



**Independent Auditors' Report**

The Honorable Nikki R. Haley, Governor  
and  
Members of the General Assembly  
State of South Carolina  
Columbia, South Carolina

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to jointly 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 CliftonLarsonAllen 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.

	<b>Percentage Audited by CliftonLarsonAllen LLP Separately</b>		<b>Percentage Audited by Other Auditors</b>	
	<b>Total Assets</b>	<b>Total Revenue</b>	<b>Total Assets</b>	<b>Total Revenue</b>
<b><u>Government-wide</u></b>				
Governmental activities	2%	10%	63%	9%
Business-type activities	-	-	72%	82%
Component units	-	-	100%	100%
<b><u>Fund Statements</u></b>				
Governmental Funds	-	-	17%	9%
Enterprise Funds	-	-	72%	82%
Internal Service Funds	30%	88%	59%	8%
Fiduciary Funds	83%	48%	16%	52%
Discretely Presented Component Units	-	-	100%	100%

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 from material misstatement. The financial statements of the State Ports Authority, Public Service Authority, Connector 2000 Association, Inc., and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Change in Accounting Principles*

As discussed in Note 2 to the financial statements, the State implemented the following pronouncements: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66 *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67 *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* and GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

#### *Correction of Errors*

As described in Note 14 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Carolina's basic financial statements. The introductory section, supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, and the report of the auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 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.



Columbia, South Carolina  
December 22, 2014



Baltimore, Maryland  
December 22, 2014