
**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, 2004****(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Retail sales tax.....	\$ 2,169,550	\$ 2,206,139	\$ 2,201,750	\$ (4,389)
Income tax, individual.....	1,964,485	1,965,196	1,973,635	8,439
Income tax, corporation.....	107,372	123,693	149,278	25,585
Total income and sales tax.....	4,241,407	4,295,028	4,324,663	29,635
Admissions tax.....	35,616	32,000	31,967	(33)
Aircraft tax.....	2,600	3,215	7,276	4,061
Alcoholic liquor tax.....	47,283	51,402	52,357	955
Bank tax.....	29,552	19,000	18,164	(836)
Beer and wine tax.....	93,573	92,452	94,298	1,846
Business license tax.....	28,430	28,900	29,742	842
Coin-operated device tax.....	2,500	2,300	1,845	(455)
Corporation license tax.....	72,417	64,000	72,299	8,299
Departmental revenue (primarily fees for services).....	61,185	56,000	54,584	(1,416)
Documentary tax.....	41,268	38,411	49,983	11,572
Earned on investments.....	15,000	15,000	15,679	679
Electric power tax.....	24,627	24,627	25,152	525
Estate tax.....	41,290	32,000	32,813	813
Insurance tax.....	119,219	124,619	129,163	4,544
Motor transport fees.....	15	15	7	(8)
Motor vehicle licenses.....	56,102	53,524	52,071	(1,453)
Petroleum inspection tax.....	8,178	8,178	8,265	87
Private car lines tax.....	3,793	3,200	2,687	(513)
Public Service Authority.....	12,345	10,652	11,173	521
Retailers' license tax.....	901	922	923	1
Savings and loan association tax.....	4,527	3,400	3,621	221
Workers' compensation insurance tax.....	11,813	12,419	12,865	446
Total regular sources.....	4,953,641	4,971,264	5,031,597	60,333
Miscellaneous sources				
Circuit and family court fines.....	9,898	9,918	9,526	(392)
Debt service reimbursement.....	3,750	3,300	2,746	(554)
Indirect cost recoveries.....	22,893	22,893	22,567	(326)
Mental health fees.....	3,800	3,800	3,800	—
Parole and probation supervision fees.....	3,392	3,223	3,394	171
Unclaimed property fund transfer.....	6,600	6,600	6,600	—
Nonrecurring revenue.....	35,975	35,975	35,975	—
Total miscellaneous sources.....	86,308	85,709	84,608	(1,101)
Other unbudgeted revenues.....	—	—	74	74
Total revenues.....	5,039,949	5,056,973	5,116,279	59,306

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

BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Expenditures:				
Legislative.....	\$ 27,440	\$ 27,453	\$ 24,791	\$ 2,662
Judicial.....	32,332	31,889	31,885	4
Executive and administrative.....	211,300	121,700	112,175	9,525
Educational.....	2,607,297	2,571,986	2,544,620	27,366
Health.....	993,704	983,788	983,385	403
Social rehabilitation services.....	101,728	101,942	98,389	3,553
Correctional and public safety.....	410,110	430,852	430,589	263
Conservation, natural resources, and development.....	129,573	128,236	125,336	2,900
Regulatory.....	71,255	70,625	69,443	1,182
Transportation.....	1	1	1	—
Debt service.....	220,504	220,504	209,528	10,976
Miscellaneous.....	230,553	234,512	234,477	35
Total expenditures.....	5,035,797	4,923,488	4,864,619	58,869
Net increase in fund balance— budgetary basis.....	4,152	133,485	251,660	118,175
Fund deficit at beginning of year— budgetary basis.....	(108,635)	(131,227)	(131,227)	—
Fund balance (deficit) at end of year—budgetary basis.....	\$ (104,483)	\$ 2,258	\$ 120,433	\$ 118,175

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

OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Federal.....	\$ 5,056,463	\$ 6,009,629	\$ 5,533,056	\$ (476,573)
Earmarked.....	3,088,388	3,870,893	3,216,014	(654,879)
Restricted.....	2,193,339	2,543,231	2,540,647	(2,584)
Total revenues.....	10,338,190	12,423,753	11,289,717	(1,134,036)
Expenditures:				
Legislative.....	4,263	7,844	5,327	2,517
Judicial.....	13,382	21,294	15,916	5,378
Executive and administrative.....	279,705	404,718	282,941	121,777
Educational.....	3,264,797	3,848,929	3,213,707	635,222
Health.....	4,145,759	4,856,358	4,549,791	306,567
Social rehabilitation services.....	894,345	996,916	944,997	51,919
Correctional and public safety.....	219,218	280,620	186,972	93,648
Conservation, natural resources, and development.....	214,061	314,532	211,019	103,513
Regulatory.....	207,909	352,902	292,096	60,806
Transportation.....	1,236,829	1,680,639	1,498,605	182,034
Enterprise.....	—	11	11	—
Total expenditures.....	10,480,268	12,764,763	11,201,382	1,563,381
Net increase (decrease) in fund balance— budgetary basis.....	(142,078)	(341,010)	88,335	429,345
Fund balance at beginning of year— budgetary basis.....	1,100,011	1,158,065	1,158,065	—
Fund balance at end of year—budgetary basis.....	\$ 957,933	\$ 817,055	\$ 1,246,400	\$ 429,345

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 PRESENTA- TION

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 71 (*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, however, 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 restrict transfers of appropriations between personal service and other operating accounts.

The Appropriation Act for the 2003-2004 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.

Notes to the Required Supplementary Information--Budgetary

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 70 (*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 2003-2004 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, however, 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, 2004, were as follows:

Notes to the Required Supplementary Information--Budgetary

<i>Budgetary funds</i>	<i>Budgetary</i>	<i>Other</i>	<i>Major Special Revenue Funds</i>			
	<i>General</i>	<i>Budgeted</i>				
	<i>Fund</i>	<i>Funds</i>	<i>Departmental</i>	<i>Local</i>	<i>Department of</i>	<i>State</i>
<i>GAAP funds</i>	<i>General</i>	<i>Not</i>	<i>General</i>	<i>Government</i>	<i>Transportation</i>	<i>Tobacco</i>
	<i>Fund</i>	<i>Applicable</i>	<i>Operating</i>	<i>Infrastructure</i>	<i>Special</i>	<i>Settlement</i>
Net increase in fund balance—budgetary basis	\$ 251,660	\$ 88,335	\$ —	\$ —	\$ —	\$ —
Perspective differences:						
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds		34,220				
Other Budgeted Funds attributable to major governmental GAAP funds		122,555				
Other Budgeted Funds reclassified among the State's major governmental GAAP funds	6,485	(122,555)	43,285	(2,538)	(89,736)	8,284
Basis of accounting differences	(66,668)	—	17,901	47,540	(22,959)	991
Entity differences	(52,134)	—	(3,063)	37,354	—	(49,645)
Net increase (decrease) in fund balance—GAAP basis	<u>\$ 139,343</u>	<u>\$ —</u>	<u>\$ 58,123</u>	<u>\$ 82,356</u>	<u>\$ (112,695)</u>	<u>\$ (40,370)</u>

REQUIRED SUPPLEMENTARY INFORMATION

National Guard Pension System

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Biennial Actuarial Valuation Date June 30	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL As a Percentage of Covered Payroll ((b-a)/c)
2000	\$ 11,089	\$ 43,427	\$ 32,338	25.5%	\$ 40,789	79.3%
2002	12,608	44,678	32,070	28.2%	45,711	70.2%
2004	13,567	47,281	33,714	28.7%	42,391	79.5%

The unfunded actuarial accrued liability expressed as a percentage of covered payroll is a measure of the significance of the unfunded actuarial liability relative to the State's capacity to pay it. The funded ratio represents the assets expressed as a percentage of the actuarial accrued liability. The trend in those two ratios provides

information about whether the financial strength of the plan is improving or deteriorating over time. An improvement is indicated when the funded ratio is increasing and the ratio of the unfunded actuarial liability to active covered payroll is decreasing. The State Adjutant General's Office administers the plan.

REQUIRED SUPPLEMENTARY INFORMATION

National Guard Pension System

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
1999	\$ 3,200	78.1%
2000	3,200	78.1%
2001	2,996	82.6%
2002	2,996	75.3%
2003	2,870	74.3%
2004	2,870	69.6%

The schedule of employer contributions provides information about the required contributions of the State and the extent to which those contributions are being made. The schedule gives an indication of the progress made in accumulating sufficient assets to pay benefits when

due. The State Adjutant General's Office administers the plan.

The information presented above was determined as part of the actuarial valuations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date.....	June 30, 2004
Actuarial cost method.....	Entry age
Amortization method.....	Level dollar, open
Remaining amortization period.....	30 years
Asset valuation method.....	5 year smoothed market
Actuarial assumptions:	
Investment rate of return.....	7.25%
Projected salary increases.....	Not applicable
Assumed inflation rate	4.25%
Assumed cost-of-living adjustments.....	Not applicable