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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)

BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

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

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

OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2010

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Federal.....	\$ 7,857,662	\$ 8,993,569	\$ 8,042,528	\$ (951,041)
Earmarked.....	4,581,224	5,331,333	4,016,701	(1,314,632)
Restricted.....	2,495,150	2,899,320	2,682,813	(216,507)
Total revenues.....	14,934,036	17,224,222	14,742,042	(2,482,180)
Expenditures:				
Legislative.....	2,946	3,822	2,026	1,796
Judicial.....	31,574	42,950	34,629	8,321
Executive and administrative.....	451,611	719,691	505,671	214,020
Educational.....	4,804,506	5,889,838	4,427,597	1,462,241
Health.....	6,093,156	6,402,498	5,749,022	653,476
Social rehabilitation services.....	1,578,479	1,660,830	1,888,979	(228,149)
Correctional and public safety.....	210,561	362,072	225,304	136,768
Conservation, natural resources, and development.....	364,608	543,093	347,408	195,685
Regulatory.....	284,916	432,682	353,252	79,430
Transportation.....	1,201,365	1,532,181	1,374,155	158,026
Other.....	81,039	81,039	81,039	—
Total expenditures.....	15,104,761	17,670,696	14,989,082	2,681,614
Net increase (decrease) in fund balance— budgetary basis.....	(170,725)	(446,474)	(247,040)	199,434
Fund balance at beginning of year— budgetary basis.....	1,937,896	1,937,896	1,937,896	—
Fund balance at end of year—budgetary basis.....	\$ 1,767,171	\$ 1,491,422	\$ 1,690,856	\$ 199,434

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriation Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedule as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriation Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but, exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriation Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriation Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriation Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original estimated revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in Section 88 (*Revenue*) of the Appropriation Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriation Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request may exceed 20.0% of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to approve transfers of appropriations between personal service and other operating accounts.

The Appropriation Act for the 2009-2010 fiscal year directs the Budget and Control Board to reduce the Budgetary General Fund's appropriations during the year if necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriation Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 87 (*Recapitulation*) of the Appropriation Act includes net *source of funds* amounts (i.e., estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. The *original estimated revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the State Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require the Budget and Control Board's approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The Budget and Control Board and the Joint Bond Review Committee must approve and review those changes.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Act for the 2009-2010 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- (i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 16.
- (ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
- (iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.
- (iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.
- (v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State’s legally adopted budget with actual data in accordance with the State’s basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act’s program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State’s financial reporting entity for GAAP purposes is excluded from the Appropriation Act. These differences (expressed in thousands) for the fiscal year ended June 30, 2010, were as follows:

<i>Budgetary funds</i>	<i>Budgetary</i>	<i>Other</i>	Major Special Revenue Funds			
	General Fund	Budgeted Funds	Departmental General Operating	Local Government Infrastructure	Department of Transportation Special Revenue	State Tobacco Settlement
GAAP funds	General Fund	Not Applicable	General Operating	Infrastructure	Special Revenue	Settlement
Net increase (decrease) in fund balance—budgetary basis	\$ 125,655	\$ (247,040)	\$ —	\$ —	\$ —	\$ —
Perspective differences:						
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds	—	81,272	—	—	—	—
Other Budgeted Funds net decrease allocated among the State's major governmental GAAP funds	3,345	165,768	(58,660)	(7,273)	(102,553)	(627)
Basis of accounting differences	(51,765)	—	97,452	579	29,588	(73)
Entity differences	(34,109)	—	(5,293)	70,540	—	(9,143)
Net increase (decrease) in fund balance—GAAP basis	\$ 43,126	\$ —	\$ 33,499	\$ 63,846	\$ (72,965)	\$ (9,843)

NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2010, the Social Rehabilitation Services function within Other Budgeted Funds had \$228.149 million of expenditures in excess of appropriations at the level of legal control. These over-expenditures were mostly associated with the Federal Food Stamp Assistance Program. The Department of Social Services had sufficient budgetary-basis revenue and cash to provide for all of its budgetary-basis expenditures, but failed to obtain formal authorization from Office of State Budget for the over expenditures.