128	—
Accidental death benefits.....	—	1,534	—	—	—
Other post-employment benefits.....	—	—	—	—	—
Depreciation.....	107	11	—	—	—
Administrative expense.....	18,446	2,632	32	104	13
Assets moved between pension trust funds.....	1,914	92	147	—	—
<b>Total deductions.....</b>	<b>2,255,574</b>	<b>264,064</b>	<b>6,822</b>	<b>14,982</b>	<b>4,024</b>
<b>Change in net assets .....</b>	<b>2,713,892</b>	<b>466,059</b>	<b>1,899</b>	<b>15,926</b>	<b>2,413</b>
<b>Net assets at beginning of year.....</b>	<b>19,681,137</b>	<b>2,851,474</b>	<b>32,770</b>	<b>111,226</b>	<b>15,053</b>
<b>Net assets at end of year.....</b>	<b>\$ 22,395,029</b>	<b>\$ 3,317,533</b>	<b>\$ 34,669</b>	<b>\$ 127,152</b>	<b>\$ 17,466</b>



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

## Combining Statement of Fiduciary Net Assets

### PRIVATE-PURPOSE TRUST FUNDS

June 30, 2011

(Expressed in Thousands)

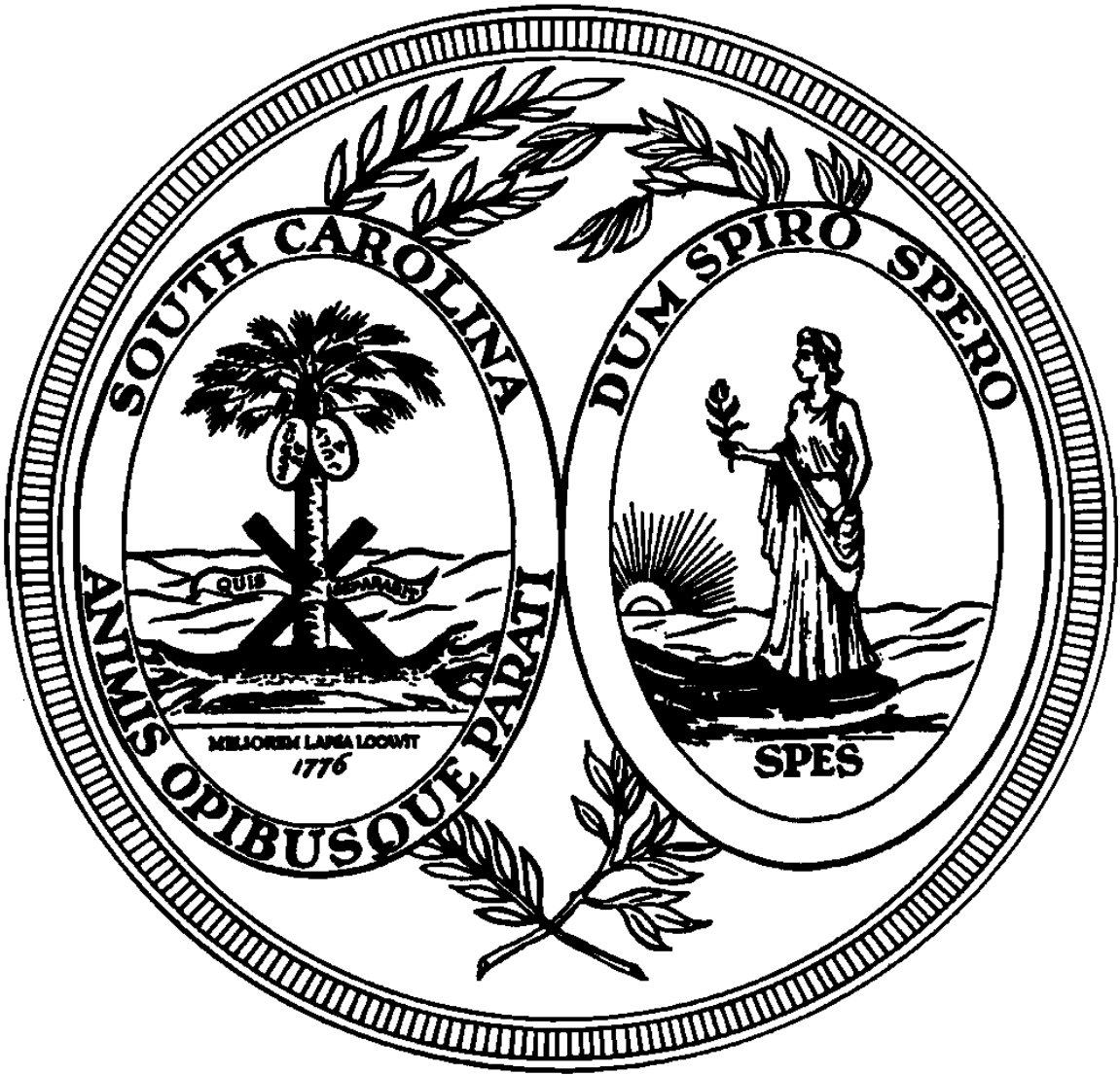
	<u>College Savings Plan</u>	<u>Other Private-Purpose Trust</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ —	\$ 14,241	\$ 14,241
Receivables, net:			
Accrued interest.....	790	124	914
Unsettled investment sales.....	530	—	530
Investments.....	1,437,890	—	1,437,890
Invested securities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

## Combining Statement of Changes in Fiduciary Net Assets

### PRIVATE-PURPOSE TRUST FUNDS

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

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



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## Combining Statement of Assets and Liabilities

AGENCY FUNDS

June 30, 2011

(Expressed in Thousands)

	<u>Payroll Clearing</u>	<u>Other Agency</u>	<u>Totals</u>
<b>ASSETS</b>			
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
	<u>\$ 44,651</u>	<u>\$ 263,831</u>	<u>\$ 308,482</u>
<b>LIABILITIES</b>			
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.....	—	981	981
	<u>\$ 44,651</u>	<u>\$ 263,831</u>	<u>\$ 308,482</u>

# Combining Statement of Changes in Assets and Liabilities

## AGENCY FUNDS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>PAYROLL CLEARING</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 5,903	\$ 1,037,638	\$ 1,041,969	\$ 1,572
Accounts receivable.....	44	22	44	22
Due from other funds.....	50,709	43,057	50,709	43,057
<b>Total assets.....</b>	<b>\$ 56,656</b>	<b>\$ 1,080,717</b>	<b>\$ 1,092,722</b>	<b>\$ 44,651</b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 13,449	\$ 1,623	\$ 13,449	\$ 1,623
Amounts held in custody for others.....	43,207	896,450	896,629	43,028
<b>Total liabilities.....</b>	<b>\$ 56,656</b>	<b>\$ 898,073</b>	<b>\$ 910,078</b>	<b>\$ 44,651</b>
 <b>OTHER AGENCY</b>				
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 225,548	\$ 2,767,876	\$ 2,766,966	\$ 226,458
Accounts receivable.....	2,666	4,067	4,718	2,015
Accrued interest receivable.....	1,222	567	1,222	567
Taxes receivable.....	200	2,421	2,083	538
Due from other funds.....	5,920	24,775	18,957	11,738
Investments.....	29,023	50	6,976	22,097
Invested securities lending collateral.....	9,812	418	9,812	418
<b>Total assets.....</b>	<b>\$ 274,391</b>	<b>\$ 2,800,174</b>	<b>\$ 2,810,734</b>	<b>\$ 263,831</b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 14,779	\$ 22,325	\$ 25,112	\$ 11,992
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.....	229,146	2,262,245	2,263,471	227,920
Securities lending collateral.....	10,818	981	10,818	981
<b>Total liabilities.....</b>	<b>\$ 274,391</b>	<b>\$ 2,309,074</b>	<b>\$ 2,319,634</b>	<b>\$ 263,831</b>

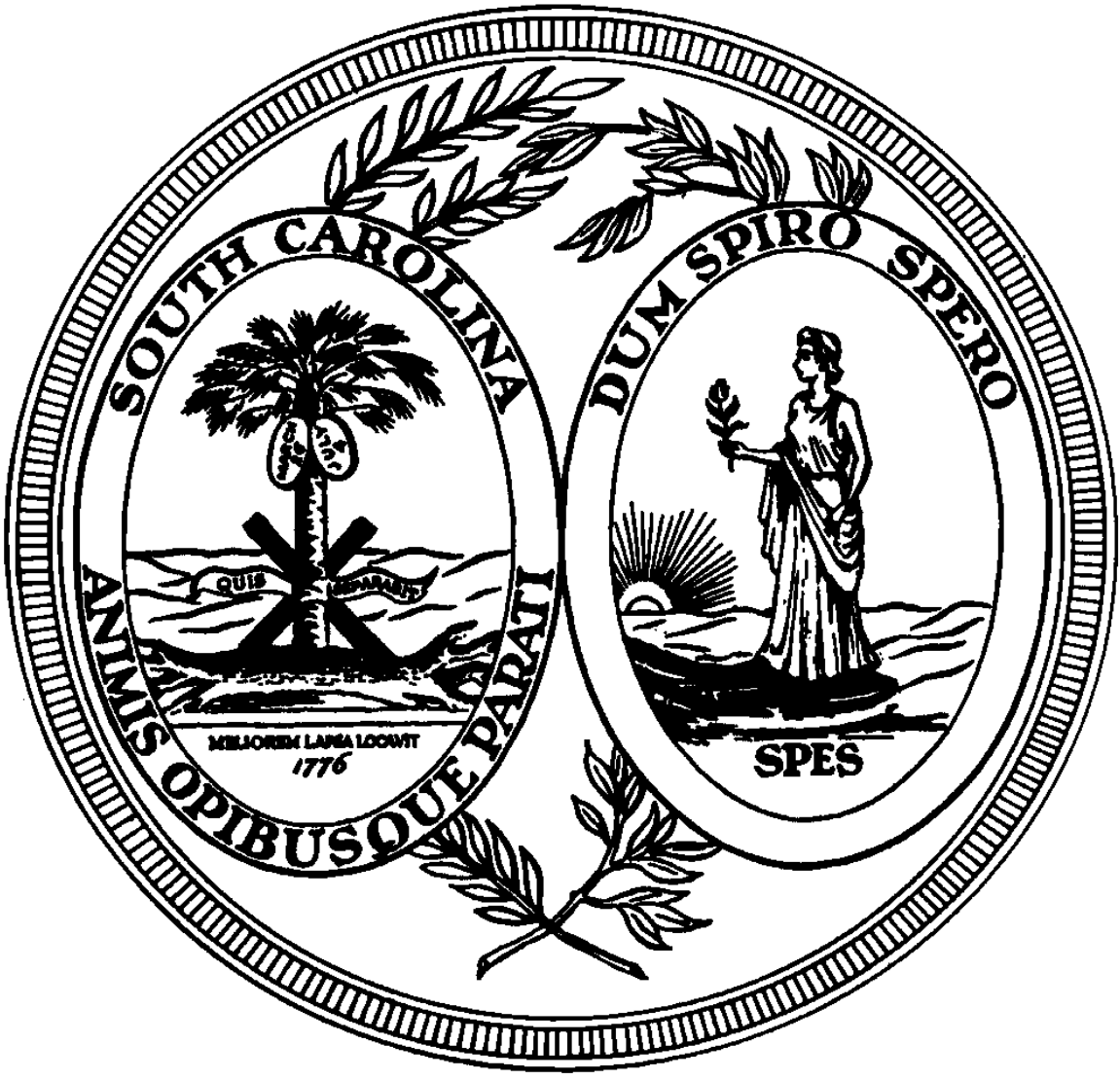
# Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
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
<b>Total assets.....</b>	<b>\$ 331,047</b>	<b>\$ 3,880,891</b>	<b>\$ 3,903,456</b>	<b>\$ 308,482</b>
<b>Liabilities:</b>				
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
<b>Total liabilities.....</b>	<b>\$ 331,047</b>	<b>\$ 3,207,147</b>	<b>\$ 3,229,712</b>	<b>\$ 308,482</b>





## Discretely Presented Component Units

Note 1a in the notes to the financial statements explains the relationship of component units to the primary government and the differences between blended component units and discretely presented component units. Note 1b in the notes to the financial statements explains that the State has designated four of its discretely presented component units as major component units. Government-wide financial statements for each of the four major component units are included in the basic financial statements (immediately preceding the notes to the financial statements).

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Assets—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units
- Balance Sheet—South Carolina First Steps to School Readiness Board of Trustees
- Statement of Revenues, Expenditures, and Changes in Fund Balances—South Carolina First Steps to School Readiness Board of Trustees

The paragraphs below describe the State's nonmajor discretely presented component units:

*The Clemson University Foundation* is a non-profit, tax-exempt public charity that was established to raise and manage private gifts for the advancement and benefit of Clemson University.

*The University of South Carolina Educational Foundation (the Foundation)* is an eleemosynary corporation operating for the benefit and support of the University of South Carolina. The Foundation establishes and implements long-range fund raising programs to assist in the expansion and improvement of the educational functions of the University.

*The South Carolina Medical Malpractice Liability Joint Underwriting Association (the Association)* was established to provide medical malpractice insurance on a self supporting basis. The financial information presented in the accompanying supplemental information is for the Association's fiscal year ended December 31, 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

June 30, 2011

(Expressed in Thousands)

	Clemson University Foundation	University of South Carolina Educational Foundation	South Carolina Medical Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents.....	\$ 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
<b>Total current assets.....</b>	<b>30,167</b>	<b>16,312</b>	<b>68,109</b>	<b>2,658</b>	<b>1,328</b>	<b>118,574</b>
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
<b>Total long-term assets.....</b>	<b>488,455</b>	<b>313,952</b>	<b>27</b>	<b>2</b>	<b>20</b>	<b>802,456</b>
<b>Total assets.....</b>	<b>518,622</b>	<b>330,264</b>	<b>68,136</b>	<b>2,660</b>	<b>1,348</b>	<b>921,030</b>

# Combining Statement of Net Assets

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)

June 30, 2011

(Expressed in Thousands)

	<u>Clemson University Foundation</u>	<u>University of South Carolina Educational Foundation</u>	<u>South Carolina Medical Liability Joint Underwriting Association</u>	<u>South Carolina First Steps to School Readiness Board of Trustees</u>	<u>Children's Trust Fund of S.C., Inc.</u>	<u>Totals</u>
<b>LIABILITIES</b>						
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
<b>Total current liabilities.....</b>	<b>138,772</b>	<b>25,046</b>	<b>39,506</b>	<b>253</b>	<b>169</b>	<b>203,746</b>
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
<b>Total long-term liabilities.....</b>	<b>8,280</b>	<b>2,724</b>	<b>114,508</b>	<b>59</b>	<b>24</b>	<b>125,595</b>
<b>Total liabilities.....</b>	<b>147,052</b>	<b>27,770</b>	<b>154,014</b>	<b>312</b>	<b>193</b>	<b>329,341</b>
<b>NET ASSETS (DEFICIT)</b>						
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)
<b>Total net assets (deficit).....</b>	<b>\$ 371,570</b>	<b>\$ 302,494</b>	<b>\$ (85,878)</b>	<b>\$ 2,348</b>	<b>\$ 1,155</b>	<b>\$ 591,689</b>

## Combining Statement of Activities

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2011

(Expressed in Thousands)

	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	
Clemson University Foundation.....	\$ 20,577	\$ —	\$ 88,477	\$ 67,900
University of South Carolina Educational Foundation.....	22,517	—	76,525	54,008
South Carolina Medical Malpractice Liability Joint Underwriting Association.....	14,540	26,236	3,495	15,191
South Carolina First Steps to School Readiness Board of Trustees.....	13,083	—	12,764	(319)
Children's Trust Fund of S.C., Inc.....	2,371	—	2,411	40
<b>Totals.....</b>	<b>\$ 73,088</b>	<b>\$ 26,236</b>	<b>\$ 183,672</b>	<b>\$ 136,820</b>

<u>Net Assets (Deficit)</u> <u>Beginning of Year</u>	<u>Net Assets (Deficit)</u> <u>End of Year</u>
\$ 303,670	\$ 371,570
248,486	302,494
(101,069)	(85,878)
2,667	2,348
1,115	1,155
<b>\$ 454,869</b>	<b>\$ 591,689</b>

## Balance Sheet

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS  
BOARD OF TRUSTEES

June 30, 2011

(Expressed in Thousands)

### ASSETS

Cash and cash equivalents.....	\$	2,630
Invested securities lending collateral.....		5
Accrued interest receivable.....		23
<b>Total assets.....</b>	<b>\$</b>	<b>2,658</b>

### LIABILITIES AND FUND BALANCE

#### Liabilities:

Accounts payable.....	\$	112
Accrued salaries and related expenditures.....		51
Due to primary government.....		20
Securities lending collateral.....		11
<b>Total liabilities.....</b>		<b>194</b>

#### Fund Balance:

Restricted for education.....		215
Assigned for education.....		2,249
<b>Total fund balance.....</b>		<b>2,464</b>
<b>Total liabilities and fund balance.....</b>	<b>\$</b>	<b>2,658</b>

### Reconciliation of the Balance Sheet to the Combining Statement of Net Assets 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.....	\$	25
Accumulated depreciation.....		(23)
<b>Total capital assets.....</b>		<b>2</b>

Compensated absences payable are not due and payable  
in the current period and therefore are not reported in the  
Balance Sheet.....

(118)

**Net assets .....** **\$ 2,348**

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

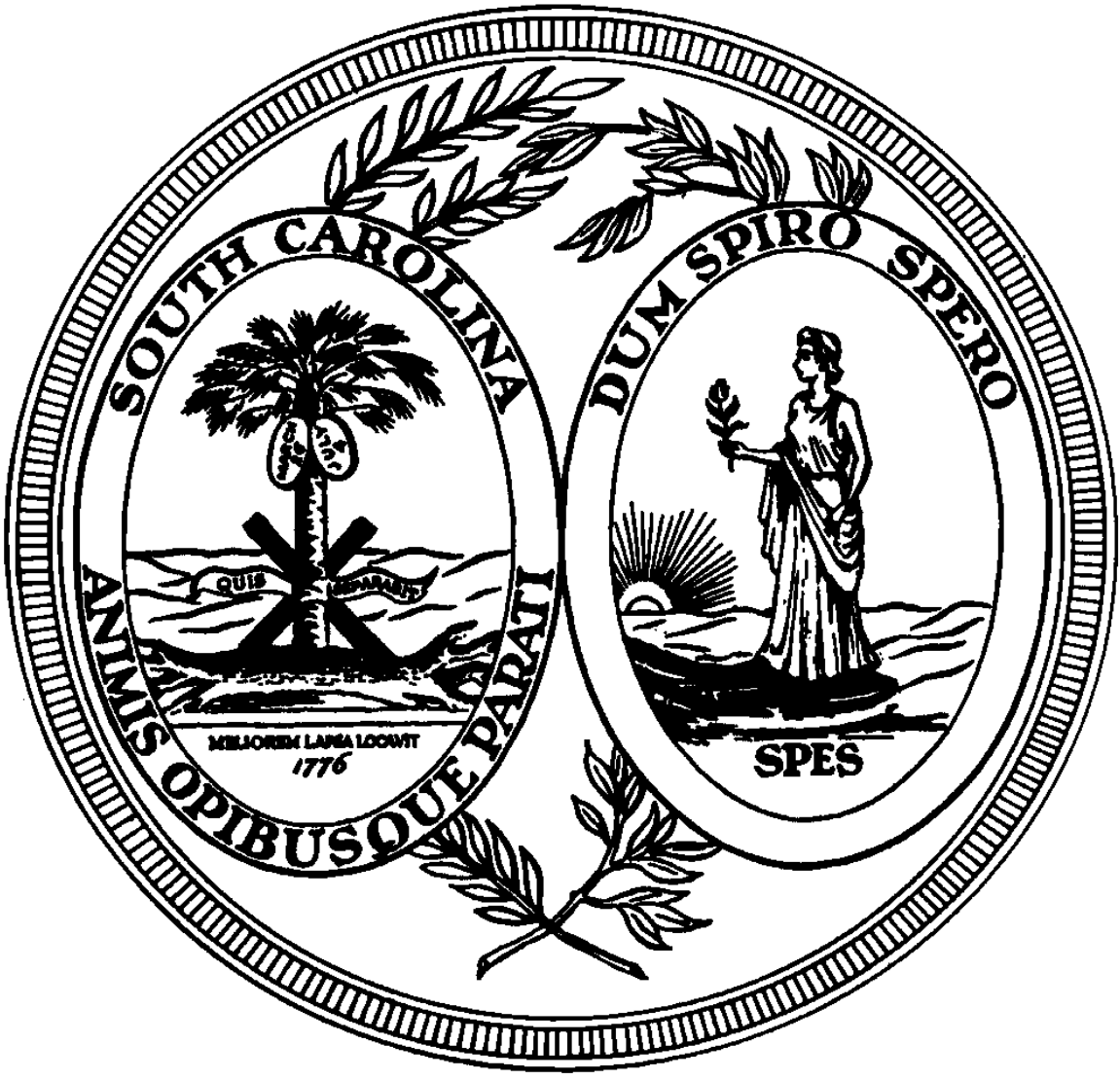
SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS  
BOARD OF TRUSTEES

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

<b>Revenues:</b>	
Interest and other investment income.....	\$ 137
State operating grants and contracts.....	12,097
Contributions.....	<u>530</u>
<b>Total revenues.....</b>	<b><u>12,764</u></b>
<b>Expenditures:</b>	
Current: Education.....	6,988
Intergovernmental .....	<u>6,079</u>
<b>Total expenditures.....</b>	<b><u>13,067</u></b>
<b>Excess of expenditures over revenues.....</b>	<b>(303)</b>
<b>Fund balance at beginning of year.....</b>	<b><u>2,767</u></b>
<b>Fund balance at end of year.....</b>	<b><u><u>\$ 2,464</u></u></b>

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Combining Statement of Activities Nonmajor Discretely Presented Component Units

<b>Net change in fund balance .....</b>	<b>\$ (303)</b>
Amounts reported for First Steps in the Combining Statement of 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. Increase in compensated absences payable.....	
	<u>(16)</u>
<b>Change in net assets.....</b>	<b><u><u>\$ (319)</u></u></b>

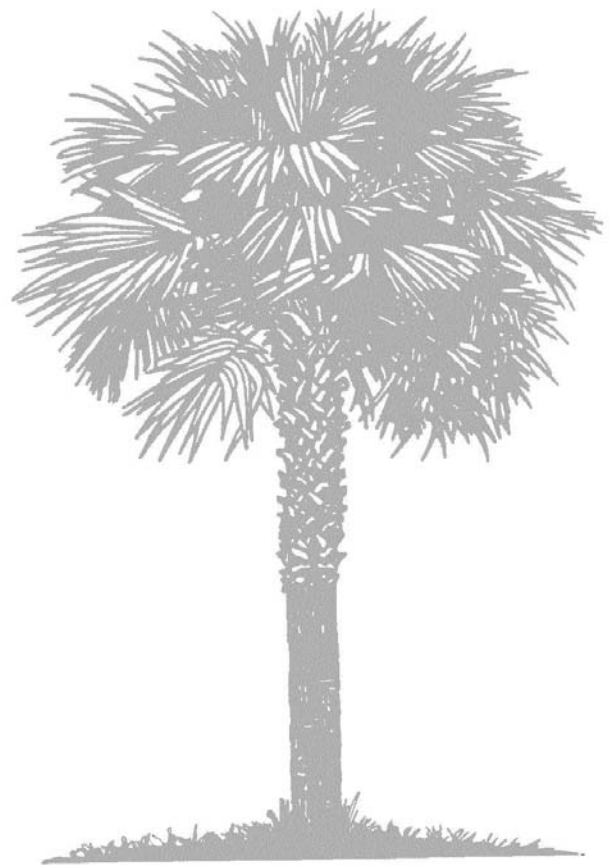




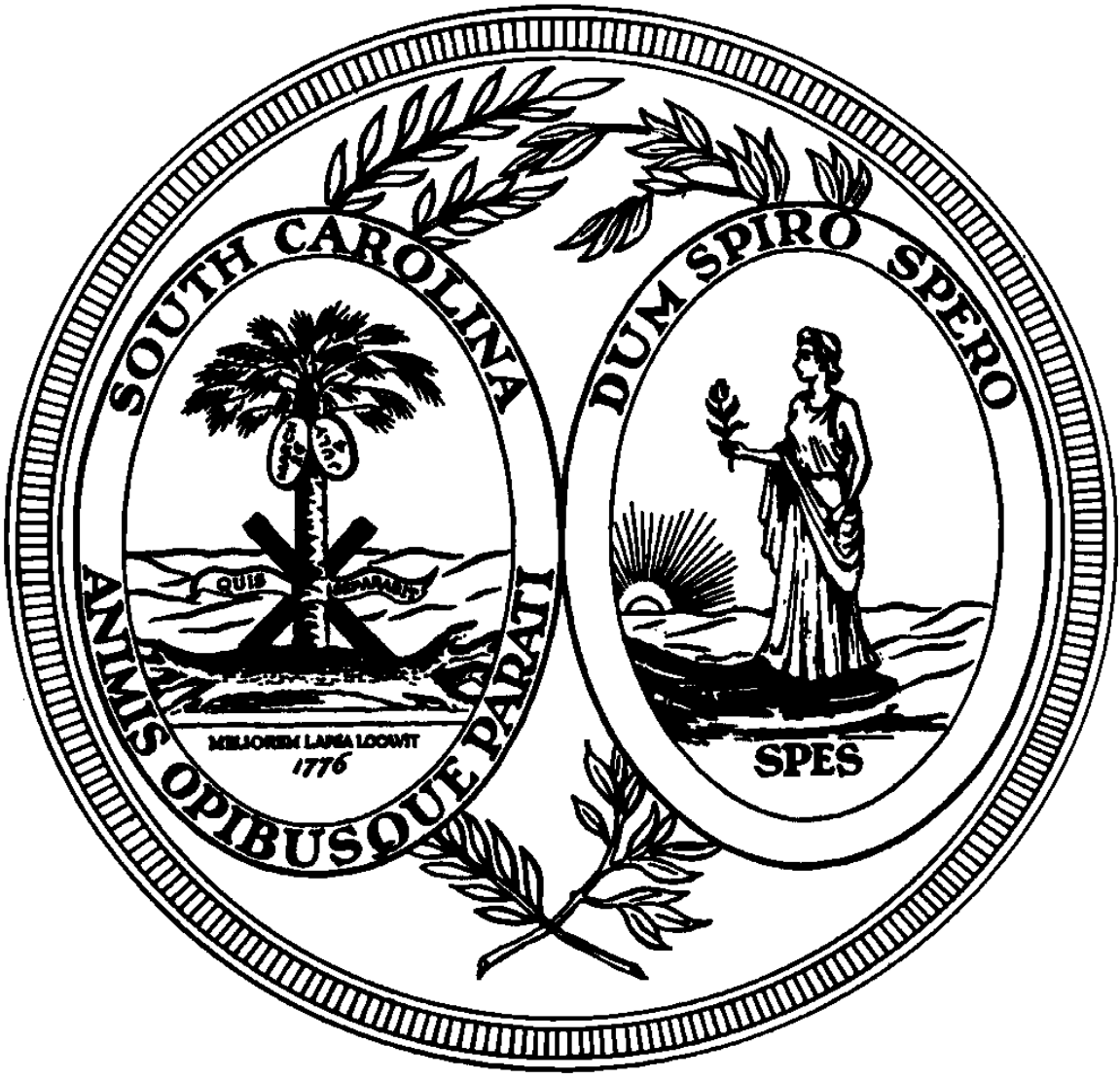
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# *Statistical Section* *(Unaudited)*

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



## Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina’s overall financial health.

### **CONTENTS**

	<u>Page</u>
Financial Trends .....	210
These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.	
Revenue Capacity .....	224
These schedules contain information to help the reader assess the State’s most significant revenue sources, the personal income tax and the retail sales tax.	
Debt Capacity .....	230
These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future.	
Demographic and Economic Information .....	249
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.	
Operating Information .....	254
These schedules contain service and capital asset data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs.	

### **SOURCES**

Unless otherwise noted, the information in these schedules is derived from the State’s Comprehensive Annual Financial Report for the relevant fiscal year.

## Net Assets by Component

Last Ten Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2002	2003	2004	2005
<b>Governmental activities</b>				
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)
<b>Total governmental activities net assets.....</b>	<b><u>\$ 9,050,805</u></b>	<b><u>\$ 9,359,973</u></b>	<b><u>\$ 10,019,015</u></b>	<b><u>\$ 11,443,065</u></b>
<b>Business-type activities</b>				
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
<b>Total business-type activities net assets.....</b>	<b><u>\$ 3,002,629</u></b>	<b><u>\$ 3,053,079</u></b>	<b><u>\$ 3,152,546</u></b>	<b><u>\$ 3,370,928</u></b>
<b>Primary government</b>				
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
<b>Total primary government net assets.....</b>	<b><u>\$ 12,053,434</u></b>	<b><u>\$ 12,413,052</u></b>	<b><u>\$ 13,171,561</u></b>	<b><u>\$ 14,813,993</u></b>

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

Source: South Carolina Comptroller General's Office

## Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 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
<b><u>\$ 12,920,709</u></b>	<b><u>\$ 13,830,073</u></b>	<b><u>\$ 13,687,708</u></b>	<b><u>\$ 13,465,390</u></b>	<b><u>\$ 13,797,652</u></b>	<b><u>\$ 14,799,285</u></b>
\$ 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
442,758	594,033	646,266	399,730	322,575	707,961
<b><u>\$ 3,669,177</u></b>	<b><u>\$ 4,134,363</u></b>	<b><u>\$ 4,343,400</u></b>	<b><u>\$ 3,952,311</u></b>	<b><u>\$ 4,087,579</u></b>	<b><u>\$ 4,779,723</u></b>
\$ 11,359,308	\$ 11,862,259	\$ 12,359,796	\$ 12,705,540	\$ 13,506,318	\$ 13,395,147
4,342,458	4,904,641	4,978,861	4,474,377	4,428,099	4,716,694
888,120	1,197,536	692,451	237,784	(49,186)	1,467,167
<b><u>\$ 16,589,886</u></b>	<b><u>\$ 17,964,436</u></b>	<b><u>\$ 18,031,108</u></b>	<b><u>\$ 17,417,701</u></b>	<b><u>\$ 17,885,231</u></b>	<b><u>\$ 19,579,008</u></b>

## Changes in Net Assets

### Last Ten Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2002	2003	2004	2005
<b>Expenses</b>				
<b>Governmental activities:</b>				
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 <sup>a</sup> .....	3,807,548	3,686,361	3,813,383	3,848,454
Unallocated interest expense.....	71,883	76,130	67,614	67,705
<b>Total governmental activities expenses.....</b>	<b>12,491,769</b>	<b>12,797,569</b>	<b>13,579,415</b>	<b>14,173,069</b>
<b>Business-type activities:</b>				
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
<b>Total business-type activities expenses.....</b>	<b>3,826,320</b>	<b>4,021,484</b>	<b>4,048,406</b>	<b>4,148,230</b>
<b>Total primary government expenses.....</b>	<b>16,318,089</b>	<b>16,819,053</b>	<b>17,627,821</b>	<b>18,321,299</b>

## Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 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
<b><u>14,882,156</u></b>	<b><u>15,795,899</u></b>	<b><u>17,673,068</u></b>	<b><u>17,986,381</u></b>	<b><u>19,103,613</u></b>	<b><u>19,214,007</u></b>
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
<b><u>4,454,331</u></b>	<b><u>4,764,600</u></b>	<b><u>5,272,704</u></b>	<b><u>6,207,132</u></b>	<b><u>7,114,354</u></b>	<b><u>7,514,653</u></b>
<b><u>19,336,487</u></b>	<b><u>20,560,499</u></b>	<b><u>22,945,772</u></b>	<b><u>24,193,513</u></b>	<b><u>26,217,967</u></b>	<b><u>26,728,660</u></b>

Continued on Next Page

## Changes in Net Assets (Continued)

Last Ten Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2002	2003	2004	2005
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
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
<b>Total governmental activities program revenues.....</b>	<b>6,732,033</b>	<b>7,156,031</b>	<b>7,840,954</b>	<b>8,519,429</b>
<b>Business-type activities:</b>				
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
<b>Total business-type activities program revenues.....</b>	<b>2,955,810</b>	<b>3,290,056</b>	<b>3,480,131</b>	<b>3,648,656</b>
<b>Total primary government activities program revenues.....</b>	<b>9,687,843</b>	<b>10,446,087</b>	<b>11,321,085</b>	<b>12,168,085</b>
<b>Net Expenses</b>				
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)
<b>Total primary government net expense.....</b>	<b>(6,630,246)</b>	<b>(6,372,966)</b>	<b>(6,306,736)</b>	<b>(6,153,214)</b>



## Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 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
<u>621,512</u>	<u>503,633</u>	<u>333,255</u>	<u>382,979</u>	<u>570,743</u>	<u>615,292</u>
<b><u>8,398,595</u></b>	<b><u>8,423,544</u></b>	<b><u>8,807,840</u></b>	<b><u>9,546,448</u></b>	<b><u>11,202,278</u></b>	<b><u>11,196,912</u></b>
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
<u>74,224</u>	<u>86,807</u>	<u>47,226</u>	<u>52,809</u>	<u>100,884</u>	<u>96,366</u>
<b><u>3,968,373</u></b>	<b><u>4,278,765</u></b>	<b><u>4,447,350</u></b>	<b><u>5,098,137</u></b>	<b><u>6,564,823</u></b>	<b><u>7,587,771</u></b>
<b><u>12,366,968</u></b>	<b><u>12,702,309</u></b>	<b><u>13,255,190</u></b>	<b><u>14,644,585</u></b>	<b><u>17,767,101</u></b>	<b><u>18,784,683</u></b>
(6,483,561)	(7,372,355)	(8,865,228)	(8,439,933)	(7,901,335)	(8,017,095)
<u>(485,958)</u>	<u>(485,835)</u>	<u>(825,354)</u>	<u>(1,108,995)</u>	<u>(549,531)</u>	<u>73,118</u>
<b><u>(6,969,519)</u></b>	<b><u>(7,858,190)</u></b>	<b><u>(9,690,582)</u></b>	<b><u>(9,548,928)</u></b>	<b><u>(8,450,866)</u></b>	<b><u>(7,943,977)</u></b>

Continued on Next Page

## Changes in Net Assets (Continued)

Last Ten Fiscal Years

(Accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2002	2003	2004	2005
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Taxes:				
Individual income tax.....	\$ 2,357,050	\$ 2,282,464	\$ 2,416,437	\$ 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)
<b>Total governmental activities.....</b>	<b>5,830,449</b>	<b>5,907,550</b>	<b>6,397,503</b>	<b>6,942,807</b>
<b>Business-type activities:</b>				
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
<b>Total business-type activities.....</b>	<b>855,275</b>	<b>781,878</b>	<b>667,742</b>	<b>713,682</b>
<b>Total primary government.....</b>	<b>6,685,724</b>	<b>6,689,428</b>	<b>7,065,245</b>	<b>7,656,489</b>
<b>Change in Net Assets</b>				
Governmental activities.....	70,713	266,012	659,042	1,289,167
Business-type activities.....	(15,235)	50,450	99,467	214,108
<b>Total primary government.....</b>	<b>\$ 55,478</b>	<b>\$ 316,462</b>	<b>\$ 758,509</b>	<b>\$ 1,503,275</b>

<sup>a</sup> Beginning with the fiscal year ended June 30, 2006, intergovernmental expenses are no longer reported as a function in the government-wide statements.

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

Source: South Carolina Comptroller General's Office

## Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 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	—	—	—
<u>(784,746)</u>	<u>(951,021)</u>	<u>(1,015,273)</u>	<u>(685,972)</u>	<u>(653,389)</u>	<u>(546,892)</u>
<b><u>7,961,205</u></b>	<b><u>8,281,719</u></b>	<b><u>8,722,863</u></b>	<b><u>8,217,615</u></b>	<b><u>8,227,176</u></b>	<b><u>9,018,728</u></b>
—	—	—	—	—	35,189
—	—	19,118	31,934	30,480	36,945
(539)	—	—	—	—	—
<u>784,746</u>	<u>951,021</u>	<u>1,015,273</u>	<u>685,972</u>	<u>653,389</u>	<u>546,892</u>
<b><u>784,207</u></b>	<b><u>951,021</u></b>	<b><u>1,034,391</u></b>	<b><u>717,906</u></b>	<b><u>683,869</u></b>	<b><u>619,026</u></b>
<b><u>8,745,412</u></b>	<b><u>9,232,740</u></b>	<b><u>9,757,254</u></b>	<b><u>8,935,521</u></b>	<b><u>8,911,045</u></b>	<b><u>9,637,754</u></b>
1,477,644	909,364	(142,365)	(222,318)	325,841	1,001,633
<u>298,249</u>	<u>465,186</u>	<u>209,037</u>	<u>(391,089)</u>	<u>134,338</u>	<u>692,144</u>
<b><u>\$ 1,775,893</u></b>	<b><u>\$ 1,374,550</u></b>	<b><u>\$ 66,672</u></b>	<b><u>\$ (613,407)</u></b>	<b><u>\$ 460,179</u></b>	<b><u>\$ 1,693,777</u></b>

## Fund Balances

### GOVERNMENTAL FUNDS

#### Last Ten Fiscal Years

(Modified accrual basis of accounting, expressed in thousands)

	For the Fiscal Year			
	2002	2003	2004	2005
<b>General Fund</b>				
Reserved <sup>1</sup> .....	\$ 67,611	\$ 57,982	\$ 90,605	\$ 142,662
Non-spendable.....	a	a	a	a
Restricted.....	a	a	a	a
Committed.....	a	a	a	a
Assigned.....	a	a	a	a
Unassigned, previously unreserved.....	<u>(207,562)</u>	<u>(204,352)</u>	<u>(97,632)</u>	<u>345,437</u>
<b>Total General Fund.....</b>	<b><u>(139,951)</u></b>	<b><u>(146,370)</u></b>	<b><u>(7,027)</u></b>	<b><u>488,099</u></b>
<b>All other governmental funds</b>				
Reserved <sup>1</sup> .....	1,521,120	1,644,870	1,902,990	1,942,261
Non-spendable.....	a	a	a	a
Restricted.....	a	a	a	a
Committed.....	a	a	a	a
Assigned.....	a	a	a	a
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.....	<u>579</u>	<u>839</u>	<u>970</u>	<u>983</u>
Unassigned, previously unreserved.....	<u>1,548,150</u>	<u>1,188,440</u>	<u>1,140,988</u>	<u>1,409,276</u>
<b>Total all other governmental funds.....</b>	<b><u>3,069,270</u></b>	<b><u>2,833,310</u></b>	<b><u>3,043,978</u></b>	<b><u>3,351,537</u></b>
<b>Total fund balances, governmental funds.....</b>	<b><u>\$ 2,929,319</u></b>	<b><u>\$ 2,686,940</u></b>	<b><u>\$ 3,036,951</u></b>	<b><u>\$ 3,839,636</u></b>

Note: Certain fiscal year data has been restated for consistency.  
Balances were not restated for GASB 54 effects in this presentation.

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

<sup>a</sup> Information detailed in presentation changed in fiscal 2010-2011 with the implementation of GASB 54.

Source: South Carolina Comptroller General's Office

## Ended June 30

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

## Changes in Fund Balances

### GOVERNMENTAL FUNDS

#### Last Ten Fiscal Years

(Modified accrual basis of accounting, dollars in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Revenues</b>			
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
<b>Total revenues.....</b>	<b><u>12,537,177</u></b>	<b><u>13,300,672</u></b>	<b><u>14,407,486</u></b>
<b>Expenditures</b>			
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
<b>Total expenditures.....</b>	<b><u>12,827,839</u></b>	<b><u>13,295,438</u></b>	<b><u>13,920,206</u></b>

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$ 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	—	—	—	—	—
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
<b>15,588,763</b>	<b>16,522,377</b>	<b>16,811,718</b>	<b>17,742,959</b>	<b>17,689,337</b>	<b>18,602,630</b>	<b>19,502,119</b>
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
<b>14,596,909</b>	<b>15,312,377</b>	<b>15,704,513</b>	<b>17,786,545</b>	<b>17,719,090</b>	<b>18,573,932</b>	<b>18,760,300</b>

Continued on Next Page

## Changes in Fund Balances

GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

(Modified accrual basis of accounting, dollars in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Excess of revenues over (under) expenditures.....</b>	<b>\$ (290,662)</b>	<b>\$ 5,234</b>	<b>\$ 487,280</b>
<b>Other financing sources (uses)</b>			
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.....	—	—	—
Transfers in.....	348,088	408,663	552,574
Transfers out.....	(1,207,429)	(1,160,730)	(1,206,111)
<b>Total other financing sources (uses).....</b>	<b>(199,233)</b>	<b>(247,613)</b>	<b>(174,154)</b>
<b>Net change in fund balances.....</b>	<b>\$ (489,895)</b>	<b>\$ (242,379)</b>	<b>\$ 313,126</b>
<b>Debt service as a percentage of noncapital expenditures.....</b>	<b>3.5%</b>	<b>3.7%</b>	<b>3.5%</b>

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

Source: South Carolina Comptroller General's Office



<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>\$ 991,854</b>	<b>\$ 1,210,000</b>	<b>\$ 1,107,205</b>	<b>\$ (43,586)</b>	<b>\$ (29,753)</b>	<b>\$ 28,698</b>	<b>\$ 741,819</b>
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
<u>(915,263)</u>	<u>(1,270,574)</u>	<u>(1,410,006)</u>	<u>(2,111,109)</u>	<u>(1,443,304)</u>	<u>(1,383,899)</u>	<u>(849,777)</u>
<b><u>(248,196)</u></b>	<b><u>(489,984)</u></b>	<b><u>(725,147)</u></b>	<b><u>(994,233)</u></b>	<b><u>(587,776)</u></b>	<b><u>91,451</u></b>	<b><u>(337,222)</u></b>
<b><u>\$ 743,658</u></b>	<b><u>\$ 720,016</u></b>	<b><u>\$ 382,058</u></b>	<b><u>\$(1,037,819)</u></b>	<b><u>\$ (617,529)</u></b>	<b><u>\$ 120,149</u></b>	<b><u>\$ 404,597</u></b>
<b>3.6%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>6.5%</b>	<b>3.3%</b>	<b>5.1%</b>	<b>2.9%</b>

## 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 <sup>a</sup> .....	27,349	28,059	27,739	29,966
<b>Total personal income.....</b>	<b>\$ 104,215</b>	<b>\$ 107,002</b>	<b>\$ 110,660</b>	<b>\$ 117,248</b>
<b>Average effective rate <sup>b</sup> .....</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>

<sup>a</sup> Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

<sup>b</sup> The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

<sup>c</sup> Information not yet available.

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

Calendar Year					
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
<u>32,537</u>	<u>36,715</u>	<u>40,750</u>	<u>45,258</u>	<u>47,782</u>	<u>48,049</u>
<b><u>\$ 124,392</u></b>	<b><u>\$ 134,197</u></b>	<b><u>\$ 142,050</u></b>	<b><u>\$ 148,370</u></b>	<b><u>\$ 147,501</u></b>	<b><u>\$ 150,496</u></b>
2.2%	2.2%	2.1%	1.9%	1.8%	c

## Taxable Sales by Industry

Last Ten Fiscal Years  
(Expressed in millions)

Sources	For the Fiscal Year E			
	2002	2003	2004	2005
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
Other.....	843	863	1,073	1,390
<b>Total taxable sales.....</b>	<b>\$ 45,477</b>	<b>\$ 46,405</b>	<b>\$ 50,747</b>	<b>\$ 54,618</b>

## Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year E			
	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%
<b>Total taxable sales.....</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Sales tax rate<sup>a</sup>.....</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>

<sup>a</sup> Excludes the 2% accommodations tax and the local option sales tax; includes the 4% retail sales tax (5% beginning June 1, 2007) and 1% Education Improvement Act sales tax.

<sup>b</sup> Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

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>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011<sup>b</sup></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
<b>\$ 59,359</b>	<b>\$ 62,584</b>	<b>\$ 59,661</b>	<b>\$ 52,668</b>	<b>\$ 51,125</b>	<b>\$ 51,382</b>

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
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%
<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>5.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>

## Personal Income Tax Rates

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets		Average Effective Rate <sup>a</sup>
			Low	High	
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	—	—	<sup>b</sup>

<sup>a</sup> The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

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

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

## Personal Income Tax Filers and Liability by Income Level

Calendar Years 2009 and 2000

(Dollars, except Income Level, expressed in thousands)

2009 <sup>a</sup>				
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	<u>1,128,632</u>	<u>55.5%</u>	<u>65,651</u>	<u>2.5%</u>
<b>Total</b>	<b><u>2,035,603</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 2,629,908</u></b>	<b><u>100.0%</u></b>

2000				
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	<u>950,247</u>	<u>52.4%</u>	<u>b</u>	<u>b</u>
<b>Total</b>	<b><u>1,814,347</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 2,147,962</u></b>	<b><u>99.9%</u></b>

<sup>a</sup> Information for 2010 not yet available.

<sup>b</sup> No liability was reported for taxpayers at this level in this year.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Dollars in thousands unless otherwise indicated)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental Activities</b>				
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.....	<u>4,343,275</u>	<u>4,637,234</u>	<u>4,897,651</u>	<u>5,122,631</u>
<b>Business-Type Activities</b>				
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.....	<u>1,798,302</u>	<u>1,959,151</u>	<u>2,091,739</u>	<u>2,828,435</u>
<b>Total primary government.....</b>	<b><u>\$ 6,141,577</u></b>	<b><u>\$ 6,596,385</u></b>	<b><u>\$ 6,989,390</u></b>	<b><u>\$ 7,951,066</u></b>
<b>Debt as a percentage of personal income.....</b>	5.7%	6.0%	6.0%	6.4%
<b>Debt per capita expressed in actual dollars.....</b>	\$ 1,497	\$ 1,591	\$ 1,664	\$ 1,868

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

Source: South Carolina Comptroller General's Office



## For the Fiscal Year Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 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
<u>5,180,100</u>	<u>5,216,183</u>	<u>4,454,467</u>	<u>4,205,389</u>	<u>4,223,118</u>	<u>4,041,324</u>
249,514	356,795	351,481	354,252	387,464	484,500
—	—	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
—	—	—	—	—	—
<u>44,987</u>	<u>46,069</u>	<u>48,048</u>	<u>87,224</u>	<u>106,468</u>	<u>104,369</u>
<u>3,083,382</u>	<u>3,369,865</u>	<u>3,699,179</u>	<u>4,114,720</u>	<u>4,597,139</u>	<u>3,882,233</u>
<b><u>\$ 8,263,482</u></b>	<b><u>\$ 8,586,048</u></b>	<b><u>\$ 8,153,646</u></b>	<b><u>\$ 8,320,109</u></b>	<b><u>\$ 8,820,257</u></b>	<b><u>\$ 7,923,557</u></b>
6.2%	6.0%	5.5%	5.6%	5.9%	a
\$ 1,904	\$ 1,941	\$ 1,811	\$ 1,824	\$ 1,907	a

## Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Dollars in thousands unless otherwise indicated)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental Activities</b>				
Capital improvement bonds.....	\$ 931,044	\$ 919,382	\$ 917,949	\$ 801,626
State highway bonds.....	651,135	630,730	609,939	725,434
State school facilities bonds.....	621,950	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.....	<u>2,204,129</u>	<u>2,239,207</u>	<u>2,266,261</u>	<u>2,298,253</u>
<b>Business-Type Activities</b>				
State institution bonds.....	<u>134,235</u>	<u>208,968</u>	<u>242,740</u>	<u>230,423</u>
<b>Total primary government.....</b>	<b><u>\$ 2,338,364</u></b>	<b><u>\$ 2,448,175</u></b>	<b><u>\$ 2,509,001</u></b>	<b><u>\$ 2,528,676</u></b>
<b>Debt as a percentage of personal income.....</b>	2.2%	2.2%	2.1%	2.0%
<b>Debt per capita expressed in actual dollars.....</b>	\$ 570	\$ 590	\$ 597	\$ 594

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

Source: South Carolina Comptroller General's Office

For the Fiscal Year Ended June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 693,815	\$ 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
<u>2,405,119</u>	<u>2,214,865</u>	<u>2,016,952</u>	<u>1,857,510</u>	<u>1,950,048</u>	<u>1,756,397</u>
<u>249,514</u>	<u>356,795</u>	<u>351,481</u>	<u>354,252</u>	<u>387,464</u>	<u>484,500</u>
<b><u>\$ 2,654,633</u></b>	<b><u>\$ 2,571,660</u></b>	<b><u>\$ 2,368,433</u></b>	<b><u>\$ 2,211,762</u></b>	<b><u>\$ 2,337,512</u></b>	<b><u>\$ 2,240,897</u></b>
2.0%	1.8%	1.6%	1.5%	1.6%	a
\$ 612	\$ 581	\$ 526	\$ 485	\$ 505	a

# 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

<u>Institution</u>	<u>Prior Year Revenues</u>	<u>90% Computation</u>	<u>Maximum Debt Service</u>	<u>Margin</u>
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 <sup>a</sup> .....	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 <sup>d</sup> .....	1,850	1,665	2,553	(888)
<b>Totals.....</b>	<b>\$ 98,358</b>	<b>\$ 88,523</b>	<b>\$ 46,802</b>	<b>\$ 41,721</b>

## 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.....	<u>624,858</u>
15% of 2009-2010 revenues pledged for highway bonds.....	93,729
Less: maximum annual debt service for highway bonds <sup>c</sup> .....	<u>58,831</u>
<b>Legal debt service margin at June 30, 2011--highway bonds.....</b>	<b><u>\$ 34,898</u></b>

# Computation of Legal Debt Margin (Continued)

June 30, 2011

(Expressed in Thousands)

## GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)<sup>f</sup>

2009-2010 Budgetary General Fund revenues .....	\$ 5,241,896
Less: 2009-2010 Budgetary General Fund revenues pledged for highway bonds <sup>d</sup> .....	<u>12,362</u>
2009-2010 net Budgetary General Fund revenues.....	<u>5,229,534</u>
6% of 2009-2010 net Budgetary General Fund revenues.....	313,772
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes <sup>c</sup> .....	<u>183,438</u>
<b>Legal debt service margin at June 30, 2011--general obligation bonds excluding institution and highway bonds and bond anticipation notes.....</b>	<b><u>\$ 130,334</u></b>

## ECONOMIC DEVELOPMENT BONDS<sup>g</sup>

2009-2010 Budgetary General Fund revenues .....	\$ 5,241,896
Less: 2009-2010 Budgetary General Fund revenues pledged for highway bonds <sup>d</sup> .....	<u>12,362</u>
2009-2010 net Budgetary General Fund revenues.....	<u>5,229,534</u>
0.5% of 2009-2010 net Budgetary General Fund revenues.....	26,148
Less: maximum annual debt service for economic development bonds <sup>e</sup> .....	<u>24,655</u>
<b>Legal debt service margin at June 30, 2011--economic development bonds.....</b>	<b><u>\$ 1,493</u></b>

## RESEARCH UNIVERSITY INFRASTRUCTURE BONDS

2009-2010 Budgetary General Fund revenues .....	\$ 5,241,896
Less: 2009-2010 Budgetary General Fund revenues pledged for highway bonds <sup>d</sup> .....	<u>12,362</u>
2009-2010 net Budgetary General Fund revenues.....	<u>5,229,534</u>
0.5% of 2009-2010 net Budgetary General Fund revenues.....	26,148
Less: maximum annual debt service for research university infrastructure bonds <sup>c</sup> .....	<u>20,820</u>
<b>Legal debt service margin at June 30, 2011--research university infrastructure bonds.....</b>	<b><u>\$ 5,328</u></b>

<sup>a</sup> South Carolina State University exceeded its legal debt service limit on its State institution bonds by approximately \$25 thousand at June 30, 2011. The University will adjust tuition fees in subsequent years to cover the debt requirement.

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

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

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

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

<sup>f</sup> During the fiscal year ended June 30, 2010, the State issued \$50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than \$50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

<sup>g</sup> 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.

Source: South Carolina Comptroller General's Office

## Legal Debt Margin Information

Last Ten Fiscal Years  
(Dollars in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b><u>State Institution Bonds</u></b>			
<b>The Citadel</b>			
Debt service limitation.....	\$ 475	\$ 505	\$ 503
Debt service applicable to limit.....	461	460	460
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 14</u></b>	<b><u>\$ 45</u></b>	<b><u>\$ 43</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>2.9%</b>	<b>8.9%</b>	<b>8.5%</b>
<b>Clemson University</b>			
Debt service limitation.....	\$ 3,893	\$ 4,359	\$ 6,188
Debt service applicable to limit.....	1,542	4,046	4,800
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 2,351</u></b>	<b><u>\$ 313</u></b>	<b><u>\$ 1,388</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>60.4%</b>	<b>7.2%</b>	<b>22.4%</b>
<b>Coastal Carolina University</b>			
Debt service limitation.....	\$ —	\$ 757	\$ 778
Debt service applicable to limit.....	—	696	696
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 61</u></b>	<b><u>\$ 82</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>8.1%</b>	<b>10.5%</b>
<b>College of Charleston</b>			
Debt service limitation.....	\$ —	\$ 2,250	\$ 3,776
Debt service applicable to limit.....	—	573	573
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 1,677</u></b>	<b><u>\$ 3,203</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>74.5%</b>	<b>84.8%</b>
<b>Francis Marion University</b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	—	—	—
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Lander University</b>			
Debt service limitation.....	\$ —	\$ —	\$ 10,771
Debt service applicable to limit.....	—	—	788
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 9,983</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>92.7%</b>

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

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## Legal Debt Margin Information (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b><u>State Institution Bonds</u></b>			
<b>Medical University of South Carolina</b>			
Debt service limitation.....	\$ 5,064	\$ 5,894	\$ 6,098
Debt service applicable to limit.....	<u>4,300</u>	<u>4,938</u>	<u>5,776</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 764</u></b>	<b><u>\$ 956</u></b>	<b><u>\$ 322</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>15.1%</b>	<b>16.2%</b>	<b>5.3%</b>
<b>South Carolina State University</b>			
Debt service limitation.....	\$ —	\$ 611	\$ 610
Debt service applicable to limit.....	<u>—</u>	<u>318</u>	<u>318</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 293</u></b>	<b><u>\$ 292</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>48.0%</b>	<b>47.9%</b>
<b>University of South Carolina</b>			
Debt service limitation.....	\$ 7,651	\$ 8,794	\$ 9,009
Debt service applicable to limit.....	<u>6,987</u>	<u>6,522</u>	<u>7,054</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 664</u></b>	<b><u>\$ 2,272</u></b>	<b><u>\$ 1,955</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>8.7%</b>	<b>25.8%</b>	<b>21.7%</b>
<b>Winthrop University</b>			
Debt service limitation.....	\$ 798	\$ 1,071	\$ 1,399
Debt service applicable to limit.....	<u>665</u>	<u>910</u>	<u>1,318</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 133</u></b>	<b><u>\$ 161</u></b>	<b><u>\$ 81</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>16.7%</b>	<b>15.0%</b>	<b>5.8%</b>
<b>Central Carolina Technical College</b>			
Debt service limitation.....	\$ 243	\$ 655	\$ 763
Debt service applicable to limit.....	<u>202</u>	<u>202</u>	<u>202</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 41</u></b>	<b><u>\$ 453</u></b>	<b><u>\$ 561</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>16.9%</b>	<b>69.2%</b>	<b>73.5%</b>
<b>Greenville Technical College</b>			
Debt service limitation.....	\$ 161	\$ —	\$ —
Debt service applicable to limit.....	<u>106</u>	<u>—</u>	<u>—</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 55</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>34.2%</b>	<b>—</b>	<b>—</b>



<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,480	\$ 7,560	\$ 7,560	\$ 7,560	\$ 7,560	\$ 7,751	\$ 9,590
<u>5,747</u>	<u>5,657</u>	<u>5,128</u>	<u>5,128</u>	<u>5,107</u>	<u>5,073</u>	<u>6,271</u>
<b>\$ 733</b>	<b>\$ 1,903</b>	<b>\$ 2,432</b>	<b>\$ 2,432</b>	<b>\$ 2,453</b>	<b>\$ 2,678</b>	<b>\$ 3,319</b>
11.3%	25.2%	32.2%	32.2%	32.4%	34.6%	34.6%
\$ 656	\$ 963	\$ 940	\$ 2,201	\$ 2,491	\$ 2,075	\$ 2,690
<u>318</u>	<u>318</u>	<u>2,731</u>	<u>2,731</u>	<u>2,724</u>	<u>2,719</u>	<u>2,715</u>
<b>\$ 338</b>	<b>\$ 645</b>	<b>\$ (1,791)</b>	<b>\$ (530)</b>	<b>\$ (233)</b>	<b>\$ (644)</b>	<b>\$ (25)</b>
51.5%	67.0%	-190.5%	-24.1%	-9.4%	-31.0%	-0.9%
\$ 10,316	\$ 12,704	\$ 14,136	\$ 16,726	\$ 17,209	\$ 19,519	\$ 20,767
<u>7,054</u>	<u>7,054</u>	<u>11,287</u>	<u>11,287</u>	<u>11,946</u>	<u>11,946</u>	<u>13,685</u>
<b>\$ 3,262</b>	<b>\$ 5,650</b>	<b>\$ 2,849</b>	<b>\$ 5,439</b>	<b>\$ 5,263</b>	<b>\$ 7,573</b>	<b>\$ 7,082</b>
31.6%	44.5%	20.2%	32.5%	30.6%	38.8%	34.1%
\$ 2,969	\$ 4,244	\$ 5,074	\$ 5,432	\$ 5,701	\$ 5,817	\$ 5,730
<u>1,318</u>	<u>3,077</u>	<u>3,059</u>	<u>3,879</u>	<u>4,873</u>	<u>4,873</u>	<u>4,873</u>
<b>\$ 1,651</b>	<b>\$ 1,167</b>	<b>\$ 2,015</b>	<b>\$ 1,553</b>	<b>\$ 828</b>	<b>\$ 944</b>	<b>\$ 857</b>
55.6%	27.5%	39.7%	28.6%	14.5%	16.2%	15.0%
\$ 743	\$ 759	\$ 689	\$ 689	\$ 780	\$ —	\$ —
<u>202</u>	<u>202</u>	<u>202</u>	<u>200</u>	<u>200</u>	<u>—</u>	<u>—</u>
<b>\$ 541</b>	<b>\$ 557</b>	<b>\$ 487</b>	<b>\$ 489</b>	<b>\$ 580</b>	<b>\$ —</b>	<b>\$ —</b>
72.8%	73.4%	70.7%	71.0%	74.4%	—	—
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
—	—	—	—	—	—	—

Continued on Next Page

## Legal Debt Margin Information (Continued)

Last Ten Fiscal Years  
(Dollars in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b><u>State Institution Bonds</u></b>			
<b>Midlands Technical College</b>			
Debt service limitation.....	\$ 900	\$ 1,019	\$ 1,019
Debt service applicable to limit.....	<u>832</u>	<u>827</u>	<u>827</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 68</u></b>	<b><u>\$ 192</u></b>	<b><u>\$ 192</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>7.6%</b>	<b>18.8%</b>	<b>18.8%</b>
<b>Tri-County Technical College</b>			
Debt service limitation.....	\$ 934	\$ 968	\$ 1,358
Debt service applicable to limit.....	<u>735</u>	<u>735</u>	<u>735</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 199</u></b>	<b><u>\$ 233</u></b>	<b><u>\$ 623</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>21.3%</b>	<b>24.1%</b>	<b>45.9%</b>
<b><u>State Highway Bonds</u></b>			
Debt service limitation.....	\$ 80,208	\$ 82,238	\$ 83,574
Debt service applicable to limit.....	<u>60,283</u>	<u>60,226</u>	<u>60,412</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 19,925</u></b>	<b><u>\$ 22,012</u></b>	<b><u>\$ 23,162</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>24.8%</b>	<b>26.8%</b>	<b>27.7%</b>
<b><u>General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes</u></b>			
Debt service limitation.....	\$ 251,161	\$ 243,631	\$ 270,334
Debt service applicable to limit.....	<u>221,644</u>	<u>218,653</u>	<u>233,275</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ 29,517</u></b>	<b><u>\$ 24,978</u></b>	<b><u>\$ 37,059</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>11.8%</b>	<b>10.3%</b>	<b>13.7%</b>
<b><u>Economic Development Bonds</u></b>			
Debt service limitation.....	\$ —	\$ —	\$ 24,576
Debt service applicable to limit.....	<u>—</u>	<u>—</u>	<u>2,198</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 22,378</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>91.1%</b>
<b><u>Research University Infrastructure Bonds</u></b>			
Debt service limitation.....	\$ —	\$ —	\$ —
Debt service applicable to limit.....	<u>—</u>	<u>—</u>	<u>—</u>
<b>Legal debt margin at June 30.....</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Legal debt margin as a percentage of debt service limitation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>

Source: South Carolina Comptroller General's Office

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

## Pledged Revenue Coverage

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>Budget and Control Board—Revenue Bonds</b>					
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
<b>The Citadel—Revenue Bonds</b>					
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
2011	6,163	1,885	993	2,878	2.14
<b>The Citadel—Athletic Facilities Revenue Bonds</b>					
2004	\$ 2,823	\$ 154	\$ 133	\$ 287	9.84
2005	2,897	162	126	288	10.06
2006	3,456	670	357	1,027	3.37
2007	3,833	690	708	1,398	2.74
2008	4,201	719	1,001	1,720	2.44
2009	5,886	1,255	1,308	2,563	2.30
2010	6,132	1,495	1,242	2,737	2.24
2011	6,738	754	1,161	1,915	3.52
<b>Clemson University—Plant Improvement Bonds</b>					
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
<b>Clemson University—Athletic Facilities Revenue Bonds</b>					
2003	\$ 4,299	\$ 985	\$ 871	\$ 1,856	2.32
2004	3,726	1,040	1,105	2,145	1.74
2005	3,761	1,095	1,059	2,154	1.75
2006	5,875	1,155	1,404	2,559	2.30
2007	10,531	1,220	1,635	2,855	3.69
2008	8,747	1,490	1,585	3,075	2.84

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>Clemson University—Athletic Facilities Revenue Bonds (Continued)</b>					
2009	6,392	1,565	1,524	3,089	2.07
2010	3,584	1,640	1,460	3,100	1.16
2011	4,090	1,725	1,392	3,117	1.31
<b>Clemson University—Revenue Bonds</b>					
2002	\$ 10,760	\$ 2,445	\$ 2,290	\$ 4,735	2.27
2003	12,141	2,435	2,157	4,592	2.64
2004	11,865	2,555	3,048	5,603	2.12
2005	13,170	2,605	3,126	5,731	2.30
2006	13,149	3,505	3,233	6,738	1.95
2007	14,761	4,000	3,204	7,204	2.05
2008	16,130	4,185	3,016	7,201	2.24
2009	14,569	4,385	2,816	7,201	2.02
2010	17,557	4,590	2,293	6,883	2.55
2011	17,306	4,810	1,875	6,685	2.59
<b>Coastal Carolina University—Revenue Bonds</b>					
2002	\$ 3,352	\$ 675	\$ 1,520	\$ 2,195	1.53
2003	3,159	710	1,485	2,195	1.44
2004	2,832	640	1,445	2,085	1.36
2005	2,798	790	1,323	2,113	1.32
2006	6,184	825	1,272	2,097	2.95
2007	10,624	1,190	907	2,097	5.07
2008	8,383	970	1,076	2,046	4.10
2009	10,605	1,010	1,032	2,042	5.19
2010	6,243	1,060	985	2,045	3.05
2011	4,192	1,105	941	2,046	2.05
<b>College of Charleston—Revenue Bonds</b>					
2002	\$ 2,959	\$ 1,410	\$ 1,005	\$ 2,415	1.23
2003	4,177	1,160	2,147	3,307	1.26
2004	8,913	2,050	2,748	4,798	1.86
2005	13,522	2,815	4,193	7,008	1.93
2006	14,492	3,070	4,085	7,155	2.03
2007	17,683	3,180	4,008	7,188	2.46
2008	15,839	4,400	7,448	11,848	1.34
2009	19,594	5,015	8,134	13,149	1.49
2010	22,798	5,215	7,974	13,189	1.73
2011	25,375	5,415	7,763	13,178	1.93
<b>Infrastructure Bank Bonds</b>					
2005	\$ 147,206	\$ 27,855	\$ 89,313	\$ 117,168	1.26
2006	166,443	37,940	93,409	131,349	1.27
2007	195,754	41,070	90,284	131,354	1.49
2008	194,969	44,355	103,541	147,896	1.32
2009	207,747	40,750	99,446	140,196	1.48
2010	213,689	46,275	99,624	145,899	1.46
2011	246,542	48,418	96,606	145,024	1.70

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>Lander University—2002 Higher Education Facilities Revenue Bonds</b>					
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
<b>South Carolina State University—Revenue Bonds</b>					
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
<b>Spartanburg Technical College—1999 Special Student Fee Capital Improvement Bonds</b>					
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
<b>Spartanburg Technical College—2001 Special Student Fee Capital Improvement Bonds</b>					
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 June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>Spartanburg Technical College—2004 Special Student Fee Capital Improvement Bonds</b>					
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
<b>Spartanburg Technical College—2005 Special Student Fee Capital Improvement Bonds</b>					
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
<b>Tobacco Settlement Revenue Management Authority Bonds</b>					
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
<b>University of South Carolina Aiken Campus—1999 Auxiliary Revenue Bonds</b>					
2002	\$ 389	\$ 175	\$ 214	\$ 389	1.00
2003	387	180	207	387	1.00
2004	389	190	199	389	1.00
2005	392	200	192	392	1.00
2006	389	205	184	389	1.00
2007	390	215	175	390	1.00
2008	391	225	166	391	1.00
2009	391	235	156	391	1.00
2010	391	245	146	391	1.00
2011	390	255	135	390	1.00
<b>University of South Carolina Aiken Campus—2006 Auxiliary Revenue Bonds</b>					
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

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>University of South Carolina Columbia Campus—2000 Auxiliary Revenue Bonds</b>					
2002	\$ 1,470	\$ 305	\$ 1,165	\$ 1,470	1.00
2003	1,469	320	1,149	1,469	1.00
2004	1,473	340	1,133	1,473	1.00
2005	1,470	355	1,115	1,470	1.00
2006	485	375	110	485	1.00
2007	486	395	91	486	1.00
2008	486	415	71	486	1.00
2009	490	440	50	490	1.00
2010	485	460	25	485	1.00
2011	—	—	—	—	—
<b>University of South Carolina Columbia Campus—2003 Parking Facilities Revenue Bonds</b>					
2004	\$ 399	\$ 235	\$ 178	\$ 413	0.97
2005	412	210	202	412	1.00
2006	406	215	191	406	1.00
2007	401	220	181	401	1.00
2008	395	225	170	395	1.00
2009	395	230	165	395	1.00
2010	393	235	158	393	1.00
2011	396	235	158	393	1.01
<b>University of South Carolina Columbia Campus—2004 Auxiliary Revenue Bonds</b>					
2005	\$ 1,838	\$ 725	\$ 1,202	\$ 1,927	0.95
2006	1,919	505	1,414	1,919	1.00
2007	1,919	525	1,394	1,919	1.00
2008	1,923	550	1,373	1,923	1.00
2009	1,924	570	1,354	1,924	1.00
2010	1,930	595	1,335	1,930	1.00
2011	1,940	625	1,315	1,940	1.00
<b>University of South Carolina Columbia Campus—2005 Auxiliary Revenue Bonds</b>					
2006	\$ 669	\$ 185	\$ 484	\$ 669	1.00
2007	744	225	519	744	1.00
2008	743	235	508	743	1.00
2009	745	245	500	745	1.00
2010	746	255	491	746	1.00
2011	747	265	482	747	1.00
<b>University of South Carolina Columbia Campus—2005 Auxiliary Refunding Revenue Bonds</b>					
2006	\$ 2,606	\$ 1,330	\$ 1,566	\$ 2,896	0.90
2007	3,102	1,200	2,035	3,235	0.96
2008	3,461	1,465	1,996	3,461	1.00
2009	3,445	1,500	1,945	3,445	1.00
2010	3,458	1,565	1,893	3,458	1.00
2011	3,943	2,105	1,838	3,943	1.00



Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
<b>University of South Carolina Columbia Campus—2008 Auxiliary Revenue Bonds</b>					
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
<b>University of South Carolina Columbia Campus—2010A Auxiliary Revenue Bonds</b>					
2011	1,793	500	1,293	1,793	1.00
<b>University of South Carolina Spartanburg Campus—1997 Auxiliary Revenue Bonds</b>					
2002	\$ 374	\$ 160	\$ 214	\$ 374	1.00
2003	376	170	206	376	1.00
2004	372	175	197	372	1.00
2005	373	185	188	373	1.00
2006	216	195	21	216	1.00
2007	221	210	11	221	1.00
2008	—	—	—	—	—
2009	—	—	—	—	—
2010	—	—	—	—	—
2011	—	—	—	—	—
<b>University of South Carolina Spartanburg Campus—2009 Auxiliary Revenue Bonds</b>					
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
<b>Winthrop University—Facilities Revenue Bonds</b>					
2002	\$ 266	\$ 58	\$ 31	\$ 89	2.99
2003	883	401	237	638	1.38
2004	944	395	237	632	1.49
2005	2,211	413	219	632	3.50
2006	2,133	637	306	943	2.26
2007	2,882	670	274	944	3.05
2008	2,768	694	245	939	2.95
2009	3,109	729	215	944	3.29
2010	3,218	1,081	444	1,525	2.11
2011	2,576	1,030	454	1,484	1.74
<b>Winthrop University—2001 Athletic Facilities Revenue Bonds</b>					
2002	\$ 458	\$ 120	\$ 67	\$ 187	2.45
2003	486	120	105	225	2.16
2004	501	120	99	219	2.29
2005	498	120	94	214	2.33
2006	490	120	88	208	2.36
2007	496	120	83	203	2.44
2008	489	120	77	197	2.48
2009	492	120	72	192	2.56
2010	492	120	66	186	2.65
2011	482	120	61	181	2.66

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## Pledged Revenue Coverage (Continued)

Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year Ended June 30	Operating Revenues	Loan Payments	Less: Operating Expenses	Net Funds Available for Debt Service	Debt Service Requirements			Coverage Ratio
					Principal	Interest	Total	
<b>Education Assistance Authority</b>								
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
<b>Housing Authority</b>								
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.

Source: South Carolina Comptroller General's Office

## Demographic Statistics

Last Ten Calendar Years

<u>Year</u>	<u>Population at July 1 <sup>a</sup></u>	<u>Per Capita Income <sup>b</sup></u>	<u>Average Annual Unemployment Rate <sup>c</sup></u>
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%

<sup>a</sup> Source: U.S. Census Bureau

<sup>b</sup> Per capita income is calculated by dividing total personal income by population.

<sup>c</sup> Source: U.S. Department of Labor

## Employment by Industry

Latest Completed Calendar Year and Nine Years Prior

Sources	2001		2010	
	Number of Employees	Percent of Total	Number of Employees	Percent 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%
<b>Total wage and salary employment.....</b>	<b>1,824,300</b>	<b>100.0%</b>	<b>1,805,200</b>	<b>100.0%</b>

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

## Ten Largest Employers

Latest Completed Calendar Year and Nine Years Prior  
(Listed alphabetically)

<u>2001</u>	<u>2010</u>
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Michelin North America, Inc.	Greenville Hospital System
Springs Industries, Inc.	Michelin North America, Inc.
U.S. Department of Defense	Palmetto Health Alliance, Inc.
U.S. Postal Service	U.S. Department of Defense
University of South Carolina	U.S. Postal Service
Wal-Mart Associates, Inc.	University of South Carolina
Westinghouse Savannah River	Wal-Mart Associates, Inc.

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

## Government Employees By Function

Last Ten Fiscal Years

Function	Permanent Employees			
	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
<b>Totals.....</b>	<b>70,927</b>	<b>69,741</b>	<b>68,919</b>	<b>68,923</b>

Source: South Carolina Comptroller General's Office

as of June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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
<u><b>69,085</b></u>	<u><b>68,817</b></u>	<u><b>70,386</b></u>	<u><b>70,104</b></u>	<u><b>68,803</b></u>	<u><b>66,590</b></u>

## Operating Indicators By Function

Last Seven Fiscal Years <sup>a</sup>

	2005	2006	2007
<b>General government</b>			
Individual income tax returns processed	2,112,766	2,172,409	2,273,202
Corporate income tax returns processed	156,784	155,228	164,855
Department of Motor Vehicles transactions	12,670,522	13,474,463	13,331,078
Workers' compensation cases reviewed	111,869	127,848	82,603
<b>Education</b>			
Public school enrollment	680,635	694,155	698,290
Average operating miles per school bus	15,600	15,685	16,000
State Museum visitors	148,752	145,845	141,202
<b>Health and environment</b>			
Medicaid eligible participants	983,981	932,708	902,308
Women, Infant and Children (WIC) participants	108,341	107,413	112,467
Community mental health center clients	90,733	89,480	87,641
<b>Social services</b>			
Average food stamp households per month	216,602	225,456	231,053
Child Protective Services investigations	17,186	16,898	18,168
<b>Administration of justice</b>			
Adult prison average daily population	22,970	22,964	23,437
Juvenile facility average daily population	1,074	1,043	985
<b>Resources and economic development</b>			
Dept of Commerce capital investment projects	105	137	139
Welcome Center visitors	2,525,294	2,454,311	2,378,630
Hunting and fishing licenses processed	704,882	781,882	811,025
Watercraft registrations	396,915	415,993	433,158
<b>Transportation</b>			
Miles of surface repair	173,620	163,829	167,551
Miles of roadway inspections	270,024	313,530	332,559
<b>Higher education and support</b>			
Total headcount enrollment	172,386	174,686	176,415
Degrees awarded	24,826	25,622	26,063
<b>Unemployment compensation benefits</b>			
Initial claims	313,629	299,975	304,464
Total benefit weeks claimed	2,129,960	1,930,718	1,998,836
<b>Financing of housing facilities</b>			
Mortgage loans managed	12,314	13,504	15,815
Families receiving rental assistance	20,478	20,872	20,129
<b>Medical malpractice insurance</b>			
Membership total	7,166	7,050	6,320
<b>Financing of student loans</b>			
Number of student loans outstanding	332,794	323,536	351,024
<b>Tuition prepayment program</b>			
Individual accounts	6,262	6,452	6,388
<b>State maritime museum</b>			
Museum visitors and other area patrons	240,811	260,827	259,425
<b>Insurance claims processing</b>			
Second Injury Fund claims paid	4,520	3,860	3,951
<b>Other</b>			
Public railway carloads (calendar year)	88,242	88,245	82,036

<sup>a</sup> Prior fiscal year data is not readily available.

Source: South Carolina Comptroller General's Office



<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
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
701,749	707,739	712,240	714,421
15,651	15,600	15,795	15,950
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
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
17,734	17,518	16,831	16,207
20,100	19,955	19,931	19,918
5,466	4,568	4,230	3,570
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
95,521	92,136	64,554	66,618

# Capital Assets By Function

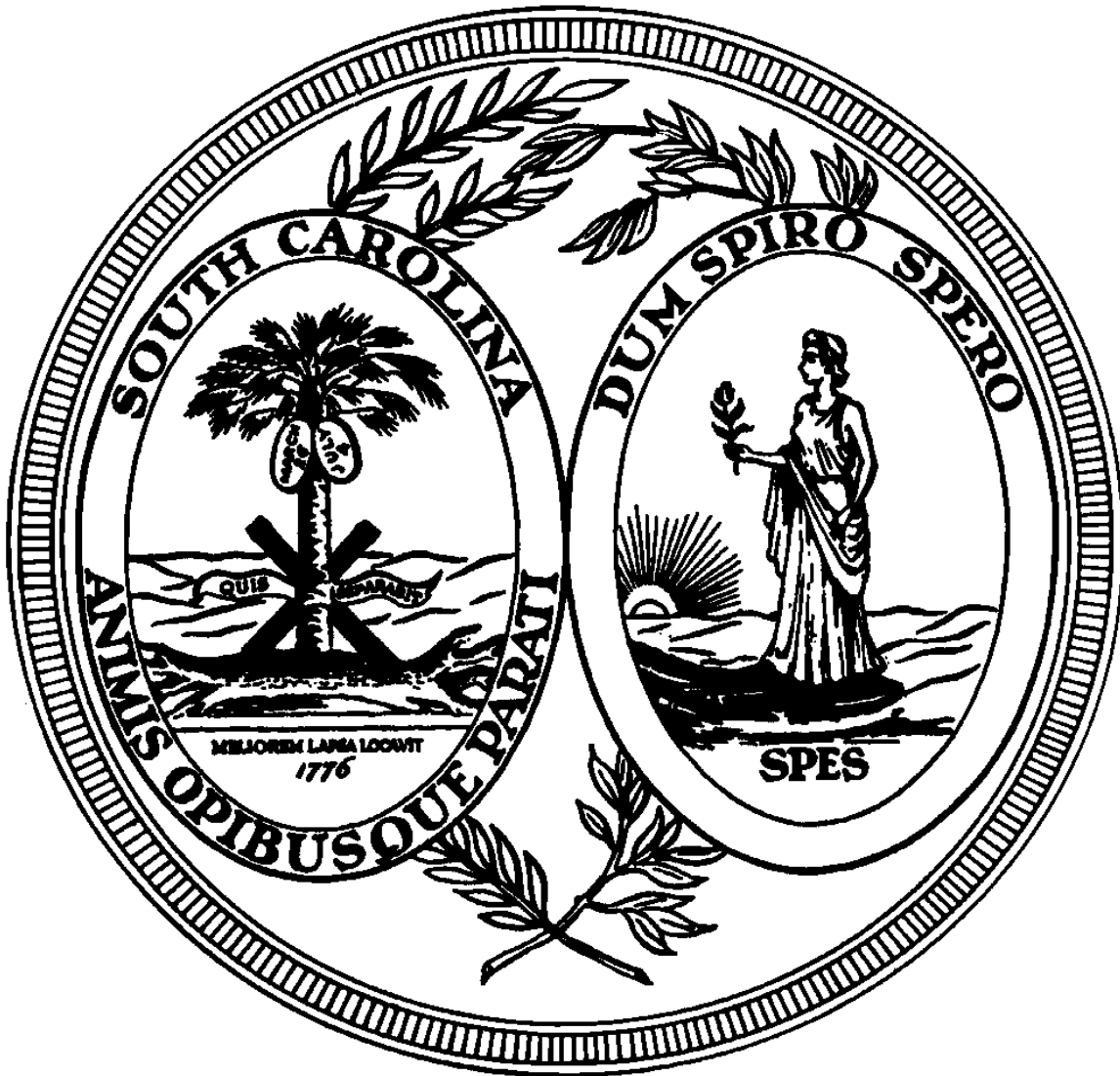
Last Seven Fiscal Years <sup>a</sup>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General government</b>				
Buildings and facilities	33	33	33	32
State armories	65	65	62	63
Fleet vehicles	2,357	2,687	3,515	3,831
Motor vehicle district offices	69	69	69	69
<b>Education</b>				
School buses	6,453	5,788	6,274	6,420
Television transmitters	11	11	11	11
Vocational training/client centers	35	35	35	35
<b>Health and environment</b>				
Mental health hospitals	111	111	137	154
Community mental health centers	60	60	59	47
Regional special needs centers	5	5	5	5
<b>Social services</b>				
Buildings and facilities	66	66	66	66
<b>Administration of justice</b>				
Adult correctional institutions	29	29	28	28
Juvenile correctional facilities	7	7	7	7
Highway patrol district offices	7	7	7	7
Highway patrol vehicles	1,222	1,055	1,004	1,237
<b>Resources and economic development</b>				
Acres of State parks	81,168	81,168	81,807	81,824
Acres of State forests	91,600	91,600	91,466	91,466
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
Vehicles and boats	1,575	1,538	1,026	1,280
<b>Transportation</b>				
Miles of State highways	66,252	66,240	66,242	66,248
Weigh stations	9	9	9	9
Traffic cameras	179	250	300	300
Miles of cable median barriers	442	470	470	476
<b>Higher education</b>				
Number of campuses	33	33	33	33
Buildings-universities	815	810	787	773
Buildings-technical colleges	282	277	286	297
Buildings-student residences	335	340	373	388
<b>State maritime museum</b>				
Vintage aircraft	4	4	4	4
Historical period exhibits	3	15	15	15
<b>Other</b>				
Rail yards	3	3	3	3
State-owned locomotives	13	13	13	10

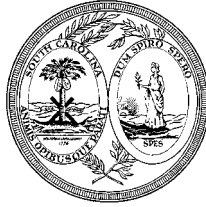
<sup>a</sup> Prior fiscal year data is not readily available.

Source: South Carolina Comptroller General's Office

<u>2009</u>	<u>2010</u>	<u>2011</u>
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:  
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