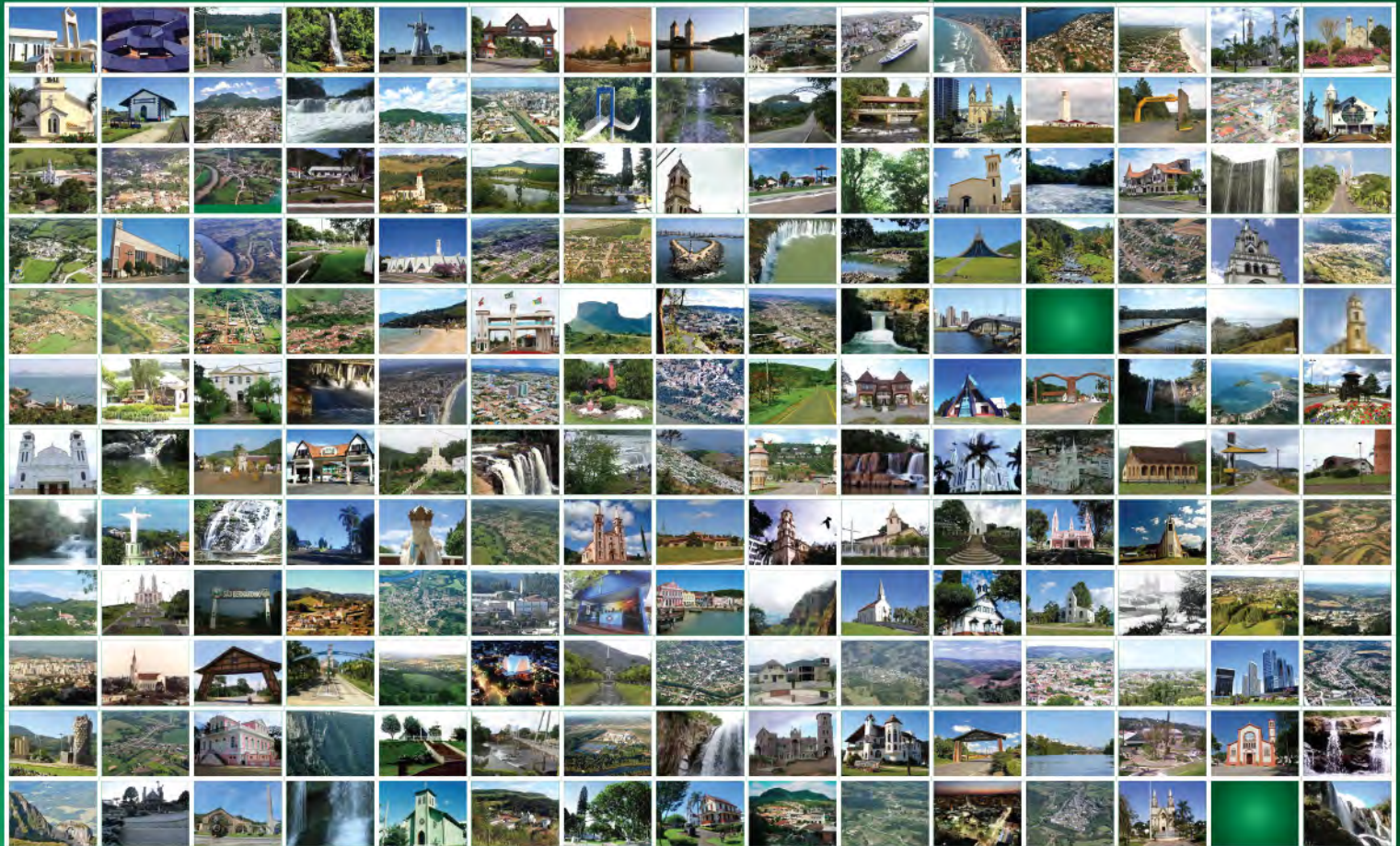




2014

SANTA CATARINA STATE FINANCIAL REPORT



VOLUME 1 TECHNICAL REPORT ON RENDERING OF ACCOUNTS

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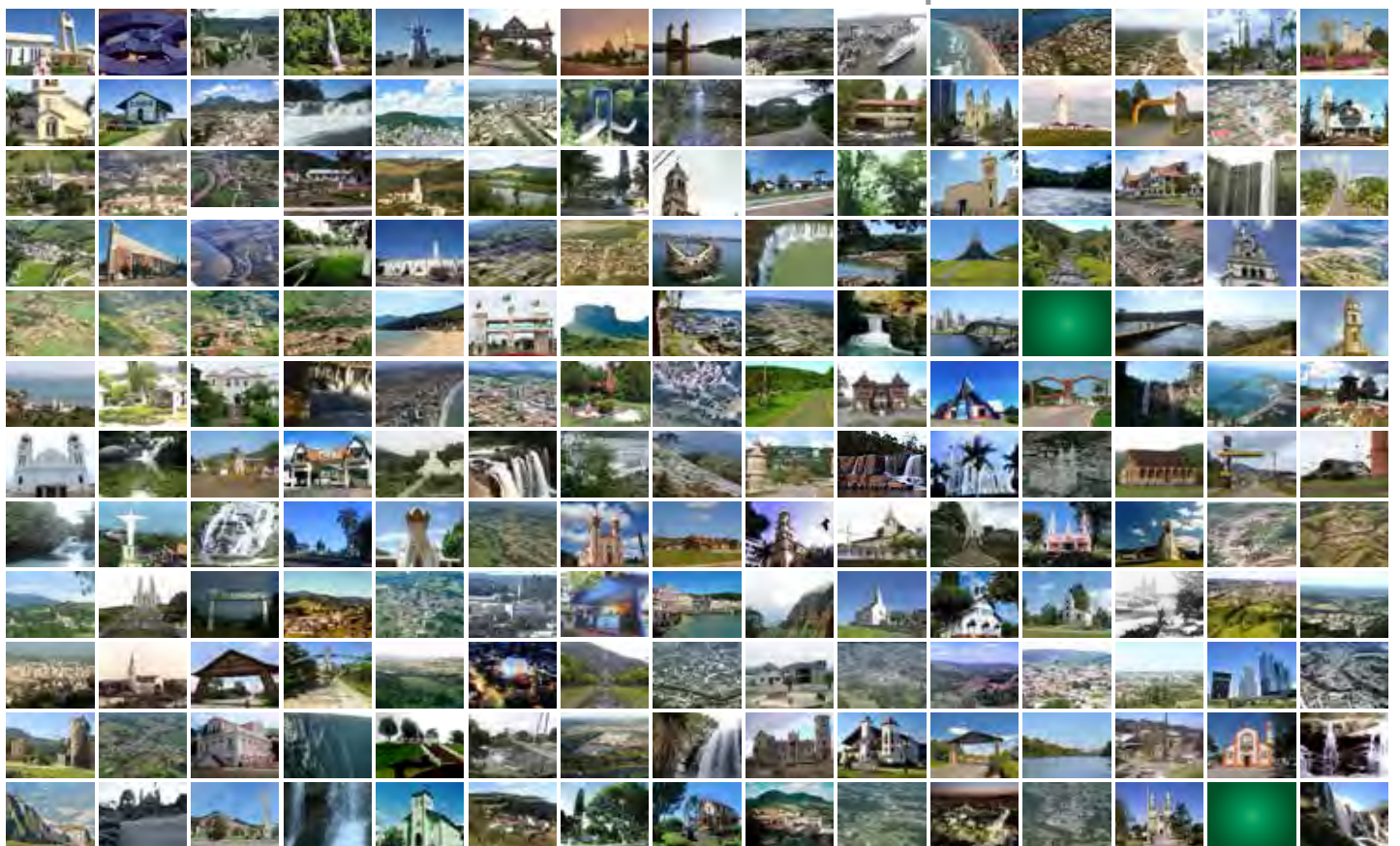




2014

SANTA CATARINA STATE

FINANCIAL REPORT



VOLUME 1

TECHNICAL REPORT ON
RENDERING OF ACCOUNTS

STATE FINANCIAL SECRETARY

Antonio Marcos Gavazzoni

DIRECTOR OF GENERAL ACCOUNTING

Graziela Luiza Meincheim

DIRECTOR'S ASSISTANT

Vagner Alonso Pacheco

COORDINATION AND PREPARATION OF THE GENERAL BALANCE

ACCOUNTING INFORMATION MANAGEMENT

Gilceu Ferreira (Manager)	Cléia Cionia Schmitz
Heber Lima da Costa	Flávio George Rocha
Janice Vilsélia Pacifico da Silveira	Mário Wendhausen Gentil
Kely Cristina da Silva Truppel	Raquel Costa Pereira
Marcelo Fernandes Pedrosa	Roberto Fialho
Paulo Rodrigo Capre	
Rogério Felipe Pereira	
Rosangela Della Vecchia	

COLLABORATIONACCOUNTING MANAGEMENT
CENTRALIZED

Andréa Terezinha Vitali (Manager)
Cíntia Fronza Rodrigues
Maria Luiza Seemann
Ozamiir João Pereira
Raquel Costa Pereira

STUDIES MANAGEMENT
ACCOUNTING STANDARDIZATION

Flávio George Rocha (Manager)
Emanuella Seemann Hunttemann
Jorge Luiz Alves
Michele Patrícia Roncalio
Roberto M. D. de Carvalho Júnior

MANAGEMENT OF
FINANCIAL ACCOUNTING

Vera L. Hawerth Santana (Manager)
Alice Luciane Rhoden
Arleny Jaqueline M. Pacheco
Ana Maria da Silva
Maristela Reinert
Paulo Guilherme O. Belvedere

SYSTEM MANAGEMENT
FISCAL MANAGEMENT

Marcelo Inocêncio Pereira (Manager)
Carmem Lúcia Massulini
Djalma Lúcio Ferreira da Silva Arena
Elizabeth Salazar da Silva
Gilmar de Oliveira Amorim
Roberto Fialho

STATE FINANCE ACCOUNTANTS RESPONSIBLE FOR THE ACCOUNTING OF STATE BODIES AND ENTITIES

Abel Guilherme da Cunha	Daniela de Souza Pereira Savi	Gutemberg Salles Afonso	Michely Bernardini Schweitzer
Adalberto Cervino Ventura	Dielis Heder Fiorentini	Isac Garcia Fernandes	Nadieg Sorato Pacheco
Alexandra Mara de Brito	Eliana Amorim Rosa	Isair Sell	Ozemar Nascimento Willmer
Anderson Pereira	Elisa Mayer	Isis Paz Portinho	Patrick Estevão Imeton Pereira
André Amaral Medeiros	Enalto de Oliveira Gondrige	Ivana Kretzer Santos	Priscila Tais Schulle
André Conceição Costa	Ercí Velho de Melo Petronilio	Jefferson Fernando Grande	Rafael Almeida Pinheiro da Costa
Angela Coelho	Everaldo Elias Vieira	Júlio Cesar Siqueira	Rinaldo José Valese
Arcangelo Felisberto	Fabiana Santana Correia	Laizy da Silva	Sandro Medeiros Alves
Bruno Hubacher da Costa	Gabriel Pereira da Silva	Luana Claudia Torres	Sandro Robson Pontes
Carlos Eduardo Osório	Geraldo Catunda Neto	Luciano da Silva Spindola	Solange M. L. Cardoso de Oliveira
Cintia Salvador Sorgen	Graziela Gesser	Marcelo Carlos Botelho	Wilson Henrique Fetzner Filho
Cristiano Severo Martins	Guilherme Cerutti Bueno	Márcio Studart Nogueira	

OTHER DEPARTMENTS INVOLVED

Communication Assistance (SEF)	Fund Management Directory (SEF)
Administrative and Financial Directory (SEF)	Budget Planning Directory (SEF)
Tax Administration Directory (SEF)	State Treasury Directory (SEF)
General Audit Directory (SEF)	Center of Information Technology and Automation of the State of Santa Catarina S.A. (CIASC)
Fundraising and Public Deb Directory (SEF)	

GRAPHIC DESIGN

Officio (officio.com.br)

INFORMATION

Accounting Information Management
geinc@sefaz.sc.gov.br | +55 48 3665 2773 | +55 48 3665 2710

**State
Finance
Department**

General
Accounting
Office



Government Administrative Center
Rodovia SC 401 – Km 5, nº 4,600
Saco Grande II – Florianópolis – SC



2014

SANTA CATARINA STATE

FINANCIAL REPORT



**State
Finance
Department**
General
Accounting
Office



João Raimundo Colombo
STATE GOVERNOR

Eduardo Pinho Moreira
STATE VICE-GOVERNOR

Antonio Marcos Gavazzoni
STATE FINANCIAL SECRETARY

Almir José Gorges
VICE-SECRETARY

It is in cities that people live. It is in the municipality that everything happens. Therefore, the State Government decided to draw up a program to transfer resources directly to Santa Catarina municipalities so that they can make important investments in the daily lives of the people. With this philosophy, we created the Municipalities Support Fund (FUNDAM).

FUNDAM: A government closer to the citizens of Santa Catarina

Thanks to FUNDAM, more than R\$ 600 million distributed among 295 Santa Catarina local councils, in an absolutely democratic and transparent manner and without partisan distinction.

It is the very town and city halls that define the areas of application of the FUNDAM resources. After all, the municipalities are the real priorities of the population. Through the program, it is possible for local governments to purchase 954 pieces of equipment and machines for road maintenance as well as vehicles for health and education, perform 57 works of construction of kindergartens, schools, health centers, gymnasiums, parks and centers for the elderly, and pave 1337 streets, which corresponds to more than 530 kilometers in length, more than the BR-101 highway in Santa Catarina, with 465 km from north to south.

We ended the year 2014 with the mark of 384 agreements signed with 274 municipalities, 93% of the municipalities of Santa Catarina. A record considering that the program was opened in September 2013 and that the first agreements were signed at the end of that year. Of the total R\$ 505 million in agreements signed by 2014, the state has transferred to municipalities R\$ 313 million.

We have no doubt: FUNDAM is an example that bureaucracy can be overcome and is further leverage of economic and social development in Santa Catarina. With the allocation of funds directly to municipalities, investments are carried out with

much more agility, and false priorities tend to be eliminated. The works are performed by the municipalities themselves, allowing closer and ongoing supervision, and contributes to the generation of employment and income in every city. In addition, the hiring of the Banco Regional de Desenvolvimento do Extremo Sul (Far South Development Regional Bank) (BRDE) for operation of FUNDAM, assigned a more judicious character to the program.

And to ensure that all catarinenses can closely monitor the volume of funds invested through FUNDAM, we appreciated transparency of information from the beginning. Any citizen can access, via the internet Transparency Portal of the State Executive Branch at (www.transparencia.sc.gov.br) and on the State Finance Department website (www.sef.sc.gov.br), data such as values available for each town hall, registered designs, phase of processing of proposals, signed agreements and pass through values.

For all these reasons, FUNDAM is one of the great highlights of the administrative management of the State Government in 2014. And our main challenge, as well as to monitor the implementation of the values passed on up to now, is to implement the second edition of the program. Thus, in partnership with the local governments of Santa Catarina, the State Government moves ever closer to the life of the citizens of Santa Catarina.

FUNDAM: partnership beats bureaucracy

To put people first, the State Government needs to be where they are - in the municipalities. In Santa Catarina, apart from the passthroughs that ensure each city receives their share of the funds raised with state taxes, the Government was able to innovate the needs of each place, in the form of direct care.

The creation of the Municipalities Support Fund (FUNDAM), found a formula for the distribution of R\$ 605 million among the 295 municipalities of Santa Catarina, ensuring that resources are independent of party or political relationship, as it requires that each municipality presents investment proposals in key areas, all of which fulfill the same requirements and deadlines. The projects pass through the sieve of a strictly technical and skilled team.

The Governor Raimundo Colombo was visionary in designing a program that includes all the municipalities transparently. FUNDAM is a successful example of how we can overcome bureaucracy in the public domain: it's good for the community, warms up the economy and implements the projects that society wants for their municipalities. The program is already considered one of the greatest success stories of the State Government.

The distribution of tax proceeds in Brazil is still very uneven when you consider the three spheres of government. The Union has the largest share of the pie, then comes the state, with increasing and urgent responsibilities. And the municipalities,

which account for much of the essential demands, do not receive the same portion. The state contributes permanently with the passthroughs of 25% of ICMS and 50% of IPVA (property taxes), but the demands of each city increase with the population growth and citizens' demands. In many municipalities, the money arising from state tax is the main source of funds for investment by municipalities.

With passthroughs ranging from R\$ 700 thousand to R\$ 3 million, the FUNDAM investment uses are decided exclusively by the municipality, who know the real needs of the residents. Anyone can check, via the internet, the amounts available for each municipality, the registered projects, the signed agreements and the amounts already transferred to the accounts of the local councils. To analyze the hard figures, an average citizen can judge that, in some cases, the value is not as significant. But it's enough to know the reality of small municipalities, of the countryside, to understand the impact of the acquisition of a tractor or construction of a gymnasium, for example. An innovation like this can transform the situation of people living in small towns for the better.

ANTONIO MARCOS GAVAZZONI
STATE FINANCIAL SECRETARY

Transparency, information and accountability

The State Government invites the reader of this financial report to know and better understand how the public funds collected are transformed into economic and social development works and actions for all residents Santa Catarina.

In the pages of this report, citizens, suppliers, social organizations, business entities, taxpayers and investors may follow the provision of the accounts for the fourth year in office of Governor João Raimundo Colombo.

Prepared by the General Accounting Office of the State Finance Department, the State Financial Report follows the State Constitution, which determines that the Governor of Santa Catarina is accountable annually to the Legislative Assembly in a period of 60 days after the opening of the legislative session.

The presentation of the Financial Report subsidizes the evaluation process of public accounts in the transparency of fiscal management and social control. Through the financial report, citizens can monitor the use of public resources and know the main government programs and projects.

The Financial Report also affords compliance with the provisions of Federal Law No. 4,320, of March 17, 1964, Supplementary Law No. 101 of May 4, 2000 (Fiscal Responsibility Law) and the State Accounts Auditors' Resolutions in TC - 16/94, TC - 06/01 and TC - 11/04, which regulate and standardize the delivery of information and financial statements to the TCE.

The State Financial Report was divided into three volumes:

I – Technical Report on the Accountability for the fiscal year of 2014

Presents an overview of the state, containing the main social and economic indicators as well as information on the administrative and financial management of the Government, especially fundraising, investments and compliance with the constitutional and legal limits of health spending, education, staff and debt. In addition, it brings the accounting statements that show the balance, budgetary and financial situation of Santa Catarina (Balance Sheet, Budget Balance, Financial Balance, Statement of Changes in Equity, Statement of Mutations of shareholders' equity, Cash Flow Statement and accompanying notes).

II – Attachments of the State Financial Report

This volume contains the attachments required by Federal Law No. 4,320/64 and other applicable legal standards, the analytical description of the activities of the agencies and entities of the Executive Branch, as well as the Fund Raising and Public Debt Directory and the Management Report of the Auditor General.

III – Physical and Financial Monitoring of Government Programs and Actions

Enables the physical and financial monitoring of government programs, as well as prioritized actions in regionalized public hearings.

The financial information that makes up the State Financial Report was extracted from the Integrated Planning and Fiscal Management System (SIGEF) and includes the consolidated accounting data of all branches and agencies of the State Public Administration, partners of the Fiscal Budget and Social Security in conformity with Article 56 of the Fiscal Responsibility Law.

As for the social, economic and administrative information, it is based on the materials produced by the agencies and entities of the State and Federal Governments and the data from the Federation of Industries of Santa Catarina State (FIESC).

The analysis of the social, economic and administrative aspects shows that Santa Catarina has a diversified and well distributed economy, managing to end the year 2014 above the national average again, which characterizes it as the state of Brazil closest to achieving the socio-economic index of developed nations. This analysis also shows that the State Government of Santa Catarina has, over the years, worked in political public investments that ensure regional development and promote a reduction of inequality, an increase in work and income, and improving the coverage and quality of public services offered to society.

The financial statements, accompanying notes and analyzes that make up the State Financial Report seek to gather information related to the financial situation of Santa Catarina, providing indicators for assessing the balance of public finances. This balance can be seen in the proper use of public resources and the results presented, ranging from obedience to the legal texts to the demand for a transparent approach that allows social control of state management.

The analysis of the fiscal year result shows compliance with constitutional thresholds applying in health and education, as well as the limits set by the Fiscal Responsibility Law for personnel expenses, a consolidated debt, loans, guarantees and counter-guarantees, as well registration of outstanding commitments, which shows the balance of public finances with reflection in a responsible fiscal management.

In compliance with the Principle of Transparency in Fiscal Management, this Accountability will be available in full on the Transparency Portal of the State Executive Branch (www.transparencia.sc.gov.br) and in print in the General Accounting Office of the State Finance Department and other public institutions, so that the Santa Catarina society can exercise social control and thus track the performance of the collection of taxes and the application of public resources.

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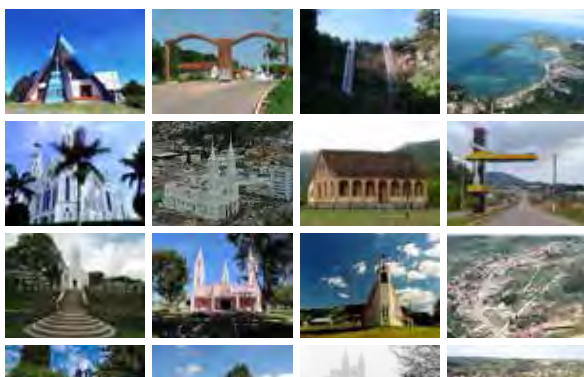
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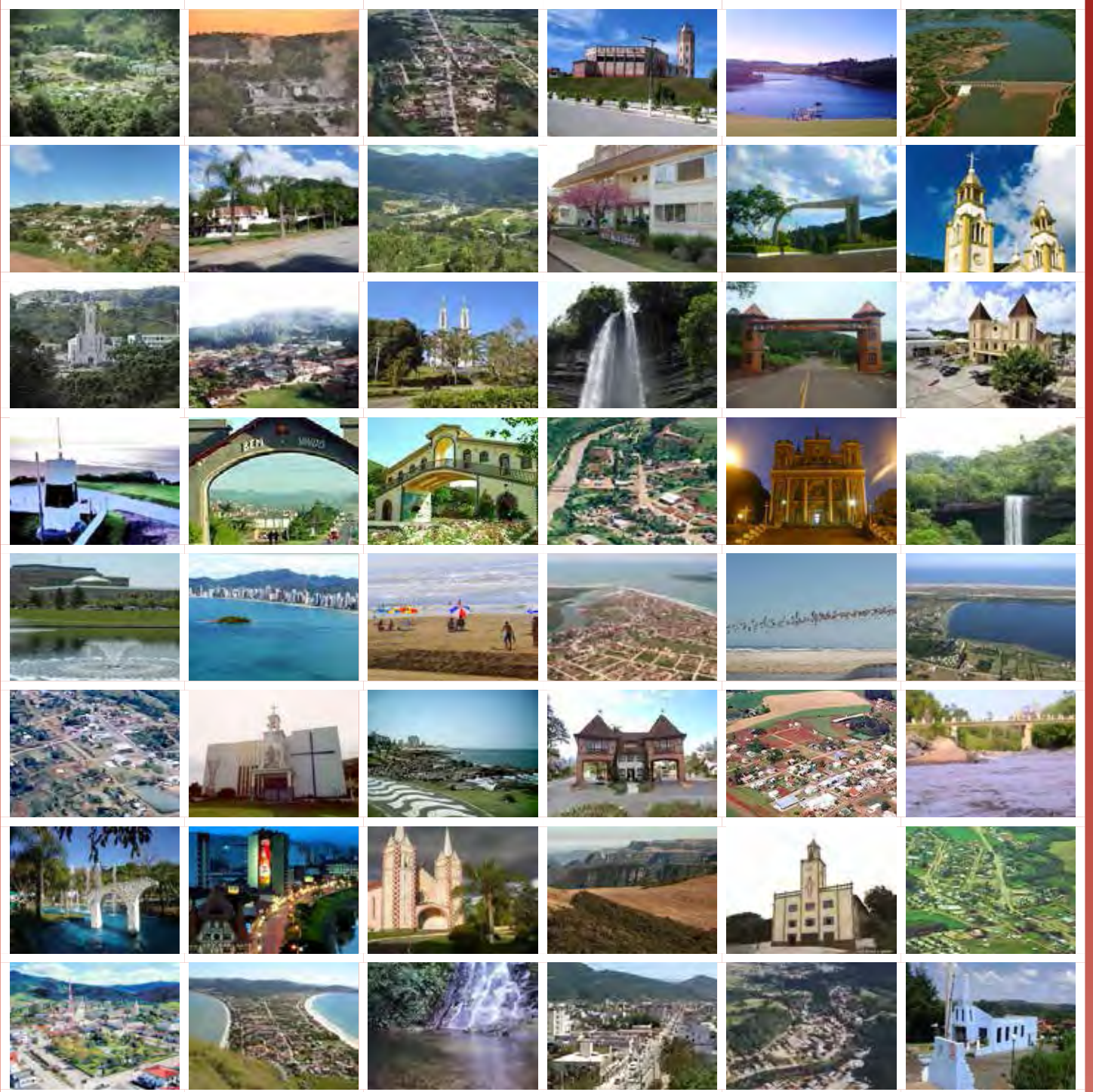
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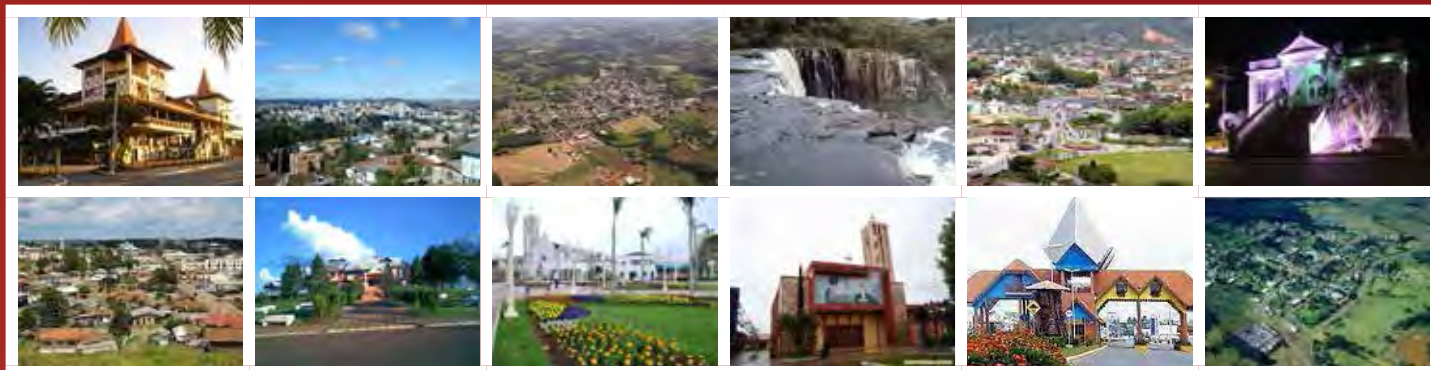


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SC Santa Catarina

Profile, Administrative, Social, Economic and Financial Aspects



Land of opportunities

SANTA CATARINA is located in southern Brazil, the largest country in South America, and stands as one of the Brazilian states with the best economic and social indicators. With 95.7 thousand square kilometers and 6.7 million inhabitants, it is the 20th state of the country by land area and the 11th in population.

The economic representation of Santa Catarina goes far beyond its geographic and demographic dimension. The state has the 6th largest Gross Domestic Product (GDP) and the 5th per capita GDP of Brazil. Santa Catarina also leads major quality of life indices, such as the longest life expectancy and the lowest rate of child mortality.

The state capital is Florianópolis, voted one of the best tourist destinations in Brazil. The city is also an important technological center and the best in the country in human capital: 39% of formal jobs are occupied by professionals with a university degree, more than double the national average.

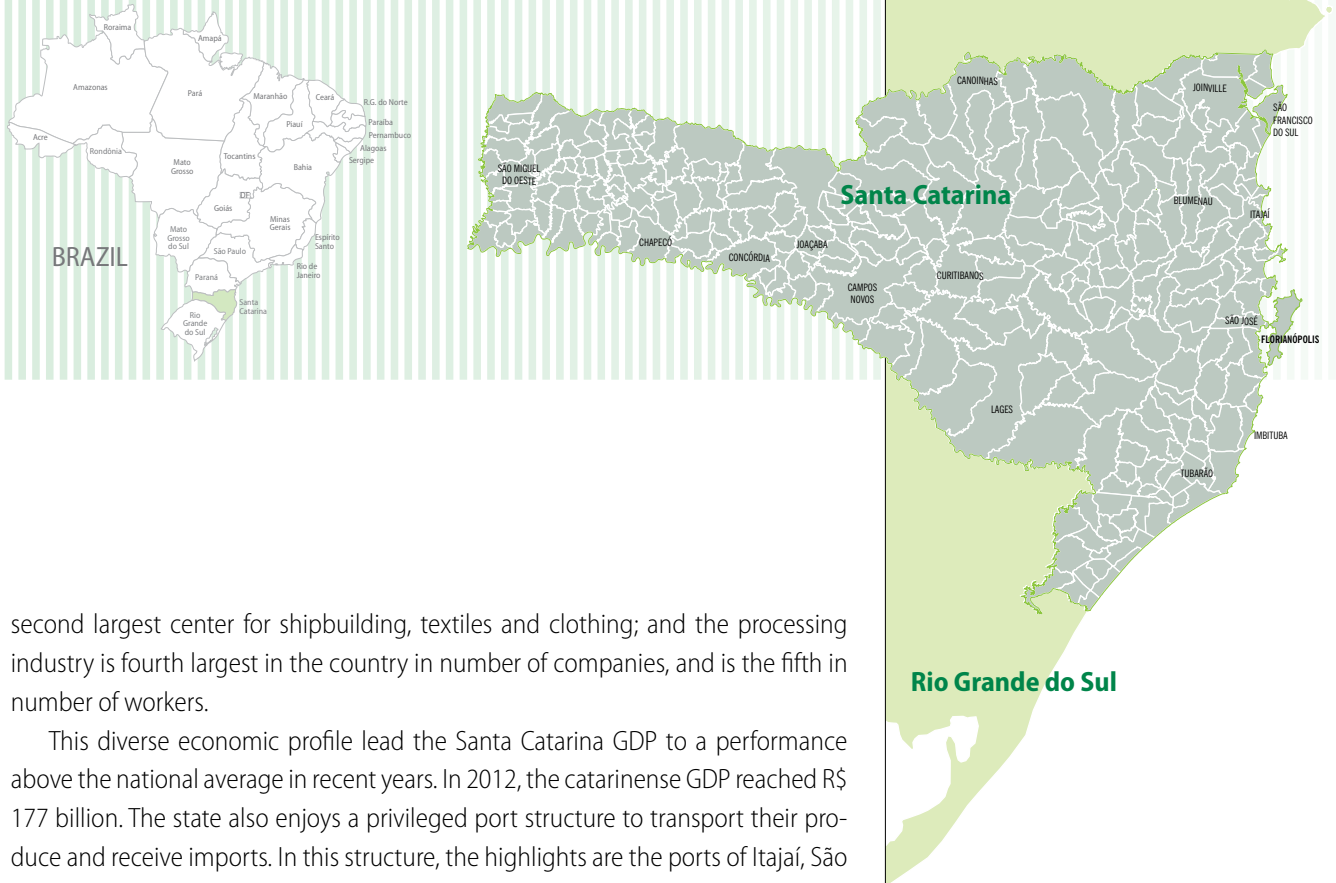
The largest city in the state in number of inhabitants, is Joinville (North), followed by Florianópolis (Coastal), Blumenau (Itajaí Valley), São Jose (Coast/Greater Florianópolis) Chapecó (West), Itajaí (Coastal north), Lages (Serra), Criciúma (South), Jaraguá do Sul (North) and Palhoça (Coastal Greater Florianópolis).

Santa Catarina was colonized mainly by European immigrants, who started to properly populate the state in the eighteenth century: the Germans in the Itajaí Valley and the North of the State; the Azorean Portuguese on the Coast; and the Italians in the South. At the beginning of the 20th century, the West received immigrants of German and Italian origin, coming from the neighboring state - Rio Grande do Sul.

The state has a great diversity of climates, reliefs and landscapes. The seasons are well defined: hot and sunny summers and winters with occurrence of snow at altitudes that reach 1820 meters. The temperatures are usually pleasant, ranging from 13 to 25 degrees Celsius, but can reach nearly 40 °C and, at the other extreme, below 0 °C.

This social and geographical diversity resulted in the formation of different economic centers. In the North of the State, the technological, furniture and metal mechanic center; in the West, agribusiness; in the 'Planalto Serrano' (Mountain Plateau), paper, pulp and timber; in the South, the clothing, disposable plastics, coal and ceramic industries; in Itajaí Valley, the textile and shipbuilding sectors.

The state occupies a prominent position on the national scene: it is the largest producer of pork, fish, apples and onions; third in the production of chickens; and



second largest center for shipbuilding, textiles and clothing; and the processing industry is fourth largest in the country in number of companies, and is the fifth in number of workers.

This diverse economic profile lead the Santa Catarina GDP to a performance above the national average in recent years. In 2012, the catarinense GDP reached R\$ 177 billion. The state also enjoys a privileged port structure to transport their produce and receive imports. In this structure, the highlights are the ports of Itajaí, São Francisco do Sul, Imbituba, Navegantes and Itapoá.

Catarinense exports reached an accumulated value of US\$ 8.987 billion in 2014, 3.99% of the total exported by Brazil. The main products marketed were chicken and pork, as well as soy and engines. Among the largest target markets are the United States (12.86%), China (10.89%), Japan (5.86%) and Russia (5.46%).


In 2014, Santa Catarina was the state that generated the most new jobs in the country. 53,887 new jobs were opened during the year, largely in the service sector. The state provides full employment, with an unemployment rate below 3%. The cities that generated the most jobs were Camboriú and Florianópolis.

This economic dynamism was reflected in excellent social indicators. Santa Catarina has high indices of human development, employment generation, literacy and life expectancy. Catarinenses live on average 78.1 years, the country's highest level, while the national average is 74.9 years.

With all these qualities, the state attracted large investments in recent years: the first BMW production plant in Brazil, in Araquari; the production of engines and heads of General Motors, in Joinville; the construction of a Sinotruk truck plant in Lages, and the construction of the LS Mtron tractor factory in Garuva.

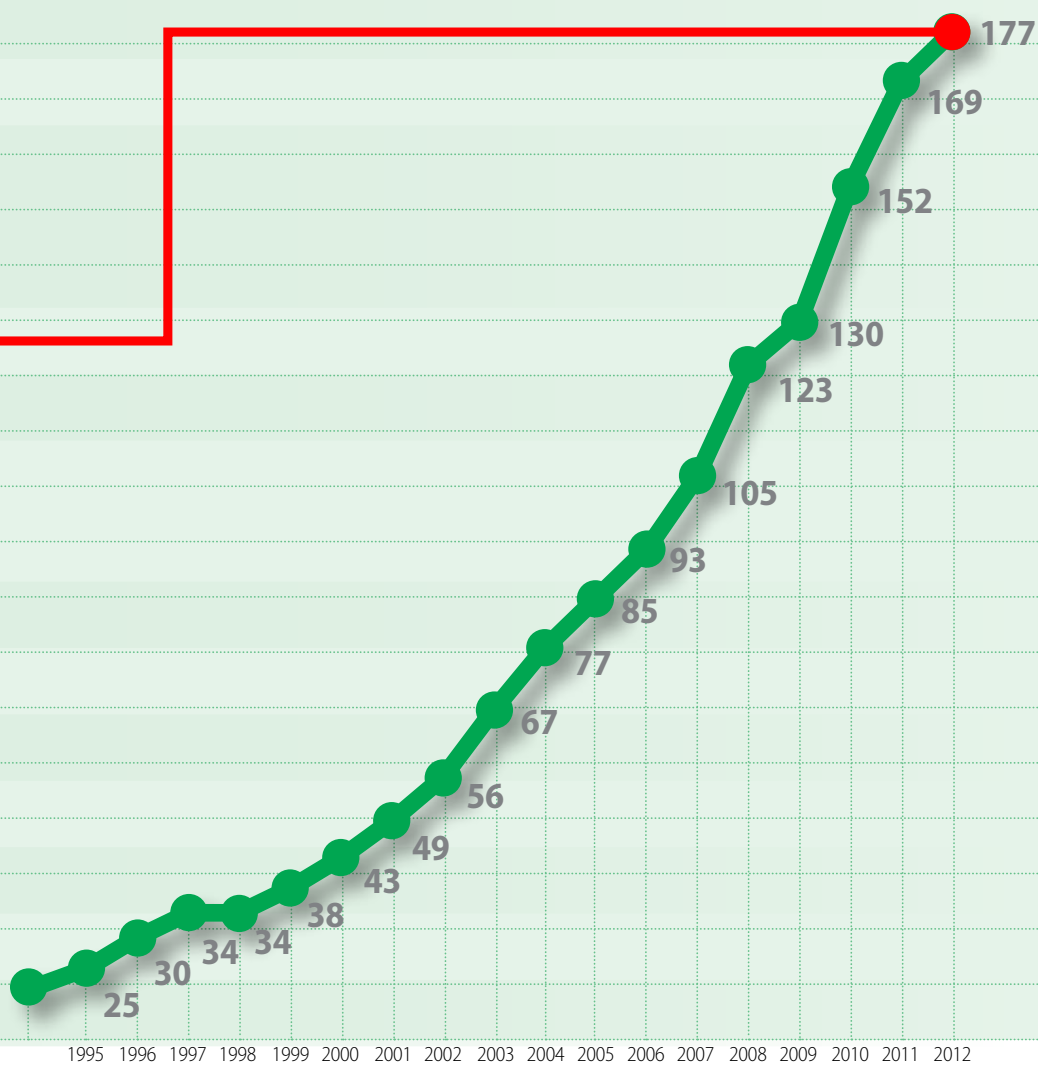
To attract more investors, the State Government has established favorable policies for job creation and social and technological development through four fronts: tax incentives, enhancement of strategic areas, promoting innovation and empowerment of people.

General aspects of the State of Santa Catarina

Location	South Region of Brazil
Territorial Area	95,733.978 Km ² (IBGE, 2014)
Estimated population	6,727,148 (IBGE, 2014)
Number of municipalities	295
Capital	Florianópolis
Demographic density	65.27 inhabitants/Km ² (IBGE, 2014)
Borders	North – State of Paraná South – State of Rio Grande do Sul West – Argentina East – Atlantic Ocean
GDP 2012	R\$ 177.276 billion 
Human Development Index	0.77%

Santa Catarina in first place

Greatest employment generator 2014	53,887 new positions
Best tourist destination in the country	
Longest life expectancy	78.1 years (74.7 years for men and 81.4 for women)
Lowest infant mortality rate	10.1 (children under 1 year per thousand live births)
Lowest childhood mortality rate	11.8 (per thousand live births)
Lowest extreme poverty rate	3.23% (households with per capita income of up to ¼ minimum wage)
Greatest sense of security	Neighborhoods (79.1%) and cities (68.3%)
Brazil's largest producer	Pork, fish, apples, onions, oysters and mussels



Graph 1 | GDP Evolution (R\$ billion)

More detailed information about the geography, history, colonization, the people, the culture and tourist attractions in Santa Catarina can be seen on the State's website (www.sc.gov.br)

Transparency and quality in public spending

The fourth year in office of the Governor of Santa Catarina, João Raimundo Colombo, was marked by a partnership between the state and the municipalities. The creation of the Municipalities Support Fund (FUNDAM) allowed the catarinense cities to expand investments in priority areas such as health, education, infrastructure and basic sanitation.

In addition to the investments made by FUNDAM, with resources from the Santa Catarina Pact, other investments made by the Pact were also significant in 2014, improving the long-term balanced growth conditions.

The year was also highlighted by intensive efforts in accounting and tax management, and improvement of the information and control systems, to improve the transparency and quality of public spending.

In the administrative aspect, worth mentioning also is the proper public debt management, debt settlement with the Dative Defender and the payment of court-ordered debt payments.

These actions, presented in sequence, try to encourage investment and enable the Government to exchange knowledge and dialogue with society and provide accountability to citizens.

Municipalities Support Fund

One of the great highlights of the administrative management of the Government of Santa Catarina State in 2014 was the Municipalities Support Fund (FUNDAM). Created to promote the distribution of public resources in an objective and democratic manner among all 295 municipalities in Santa Catarina, the program has proven the greatest driver of economic and social development of the state this year, especially in small municipalities.

The idea emerged in early 2013, in the Santa Catarina Congress of Municipalities, organized by the Santa Catarina Federation of Municipalities (FECAM), during which much of the Santa Catarina mayors called for a better distribution of public resources so that local governments could meet the demands of the population.

The State Government then structured a program that would share resources between the municipalities in careful, objective and non-partisan way, to provide important investments, especially in health, education, basic sanitation and infra-

structure. Thus emerged, FUNDAM, managed in partnership with the Secretaries of State of the Civil House and the Treasury, through the Fund Management Board.

The first step was to secure the program's legitimacy through the Legislative Assembly of the state of Santa Catarina, with the approval of Law No. 16,037 of June 24, 2013. Then, the law was regulated by Decree No. 1621 of July 3, 2013. The law provides that each municipality is entitled to submit up to two proposals for investments in key areas, described in the legal instruments that regulate the program.

Next, the state government initiated the distribution of the amounts for each city. The number of inhabitants per municipality was taken into consideration - ranging from R\$ 700,000 to R\$ 3 million - grown from the analysis according to the demand for projects and as outlined investments by state lawmakers. The definition of the investment object in FUNDAM is the sole discretion of the municipality, provided that they comply with the criteria provided in the legislation.

At the same time, the State Government hired Banco Regional de Desenvolvimento do Extremo Sul (Far South Development Regional Bank) (BRDE) for implementation of the program, especially with regard to the technical analysis of the projects presented at the monitoring and the supervision of works. The performance of BRDE technicians assigned an even more careful character to the program, which was born with the aim of emphasizing the appropriate use of public funds for investments that actually reflect positively on the lives of the catarinense population.

The first agreements were signed in November 2013. However, it was in 2014 that FUNDAM gained momentum with the presentation of proposals by municipalities, analyzes of the projects, the signings of agreements and release of payments. FUNDAM's success is represented in the membership of all 295 municipalities in Santa Catarina, which has presented investment projects.

FUNDAM represents the valuation of small municipalities, because the catarinense demographic distribution is one of the peculiar characteristics of the state. People live better in small towns and, to preserve this, the state government and local governments must be partners to invest and thus fulfill the mission of governing for the good of the people.



FUNDAM allowed the implementation of works throughout the state. Above, street paving in Chapecó, next, street paving in São Miguel do Oeste (Photos provided by municipal governments) and construction of the Health Unit in Galvão

Photo: ASCOM



Works for implementation of third lane, cycle path, signage, public tours and full recovery of the stretch of pavement leading from the intersection of Rua Antonio Nunes Varela to the BR-282, performed with FUNDAM resources and the Joaçaba city council

Photo: SECOM

Designed to treat the 295 catarinense municipal governments equally, FUNDAM also valued transparency of information, since its creation. Any catarinense citizen can monitor, via the Internet on the Transparency Portal of the State Executive Branch (www.transparencia.sc.gov.br) or the website of the State Finance Department (www.sef.sc.gov.br), information such as the amounts available for each municipality, the projects registered by municipalities, the stage of processing of each proposal, the number of signed agreements and the amounts already transferred to the accounts of these municipalities.

Figure 1 summarizes the FUNDAM values, projects and investment areas.

Figure 1 | FUNDAM values, projects and investment areas

<p>FUNDAM</p>	<ul style="list-style-type: none"> » R\$ 605 million provided by the State Government to the catarinense town halls » 295 town halls submitted projects » R\$ 505 million - agreed amounts of concluded agreements » 384 agreements were signed with 274 municipalities
<p>Municipalities submitted projects for:</p>	<ul style="list-style-type: none"> » to buy 954 pieces of equipment and machines for maintenance and road works and vehicles for health and education » to perform 57 works of construction of kindergartens, schools, health centers, gyms, parks and senior centers » to pave 1337 streets, which represents more than 530 kilometers in length
<p>FUNDAM Areas of investment</p>	<ul style="list-style-type: none"> » infrastructure (logistics and urban mobility) » construction and expansion of buildings in the education, health and social care sectors » building in the sports and recreation sectors » basic sanitation » acquisition of equipment, machinery and vehicles intended for health and education services » acquisition of new machinery and road equipment, manufactured within Brazil

In addition to the FUNDAM investments in the catarinense municipalities, the Santa Catarina Pact developed other important actions that benefited several cities of the State, as shown in the following summary.

Santa Catarina Pact

The Santa Catarina Pact is a long-term program that projects investments of R\$ 10 billion between 2013 and 2016. It brings together works and acquisitions whose objectives meet the key demands of Santa Catarina society. The program ended 2014 with 18% of actions completed and 57% in progress, totaling investments of R\$ 1.5 billion. Among these actions are works in schools, highways and prisons, as well as the acquisition of vehicles and the installation of a weather radar.

The list of works completed in 2014 includes:

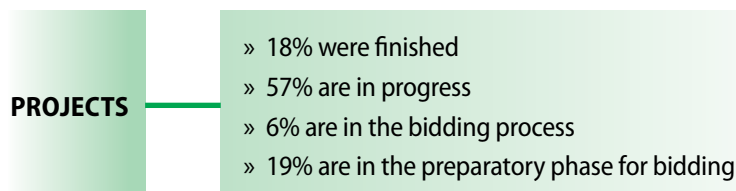
- » paving and revitalization of highways, such as the restoration of SC-430 in the stretch between Urubici and the entrance of the BR-282, in Bom Retiro, and the SC-483 of Jacinto Machado to Ermo, in the South of the State;
- » inauguration of the Julio da Costa Neves Elementary School, in Florianópolis, and the São Luiz Elementary School, in União do Oeste, as well as the reform of hundreds of schools;
- » increase in the number of spaces in the prison system, with the creation of 200 cells in the South Penitentiary and the completion of the new facilities of the Centre for Socio-Educational Services (Case) of Greater Florianópolis, with a capacity to serve up to 90 adolescents;
- » delivery of important equipment to support the work of Civil Defense, such as the weather radar, which was inaugurated in 2014 in the city of Lontras;
- » delivery of 142 vehicles to municipalities to extend the safety net, looking for people who are not yet included in social programs coordinated by the Department of Social Welfare, Labor and Housing; and
- » acquisition of vehicles for the prison system, kits for firefighters and police officers, and the renewal of the operational fleet of the State Public Security.

The breakdown of investments by area is presented in the Social Aspects chapter of this report.

The Santa Catarina Pact was established by Decree No. 1,064 of July 17, 2012, and subsequently amended by Decree No. 1,537, of May 10, 2013. The funds raised by the program are being directed to works and acquisitions in the areas of education, health, infrastructure, public security, justice and citizenship, civil defense, agriculture, social protection (social assistance), sanitation and sustainable economic development.

Figure 2 presents a summary of the progress of the Santa Catarina Pact's projects.

Figure 2 | Situation of the Santa Catarina Pact's projects



The actions related to the program can be monitored on the Pact Map, available on the Internet (www.pactoporsc.sc.gov.br). Divided into seven regions - Greater Florianópolis, South, Itajaí Valley, Serra, North, Midwest and West - the map includes all the municipalities in the State, with information about the progress of works, investments and photos.



São Joaquim – Snow Paths

Photo: Nina Velho – SDR of São Joaquim

Accounting and Tax Management

Driven by the planning and management of state tax administration, tax revenues achieved positive results in the year, despite the economic slowdown.

The modernization of treasury management was an essential tool for the growth of revenues, the cuts to public spending and effective service to the citizens of Santa Catarina. In 2014, the National Treasury approved the request to extend the Fiscal, Finance and Property Management Modernization Program (Profisco), ensuring the resources until August 31, 2016.

Signed in September 2010, the program provides US\$ 45 million in investments, of which US\$ 30 million is financed by the Interamerican Development Bank (IDB), under guarantee of the Union. Santa Catarina is a leader in implementing the Profisco. The balance of the contract with the IDB to run until 2016 is US\$12 million.

In accounting management, Santa Catarina is an example in adaptation to international accounting standards, and constantly seeks to assist in the improvement of state governance through tools and modern information technologies intended to ensure the reliability of data and to support managers and society for purposes of social control.

The operating with transparency, quality of public spending, in the calculation of costs and improvement of the Integrated Planning and Fiscal Management System (SIGEF) represent some actions developed in 2014, as evidenced below.

Transparency and Quality of Public Expenditure

In order to make the constitutional principle of publicity effective, transparency in public administration has become a democratic framework in the history of society. Today it is essential that the citizens are informed of the government's actions in order to encourage popular participation in public administration in order to achieve better results and benefits to society.

In this context, the State Finance Department, through the General Accounting Office, maintains the Transparency Portal of the State Executive Branch, an instrument of social control that enables citizens to monitor the collection of revenues and the application of public resources. Through this tool, the Government has greatly advanced its relationship with society, promoting transparency and citizen participation in government policies.

In 2014, in the evaluation carried out by non-governmental organization (NGO) Open Accounts¹, Santa Catarina moved up four positions compared to 2012 in the Transparency Index. In this edition, the State was considered the fourth most transparent of the units of the Federation.

The NGO evaluated requirements in three major areas: content (55% of the final grade), usability (40%) and time series and update frequency (5%). The final grade 7.6 obtained by the State was the result of grades 7.49 for content, 7.7 for usability and 8 for time series and update frequency.

¹ Creating entity of the Transparency Index, which brings together financial experts and public accounts as a means of informing citizens of the level of transparency of public accounts in order to create a healthy competition among public officials for transparency and social control.

The changes introduced in the Transparency Portal contributed to the improvement of the index, with the provision of data on contracts, forecasting and budgetary execution of revenue and expenditure, detailed according to the interest of the citizen (by nature of expense, by entity, by source of resources, application mode, etc.). On this last visit, the Open Accounts Association concluded that: “with a single form, it is possible to find everything the portal offers about budgetary execution and classification.” The NGO also stressed the availability of applications for Android and iOS, called “Transparency Mobile-SC” with information from the Transparency Portal of the State Executive Branch, and “SEF-SC Indicators”, with management information produced by the General Accounting Office of the State Finance Department.

For ease of usability of the portal, new technologies were employed that enable the optimal tailoring of the content display on mobile devices used by citizens. As a result of this work, for example, the daily consultations and payments by lender present a new visual design: they are adapted for access through mobile devices and allow, beyond the screen in consultation, downloading of the data in file format.

The portal can be accessed at www.transparencia.sc.gov.br and is divided into five major areas: “Public Revenue” (daily collection of taxes and other sources, reports on net income, revenue collected by entity and receipts distributed by power and authority); “Public Spending” (payment to suppliers, servers, agreements and transfers); “Graphical Analysis” (comparisons between the revenues and expenses of bodies of the executive branch); “Tax Management” (reports on public debt, budget, Fiscal Responsibility Law and the State Financial Report); and “About the Portal” (information on how to use the site search filter, legislation, FAQs and communication channel with the government).

In 2014, the website received 1.4 million visitors, representing an average of 3,838 daily hits, equivalent to 2.7 hits per minute.

Integrated Planning and Fiscal Management System

The Integrated Planning and Fiscal Management System (SIGEF) is the official planning, budgeting, finance and accounting information system of the state of Santa Catarina, and is managed by the General Accounting Office of the State Finance Department. SIGEF attends the Executive, Legislative and Judiciary Branches, in addition to public prosecution service, and also adds other functions. Among these functions are the control of accountability and state funds transfers, management of materials and service contracts, physical and financial monitoring of present actions on the Multi-Year Plan and the management of the public debt of the state.

The system consists of several modules that are integrated and enable a better relationship to meet the needs of managers. Accounting, Annual Budget Law, Contracts, Public Debt and transfers are some of the modules that make up the SIGEF.

Work on the SIGEF involves not only maintenance, but also the evolution of the system, consisting of improvements to attend to managers and society, seeking to bring greater efficiency to the system and provide new mechanisms to assist in public management.



In this regard, in 2014 there were important developments in the SIGEF:

- » implementation of the Public Debt module to systematize the state debt management, since the registration of contracts by performing calculations provides better monitoring of current conditions and projected debt;
- » implementation of Court-Ordered Debt Payments module, which enabled the integration with the writ system of the Santa Catarina Court of Justice (TJSC), including mechanisms that assist in managing the volume of writs of the state that are controlled by the TJSC;
- » start of Contracts module operation, enabling improvements to the management of contracts for materials and services, from their registration to the physical and financial monitoring of each contract;
- » improvement in the Transfer module, in order to give more flexibility to the recording of voluntary transfers and the provision of application accounts of resources, reducing bureaucracy;
- » improvement in the Physical and Financial Monitoring module to enable agility and flexibility in the changes of some information, in addition to the creation of a mechanism for the periodic updating of financial information; and
- » continuity in actions to comply with International Accounting Standards Applied to the Public Sector with respect to statements and other reports structured in the Accounting and Fiscal Adjustment Program modules.

Finally, the integrated efforts of various sectors of the Government every year expands the SIGEF and brings major improvements and innovations to the system, which today is considered one of the benchmarks at the national level.

Determination of Costs

In 2014, the General Accounting Office of the State Finance Department developed the Experimental Project for Determination of Costs of Education Services of the State of Santa Catarina, using the financial and property information for the year 2013 collected in their own systems and administrative controls as a basis. The project aimed to meet the cost of schools of the state education system as well as the cost of each student enrolled. In addition, the project also aimed to create subsidies for the implementation of management information of the State Executive Branch system costs.

Unlike the project executed in 2013, with 2012 information, in which eleven cost elements were considered (six of them with a smaller participation than 1% of the total cost), the 2014 project included the use of information from the five elements with the greatest cost relevance in its methodology, which accounted for 97% of the costs directly related to the maintenance of schools: spending on education personnel; Foodstuff (school lunch); School buses; grants to the Parent Teacher Associations (PTAs); and expenses for outsourced staff. This reduction of items allowed for a more comprehensive study, involving 14.92% of schools from the state school system (185 schools), which involved 10.73% of students enrolled in 2013 (60,796 students).

The 2014 project was developed in three phases:

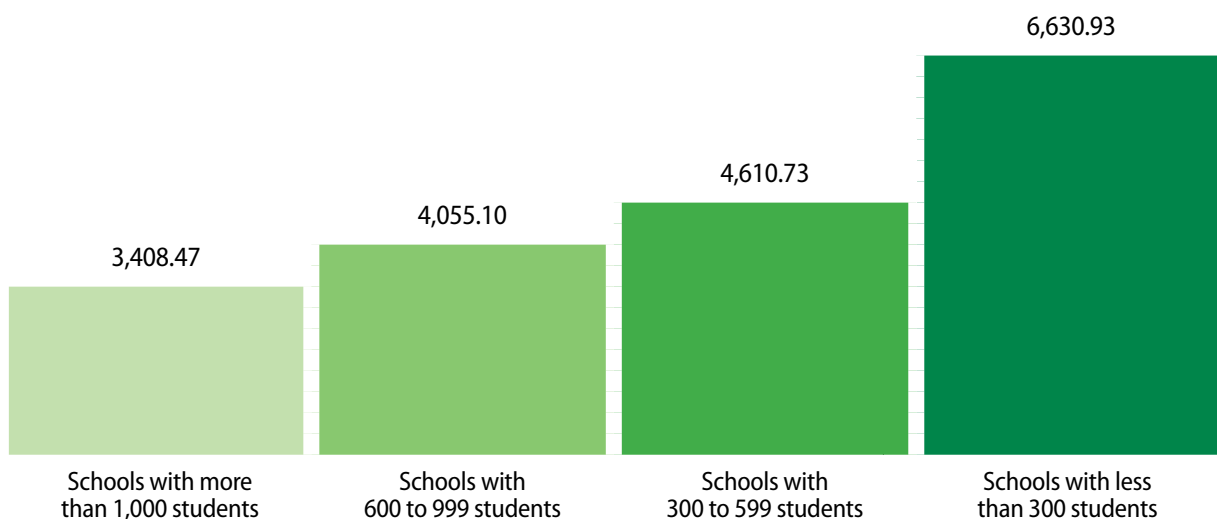
- a) 1st phase: between the months of March and April, covering 30 schools belonging to the Regional Development Departments (SDRs) of Chapecó, Blumenau, Criciúma, Joinville, Lages and Greater Florianópolis, with 29,403 students enrolled in the year. They were the same schools from the study conducted in 2013 in the project, with 2012 data;
- b) 2nd phase: between the months of April and May, covering 30 schools with 17,987 students enrolled in the year, belonging to the SDRs of Araranguá, Campos Novos, Itajaí, Jaraguá do Sul, Rio do Sul and São Lourenço do Oeste, and selected by technicians from the State Education Department, respecting the size and location standard previously adopted; and
- c) 3rd phase: between the months of May and July, covering 125 schools of small size, with 13,406 students belonging to various regions of the State, according to the need presented by the State Education Department, involving indigenous schools and rural settlements. The schools selected for this phase of the study involved, in 2013, up to 250 students enrolled at each.

The 30 schools studied in the first phase showed a total cost of R\$ 95.856 million and an average cost per student enrolled of R\$ 3,260.08.

The 30 schools studied in the second phase amounted to a cost of R\$ 71.676 million in 2013.

The average annual cost per student enrolled for these 30 schools was R\$ 3,984.90. The distribution of this cost by size of schools is shown in Graph 2.

Graph 2 | Cost per Student against Size of School - 2nd phase - base-year 2013 (R\$)



Analyzing Graph 2 confirms that the cost per student/year is higher in schools that have fewer students enrolled, because, considering that the most representative item is the cost of personnel directly allocated to education in schools, the cost of a teacher will be the same to attend to 40 or 10 students. However, other costs such as meals and school transport vary depending on the number of students.

ADMINISTRATIVE ASPECTS

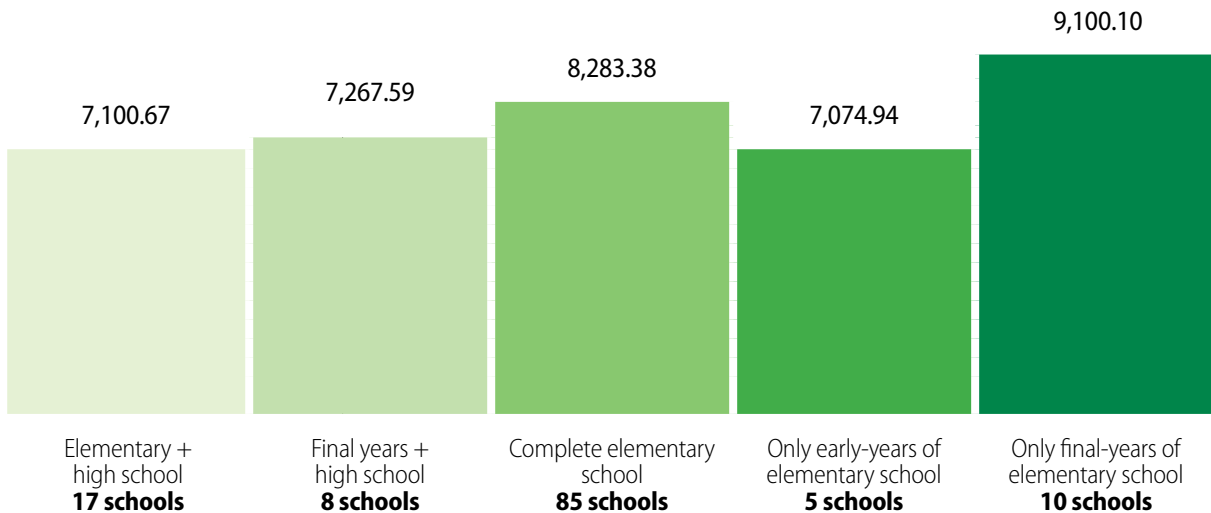
In the third phase the 125 schools that were studied showed the following characteristics:

- » 6 indigenous schools;
- » 13 schools with up to 50 students enrolled in 2013;
- » 53 schools with 51 to 100 students enrolled in 2013;
- » 49 schools with 101 to 200 students enrolled in 2013; and
- » 4 schools with more than 200 students enrolled in 2013.

The 125 schools studied in the third phase showed a total cost of R\$ 109.174 million and an average cost per student enrolled of R\$ 8,143.67.

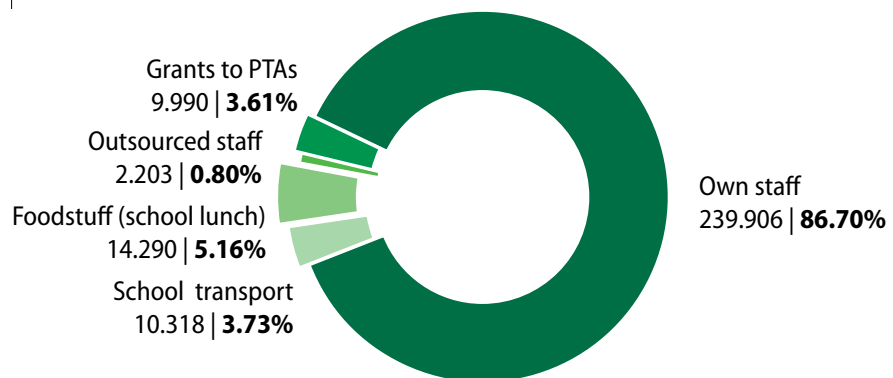
For these schools, the analysis of the relationship of the costs against the level of education offered shows that there is no direct relationship between the cost of education services and the level of education offered, as there is with the number of students and the composition of classes, as shown in Graph 3.

Graph 3 | Cost per Student against Level of Education - 3rd phase - base-year 2013 (R\$) - Small Schools (R\$)



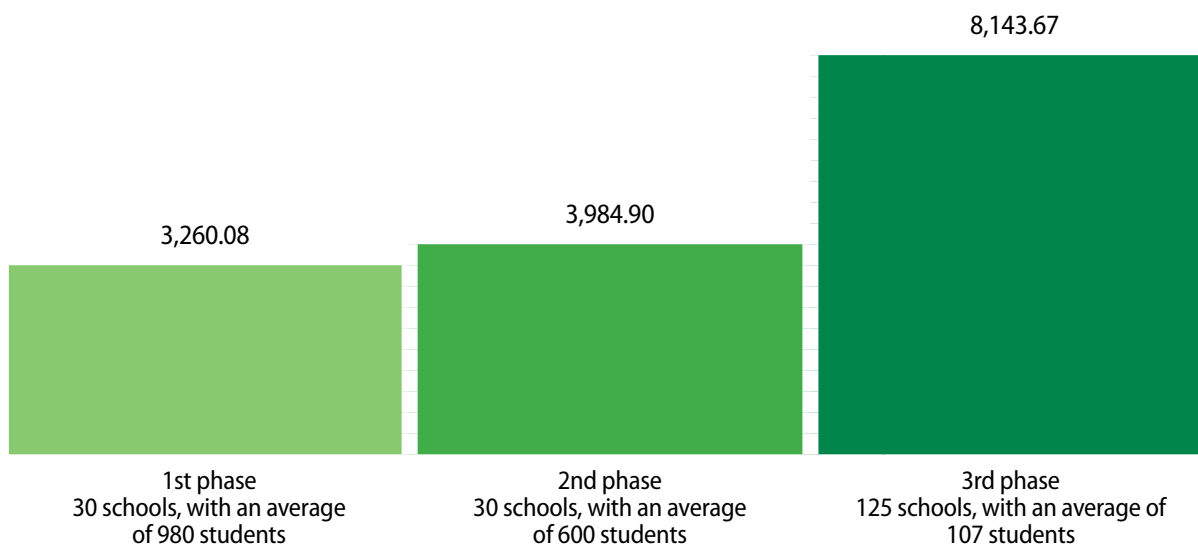
Taking the 185 schools studied in the project as a basis, we obtained a similar distribution if costs for each of the three phases of the study, as Graph 4 shows.

Graph 4 | Composition of Costs With Education of 185 schools (R\$ million)



The summary of the annual cost per student for each phase of the project, covering the 185 schools studied is shown in Graph 5.

Graph 5 | Cost per Student in 2013 (R\$)



It can be seen from the conducted study that the annual cost per pupil is higher in schools that have lower enrollments (125 schools, studied in the third phase), there is an inverse relationship between these two variables.

The schools studied in the third phase had the lowest average students enrolled (107 students per school), followed by the schools studied in the second phase (with an average of 600 students enrolled per school) and schools studied in the first phase (980 students registered by school, on average).

It is noteworthy that the costs calculated in the study consider only ongoing and current expenses carried out in the state schools, either through contracts made directly by the State Education Department or the SDRs, not including depreciation and recovery of chattels and property made available to schools.

It is worth remembering that the information collected forms the basis for the management of schools in the state school system, but above all the social needs of the state's population must be observed, from the maintenance of schools in rural areas and settlements, indigenous tribes and other distant or lower human development index regions, seeking continuous improvement in the levels of education of this state's people.

More details about the study, such as cost for the Department of Regional Development, can be obtained from the State Finance Department website (<http://www.sef.sc.gov.br/servicos-orientacoes/dcog/custos-aplicados-ao-setor-publico>).

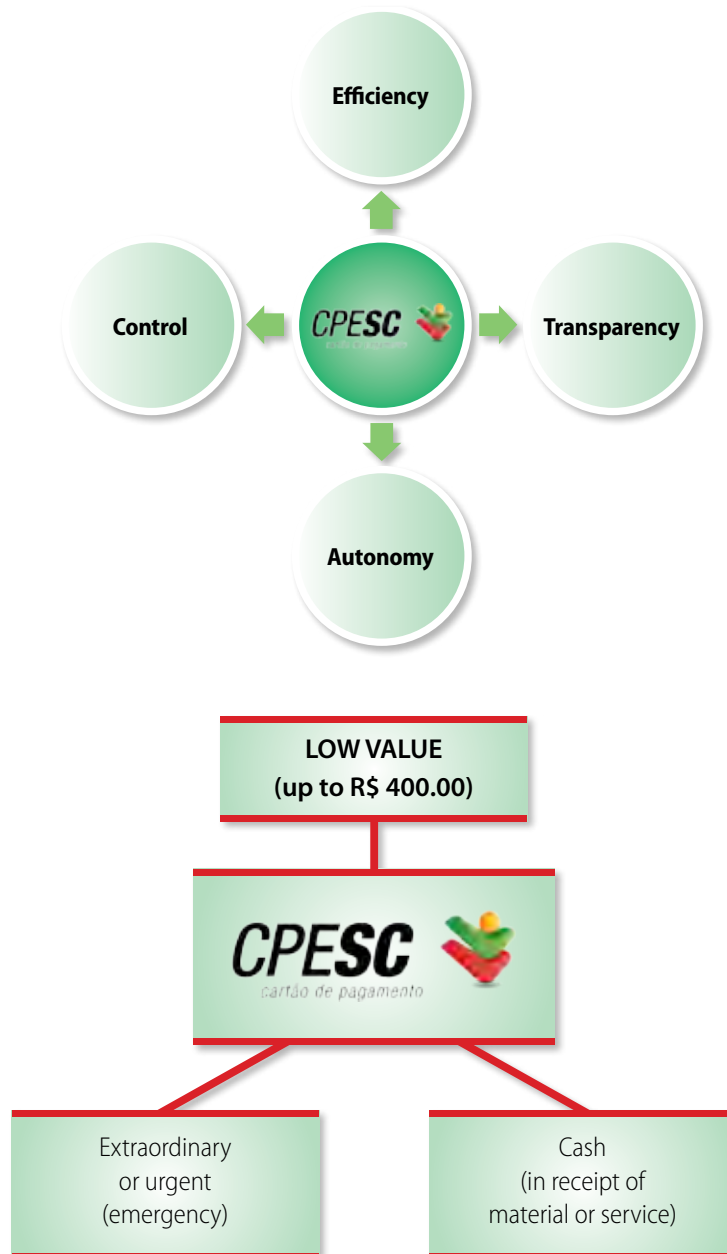


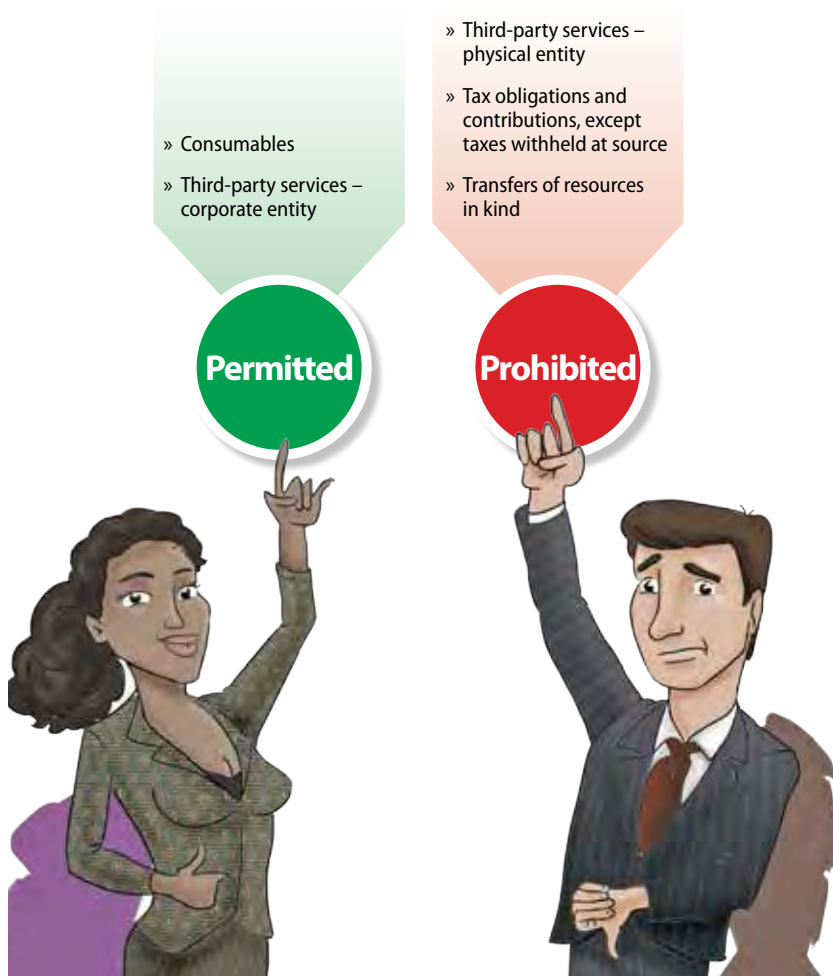
Payment Card of Santa Catarina State

Regulated in late 2013, through Decree No. 1949 of 19 December 2013, the Payment Card of the State of Santa Catarina (CPESC) was implemented in the State Executive Branch during the year 2014, allowing administrative units linked to State agencies and authorities, with greater efficiency and transparency, to make acquisitions and contractings of small, extraordinary or urgent expenditures.

The CPESC is a modern tool of advanced features that assists in management, enabling autonomy and avoiding the discontinuity of services offered to society. The payment card strengthens control, especially social control, because the manager has the possibility of establishing types of expenses that can be performed with each payment card available to authorized server, respecting the standardization of the State.

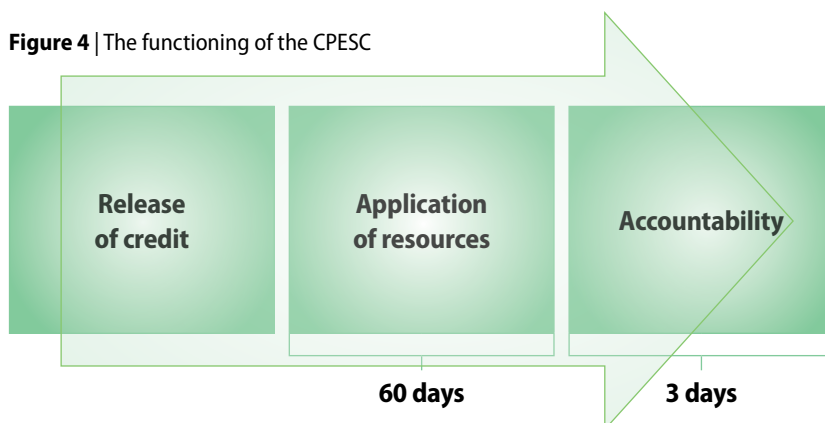
Figure 3 | Characteristics of the CPESC





The CPESC allows each administrative unit to apply R\$ 8,000.00 annually in general unforeseen maintenance expenses. Advances can be used within 60 days after the grant date. The accountability, which was also automated for CPESC, is expected within three days after the completion of the application of resources. CPESC Expenditures can be monitored at the Transparency Portal of the State Executive Branch.

Figure 4 | The functioning of the CPESC



The first Department to join the CPESC was the State Education Department, which in April 2014 granted the initial advance installment for a total of 1,070 state schools. In August 2014, the Department of Education granted another installment to school principals, for the second academic year. The funds granted for use of

each school principal were scaled according to the size of the school, ranging from R\$ 2,000.00 to R\$ 8,000.00 in the year, and the Department of Education released R\$ 7.012 million in 2014 to acquire materials through CPESC, consolidating the card as an educational management tool.

During 2014, other bodies and agencies of the Executive Branch joined the new model for the payment of small and emergency expenses: the Department of Justice and Citizenship, which provided the CPESC to 56 prisons and formal state citizenship training centers, releasing in late 2014 the amount of R\$ 168,000 for use in services and procurement of emergency material; the Environmental Foundation (FATMA), which provided 14 cards to regional units of environmental monitoring; the Administration Department; the Department of Planning; the Department of National Articulation; and the Department of Regional Development of Lages.

Thus, the Payment Card of the State of Santa Catarina enables the work to be streamlined, assisting public management and keeping the commitment to the correct application of public resources.

Public Debt

The domestic debt of most Brazilian states is mainly composed of debt refinancing contracts of those states concluded with the Union, under the aegis of Federal Law No. 9,496, of September 11, 1997. These contracts represented an important step in the fiscal adjustment and the search for an equilibrium of public accounts of the federal entities. However, negotiations were based the Real Plan, at the reality of that time, with the setting of interest rates at 6%, 7.5% and 9%, added to the IGP-DI inflation index.

In spite of the efforts of federal agencies, maintaining these rates has not enabled the amortization of the debt, indicating the existence of contractual imbalances that require immediate revisions. The inviolability of contractual bases by the end of the date specified in the contract generates waste for some entities, heavily sacrificing public accounts and investments demanded by society.

Thus, the Santa Catarina debt of R\$ 1.55 billion, assumed with the Federal Government in 1998, today is equivalent to R\$ 8.64 billion, even after the State Government has disbursed R\$ 11.95 billion in that period.

With the approval of the Federal Supplementary Law No. 148 of November 25, 2014 amending the interest that adjusts the debt of the states with the Union of 6.0%, 7.5% or 9.0% to 4% over IPCA, limited to the SELIC, the State secured a reduction of approximately R\$ 10 million in monthly installment of the debt.

Importantly, the change of interest and the contract signed indicator based on Law No. 9,496/97 is effective only after the Union makes the regulation of Complementary Law No. 148/2014 and signs the contract amendment with members of the Federation.

This change will be favorable to Santa Catarina, for the lowest commitment to the payment of public debt service will allow resources to be directioned for investment in priority areas for the state population.

Volume II of the 2014 Financial Report presents more information on the public debt and raising funds.

Debt Payment with the Dative Defender

Agreement confirmed between the State Government and the regional Order of Lawyers of Brazil of Santa Catarina (OAB-SC) initiated, in 2013, to pay the fees of the Dative Defender, accumulated state debt for 17 years, the services provided by lawyers to defend poor people.

The value of the debt totaled R\$ 99.6 million, of which R\$ 40 million was paid in December 2013. The rest was paid in full in 2014.

The debt contemplated all certificates filed with the OAB-SC until April 5, 2013 by 6,541 lawyers. To make this payment, the certificates issued by magistrates and presented by the OAB/SC in favor of dative lawyers were audited in order to ensure the reliability of the amounts paid.

Payment of Court-Ordered Debt Payments

In 2014, R\$ 131 million was transferred to the Court of Justice (TJSC) by the Government of the State for payment of court-ordered debt payments. Of this amount, R\$ 33 million was funded from the State Treasury resources, and R\$ 98 million came from tax escrow deposits. The use of tax escrow deposits for payment of court-ordered debt payments is backed by Federal Law No. 11,429 of December 26, 2006, which authorizes states to use 70% of tax deposits for payment of writs upon establishment of a guarantee fund.

More information about the payment of court-ordered debt payments is presented in the report of the Fundraising and Public Debt Directory, part of Volume II of the 2014 Financial Report.

Focus on priorities

Santa Catarina is a state that values people, trying to promote an equitable distribution of wealth and social inclusion for all. Health, education, safety and welfare are areas where strong state action attempts to improve human enhancement, strengthening citizenship and the guarantee of fundamental human rights.

Despite the economic development of the State of Santa Catarina, social conditions of the population still have disparities: while a portion has socioeconomic conditions comparable to those of developed countries, there are also more vulnerable groups in economic and social terms. Overcoming these disparities demand that the state works in the pursuit of equality and expansion of opportunities. In this sense, the government programs aim to: encourage improvements in the quality of public education and health; guarantee more security and tranquility to the people; expand inclusion opportunities for the poorest and most vulnerable social groups; expand physical infrastructure; and empower people so that the state's economy can enhance opportunities for growth, increasing competitiveness, generating greater balance between regions of the state and between people, and accelerating the generation of employment and income. In addition, the Santa Catarina government seeks to improve public management through tools and more modern management technologies.

Below, some social indicators of Santa Catarina and the result of state action in education, health, social welfare, Public Security, justice and citizenship, civil defense, agriculture, infrastructure and tourism are presented, with which the state government tried in 2014 to improve the quality of life of the citizen and to reduce social differences.

Social Indicators

Brazil has advanced in recent decades in social and economic terms, but still has high deficits in relation to developed countries. Significant disparities between the States of the Federation still linger.

Santa Catarina, with a diversified economy and well distributed, was able to close the year 2014 above the national average again, characterized as the Brazilian state closest to achieving the socio-economic indices of developed nations.

Development of Cities of the State

A survey conducted by the Federation of Industries of Rio de Janeiro (FIRJAN) ranks Santa Catarina as the 3rd best state in the country with regard to the socio-economic framework.

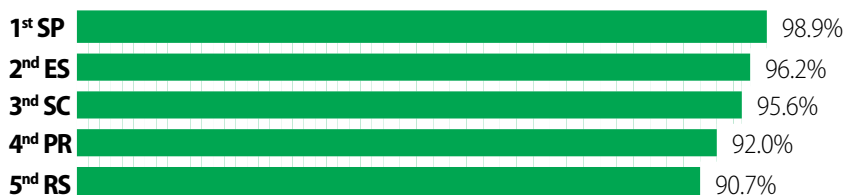
The study is based on the FIRJAN Municipal Development Index (IFDM), from data on education, health, employment and income collected throughout the country.

The interpretation of the index scale is as follows: below 0.4, the development is considered low. Between 0.4 and 0.6, the evaluation is normal. In the interval between 0.6 and 0.8, the development is moderate. Above this level are the municipalities with high development.

Based on this index, 95.6% of Santa Catarina's municipalities have a high or moderate development (see Graph 6).

Graph 6 | States with Largest Percentage of Municipalities with High or Moderate Development

Source: Federation of Industries of the State of Rio de Janeiro (Firjan)



Average Household Income Per Capita

The Average Household Income per capita is defined as the average household income of people living in a given geographic area, in the year considered.

Santa Catarina has the 3rd highest average household income per capita compared to other states of the Federation, as shown in Figure 5.

SOCIAL ASPECTS

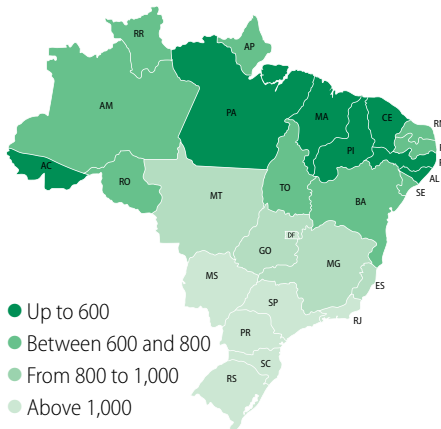


Figure 5 | Average Household Income Per Capita (R\$) - Relative Position Change in comparison with 2004 (No.)

Source: Social OPE, based on the National Survey by Household Sampling (PNAD)

Position 2013	State	2013	△	Pos.	Position 2013	State	2013	△	Pos.
1	DF	1,848.90	-		14	TO	713.40	▼	(1)
2	SP	1,216.79	▲	(1)	15	RN	712.69	▲	(4)
3	SC	1,209.08	▲	(2)	16	AP	707.68	-	
4	RJ	1,165.60	▼	(2)	17	SE	702.29	▼	(3)
5	RS	1,146.01	▼	(1)	18	AM	655.46	▼	(1)
6	PR	1,117.43	-		19	BA	654.40	▲	(3)
7	MS	1,081.39	▲	(3)	20	PB	614.10	▲	(1)
8	MT	999.60	-		21	PE	597.39	▼	(1)
9	GO	977.25	-		22	AC	591.15	▼	(7)
BRAZIL 938.31					23	PI	576.43	▲	(2)
10	MG	937.11	▲	(1)	24	PA	560.18	▼	(6)
11	ES	911.56	▼	(4)	25	CE	549.01	▼	(2)
12	RR	755.36	▲	(12)	26	MA	507.62	-	
13	RO	749.66	▼	(1)	27	AL	497.82	-	

As a result of this increase in average household income, there is a decrease in the percentage of the number of poor people. As can be seen in Table 1, Santa Catarina is the State with the lowest percentage of poor in the country.

Table 1 | Percentage of Poor People in the Brazilian States

Source: PNAD

Position 2013	State	% de poor people 2013	Variation p.p. (2004-2013)	△	Pos.	Position 2013	State	% de poor people 2013	Variation p.p. (2004-2013)	△	Pos.
1	SC	5.7	-9.6	-		14	TO	25.6	-25.4	▼	(1)
2	MS	6.3	-18.9	▲	(4)	15	RN	27.4	-29.5	▲	(3)
3	GO	7.6	-17.0	▲	(1)	16	SE	28.7	-23.5	▼	(2)
4	MG	7.8	-18.8	▲	(7)	17	AP	28.8	-24.9	▼	(1)
5	MT	8.1	-15.7	▼	(2)	18	PE	31.4	-31.8	▲	(6)
6	PR	8.1	-17.6	▲	(2)	19	PB	31.4	-30.5	▲	(2)
7	DF	8.4	-18.1	▲	(3)	20	CE	31.8	-30.3	▲	(2)
8	SP	8.7	-14.8	▼	(6)	21	PI	32.0	-33.2	▲	(4)
9	ES	9.4	-15.8	▼	(4)	22	BA	32.6	-28.2	▼	(2)
10	RS	10.2	-15.1	▼	(3)	23	AM	33.1	-19.2	▼	(8)
11	RJ	12.6	-13.5	▼	(2)	24	PA	33.2	-20.8	▼	(7)
BRAZIL 17.6 -19.9					25	AC	35.7	-21.6	▼	(6)	
12	RO	20.1	-17.8	-		26	AL	38.8	-31.0	▲	(1)
13	RR	24.4	-38.0	▲	(10)	27	MA	40.6	-27.6	▼	(1)

Santa Catarina also leads the national ranking with the lowest unemployment rate according to the National Survey by Household Sampling (PNAD). Santa Catarina's performance can be attributed to the strength with which industrial activity is growing and the diversity of the state's economy.

Basic Sanitation

The state also stands out on the national scene in sanitation, is considered the 5th best in sewage and the 4th best in garbage collection, according to the latest National Survey by Household Sampling conducted in 2012.

Principal Actions Developed in 2014

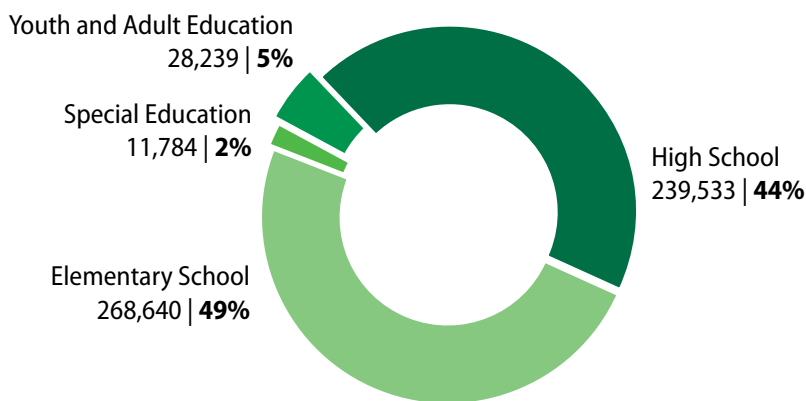
■ Education

The State Government has invested in several fronts to improve education in Santa Catarina. The work ranges from the reform and expansion of schools to the renewal of the school bus fleet, teacher training and curriculum updates.

The state education system is formed of basic education and higher education. Basic education in 2014 had 1,075 schools and 21,147 working teachers, in addition to temporary teachers, to serve 548,216 students, distributed in the following categories, as shown in Graph 7:

Graph 7 | Number of Basic Education Students in the State Network in 2014

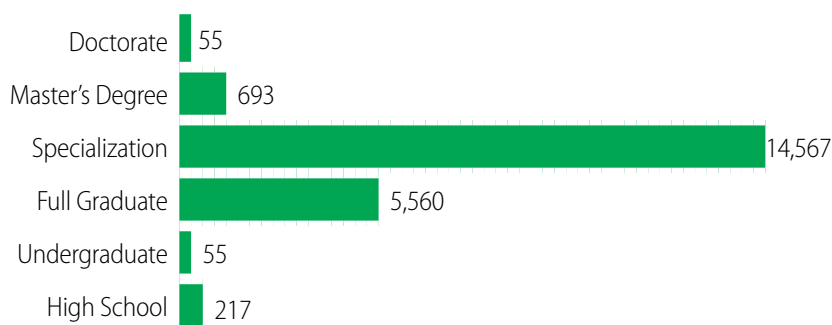
Source: State Education Department (SED)



Of the teachers working in basic education, 70% have a specialization, as shown in Graph 8.

Graph 8 | Qualification level of Teachers Working in the State of Santa Catarina

Source: State Education Department (SED)



Higher education includes the Santa Catarina State University (UDESC), which serves more than 15,000 students and offers 49 undergraduate programs, 22 master's and 10 doctoral courses.

■ Education-related actions undertaken in 2014

School Management

In 2014, all 1,075 schools in the state school system prepared the School Management Plan, instituted by decree of the State Government in 2013. The new model ended the politically appointed directors of schools of the state. To take over a school, the teacher must now present a plan in school management with a focus on access to education, the permanence of the student and the success of learning. The selection focuses on the technical skills and the capacity to act as manager of a school. It also provides greater community participation in the planning processes and administrative and pedagogical decision.

Curricular Update

After two years of study and discussion involving more than eight thousand teachers from all networks and stages of basic and higher education in Santa Catarina, the Department of Education in 2014 introduced the updated document Curriculum Proposal 2014 - Full Training for Basic Education. The document, which will serve as a theoretical framework for teachers in the classroom, includes new prospects and proposals for education. It will also meet the goals and strategies of the National Education Plan (PNE) and the State Education Plan (PEE). The work developed in Santa Catarina is setting an example for other states.

School Infrastructure

The State Government, with funds from the Santa Catarina Pact, is investing in construction, expansion and renovation of hundreds of schools. In 2014, the new São Luiz Basic Education School building was inaugurated, in União do Oeste. The expansion could characterize the works as a new school, because now the space has the capacity to increase the number of students from 260 to 400, including elementary and high school levels.

Among the new units opened in 2014, there is the Julio da Costa Neves Basic Education School, in Florianópolis, with capacity for 702 students. The school also offers space for four classes of the Santa Catarina Literacy Program, with the objective of assisting the elderly in the neighborhood. In the sports structure, there is a gymnasium with multipurpose court and stage for the various presentations, as well as stands with 210 seats.

Teacher Training

The training of teachers is one of the state fronts to ensure the quality of education in Santa Catarina. In 2014, continuing education courses were carried out for 41 regional trainers, responsible for the multiplication of the content for 12,000 high school teachers. Training courses for study counselors were also promoted, in order to ensure that all children are literate by the age of eight, at the end of the 3rd year of elementary school. The state also trained Portuguese language and mathematics teachers to work in the State Program for New Learning Opportunities (PENOA).



The Basic Education School São Luiz, at top, in União do Oeste (Photo: Diogenes Di Domenico Finger - SDR of Quilombo) and above, the Basic Education School Julio da Costa Neves, in Florianópolis
Photo: James Tavares - SECOM

School Transport

The State Government has renewed and increased the school bus fleet. In 2014, 99 new vehicles were acquired, to serve basic education students. The goal is to offer more comfort and safety for students to arrive well in school. The renewal included 90 municipalities.

Nutritional Education

The State Education Department, in partnership with companies that provide school meals, is always present in educational establishments, warning students about the importance of healthy eating. Through the Nutrition Education Project, professional nutritionists guide students and clarified hundreds of questions about food, encouraging them to eat healthily.

Indigenous School Education

In 2014, the indigenous communities of Santa Catarina received extensive assistance in education, with more teachers. The Indigenous Teaching Course, which began in the 2nd half of 2014 and will last three and a half years, has 30 indigenous teachers enrolled and attending the mixed classes of Guarani, Kaingang and Xokleng. In 2014, indigenous school education Santa Catarina served 2,044 students from 33 primary schools, 403 students from five high schools and 2,600 students from eight schools of Youth and Adults Education (EJA).

Higher Education

Santa Catarina State University (UDESC) reaffirmed in 2014 its position as the fourth best state university in Brazil, being the 18th overall among 192 institutions assessed by the Ministry of Education (MEC).

In 2014, enrollment in undergraduate courses occurred through the vestibular (entrance exams held in summer and winter), with more than 2,600 vacancies, and also through the Unified Selection System (Sisu) of MEC, with another 700 vacancies, always reserving 20% for state schools students and 10% for black students. In distance learning, 402 spaces were offered on the Education course, in which the priority is for teachers of public schools.

In education, UDESC invested in the Support Program for Graduate Education (PRAPEG) for projects aimed at the qualitative improvement of undergraduate education. In research, this university has 142 groups certified by the National Council for Scientific and Technological Development (CNPq). In the extension, there were 500 actions taken that benefited 600,000 people. The institution also granted various forms of grants and scholarships for students.

In 2014, UDESC continued investing in infrastructure. Important works are ongoing, such as the Forestry Engineering building, in Lages, the University Restaurant in Florianópolis, the FAED administrative building and reforms in São Bento do Sul.

Other highlights in 2014 in higher education were the approvals of three important policies: communication, distance learning and innovation, the latter being responsible for expanding external fundraising. A good example of this was the release of R\$ 15 million from the Ministry of National Integration for the construction of an analytical laboratory and accreditation of milk, which will be built in the UDESC unit in Pinhalzinho.



School buses purchased

Photo: James Tavares - SECOM



Meals served

Photo: Osvaldo Noceti



Indigenous Education

Photo: Osvaldo Noceti



Scholarships for UDESC

Photo: Disclosure of UDESC

Study Scholarships

The State Government is investing in financial assistance for higher education students considered financially needy. In 2014, over 25 000 undergraduate and 990 graduate students benefitted.

Basic Education

In 2014, Santa Catarina continued to figure in the ranking of states with the best averages in the Basic Education Development Index (IDEB), as shown in Table 2.

Table 2 | State Performance in IDEB

Source: National Institute of Educational Studies and Research Anísio Teixeira (INEP)

Region/State	4th Grade/5th Year			8th Grade/9th Year			High School		
	2009	2011	2013	2009	2011	2013	2009	2011	2013
North	4.1	4.5	4.7	3.7	3.8	3.9	3.4	3.4	3.3
Northeast	3.9	4.2	4.5	3.4	3.5	3.6	3.2	3.2	3.3
Midwest	5.0	5.3	5.5	4.2	4.3	4.4	3.6	3.7	3.7
Southeast	5.2	5.5	5.7	4.2	4.4	4.5	3.7	3.8	3.9
Sul	5.2	5.5	5.8	4.3	4.4	4.3	4.1	4.0	3.9
Santa Catarina	5.2	5.8	6.0	4.5	4.9	4.5	4.1	4.3	4.0

In the evaluation of the year, which considered 2013 information, the State continued to grow in the early years of elementary school, from 5.8 to 6.0. The primary reason for the growth is due to literacy work for the 6 year olds. In this stage of education, the numbers are similar to levels of developed countries.

In the final years, the State had a small drop in numbers, reducing the rate from 4.9 to 4.5. However, Santa Catarina remained among the five states with the best performance in the country.

In high school, the index fell from 4.3 to 4.0. The result owes much to automatic approval.

After analysis of the indices of state schools in IDEB 2011, the State diagnosed severe learning disabilities and a low degree of commitment of students to their studies. So, in 2013, it decreed the end of automatic approval and implemented the State Program for New Learning Opportunities (PENOA) to secure an appropriate learning tool for all students of the state. Other actions for Ideb correction are also underway, such as:

- » expansion of continuing education programs for teachers (PNAIC, SisMédio);
- » expansion of full-time education;
- » competitive recruitment exam for effective staff, wage improvements and new career with incentives for school results;
- » computerization of the School Failure Prevention Program (APOIA), in partnership with the State Prosecutor (MPSC); and
- » new school management system focused on learning.

■ Health

In 2014, the State Government consolidated actions that directly reflect the main indicators in health. At the same time, it released new practices to improve care in the area. The year ended with important achievements, such as coverage of 100% of the municipalities in the Family Health Strategy Program, and brought further progress with the implementation of proposals set out in the Health Management Plan, announced in 2013.

Health Management Plan

In 2014, three important actions proposed by the Health Management Plan were put into practice, as shown below.

- a) Medical Productivity - The main objective of the implementation of the Health Management Plan was to increase production and the quality of care to the population. Since the medical productivity law took effect in early 2014, the number of visits, surgeries and examinations in state public hospitals has grown. Of the 13 hospitals under the direct administration of the State and the Oncology Research Center (CEPON), 12 treated more patients in outpatient clinics in comparison to 2013. As for surgery, ten hospitals showed an increase in the quantity of procedures performed. The number of tests done also grew in nine of the 14 hospitals. The law establishes a new way of working for physicians, based on meritocracy. According to the meeting of goals, physicians receive up to double what is paid by SUS, depending on the complexity of the medical procedure. The objective is to increase productivity and reduce queues, ensuring that the resources applied effectively benefit users and workers. Hospitals Celso Ramos and Regional de São José, for example, hit record highs surgeries throughout the year. In 2013, the Celso Ramos Hospital registered a monthly average of 683 surgeries. In 2014, the average for the first nine months was 884 surgeries per month. At Homero de Miranda Gomes Regional Hospital (HRSJ), of São Jose, the largest hospital in Santa Catarina, there were numerous records throughout the year. As an example, the 1,223 procedures performed in August represent an increase of 56% from the 785 recorded in January when the Health Management Plan was implemented.
- b) Financial support for municipalities - The Ministry of Health ends 2014 with more than 95% of the municipalities having received the incentive of thirty cents per capita monthly. The objective is to assist in providing consultations and examinations of average complexity. The transfer of this amount is reversed in about 200,000 visits and tests, plus 70,000 procedures per year.
- c) Hospitalizations Regulation Centers - With the construction of seven Hospitalization Regulation Centers in Santa Catarina, the state seeks to increase the number of beds and the rational occupation of hospitals. Regulatory doctors check the clinical situation related to each admission request and locate, according to the supply of available services, the hospital most suited to the needs of the patient. The Centers strengthen health districts in the areas of control and evaluation, and auditing. This allows increased monitoring and control of public health resources, facilitating people's access to services throughout the State. The implementation of the Centers also allows us to know the reality of waiting lists for hospital admissions and promote a strategic plan appropriate to the actions and services necessary for each region.

Risk Classification System

Developed by technicians from the Ministry of Health, the Catarinense Reception and Risk Rating System is a major breakthrough in the organization, humanization and qualification of attention to the emergency room of Santa Catarina. The classification is a dynamic and responsive process. Upon arrival at the hospital emergency room and completion of the registration form, the patient is treated by an experienced professional who will listen to the main complaints and assess vital signs. Based on this data and other information, the classifier establishes the service priority.

The pilot project began to be implemented in September 2014 with the training of nurses at the Governador Celso Ramos Hospital, Florianópolis. As a result, the training was extended to professionals at hospitals and Emergency Care Units (PSUs) in the macro-region of Greater Florianópolis. The other regions will be trained from 2015 with hospitals adopting a single risk rating model throughout the state, which will standardize the language in attention to the emergency room.

Hospital Network

In 2014, more than 1.8 million patients were treated in Santa Catarina state in the 18 public hospitals, 13 of which are administrated directly by the Ministry of Health and others are managed by Social Organizations (OS) contracted by state. The expansion of services, when compared to production in 2011, reaches 71% in units managed by Social Organizations and 9% in their own hospitals.

- » Own Hospitals: in 2014, 2,080 beds of hospital units themselves guaranteed the support of high and medium complexity care for more than 900,000 patients. The consultations are divided into emergency areas (50%), outpatient (42%) and admissions (8%).
- » Units administrated by social organizations: the five units with 100% SUS care administrated by social organizations in 2014 produced more than 880 thousand treatments in the year, distributed among consultations (35%), admissions (3%), emergency (28%) and diagnostic and therapeutic support services (34%). In addition to the Oncological Research Center of Santa Catarina (CEPON), the regional hospitals Deputado Affonso Guizzo (HRDAG) of Araranguá, and Terezinha Gaio Basso (HRTGB), of São Miguel do Oeste, Infantil Jeser Amarante Faria Hospital (HIJAF), of Joinville, and Florianópolis Hospital, of the capital, gave support to the high attendances and medium complexity.

Reopening of Florianópolis Hospital

After the renovations, Florianópolis hospital now has 50 beds for admissions, 10 ICU beds, a surgical center with three rooms, plus four recovery and post-anesthetic beds and adults and children's observation beds.

The unit offers 100% SUS care and in the first month of operations after the reopening, exceeded the target to attend to 5000 patients. In September and October 2014, that number exceeded 9000 calls in an emergency.



Florianópolis Hospital
Photo: State Health Department Archive

Elective Surgery Effort

Created to reduce the waiting lists for minor surgical operations such as cataracts, varicose veins, hernia and bladder, in 2014 the Elective Surgery Effort achieved the milestone of 80,000 catarinenses benefited since its launch, which took place in 2011. 2014 saw the launch of the Feminine Elective Surgeries Effort in March, which resulted in a 75% increase in the number of surgical procedures performed compared to 2013.

Hemosc

An external audit in the second half of 2014 provided the Hematology and Hemotherapy Center of Santa Catarina (Hemosc) with the recommendation for the Accreditation Certificate of the American Association of Blood Banks (AABB). Since 1957, the American institution develops quality standards for blood therapy, which focuses on the safety of donors and patients. The certificate guarantees the international quality of service throughout the catarinense blood-network. The AABB accreditation advocates rigorous performance standards for medical, technical and administrative, research, education, legislation and other activities within blood therapy. To ensure the maintenance of quality, all laboratory tests conducted by Hemosc are periodically evaluated by proficiency testing provided by qualified companies, reaching rates of 100% accuracy of external quality controls.

SC Transplants

Santa Catarina is the Brazilian state with the largest number of donors whose organs were transplanted. According to the Brazilian Association of Organ Transplantation (ABTO) in the first half of 2014, the state had 27.8 donors per million population, while the national average was 12.4. In June 2014, Santa Catarina reached a new record when organs were donated from 25 donors. This milestone is equivalent to the number of donations made throughout the whole year in 2000 when the system was deployed. Santa Catarina is the Brazilian state that registered the most effective organ donors between January and September 2014, according to the ABTO.

Vaccination

In 2014, new vaccines were integrated into the basic vaccination schedule and are available to the public through the Unified Health System (SUS), as is the case of the vaccine against HPV virus that can cause cervical cancer. Santa Catarina is among the four Brazilian states with the best HPV vaccination rates in the country, with 97.9% coverage with the first dose and 53.5% for the second dose (started in September 2014). The hepatitis A vaccine has also been introduced to the schedule in August 2014. According to the Superintendent of Health Surveillance, in August and September about 29,000 children under one year of age were vaccinated. In November, the adsorbed vaccine against diphtheria, tetanus and pertussis for pregnant women entered the basic program, with the goal of preventing pertussis cases in infants under six months. Another highlight in 2014 was the wide dissemination of the hepatitis B vaccine during the State Mobilization Against Viral Hepatitis held in July. In the first week of the campaign alone, 113,725 catarinenses were vaccinated. Santa Catarina also achieved high vaccination coverage rates during the vaccination campaign against influenza, with 90.7% of the priority groups immunized. In addition, in recent years the State has maintained good levels in the recommended vaccines for children up to one year of age.



At the top, the Elective Surgery Effort, below, Hemosc in operation, and at the bottom, vaccination

Photos: State Health Department Archive

Primary Care

Investing in primary care means betting on a prevention model that brings health and well-being information to the population. Although it is an assignment of the municipalities, the State Government knows the importance of this sector and seeks partnerships with local governments to widen and improve the public services offered in all regions of Santa Catarina. Currently, 75% of the population and 100% of the municipalities are registered in the Family Health Strategy Program (the national average is 54%). This work is also reflected in oral health. In the state, 46% of catarinenses have access to oral health services - 21% more than the national average. Another important factor is the drop in the number of hospital admissions. Between 2010 and 2013, there was a reduction of 4.6%. This result was possible due to various actions developed in relation to primary care. Investment in primary care has yielded good fruits for Santa Catarina. In addition to the drop in the number of hospital admissions, reducing child mortality and increasing longevity of the elderly are the most important indications.

Treatment Outside the Home

In 2014, two important results were achieved in the Treatment Outside the Home Program. A fleet of ambulances has been renovated, providing more comfort and safety for patients that receive health care outside of their cities. In addition, treatment outside the home in the state of Santa Catarina fell by 30% compared to 2011. This means that there is more health care available in different regions of the state. The procedures most requested outside the state are related to transplants, consultations and rehabilitation. The most requested specialties are in the areas of ENT, neurology and nephrology.

SAMU

During the year 2014, the state invested in the restructuring of bases and installations of the Mobile Emergency Service (SAMU) throughout the state of Santa Catarina. The new bases are home to the relief teams and Advanced Support Units, equipped with mobile Intensive Care Unit (ICU). The goal is to meet attend SUS users even better. The municipalities of Florianópolis, Palhoça, Itajaí, Blumenau, Chapecó, Araranguá, Tubarão, Caçador, Curitibanos and Canoinhas gained new bases. The facilities in Joaçaba, São Joaquim and São Miguel do Oeste went through a process of revitalization and adaptation with state resources, in partnership with the Paulista Association for the Development of Medicine (SPDM), a social organization contracted by the state to administrate the SAMU.

Technology Park

In 2014, investments in information technology have ensured better performance and security for the systems used by units of the Ministry of Health, both for hospitals and administration and assistance, and for Management of Regional Health. The investment included the purchase of 2,999 computers, 60 laptops, 12 nobreaks and 154 manageable switches.



Ambulances for Treatment Outside the Home and those used by SAMU
Photos: State Health Department Archive

Purchases and Logistics

In 2014, the state launched the electronic auction to buy medication. This generated savings, agility and transparency to the process. The goal of conducting 50 electronic auctions over the year was fulfilled, representing a 20% saving in operations. About 200 municipalities have also benefited from the electronic auctions made by the State, which generated savings of 16% for municipal funds, through the joint purchase with the state.

Telemedicine

The Telemedicine and Telehealth System allows exams to be sent and reports to be issued by experts, even if the professional is not in the same location or city as the patient. Telemedicine has generated a reduction of time and travel costs. The service is provided through a contract between the State and the Federal University of Santa Catarina, and is available for 100% of the municipalities of Santa Catarina.

More than 3.6 million exams were performed since the beginning of the service, and 25 new points were implemented in 2014. The exams stored in the Santa Catarina Telemedicine and Telehealth System include electrocardiograms, dermatological examinations, clinical laboratory, digital x-ray, computed tomography, magnetic resonance, ultrasound, among other services. Currently, nine of the 13 hospitals run by the State have already joined the system.

■ Social Assistance

To eradicate extreme poverty, guarantee social rights and invest in skills and income generation are the axes of the Social Protection Pact, created by the State Government to promote the welfare of the catarinense population. In 2014, the Department of Social Welfare, Labor and Housing (SST) in the state of Santa Catarina held various actions, which are detailed below, continuing this work.

Social Protection and Social Rights Guarantee

In the Social Protection and Social Rights Guarantee axis, it took place following the project to build 88 Social Assistance Reference Centers (CRAS). The CRAS are the gateway to social inclusion. Each center can serve up to 3,500 users per month.

There was also continuity in the construction of 27 Specialized Reference Centers for Social Assistance (Creas). The Creas offer guidance and specialized and continued support to those who have their rights violated. Of total works, 40% were completed. Each center can serve up to 5,000 users.

Still in the area of social protection, 142 vehicles were delivered to the CRAS, the Creas, the POP Centers (Specialized Reference Centers for the Homeless Population) and to the residential care service and family friendly municipalities. The vehicles, exclusively for Social Assistance use, are intended for active search and social protection. Active search refers to the location, inclusion and referral to protection services for citizens unaware of their rights. Among the programs in which families can be included are the Continuous Cash Benefit (BPC) for the elderly - granting a minimum salary to people over 65 unable to support themselves - and the BPC, geared to people with disabilities. The goal is to attend to all older and disabled people who have the right to receive the benefit. In addition, families can be registered for income welfare programs such as "Bolsa Família", from the Federal Government, and the "Santa Renda", from the State Government.



Telemedicine

Photo: State Health Department Archive



Social Assistance Reference Center under construction in Seara

Photo: Glaucio Benedetti/Secom

SOCIAL ASPECTS



In 2014, 142 vehicles were delivered to the service areas scattered throughout the state

Photo: Neiva Daltrozo/Secom



Students from the School of Crafts

Photo: Antonio Carlos Mafalda/Secom

Work, Employment and Income

In the second axis of the Social Protection Pact, there is the beginning of implantation of 14 Work, Employment and Income Centers with the renovation of 14 National Employment System stations (SINE) in the following municipalities: Florianópolis, Joinville, Blumenau, Laguna, Joaçaba, Lages, Rio do Sul, Concórdia, Caçador, Tubarão, Balneário Camboriú, Mafra, Criciúma and Chapecó. The works are in architectural and complementary design phase, and the work order was signed in 2014.

With the restructuring of the Crafts School, located in the Dom Jaime de Barros Câmara Educational Center in Palhoça, the State has provided vocational training courses on the National Program for Access to Technical Education and Employment (Pronatec) in partnership with the National Industrial Training Service (SENAI) to about 2000 students. At the location, courses are offered such as confectioner, baker, electrician, motorcycle mechanic, web programmer, furniture designer, lingerie and swimwear maker, computer fitter and repairer.

The state is co-responsible for the articulation of Pronatec between the municipalities and institutions that offer vocational training courses, helping in raising demands of municipalities, the National Employment System stations (SINE), municipal work and employment councils and organized civil society and performing monitoring of the courses.

In 2014, 90 000 vacancies have been programmed by the Ministry of Education. About 300 courses have been or are being carried out in 217 municipalities of Santa Catarina. The funds come from the Federal Government and go straight to the institutions that offer the courses: S Systems (SENAI, SENAC, Senar, Senat) and federal institutions of higher education (IFC and IFSC). Among the courses offered are: designer of graphics products on the web, computer operator, receptionist, quality control assistant, English, Spanish, ceramic coating applicator and others.

The SINE stations are responsible for insertion into the labor market. In total, in Santa Catarina there are 23 direct positions from the State Government and 91 in partnership with local governments. In 2014, more than 756,000 workers were served. The service includes the intermediation for the labor market, the referral to unemployment insurance and the professional qualification from Pronatec courses.

The integrated actions of economic solidarity project intended to strengthen and create multifunctional centers of economic solidarity, perform actions of qualified social and career progression, stimulate entrepreneurship and participation in economic solidarity fairs. The forecast is to serve 780 people in the state. The target-audience is women, artisans and small entrepreneurs.

Eradication of Extreme Poverty

The third axis is the eradication of extreme poverty, highlighted by the Santa Renda Program that caters to families with children and adolescents between zero and 15 years of age, where no one receives less than R\$ 87 monthly per person. In 2014, more than 26,000 families in Santa Catarina benefited.

Also aiming to eradicate extreme poverty, the state is investing in the fight against hunger through the construction of a popular restaurant (Xanxerê), three community kitchens (Itajaí, São Bento do Sul and Xanxerê), two food banks (Itajaí and Xanxerê) and four support units for the distribution of food (Guaramirim, Rio do Sul, São Bento do Sul and Xanxerê).

In December 2014, the State launched the State Food and Nutrition Safety Plan, a fundamentally important tool for consolidation of the National System for Food and Nutrition Safety in Santa Catarina. In the same month, the State received the news that it is second best in the country for food safety, according to the National Survey of Household Sample 2013 on Food Safety (PNAD 2013).

Throughout the year, there were seven mobilization and sensitization workshops for managers and civil society: more than 450 professionals participated in the events, which gathered 80% of the 295 municipalities of Santa Catarina.

In addition to actions on social assistance in the three mentioned axes, the State of Santa Catarina acted in co-financing, in training, in addressing child labor and in preventing of and fighting of drugs.

■ Public Safety

The State Government has been continuously investing in public safety actions, in order to honor the commitment to protect people. In 2014, investments remained focused on physical structure, police mobility, personal protective equipment and expansion of the electronic surveillance system by fostering the integration and linking of the Civil Police, Fire Department and Military Police. The investments were implemented with funds from the Santa Catarina Pact and also with the State's own resources, as shown below:

Investments Made with Funds from the Santa Catarina Pact

- » Delivery of 1,260 vehicles purchased in 2013 and the acquisition of 340 new vehicles for the Military Police, the Fire Department, Civil Police, the Public Security Department and the General Institute of Forensics.
- » Delivery of 39 fire-fighting and rescue trucks for the Fire Brigade; a 4x4 truck to use in support of transport of troops and supplies; 52 Auto Emergency Relief (ASU) ambulances; 28 water vessels; a large fire-fighting vessel; 26 jet skis; 29 vehicles; three minibuses; 27 quad bikes; 39 diving kits; 1,000 personal protective kits; and 600 respiratory protection kits.
- » Delivery of Police equipment for personal protection, including: pistols (7860), ballistic vests (5269), cuffs (4013), belts (7263) and batons (5013), acquired in the previous year, and additional equipment such as 2.183 ballistic vests and 1,000 handcuffs for use by the Civil Police and Military Police, delivered this year.
- » New buildings, extensions, renovations and maintenance of physical facilities for the Department of Public Security (SSP), which includes the Military Police, Civil Police, Military Fire Brigade, the General Institute of Forensics and the State Traffic Department, especially with the Administrative Headquarters of the SSP in Florianópolis and the Integrated SSP Units in the cities of Palmeira, Quilombo and Sombrio; Construction of the State Office of Criminal Investigations (DEIC) Headquarters, police stations in the municipalities of Lages, Camboriú and Guaramirim; construction of the military police barracks in the cities of Cocal do Sul, Faxinal dos Guedes, Camboriú and Três Barras, these resources coming from both the Santa Catarina Pact and the resources of SSP.



Police cars delivered in Chapecó (Photo: Douglas Dorneles – Regional Development Department of Chapecó) and vehicles delivered to the Fire Department (Photo: Disclosure)



Operation Vacation in
Florianópolis
Photo: James Tavares/SECOM

Investments Made with the Fire Brigade's Own Resources

- » Construction of the helipad and land enclosure belonging to the Fire Brigade in the South Bay in Florianópolis.
- » Construction of training track for dogs, in Xanxerê.
- » Acquisition of two chassis for processing into autotanks, five trucks, three motorcycles, an Auto Emergency Relief ambulance and truck for transforming into Emergency Relief.
- » Acquisition of a thermal camera for use in confined fires.

Investments Made with the Military Police's Own Resources

- » Acquisition of 420 anti-riot helmets; 184,000 lethal ammunition and 233 projectiles for reload ammunition for training.
- » Construction of the headquarters of the Environmental Military Command Police Battalion (agreement with the MP).

Acquisitions with Resources from the State Department of Public Security

- » 48 vehicles, distributed between the Military Police, Environmental Military Police, the Highway Military Police, Civil Police, the Ministry of Public Security (Intelligence Directorate) and the General Institute of Forensics.
- » Criminal date geoprocessing system from the SSP - Geocriminology.
- » Equipment with 3D imaging system.
- » Apparatus for imaging diagnosis of human cadavers using x-ray inspection.
- » Server, licenses and services for deployment of Business Intelligence tool (BI).
- » 15 sets of radio communication consoles for Santa Catarina Emergency Centers and five self-supporting towers with the scope to increase radio communication system coverage area of the Military Police, Civil Police, the Fire Brigade and the General Institute of Forensics in the Upper Valley region of Santa Catarina.

Actions with the participation of the Federal Government

- » Modernization of the Civil Police Women's Delegations.
- » Safer Santa Catarina Project, whose goal is to bring more security to the State through a reduction of homicides and police lethality, the expansion of citizen participation, humanization of police work and update of preventive programs in schools, aimed at reducing substance abuse and building of resilience against drugs.
- » Improvement of operational resources management system and customization of Integrated Public Safety System regarding the calls, occurrence and police procedures.

- » Strengthening community policing activity in order to prevent victimization and re-victimization in theft and robbery crimes in the four Santa Catarina cities with the highest incidence of these crimes.
- » Continuity of the Protection Program for Witnesses and Victims of Crime (PROVITA).
- » Structuring of the chain of custody throughout the state, in order to improve the process and ensure the integrity and traceability of traces of forensic interest.
- » National Strategy Program of Public Security Border (ENAFRON), in partnership with the National Department of Public Security of the Ministry of Justice, covering 82 municipalities in Santa Catarina on the border. The program aims to strengthen state presence in the border area and the development of projects, in order to prevent illicit drug trafficking, international trafficking in firearms, ammunition and explosives, smuggling and piracy, tax evasion, the illegal export of vehicles, environmental crimes, illegal immigration of foreigners by the land border of Brazil and people trafficking.

In addition, 976 new soldiers were appointed from the Military Police, who will work throughout the state of Santa Catarina, and 59 new clerks for the Civil Police.

In 2014, three important announcements were also authorized and launched: (1) authorization of competitive entry exam for 500 new soldiers of the Military Police (MP); (2) authorization of competitive entry exam for 406 new police officers, 66 delegates and 340 agents; (3) authorization of competitive entry exam for 153 new assistants in the General Institute of Forensics (IGP), spaces that are named in 2015 after the completion of their training courses.

Bem-Te-Vi Security Program for video surveillance

The purpose of this program is the safety and the systematic surveillance of public spaces, adding effective technology for crime prevention, repression and investigation of offenses, with municipal partnership. Images taken by central video monitoring are shared with the civil police, which facilitates investigation and identification of criminals.

In 2014, 67 video surveillance centers were installed. In addition to the 56 cities that already have urban video surveillance systems, contemplated by the first stage of the Bem-Te-Vi program, the state launched the second stage of the program, which calls for investments into the installation of a thousand surveillance cameras in 100 municipalities in Santa Catarina. With this action, more than half of the state's municipalities will be covered by the video surveillance system. Moreover, Santa Catarina is the only state in the country to promote integrated access of images between the different cities monitored.



Military Police Graduation

Photo: Gisele Vizzotto/SDR of São Miguel do Oeste

■ Justice and Citizenship

Santa Catarina's Government is strengthening the prison system of Santa Catarina with the expansion and reform of penitentiaries in different regions of the state. All works are part of the Santa Catarina Pact Program. At the same time, the State invests in socio-educational programs for prisoners.

Prison System

In 2014, the Government opened two important works for the South region of the State: the expansion of the South Penitentiary, with 200 new spaces, and the reform of adequacy of the Provisional Socio-Educational Service Center (CASEP) in Tubarão, which serves 12 adolescents. The State also finished the facilities of the Socio-Educational Service Center (CASE) in Florianópolis with a capacity for up to 90 adolescents, with 70 in final admission and 20 in provisional admission.

During the year, important work orders were also signed for works that will strengthen the prison system of Santa Catarina. Among them, the new Rural Penitentiary Complex in Chapecó. The new wing will have a capacity for 600 inmates in closed regime, with 576 collective spaces, 14 solitaries and nine spaces for people with special needs.

Another work begun in 2014 is the Women's Public Jail of Itajaí, which will be installed inside the Canhanduba Penitentiary Complex in Vale do Itajaí, with 286 female provisional spaces. In São Cristóvão do Sul, in the Catarinense Serra, unit II of the Penitentiary of the Curitibanos region is being built, which will have a capacity for 599 male inmates in closed regime.

In 2014 the state also launched the tendering process for the construction of the new women's prison in Chapecó, which will be built in the same area as the Rural Penitentiary. The new space will have capacity for 280 inmates. The State Government also delivered 20 specialized vehicles for transporting inmates and 2000 uniforms for correctional officers.

Socio-education

In 2014, the state celebrated a major victory in the educational area of the system. Four inmates from the Florianópolis Penitentiary passed the entry exam for the Federal University of Santa Catarina for courses in Meteorology, Social work and History.

The prison system held the first exhibition of products made by inmates of Santa Catarina, a result of work activities performed in prisons. The 1st Labor Exhibition of the Prison System of Santa Catarina in Florianópolis, brought together more than 80 partner companies in more than 200 agreements.

In 2014, a work order was signed for the construction of the Socio-Educational Service Center (CASE) and the expansion of the Provisional Socio-Educational Service Center (CASEP) in Chapecó. There will be 60 spaces, 40 for Case (today there are 20) and 20 space for CASEP (today there are 10).



Socio-Educational Services Center (CASE)

Photo: Disclosure



Labor shows

Photo: Disclosure

■ Civil Defense

The performance of the state civil defense aims to reduce the effect of disasters and includes prevention actions for emergencies, and disaster preparedness, in response to disasters and reconstruction. This action takes place in a multi-sectorial manner and in the three levels of government - federal, state and municipal - with broad community participation.

Santa Catarina is a state regularly devastated by natural phenomena such as floods, windstorms, hail and others, causing damage to the economy and, mainly, to people's lives. In 2014, 177 municipalities in Santa Catarina decreed emergency situations, and some did so more than once a year, totaling 298 decrees. Of these, the State approved 104. The Civil Defense of Santa Catarina accounted for 609,475 people affected by some sort of natural phenomenon. The volume of people displaced reached 59,805, the homeless totaled 8,262 catarinenses. The materials for emergency re-establishment were intended for those affected, and the state was readied in the preparation of Rehabilitation and Reconstruction Work Plans to attract federal funds.

Obstacle Transposition kits

In 2014, the Civil Defense of Santa Catarina put into practice the obstacles transposition kit distribution project. They are prefabricated and prestressed structures, made to replace bridges and/or overpasses damaged by natural phenomena in municipalities that have declared an emergency situation. During the year, 142 kits were delivered. The 127 municipalities benefited are those that requested the kits from the Civil Defense and signed a commitment agreement to install the structure within 180 days. The state assigns the transposition kit, and the municipality builds the headboards. The kit is an innovative project, especially because of the low cost and the speed of assembly. In just two hours, vehicle traffic can be liberated. The funds applied come from the State Fund of Civil Defense of Santa Catarina (Fundec), designed to serve in emergencies.

Modular Homes

Another project developed by the Civil Defense of the State in 2014 serves families who have lost their homes in floods, mudslides, landslides, etc. More than 140 modular home kits were delivered during the year in about 30 municipalities. Modular homes take only five working days to be ready and have a 30-year warranty. Each unit costs R\$ 38,000. The terms of commitment signed with the municipalities predict in exchange for the city to buy the land where modular homes will be installed, including complete infrastructure with electricity networks, drinking water, sewage and earthworks. People to be benefited should be at risk, living on social rent or have had a house destroyed by an adverse climatic event. A modular home can not be rented, sold or transferred in a period of five years.



Installation of obstacles transposition Kit

Photo: Disclosure



Lontras weather radar
Photo: James Tavares/SECOM



Apple picking
Photo: São Joaquim Regional Development Department

Weather Radar

In 2014, the Santa Catarina Government inaugurated a weather radar in the city of Lontras, in Vale do Itajaí, which allows the Civil Defense to monitor the prediction of weather phenomena for 77% of this state's territory. The equipment, purchased in the United States, is the result of R\$ 10 million in State Government investments. 191 municipalities are monitored by radar. Only part of the South and West were left without coverage, but will be attended for now by equipment from neighboring states, through an existing partnership. The device can provide, for example, the amount of rain, the risk of hail damage and other weather actions.

The radar is installed in a building of 25 meters (eight floors). In September 2014, the radar officially began to supply the sites of the Civil Defense and Epagri/CIRAM with real-time images.

■ **Agriculture**

Santa Catarina is the first national producer of pork, apples, onions, oysters and mussels. At the end of 2014, Santa Catarina agribusiness was even recognized by the Confederation of Agriculture and Livestock of Brazil (CNA) as the second most competitive in the country.

The success of catarinense agriculture is a result of the relevant work of their farmers and their agricultural industries, cooperatives and companies that integrate this diverse portfolio of supply chains, combined with the support of the three levels of government - federal, state and municipal. The State Department of Agriculture and Fisheries of Santa Catarina had a decisive role in supporting the farmer, working in three main areas: (1) agricultural research and rural extension, through the Agricultural Research and Rural Extension Company of Santa Catarina (Epagri); (2) animal and plant health protection, through the Integrated Agricultural Development Company of Santa Catarina (CIDASC); and (3) agricultural development through the Rural Development Fund (RDF). The Rural SC Program had decisive participation in boosting the competitiveness of family farming.

Computer Kit

One of the major challenges for the development of Santa Catarina agriculture is to maintain the attractiveness of rural areas for young people, so that they can be the successors of their parents on the farm. Aware of this issue, the State created a program that provides funding for rural youth to acquire computer kits. Young people aged between 16 and 29 years may request financing for the purchase of notebooks, desktop computers and printers, and the state will pay 50% of the value for operations of up to R\$ 3000. In 2014, the program has benefited 861 young people across the state.

The young people participating have three years to make the payments, in annual installments, and with a 50% discount for payments until the maturity date. The criteria to join the project are: training of participants in entrepreneurship and Digital Inclusion under the Rural SC Program and/or belonging to beneficiary families of infrastructure projects supported by the Rural SC Program. The computer kit also contains software for the management of farms developed and used by Epagri.

Zero Interest Rate Program - Agriculture/Aquaculture

In the last 10 years, Santa Catarina agriculture has recorded significant losses in seven harvests due to drought, causing severe economic and social losses to the state. The best way to reduce these effects is to invest in the capturing and storage of rainwater and use it rationally in irrigation systems, animal production and general activities of the property. The State Government encourages projects for capture, storage and use of rainwater through the Zero Interest Rate Program - Agriculture/Aquaculture. In 2014, 2,699 farmers benefited from the grant with 100% of the interest provided for in relation to investment contracts. The program also encourages investments in order to increase income and create job opportunities for rural households.

Zero Interest Rate - Agriculture/Aquaculture encourages further investments to increase income and create opportunities in rural areas, such as meat and milk production projects, use of manure from intensive livestock production fruit production, horticulture, flowers and ornamental plants, freshwater fish farming and agricultural mechanization. The financing conditions of the Zero Interest Rate - Agriculture/Aquaculture follow the rules of the Program for Strengthening Family Agriculture (Pronaf). Farmers have up to eight years to pay.

Good Earth Program

The Good Earth Program subsidized the purchase of limestone, corn seeds and fodder kits benefiting more than 70,000 farmers throughout the year.

With respect to the distribution of limestone, 316,000 tons were delivered, exceeding the state's expectations and benefiting over 17,000 catarinense farmers. Each rural household is entitled to 30 tons of limestone to be paid next year with the product of the harvest. The producer pays for the limestone the equivalent in corn bags, by the reference price fixed at the beginning of each year.

Regarding the distribution of corn seeds, including corn bags of the highest quality, in 2014, 189,512 Corn bags were available, benefiting over 50 thousand producers.

The program also catered to farmers with 3,141 fodder kits. Each kit consists of over 80 products, which are selected by the farmer and provided from a technical project prepared by Epagri.

Agricultural Production

In 2014, the state benefited 1,329 farmers through the Agricultural Production Promotion Program. They received funding for the purchase of goods or services for the improvement of the production process or to add value, except for animals.

Sanitary Excellence

Santa Catarina is recognized as a state of sanitary excellence, certified by the World Animal Health Organization as FMD-free without vaccination, which guarantees access to the most demanding and competitive meat markets in the world. In order to eliminate diseases that jeopardize the production of animals in Santa Catarina, the state compensates farmers who have to sacrifice animals not to contaminate the remaining healthy flock.

Santa Catarina is the only Brazilian state that fully compensates farmers for the culling of animals affected by infectious diseases, especially those transmissible to



Corn production after tobacco harvest

Photo: Antonio Carlos Mafalda/SECOM

SOCIAL ASPECTS



Production of milk in Santa Catarina

Photo: Department of Agriculture and Fisheries



Serra do Corvo Branco

Photo: Chênia Cenci/SDR of Braço do Norte

people. In 2014, 416 farmers were compensated for culling of 1,966 cattle and buffaloes, 13 horses and 926 birds of subsistence.

Compensation to farmers enables the acquisition of healthy animals for the continuity of meat and milk production, and prevents the transmission of infirmities to other animals, rural families who work directly with the animals, and consumers of animal products.

Santa Catarina intends to get below 0.2% incidence in herds of cattle and buffaloes, eradicating brucellosis in the state by 2017. With this rate, the World Animal Health Organization (OIE) considers the state free of this disease. For the monitoring of the implementation of diagnostic tests and procedures for culling of animals affected by infectious diseases, veterinarians of the CIDASC and Santa Catarina Institute of Agricultural Health (ICASA) operate in all municipalities of Santa Catarina.

■ Infrastructure

The prominent position of Santa Catarina in the national economy, especially its export tradition requires State Government's continued investments in infrastructure, especially transport and roads. Over a hundred catarinense highways transport much of the production of industry and agro-livestock from Santa Catarina and, also, from neighboring states and countries.

The investments in infrastructure also reflect the quality of life and safety of state residents. In 2014, the Santa Catarina Government opened the SC-100 highway in Laguna. The road connects the municipality to the Barra do Camacho locality in Jaguaruna. By crossing urban areas, the highway has cycle-lanes and sidewalks throughout, as well as speed bumps.

The State Government has also initiated several works of expansion, paving and restoration of highways. Among them are:

- » revitalization of the SC-414 in Luis Alves, and paving of the Morro do Serafim, in Gaspar;
- » recovery of highways SC-370 and SC-108, in the south of the state, which transport more than 12,000 vehicles per day;
- » restoration of the SC-110 and SC-390 highways between São Joaquim and Serra do Rio do Rastro, in Bom Jardim da Serra;
- » doubling of 21 km of the SC-486, known as highway Antonio Heil, with the BR-101, in Itajaí;
- » paving of the SC-290 highway, known as Serra do Faxinal. With a length of 15.763 kilometers, it will connect Praia Grande to Cambara do Sul, in Rio Grande do Sul;
- » paving a stretch of the SC-120, which connects Curitibaanos to São Jose do Cerrito;
- » asphalt recovery of the SC-370, Serra do Corvo Branco, in the stretch between Gravatal and Tubarão, with 16.51 km; and between Braço do Norte and Gravatal, with 15.30 km;
- » recovery of the stretch of the SC-108 between Braço do Norte and São Lúgero, 6.3 kilometers long; and
- » signing of the work order for construction of the new bridge at Canal da Barra da Lagoa, in Florianópolis.

■ Tourism

The state developed a series of programs that encourage and promote tourism in Santa Catarina.

One of the outstanding actions in 2014 was the planning of the 2015 Carnival, which allowed the state resources to be transferred a month in advance to the leagues and councils covered. The aim is to consolidate Carnival as a touristic and cultural product throughout the year, generating jobs and income.

Among the touristic and cultural attractions, the state support for major traditional festivals and events happening in Santa Catarina also stands out, such as Festa Nacional do Pinhão, Vindima de Altitude, Festitália, Tirolefest, the Santa Catarina Music Festival (Femusc), among others.

In the public policy sector, the actions of the SC Rural Program, which aims to empower rural youth for tourism are a highlight. In 2014, more than 300 young people were served.

Through Santa Catarina Tourism (Santur), there was participation in approximately 60 markets, targeting the domestic, national and international markets. In addition, funds were invested in the mainstream media actions for general promotion and publicity of the State in order to attract new visitors. With this work, in 2014 Santa Catarina won the Top Ten Tourism Award, in the National Tourism Destination category, sponsored by the Travel News Group.



Santa Catarina Music Festival

Photo: Disclosure

State of excellence

Having a well-structured economy, with the foundation an educated and hardworking people, Santa Catarina stands out as one of the states of Brazil with the best rate of economic and social development.

The catarinense economy is diverse and is organized in several centers, distributed among different regions. The variety of climates, landscapes and reliefs stimulates the development of numerous activities, from agriculture to tourism, attracting investors from different segments and allowing wealth to be spread among more than just one area.

The base of the catarinense economy is industry (mainly agro-industry, textiles, pottery and metalworking), extraction (mining) and livestock. In agribusiness, Santa Catarina is a national leader in the production of pork, apples, onions, oysters and mussels, and occupies a prominent position in production of poultry, milk and honey. It also excels in the production of electric motors and components, furniture, flooring ceramics, boats and water transport vehicles in general, fabrics and garments, crystals and in the information technology sector. Santa Catarina is also one of the Brazilian states that attracts the most tourists, both national and foreign.

The year 2014 was marked by economic instability and low consumer confidence, which caused a slowdown in production in Santa Catarina industry. Still, the State's productive sector registered performance above the national average, and Santa Catarina stood out among the other national states as the largest generator of jobs in 2014, with the creation of 53,887 new jobs.

In addition, Santa Catarina is also one of the Brazilian states with a better quality of life, according to the human development indicators calculated by the United Nations Development Program (UNDP). This scenario of a strong and diversified economy makes Santa Catarina one of the best states in Brazil to do business and to live.

Industrial Sector

The state has an important industrial park, occupying a prominent position in Brazil. The catarinense processing industry is the fourth in the country in quantity of companies and the fifth in number of workers. The garments and food sectors are the ones that employ, followed by the textiles sector.

The industrial economy of Santa Catarina is characterized by concentration in several centers, which gives the state a balanced development pattern between regions.

The main industrial centers of Santa Catarina are in the cities of Joinville and Blumenau. The first has a diversified character, with textile mills, food products, foundries and mechanical industry. Blumenau, in turn, focuses its activity in the textile, metalworking and software industries, in addition to the recent influx of craft breweries.

The Northeast of the State (Joinville-Jaraguá do Sul-axis) stands out in the production of compressors, auto parts, refrigerators, electric motors and components, industrial machinery, pipes and fittings.

In the north, the city of São Bento do Sul is the largest hub of furniture exports in Brazil, being recognized as the national furniture capital.

The Southern region of Santa Catarina has the country's main ceramic coating industries, also having important production of coal, clothing and disposable plastics.

The Itajaí Valley is renowned for production of textiles, clothing, marine and crystals. According to the Federation of Industries of Santa Catarina State (FIESC), the state is a leader in Latin America in the production of crystals and occupies fourth position in the world in the production of crystal overlay.



The Northeast of Santa Catarina is the production hub for motors and other electrical materials. In the South of the State coal production stands out

Photo: Disclosure

ECONOMIC ASPECTS

The state of Santa Catarina is the Latin American leader in the production of crystals and also stands out in chicken production

Photo: Disclosure



In the countryside of the state, there are numerous small manufacturing centers, connected to both the wood industrialization and to the processing of agricultural and pastoral products.

Industrial plant headquarters of the main meat packers in the country are in the Midwest and West of the state. In these regions, there are also logging industries that are prominent in Santa Catarina, which make the State the largest exporter of doors and their frames and thresholds.

Greater Florianópolis is known for its position in the technology, tourism, services and construction sectors.

The technology-based industry also stands out in Blumenau, Chapecó, Criciúma and Joinville.

The food segment is the most representative in the industrial economy of the State. Santa Catarina is the largest producer of pork, apple and onion. It is also a prominent producer of chicken, oysters and mussels.

In the textile and clothing industry it is the second largest center in the country, as well as in the shipbuilding industry.

Higher value-added products are part of the State's portfolio, including generators, transformers and electric motors, motorcycle compressors, household appliances, telecommunications solutions, networks and security. The aviation and automotive industries develop, attracting new investments to the state.

According to FIESC¹, Santa Catarina is a leader in the Latin American continent in the production of trophies and medals, in matrices for the ceramics industry, in products for telephony, in construction of ships and tugboats, in sales of starter drives for vehicles, in the production of PVC pipes and fittings, in expanded polystyrene products, in fasteners (screws, nuts, etc.), in electromagnetic locks and in laser processing (cutting and engraving) of organic materials.

Santa Catarina has the second largest industry in the world in the production of woven labels. In addition, there is the blocks and cylinder heads sector for engines, nontoxic refractory ceramic pots, products aimed at image management, condo-

¹ Federation of Industries of Santa Catarina State. Santa Catarina in Data: 2013.

minium centers, electronic security, machining and compacted graphite iron technology as well as in the production of pillows.

The state has one of the largest and most modern printing industries in Latin America and is also the only manufacturer, in the whole Latin American continent, of oxide, hydroxide and magnesium carbonate, as well as the second largest ceramics sector in the country in terms of revenues.

It is second in Brazil in the production of acoustic and amplified boxes, kraft paper and industrial bags and disposable plastic (cups, plates, etc.). It ranks third in speaker manufacturing and the furniture paints.

Coupled with the significant industrial production, there is a strong port structure through which flows much of Santa Catarina's production: the ports of Itajaí, São Francisco do Sul, Imbituba, Navegantes, Itapoá and Laguna (aimed at fishery production). This allows Santa Catarina to have a relevant competitiveness in domestic and foreign markets.

Innovation and technology boost the competitiveness of industries in Santa Catarina. Distributed in various regions of the State, seven technology institutes and three for innovation are being deployed in strategic areas. According to study group The Economist, Santa Catarina ranks fourth in the national ranking in innovation (2013-2014).

Another strength of the catarinense economy is tourism. The state was considered the best tourist destination in Brazil several times by the press (Revista Travel and Tourism, Editora Abril). According to Santa Catarina Turismo S/A (Santur), the state receives about five million visitors annually, including foreigners, Brazilians from other states and from within Santa Catarina. The beautiful beaches spread over 560 km of coastline are the main summer attractions. But in winter, the mountains are the busiest destination, especially when it snows. In addition, there are destinations in Santa Catarina that attract visitors throughout the year, such as the theme park Beto Carrero World, in Penha, and the Shrine of St. Paulina, in Nova Trento, the latter might be called "religious tourism". The state also offers several traditional festivals and cultural events, such as Oktoberfest and the Joinville Dance Festival (largest of its kind in Latin America).



The still wild Lagoinha do Leste is one of the most beautiful beaches on the Island of Santa Catarina. Pedra Furada, in Urubici, is one of winter tourism attractions in the State

Photo: Disclosure

Foreign Trade

In 2014, catarinense exports reached US\$ 8.987 billion, an increase of 3.44% compared to the previous year (US\$ 8.689 billion). In the total exported by Brazil in 2014, the drop was 7% compared to the year 2013. The Santa Catarina values accounted for 4% of Brazilian exports, and the state is ranked tenth in the national ranking of exporter states.

Catarinense imports grew by 8.39% compared to 2013 and totaled US\$ 16.020 billion.

The result of the State's balance of trade in 2014 was negative US\$ 7.032 billion (US \$ 6.090 billion in 2013). The national result was a US\$ 3.959 billion deficit, as shown in Table 3.

Table 3 | Balance of Trade (US\$ thousands)

Source: Ministry of Development, Industry and Trade (MDIC)

	Exports 2014	Variation 2014/2013	Imports 2014	Variation 2014/2013	Balance of trade
Santa Catarina	8,987,359	3.44%	16,019,844	8.39%	-7,032,485
Brazil	225,100,885	-7.00%	229,060,058	-4.46%	-3,959,173

■ Principal Export Companies

BRF SA was the State enterprise that exported most in 2014, totaling US\$ 1.018 billion, followed by Seara Alimentos Ltda., with US\$ 837.751 million, Weg Equipamentos Elétricos S.A., with US\$ 762.320 million, and Bunge Alimentos S.A., with \$ 701.075 million. Exports of the top ten export companies of 2014 represented 60.4% of total state exports, as Table 4 demonstrates.

Table 4 | Principal Catarinense Export Companies – Years 2013 and 2014

Source: Ministry of Development, Industry and Trade (MDIC)

	Company	2014		2013		Variation % 2014/2013
		US\$ F.O.B ²	Participation in the Total Exported %	US\$ F.O.B.	Participation in the Total Exported %	
1	BRF S.A.	1,017,991,325	11.33	1,114,548,708	12.83	-8.66
2	Seara Alimentos Ltda.	837,751,454	9.32	673,102,606	7.75	24.46
3	Weg Equipamentos Elétricos S.A.	762,319,529	8.48	740,565,046	8.52	2.94
4	Bunge Alimentos S.A.	701,074,767	7.8	278,742,648	3.21	151.51
5	Cooperativa Central Aurora Alimentos	487,592,127	5.43	412,202,376	4.74	18.29
6	Tupy S.A.	477,774,990	5.32	441,725,585	5.08	8.16
7	Whirlpool S.A.	471,124,305	5.24	532,408,206	6.13	-11.51
8	Souza Cruz S.A.	323,298,649	3.6	396,985,040	4.57	-18.56
9	Pamplona Alimentos S.A.	177,803,249	1.98	141,702,508	1.63	25.48
10	JBS Aves Ltda.	171,185,471	1.9	115,700,674	1.33	47.96
TOTAL OF THE 10 LARGEST EXPORTERS IN SC		5,427,915,866	60.40	4,847,683,397	55.79	240.00
TOTAL OF THE EXPORTS OF THE STATE		8,987,359,285	100.00	8,688,847,508	100.00	3.44

In 2014, Bunge Alimentos S.A. stood out in the export sector, with an increase of 151.51% compared to 2013, which caused it to rise to fourth position for the year (eighth in 2013). JBS Aves Ltda. also showed a significant growth in its exports (47.96%), leading the company to the list of the top 10 exporters of the state.

■ Principal Exported Products

In 2014, agribusiness maintained its strong market position in catarinense exports, accounting for six of the top ten products exported, which represents 41.52% of the total. The main export product is chicken (pieces and offal), with a 15.36% share of the exports (15.34% in 2013). Soybeans is the second most exported product with 9.26% of the total. Pork holds the third position with 5.81%.

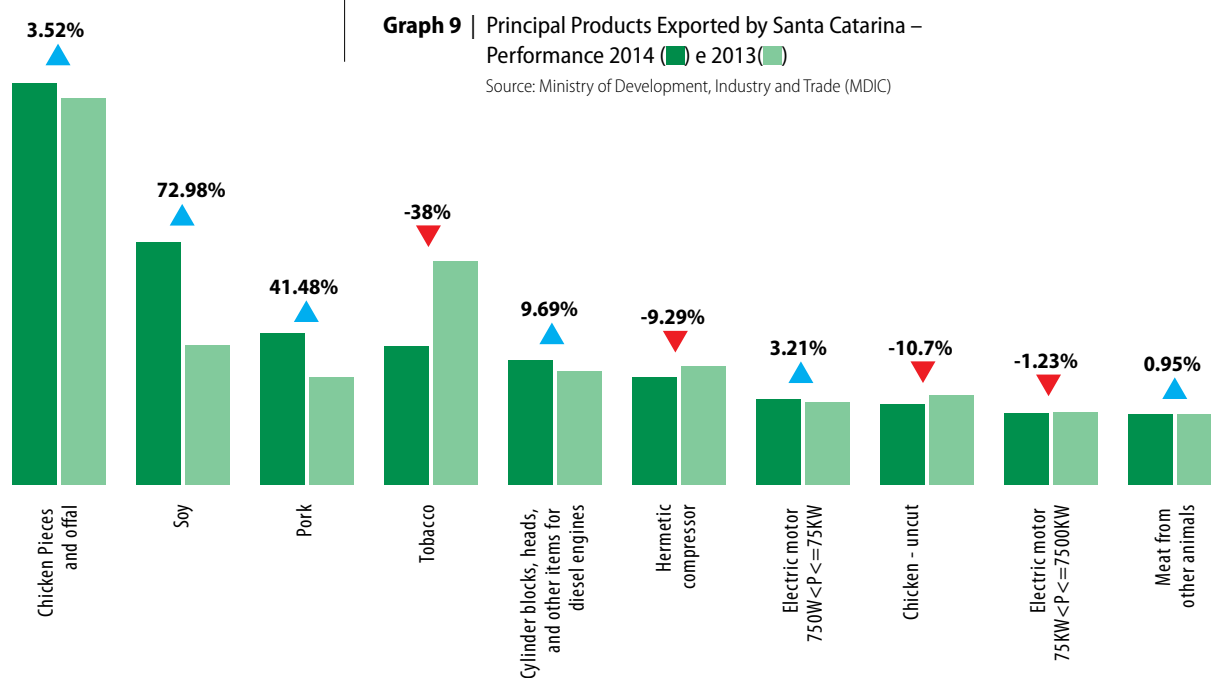
Among the ten principal products exported, those who saw the greatest variations from 2013 to 2014 were: soy (+ 72.98%), pork (+ 41.48%) and tobacco (-37.95%), as shown in Table 5.

² The acronym FOB stands for Free On Board. In this type of shipping, the buyer assumes all risks and costs of transporting the goods, once it is placed on the ship. The risk and obligation of the supplier is to put the goods on board, at the port of shipment designated by the importer.

Table 5 | Principal Products Exported by Santa Catarina - Years 2014 and 2013

Source: Ministry of Development, Industry and Trade (MDIC)

Product Exported	2014		2013		Variation % 2014/2013
	US\$ F.O.B.	Participation in the Total Exported %	US\$ F.O.B.	Participation in the Total Exported %	
1 Chicken - Pieces and offal	1,380,044,410	15.36	1,333,179,801	15.34	3.52
2 Soy	832,176,991	9.26	481,082,448	5.54	72.98
3 Pork	522,406,964	5.81	369,233,082	4.25	41.48
4 Tobacco	476,619,608	5.3	768,106,660	8.84	-38
5 Cylinder blocks, heads, and other items for diesel engines	429,436,021	4.78	391,511,804	4.51	9.69
6 Hermetic compressor	369,941,698	4.12	407,838,841	4.69	-9.29
7 Electric motor 750W<P<=75KW	293,530,059	3.27	284,411,723	3.27	3.21
8 Chicken - uncut	276,305,580	3.07	309,530,141	3.56	-10.7
9 Electric motor 75KW<P<=7500KW	245,722,352	2.73	248,778,881	2.86	-1.23
10 Meat from other animals	244,080,832	2.72	241,773,245	2.78	0.95
TOTAL OF THE 10 PRINCIPAL PRODUCTS EXPORTED	5,070,264,515	56.41	4,835,446,626	55.65	4.86
TOTAL OF THE PRODUCTS EXPORTED	8,987,359,285	100.0	8,688,847,508	100.00	3.44



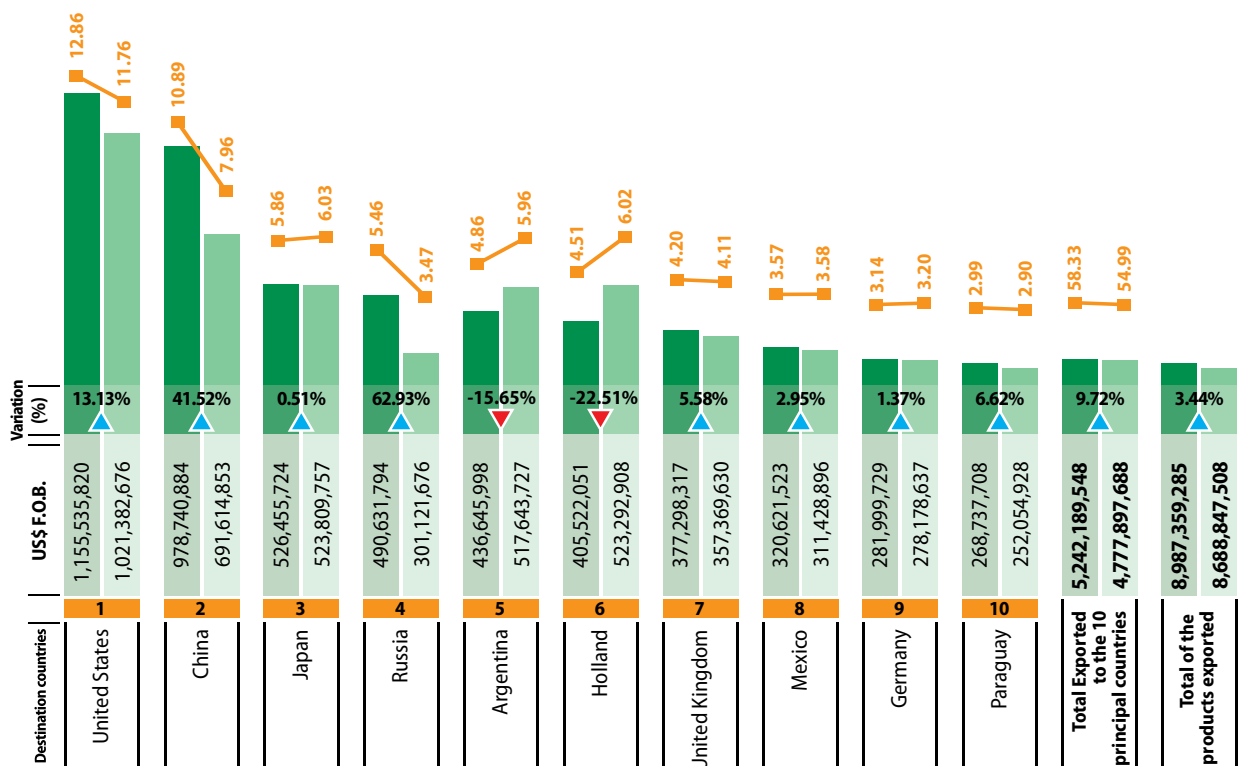
■ Principal Destinations of Exports

The United States remained the main partner in international business in Santa Catarina, with a share of 12.86% (US\$ 1.156 billion) of total exports in 2014. China remained the second largest buyer of catarinense products, having acquired US\$ 978.741 million of products, which accounted for 10.89% of total exports. Japan remained in third place, with US\$ 526.456 million in purchased products (5.86% of total exports). Russia, which was the eighth nation, acquired more products from the state in 2013, advancing four positions, occupying fourth place in 2014 in the ranking of destinations of catarinense exports, with a share of 5.46% (US\$ 490,632,000). Of the top ten destination countries, Russia was the one with the largest increase in purchases compared to the year 2013 (62.93%), followed by China (41.52%) and the US (13.13%). The principal destinations of catarinense exports in 2014 are presented in Figure 6.

The main economic bloc to commercially operate with Santa Catarina in 2014 was Asia (excluding the Middle East), accounting for 25.59% of total state exports and an amount of US\$ 2.3 billion. The European Union was the second largest importer economic bloc of the state, with a 19.89% share, and the United States (including Puerto Rico) was third, with 13.05% share in total exports by Santa Catarina.

Figure 6 | Principal Destination Countries of Catarinense Exports – Year 2014 (■) and 2013 (■) and their participation in total exports (▲)

Source: Ministry of Development, Industry and Trade (MDIC)



■ Principal Imported Products

Copper cathode remains the main product imported by Santa Catarina, accounting for 5.09% of total imports and an amount of US\$ 816,081 million. In second place, if counted in its different forms of presentation (no charge and linear) is polyethylene, which together accounts for 3.32% of total imports and an amount of US\$ 531 million (alone, polyethylene appears in the third, ninth and twenty-second position on the list of most imported products).

In 2014, the focus was again on the growth of car imports, a sector where the purchasing value jumped from US\$ 213,698 million to US\$ 407,716 million, which represents a variation of 90.79%. This occurred since important brands like BMW brought its operations to Santa Catarina. Since September 2013, the German auto-maker is importing the majority of its vehicles in Brazil by the port of Itapoá. Equipment and machinery for their factory is coming through the ports of Navegantes and Itajaí. The entry of BMW cars by Santa Catarina was one of the points of agreement signed with the State Government for the installation of the plant in Araquari. Before, the brand's cars came through the Port of Santos.

The import of aluminum alloys also had a very significant variation from 2013 to 2014 (157.35%), totaling US\$ 174,163,000 imported.

Table 6 shows the ten principal products imported by the state in 2014, as well as their variation from the year 2013.

Table 6 | Principal Products Imported by Santa Catarina - Years 2014 and 2013

Source: Ministry of Development, Industry and Trade (MDIC)

	Product Imported	2014		2013		Variation % 2014/2013
		US\$ F.O.B.	Participation in the Total Imported %	US\$ F.O.B.	Participation in the Total Imported %	
1	Copper Cathode	816,080,749	5.09	1,133,965,381	7.67	-28.03
2	Automobiles	407,716,108	2.55	213,698,350	1.45	90.79
3	Other Polyethylenes	277,764,527	1.73	192,270,436	1.3	44.47
4	Ethylene Polymers	229,147,970	1.43	186,301,983	1.26	23
5	Artificial Fiber Wires	201,236,688	1.26	231,964,186	1.57	-13.25
6	Polypropylene	179,737,349	1.12	115,002,154	0.78	56.29
7	Aluminum Alloys	174,162,648	1.09	67,674,690	0.46	157.35
8	Polyester Textiles Yarn	171,387,330	1.07	151,299,184	1.02	13.28
9	Polyethylene	151,569,745	0.95	106,688,691	0.72	42.07
10	New Tires for Buses and Trucks	149,097,153	0.93	155,498,452	1.05	-4.12
TOTAL OF THE 10 PRINCIPAL PRODUCTS IMPORTED		2,757,900,267	17.22	2,554,363,507	17.28	7.97
TOTAL OF THE PRODUCTS IMPORTED		16,019,844,043	100.00	14,779,464,296	100.00	8.39

Table 7 shows the top ten products imported by the state, considering the grouping of products of the Mercosur Common Nomenclature (NCM).

Table 7 | Principal Products Imported by Santa Catarina Considering the Grouping of Products of the Mercosur Common Nomenclature - Years 2014 and 2013

Source: Ministry of Development, Industry and Trade (MDIC) and Federation of Industries of State of Santa Catarina (FIESC)

	Product Imported	2014		2013		Variation % 2014/2013
		US\$ F.O.B	Participation in the Total Imported %	US\$ F.O.B.	Participation in the Total Imported %	
1	Refined copper cathodes and their elements	816,080,749	5.09	1,133,965,381	7.67	-28.03
2	Without Polyethylenes charge and linear	531,353,875	3.32	370,164,024	2.50	43.55
3	Automobiles with auto engine up to 6 passengers	446,302,607	2.79	225,075,095	1.52	98.29
4	Iron and Steel laminates	437,837,515	2.73	233,418,799	1.58	87.58
5	Wires of polyester, artificial and acrylic fibers	368,813,116	2.30	399,365,471	2.70	-7.65
6	Fish, crustaceans and molluscs	266,580,919	1.66	280,199,332	1.90	-4.86
7	New Tires for Buses, trucks and cars	256,895,970	1.60	248,664,502	1.68	3.31
8	Other ethylene polymers	229,147,970	1.43	186,301,983	1.26	23.00
9	Polyester textile yarns	192,186,566	1.20	173,322,325	1.17	10.88
10	Polypropylene without charge, in primary form	179,737,349	1.12	115,002,154	0.78	56.29
TOTAL OF THE 10 PRINCIPAL PRODUCTS IMPORTED		3,724,936,636	23.25	3,365,479,066	22.77	10.68
TOTAL OF THE PRODUCTS IMPORTED		16,019,844,043	100.00	14,779,464,296	100.00	8.39

■ Principal Import Companies

BMW do Brasil Ltda. was the company operating in Santa Catarina that imported the most in 2014, totaling US\$ 481.703 million, which represents 3% of imports of the year. It increased its imports by 189.54% from 2013 to 2014. In second place was Sainte Marie Importação e Exportação Ltda., With US\$ 459.418 million in imports (2.87% of imports), followed by Capital Trade Importação e Exportação Ltda., With US\$ 456,783 million (2.85 % of imports). In addition to these three companies, among the top ten import companies in 2014 were: Copper Trading S.A., Dow Brasil Indústria e Comércio de Produtos, Columbia Trading S.A., Komport Comercial Importadora S.A., Ascensus Trading & Logística Ltda., Trop Comércio Exterior Ltda. and Sertrading Ltda. Together, the ten companies represented 22.95% of state imports in 2014.

■ Principal Origins of the Imports

China continues to increase its share in imports, representing 32.56% of state imports (30.66% in 2013) and totaling US\$ 5.217 billion imported in 2014 (US\$ 685 million more than in 2013). The imports of Chinese origin were greater than the sum of imports from Argentina, the United States, Germany, Chile and India (second, third, fourth, fifth and sixth places, respectively, in the ranking of Santa Catarina imports).

Santa Catarina has a balance of trade deficit with China of US\$ 4.238 billion (imports US\$ 5.217 billion and exports US\$ 979 million). Considering that the total deficit of Santa Catarina balance of trade was US\$ 7.032 billion, the deficit with China is equivalent to 60.26% of the total state deficit. The Chinese expansion has contributed to the process of the deindustrialization of Brazil and of Santa Catarina, mainly by affecting important sectors for the state, as is the case for textiles, ceramics and machinery and equipment.

Argentina places as the second ranked partnership of the state in trade, with a volume of US\$ 1.327 billion and an 8.29% share (20.24% more than in 2013) in imports, taking Chile's position. The United States rose one position, being in third place in 2014, with a volume of imports by the United States of US\$ 1.113 billion (6.95% of total).

In addition, there was a significant increase in imports of products from Germany (20.83%) and Taiwan (16.50%), as well as a downturn in business with Chile (-17.42%) and Peru (-14.79%).

Table 8 | Principal Countries of Origin of Catarinense Imports – Years 2013 and 2014

Source: Ministry of Development, Industry and Trade (MDIC)

	Origin	2014		2013		Variation % 2014/2013
		US\$ F.O.B.	Participation %	US\$ F.O.B.	Participation %	
1	China	5,216,673,616	32.56	4,531,881,653	30.66	15.11
2	Argentina	1,327,313,601	8.29	1,103,931,331	7.47	20.24
3	United States	1,113,077,819	6.95	1,023,743,432	6.93	8.73
4	Germany	1,021,120,373	6.37	845,075,473	5.72	20.83
5	Chile	1,015,561,747	6.34	1,229,851,532	8.32	-17.42
6	India	470,329,430	2.94	434,545,711	2.94	8.23
7	Peru	388,361,697	2.42	455,775,426	3.08	-14.79
8	South Korea	370,763,173	2.31	371,598,351	2.51	-0.22
9	Italy	329,505,066	2.06	342,542,344	2.32	-3.81
10	Taiwan	325,363,988	2.03	279,287,746	1.89	16.5
TOTAL OF THE TOP 10 COUNTRIES OF ORIGIN		11,578,070,510	72.27	10,618,232,999	71.84	9.04
TOTAL OF THE EXPORTS		16,019,844,043	100.00	14,779,464,296	100.00	8.39

Labor Market and Human Development Index

Santa Catarina stands out as one of the Brazilian states in which the people work and study the most, as indicated by data from the National Survey of Household Sampling (PNAD) from the Brazilian Institute of Geography and Statistics (IBGE).

The State achieved third place among Brazilian states and the first in the South in the Municipal Human Development Index 2010 (IDHM). Among the states of this region, Santa Catarina had the highest growth (15.35%), going from medium IDHM (0.671) in 2000 to high (0.774) in 2010.

Calculated by the United Nations Development Program (UNDP), the IDHM is a composite measure of indicators of three dimensions of human development: longevity, education and income. The index ranges from 0 to 1. The closer to 1, the greater the human development.

According to statistics from the General Register of the Employed and Unemployed (CAGED), Santa Catarina was the state with the highest proportional growth in the country, in creating jobs in 2014. 53,887 job openings were created in the state in 2014, which corresponds to 13.57% of the jobs created in the country (396,993 jobs).

The services sector of the catarinense economy was what created the most jobs (+30,217 jobs), followed by the following sectors: trade (+11,392 jobs); manufacturing (+5,084 jobs); construction (+4,812 jobs); public administration (+1,253 jobs); industrial public utility services (+1,105 jobs); and mining (95 jobs). The agricultural sector was the only one that saw a downturn in the number of jobs (-71 jobs).

Gross Domestic Product (GDP)

The Santa Catarina work force can be measured by several numbers. Chief among them, the Gross Domestic Product (GDP), measures everything that has been produced by the population. According to information from FIESC, Santa Catarina has the sixth largest GDP among Brazilian states, despite being only the 11th in population and 20th in area. In 2012, the GDP reached R\$ 177.276 billion (GDP of the states is disclosed with a two year delay), representing an increase of 16.26% in relation to the 2011 GDP (R\$ 169.050 billion). The tertiary sector was the most significant, with 62% of GDP, followed by the secondary sector (33.7%) and primary (4.3%).

Thus, the state contributed 4% of the GDP of Brazil. Santa Catarina, the Federal District and six other states (São Paulo, Rio de Janeiro, Minas Gerais, Rio Grande do Sul, Paraná and Bahia) accounted for 76.6% of the Brazilian GDP. The state is fifth placed in per capita GDP, totaling R\$ 27,771.85.

Positive Results

The results achieved in the public accounts of the State of Santa Catarina in 2014 were positive. The State Government maintained fiscal stability in an economic environment of less vigorous growth, acted to identify and minimize risk within their finances, and ensured the smooth running of their operations.

Different actions were undertaken by the State Government, not just in economic and financial terms, but also in administrative and fiscal management, which has developed a dynamic with direct reflection on increasing revenues, transparency and control of public spending.

Driven by the planning and management of state tax administration, tax revenues achieved positive results in the year, despite the economic slowdown.

The result of the budget execution in 2014 shows that, despite difficulties, the State could proceed with their policies, particularly the continuity of investments without which there would have been a weakening of their accounts, the details of which, to be checked in the financial reports of last year, continues demonstrating solvency rigors and appropriate liquidity.

The good performance of the State helped it obtain, in 2014, a BBB- rating (stable outlook) from two international agencies in classification of risk, Fitch and Standard & Poor's. The rating is an analysis made by agencies on the ability of a state, country, municipality or company to pay off their financial commitments. This grading shows a stable outlook of payment conditions for Santa Catarina.

Such results are reasonable, given the backdrop of national and global economic instability in which the state government operates, and reflects the constant effort of the management, incorporating their practices of intensive planning and management.

The details of these results and explanations relating to the behavior of public accounts in the period are outlined below.

Budget

■ Overview and Annual Budget Law 2014

The planning of the state public sector is consolidated from three instruments, as required by the Constitution of 1988:

- 1) Multi-Year Plan;
- 2) Budget Guidelines Law; and
- 3) Annual Budget Law.

The Multi-Year Plan (PPA) defines the guidelines, objectives and goals of the state public administration for a period of four years. It is the great law of state planning and makes the link between levels of government and budgets each year.

The PPA defines, for example, the roads to be built, airports to be renovated, museums to be restored. It also defines various actions of the Government, such as financing for farmers, the purchase of equipment for hospitals, schools and police stations, as well as many other expenses.

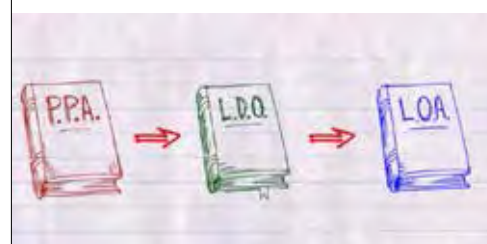
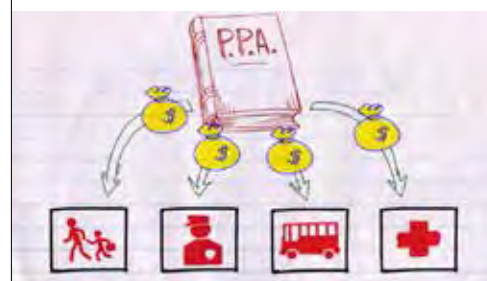
In the state of Santa Catarina, the PPA for the 2012-2015 period was established by Law No. 15,722, of December 22, 2011. It outlines the objectives, guidelines and goals of the state government for capital expenditures and others resulting therefrom and for those regarding continuous programs.

The link between the medium-term plan established in the PPA and the short-term operational plan represented by the annual budget is made by the Budget Guidelines Law (LDO).

The LDO guides the annual budgeting, setting priorities and goals in state government. It includes capital expenditures for the following financial year, provides for changes in tax legislation and also establishes the application policy for the official financing agencies for promotion.

In addition to defining the priorities that should be included in the annual budget, the LDO has a number of rules to prepare, organize and implement the budget. It also indicates, for example, how the government should save to pay off its debt.

The Budget Guidelines Law of the State of Santa Catarina, for the year 2014, was approved by Law No. 16,083, of August 6, 2013.



The planning of the state public sector

Source: Easy Budget Video - Federal Senate

FINANCIAL ASPECTS



The LOA estimates revenues and fixed public expenditure of the State

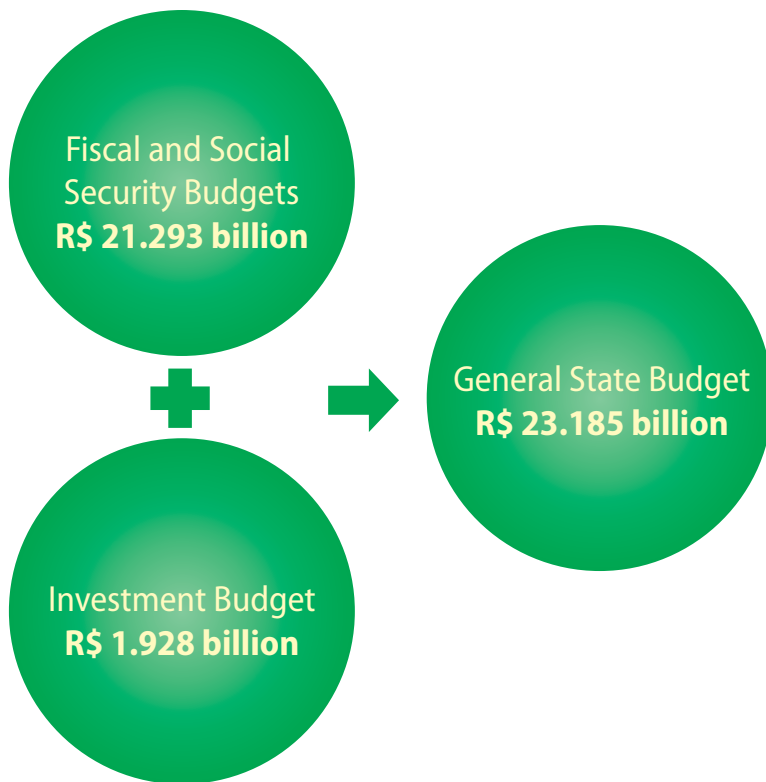
Source: Easy Budget Video - Federal Senate

The Annual Budget Law (LOA), in turn, established by State Law No. 16,287, of December 20, 2013, estimated revenues and fixed expenses of the State of Santa Catarina for the financial year 2014, according to the priorities of the PPA and the rules established by the LDO.

The LOA includes:

- I - The Fiscal Budget for the three branches of government, their backgrounds, their branches, their authorities and their foundations instituted and maintained by the government as well as state-owned companies;
- II - The Social Security Budget referring to the three branches of government, their backgrounds, their branches, their authorities and their foundations instituted and maintained by the Government as well as state-owned companies, which are designed to meet the health, pension and social assistance actions; and
- III - The investment budget of independent companies in which the state directly or indirectly holds the majority of shares with voting rights.

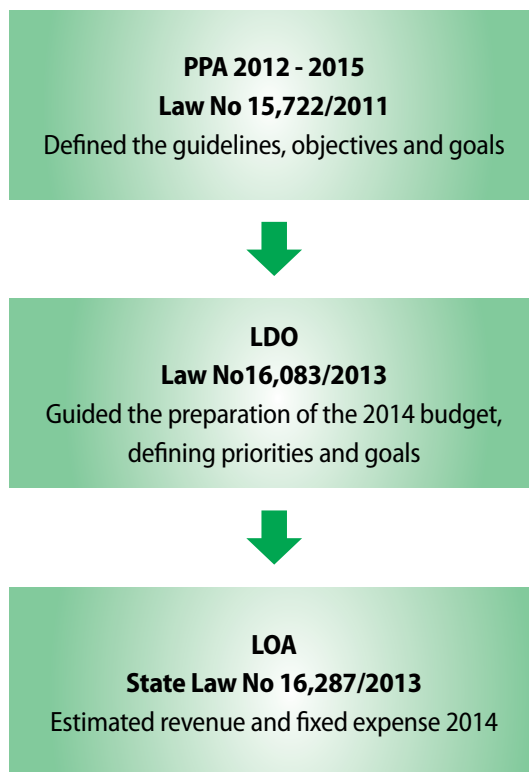
For the year 2014, the values of the estimated revenue and expenditure established in the LOA were:



Summary of the structure of the State budget system

Source: Easy Budget Video - Federal Senate

From a legal point of view, the budgetary system of the state is structured as follows:



■ Fiscal and Social Security Budgets

Forecasted Revenue

The net budget revenue of the Fiscal and Social Security Budgets estimated in the Annual Budget Law was R\$ 21.293 billion, covering:

- I – R\$ 19.022 billion from the Fiscal Budget; and
- II – R\$ 2.271 billion from the Social Security Budget.

The revenues from the Fiscal and Social Security Budgets, forecasted and collected for the year 2014 are presented in Table 9.

Table 9 | Forecasted Revenue vs Collected Revenue in 2014 (R\$ million)

Description	Forecasted Revenue		Collected Revenue		Variation % Collected/ Forecasted
	Value	%	Value	%	
GROSS REVENUE	28,773	100.00%	29,291	100.00%	1.80%
1 - Current Revenue	25,546	88.78%	26,168	89.34%	2.43%
1.1 - Tax Revenue	17,953	62.39%	18,687	63.80%	4.09%
1.1.1 - Taxes	17,467	60.70%	18,154	61.98%	3.93%
1.1.2 - Rates	486	1.69%	533	1.82%	9.63%
1.2 - Revenue Contributions	558	1.94%	630	2.15%	12.78%
1.3 - Equity Revenue	401	1.39%	621	2.12%	54.86%
1.4 - Agricultural Revenue	3	0.01%	1	0.00%	-51.58%
1.5 - Industrial Revenue	15	0.05%	5	0.02%	-65.05%
1.6 - Services Revenue	466	1.62%	493	1.68%	5.80%
1.7 - Current Transfers	5,623	19.54%	5,062	17.28%	-9.97%
1.7.2 - Intergovernmental Transfers	4,458	15.49%	4,123	14.08%	-7.51%
1.7.3 - Private Institution Transfers	969	3.37%	831	2.84%	-14.17%
1.7.5 - Personal Transfers	0.4	0.00%	0.4	0.00%	6.53%
1.7.6 - Pact Transfers	196	0.68%	108	0.37%	-45.17%
1.9 - Other Current Revenue	527	1.83%	668	2.28%	26.76%
1.9.1 - Fines and Interest	180	0.63%	274	0.94%	52.01%
1.9.2 - Compensation and Restitutions	100	0.35%	81	0.28%	-19.12%
1.9.3 - Active Debt Revenue	17	0.06%	75	0.26%	334.75%
1.9.9 - Miscellaneous Revenue	229	0.80%	238	0.81%	3.85%
2 - Capital Revenue	2,042	7.10%	1,895	6.47%	-7.19%
2.1 - Loans	1,928	6.70%	1,743	5.95%	-9.55%
2.2 - Disposal of Assets	10	0.04%	6	0.02%	-38.80%
2.3 - Loan Amortization	41	0.14%	20	0.07%	-51.54%
2.4 - Capital Transfers	63	0.22%	27	0.09%	-57.00%
2.5 - Other Capital Revenues	0	0.00%	98	0.34%	-
7 - Current Intrabudgetary Revenues	1,182	4.11%	1,219	4.16%	3.13%
8 - Capital Intrabudgetary Revenues	4	0.01%	9	0.03%	143.85%
9 - Deductions from the Current Revenue	-7,480	-26.00%	-7,678	-26.21%	2.65%
NET REVENUE	21,293	74.00%	21,612	73.79%	1.50%

In 2014, the net revenue collected was higher than the forecasted revenue of R\$ 319 million, despite the economic downturn during the year.

The conceptualization and analysis of revenues (current, capital, current intrabudgetary, capital intrabudgetary and deductions) will then be made on the details of the revenue.

■ Fixed Expenses

The target costs of the Fiscal and Social Security Budgets, established in the LOA of 2014 was R\$ 21.293 billion, which corresponds to the same value as the forecast revenue, given the budgetary principle of equilibrium.

It is important to remember that in addition to budgetary loans (resources specified in the LOA for execution of government work programs), through the execution of the budget, needs may arise from unforeseen or insufficiently budgeted expenditures. For such needs to be met, management makes use of additional loans. These loans can be: additional, when the appropriation (factored in the budget) has become insufficient for the implementation of the budget; special, to meet unforeseen expenditures initially; and extraordinary when unforeseeable and urgent expenses, such as in response to cases of war, internal commotion or public disaster.

Furthermore, the LOA may make changes by rearrangements, transpositions or transfers of funds from one programming category to another.

The fixed expenses of the LOA, additional loans and expenses effectively executed in the year 2014, subject to economic category and the nature of group, are shown in Table 10:

Table 10 | Expenses Classified in Nature Group level in 2014 - Fiscal and the Social Security Budgets (R\$ million)

Expenses	Fixed (a)	Loans Additional (b)	Authorized (c = a + b)	Executed (d)	% d/c
Current	17,271	2,410	19,681	18,402	93.50%
Personnel and Social Charges	10,359	2,038	12,397	12,252	98.83%
Interest and Debt Charges	748	120	868	811	93.42%
Other Current Expenses	6,164	252	6,416	5,339	83.22%
Capital	3,918	1,309	5,227	2,828	54.10%
Investments	3,325	1,218	4,544	2,191	48.22%
Financial Inversions	25	62	87	75	86.27%
Amortization of Debt	568	29	597	562	94.14%
Current + Capital	21,190	3,719	24,908	21,230	85.23%
Contingency Reserve	1	-1	0	0	-
Contingency Reserve of the RPPS	103	0	103	0	0.00%
TOTAL	21,293	3,718	25,011	21,230	84.88%

The data in the table shows that the budget expenditure executed¹ by the State (R\$ 21.230 billion) accounted for 84.88% of the authorized expenses (R\$ 25.011 billion).

¹ Expenditure committed

Budgetary Execution

Budgetary execution is the use of budget revenues collected in the year to meet the public expenditure that has been set in the annual budget law, seeking to meet the demands of society.

Budgetary Revenue

The Gross Revenue, which is the full amount of revenue that entered the state accounts, totaled R\$ 29.291 billion in 2014. Of this amount, the Deductions should be subtracted from the Gross Revenue to arrive at the Net Budget Revenue, on which the Budgetary Expense for the year are performed.

The Deductions are used, among others, in the following situations:

- » restitution of excess or improperly received taxes; and
- » resources that the State has the power to raise, but which belong to another entity, in accordance with current legislation.

In Santa Catarina, the most significant example of such deductions is with respect to constitutional transfers to municipalities as a result of their involvement in the collection of state taxes (25% of ICMS and 50% of IPVA, for example). Another relevant amount of deductions refers to the transfer from the State to the formation of the Fund for the Maintenance and Development of Basic Education and Enhancement of Education Professionals (Fundeb).

The Net Budget Revenue - that already discounting deductions - was R\$ 21.612 billion in 2014, representing a 9.98% increase compared to the net amount collected in 2013 (R\$ 19.650 billion), according to Table 11.

Table 11 | Gross Revenue and Deductions in 2014 and 2013 (R\$ million)

Budgetary Revenue	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Gross Revenue Collected	29,291	100.00%	27,279	100.00%	7.37%
Current Revenue	26,168	89.34%	24,083	88.28%	8.66%
Capital Revenue	1,895	6.47%	2,169	7.95%	-12.65%
Intrabudgetary Current Revenue	26,168	89.34%	24,083	88.28%	8.66%
Capital Intrabudgetary Revenue	9	0.03%	6	0.02%	39.67%
Deductions from the Revenue	-7,678	-26.21%	-7,629	-27.97%	0.65%
Net Budgetary Revenue	21,612	73.79%	19,650	72.03%	9.98%

Deductions from revenue totaled R\$ 7.678 billion in 2014. Of this value, the state transferred to the municipalities of Santa Catarina R\$ 4.831 billion (R \$4.340 billion in 2013), divided as shown in Table 12. R\$ 2.776 billion was transferred to Fundeb (R\$ 2.478 billion in 2013), divided as shown in Table 13.

Table 12 | Values Transferred by the State to Municipalities in 2014 and 2013 (R\$ million)

Transfers to Municipalities	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
ICMS	3,953	81.82%	3,521	81.13%	12.25%
IPVA	667	13.81%	602	13.86%	10.90%
IPI Export Proportion	65	1.34%	58	1.33%	12.24%
CIDE Proportion	1	0.02%	1	0.01%	102.48%
FundoSocial	106	2.19%	111	2.56%	-4.77%
SEITEC	39	0.82%	48	1.10%	-17.84%
TOTAL	4,831	100.00%	4,340	100.00%	11.30%

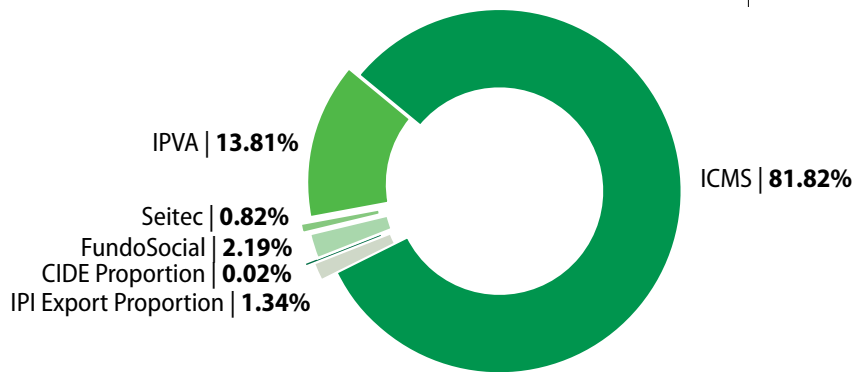
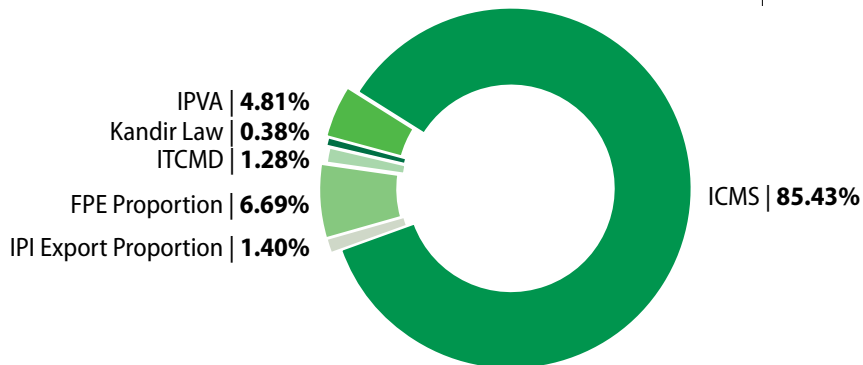


Table 13 | Values Transferred by the State to Fundeb in 2014 and 2013 (R\$ million)

Destination to Fundeb	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
ICMS	2,372	85.43%	2,114	85.31%	12.20%
IPVA	133	4.81%	120	4.86%	10.90%
ITCMD	36	1.28%	28	1.13%	27.42%
FPE Proportion	186	6.69%	171	6.88%	8.97%
IPI Export Proportion	39	1.4%	35	1.4%	12.24%
Kandir Law	11	0.38%	11	0.42%	0.00%
TOTAL	2,776	100.00%	2,478	100.00%	12.04%



■ Evolution of Budget Revenues by Economic Category and Source

Analyzing the gross budgetary revenues by economic category, it appears that the current revenue (including intrabudgetary revenue streams) represent 93.50% of total revenue, while revenues from capital account for only 6.50%.

Considering the source of the revenue, tax revenues are the most significant, since they represent 63.80% of total gross revenues, followed by current transfers, with 17.28%.

The comparative gross budgetary revenues collected in the years 2014 and 2013 are presented in Table 14.

Table 14 | Evolution of Budget Revenues by Economic Category and Source in 2014 and 2013 (R\$ million)

Gross Budgetary Revenue	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Current Revenues	27,387	93.50%	25,104	92.03%	9.09%
Tax Revenue	18,687	63.80%	16,564	60.72%	12.81%
Revenue Contributions	630	2.15%	535	1.96%	17.80%
Equity Revenue	621	2.12%	517	1.89%	20.29%
Agricultural Revenue	1	0.01%	1	0.00%	-2.21%
Industrial Revenue	5	0.02%	10	0.04%	-48.93%
Services Revenue	493	1.68%	437	1.60%	12.99%
Current Transfers	5,062	17.28%	5,375	19.70%	-5.81%
Other Current Revenue	668	2.28%	645	2.36%	3.57%
Current Intrabudgetary Revenues	1,219	4.16%	1,021	3.74%	19.40%
Capital Revenue	1,904	6.50%	2,176	7.97%	-12.50%
Loans	1,743	5.95%	2,058	7.54%	-15.28%
Disposal of Assets	6	0.02%	5	0.02%	17.30%
Loan Amortization	20	0.07%	16	0.06%	22.57%
Capital Transfers	27	0.09%	90	0.33%	-69.93%
Other Capital Revenues	98	0.34%	0	0.00%	0.00%
Capital Intrabudgetary Revenues	9	0.03%	6	0.02%	39.67%
TOTAL	29,291	100.00%	27,279	100.00%	7.37%

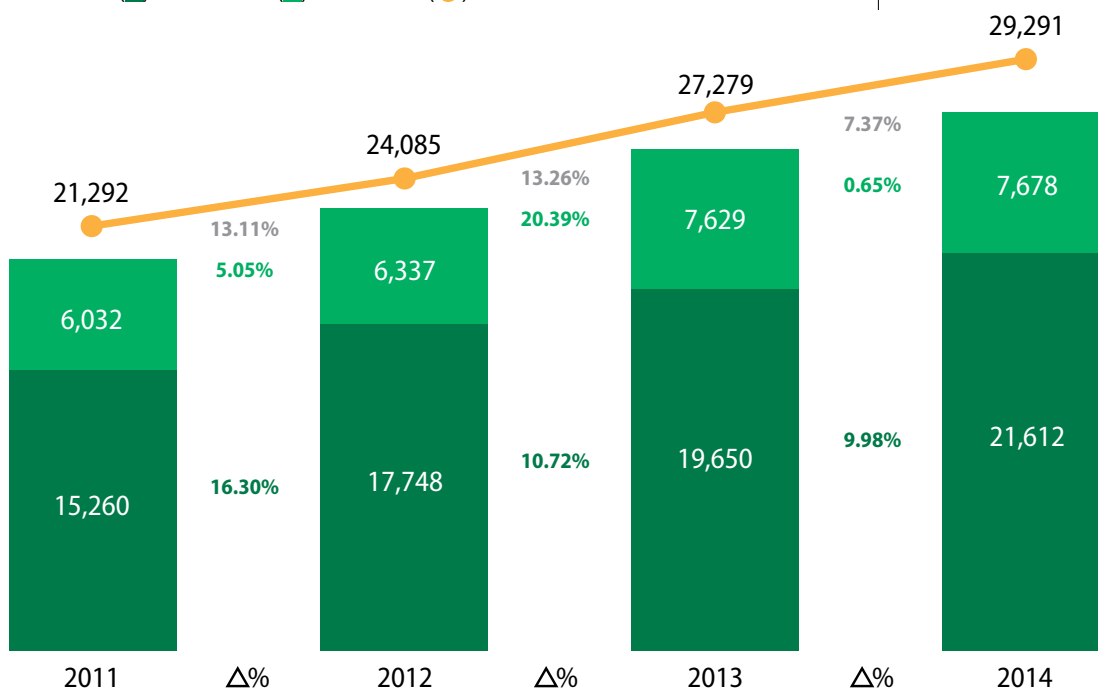
The budget revenues collected in 2014 and 2013, free of their deductions, are presented by economic classification and source in Table 15.

Table 15 | Net Budget Revenue by Economic Category and Source in 2014 and 2013 (R\$ million)

Net Budgetary Revenue	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Current Revenues	19,708	91.19%	17,475	88.93%	12.78%
Tax Revenue	11,613	53.73%	10,243	52.13%	13.37%
Revenue Contributions	627	2.90%	529	2.69%	18.52%
Equity Revenue	591	2.74%	485	2.47%	21.86%
Agricultural Revenue	1	0.01%	1	0.01%	-2.30%
Industrial Revenue	5	0.02%	10	0.05%	-48.93%
Services Revenue	493	2.28%	436	2.22%	13.01%
Current Transfers	4,615	21.36%	4,278	21.77%	7.88%
Other Current Revenue	544	2.52%	471	2.40%	15.57%
Intrabudgetary Revenues Current	1,219	5.64%	1,021	5.20%	19.40%
Capital Revenue	1,904	8.81%	2,175	11.07%	-12.49%
Loans	1,743	8.07%	2,058	10.47%	-15.28%
Disposal of Assets	6	0.03%	5	0.03%	19.19%
Loan Amortization	20	0.09%	16	0.08%	22.57%
Capital Transfers	27	0.12%	90	0.46%	-69.93%
Other Capital Revenues	98	0.45%	0	0.00%	0.00%
Capital Intrabudgetary Revenues	9	0.04%	6	0.03%	39.67%
TOTAL	21,612	100.00%	19,650	100.00%	9.98%

The collection's behavior over the last four years is shown in Graph 10.

Graph 10 | Gross and Net Revenue Collection from 2011 to 2014 (R\$ million)
■ Net Revenue ■ Deductions ● Gross Revenue



Below, we present the analysis of revenues by economic category.

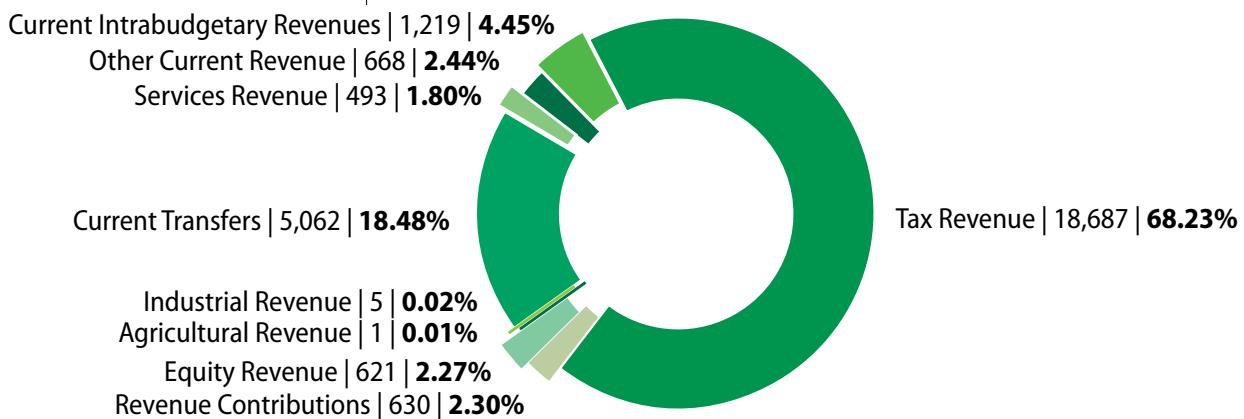
Current Revenue

Current revenues are income tax, contributions, equity, agricultural, industrial, services, current transfers and other current revenues, collected in the financial year, with positive effect on public property. These revenues constitute an instrument to finance the objectives defined in the actions and programs of the budget, in order to meet public purposes.

The current gross revenue in 2014 totaled R\$ 27.387 billion. Of this amount, R\$ 1.219 billion (4.16%) refers to the current gross intrabudgetary revenues, which represent revenues earned by member agencies or entities of the Fiscal and Social Security budgets, paid by other member agencies or entities of these budgets.

The following graph shows the share of each source of current revenue.

Graph 11 | Current Gross Revenue by Source in 2014 (R\$ million)



Analyzing the budget revenues by source, it turns out that gross tax revenues were the most representative in the year, totaling R\$ 18.687 billion in 2014, equivalent to 63.80% of budgetary revenues and 68.23% of current revenue.

The current gross transfers, in turn, totaled R\$ 5.062 billion (18.48% of the current gross revenue) and represent the second highest by source.

Other current revenues together represent 13.29% of the current gross revenue.

Given the representation of tax revenues and current transfers regarding the budgetary revenues and revenue stream, the following is a more detailed analysis of these two sources of revenue.

Tax Revenue

The State Government paid a gross tax revenue of \$ 18.687 billion in 2014, representing an increase of 12.81% compared to the previous year.

The net tax revenue, which represents the tax revenue available after the transfers to municipalities and Fundeb, and returns to taxpayers, was R\$ 11.613 billion (up 13.37% compared to 2013), representing R\$ 1.369 billion more in the public accounts, compared to the year 2013.

The good performance in the collection is directly linked to the modernization of the state's tax authorities, which have been allowed to increase controls on taxpayers every year. In 2014, the State Finance Department conducted 140 surveillance operations, almost double 2013, when 77 transactions were recorded.

The balance includes on-site operations in retail, in transit and at the post office as well as tax audits from the crossing of data available in the Finance systems. More than 190,000 taxpayers were audited in Santa Catarina and other states during the year 2014.

The taxes and fees that composed the gross tax revenue in 2014 and 2013 can be seen in Table 16.

Table 16 | Breakdown of Gross Tax Revenue in 2014 and 2013 (R\$ million)

Gross Tax Revenue	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Taxes	18,154	97.15%	16,102	97.21%	12.74%
ICMS	15,613	83.55%	13,940	84.16%	12.01%
IRRF	1,054	5.64%	837	5.05%	25.95%
IPVA	1,322	7.08%	1,193	7.20%	10.82%
ITCMD	164	0.88%	132	0.80%	24.19%
Rates	533	2.85%	462	2.79%	15.30%
Exercise of Police Power	489	2.61%	442	2.67%	10.63%
Provision of Services	44	0.24%	21	0.12%	115.92%
TOTAL	18,687	100.00%	16,564	100.00%	12.81%

Gross revenue² with the Tax on the Circulation of Goods and on Intermunicipal and Interstate Transport and Communication Services (ICMS) grew 12.01% and closed the year at R\$ 15.613 billion, showing that the state is increasingly dependent on its own resources to meet the demands of catarinense society. Among tax revenues, ICMS is the most representative revenue, corresponding to 83.55% of the gross tax revenue, as shown in Graph 12.

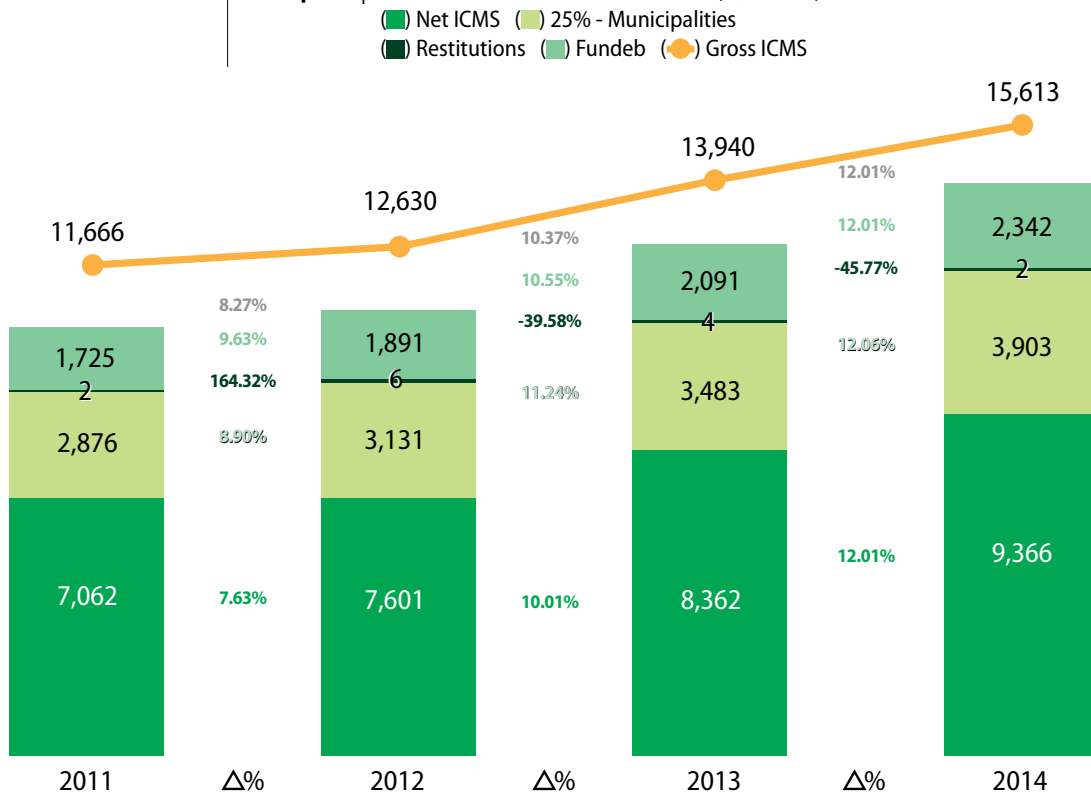
² Gross collection with ICMS, without considering the collection with fine, interest and debt owed.

Graph 12 | Gross Tax Revenues in 2014



The evolution of ICMS revenue for the last four years, in minimal amounts and without considering the collection of fines, interest and outstanding debt, is presented in Graph 13. In the illustration, you can also view how much of the gross amount collected was distributed to municipalities, to Fundeb, how much was refunded to taxpayers and how much is left to the State after deductions (net ICMS).

Graph 13 | Collection of ICMS from 2011 to 2014 (R\$ million)

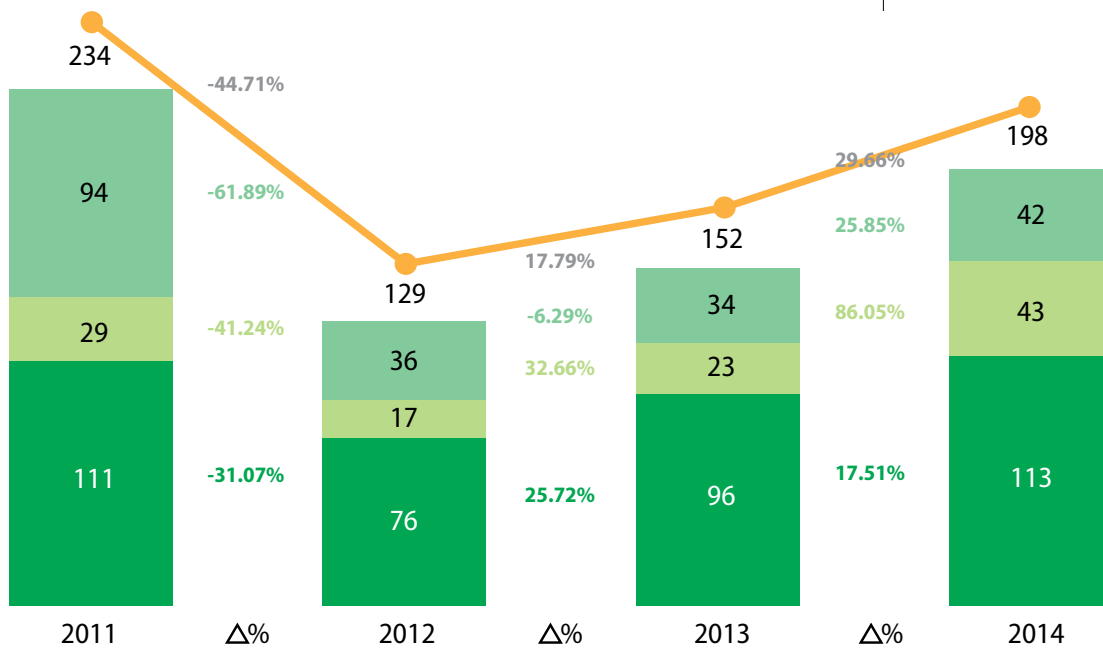


The budgetary collection of ICMS in 2014 compared to 2011, saw a nominal increase of 34%.

In addition to the values shown in Graph 13, the State also earned revenues from fines, interest and active ICMS debt, as shown in Graph 14.

Graph 14 | Collection with Fines, Interest and ICMS Active Debt from 2011 to 2014 (R\$ million)

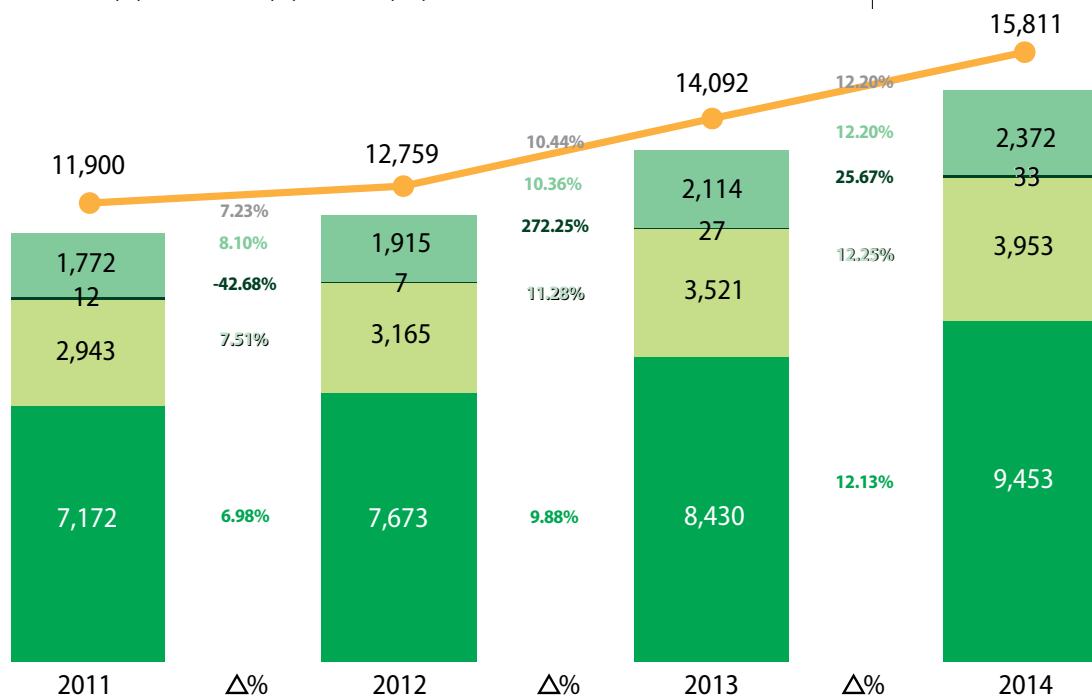
■ ICMS Fines and Interest
 ■ ICMS Active Debt Fines and Interest
 ■ Revenue from ICMS Active Debt
 ● Total



If the ICMS active debt tax revenues, including fines and interest are added to the gross revenue from ICMS for 2014, it has a total of R\$ 15.811 billion collection with this tax in the year, according to Graph 15.

Graph 15 | Collection of ICMS from 2011 to 2014, Including Fines, Interest and Active Debt, (R\$ million)

■ Net ICMS
 ■ 25% - Municipalities
 ■ Restitutions
 ■ Fundeb
 ● Gross ICMS

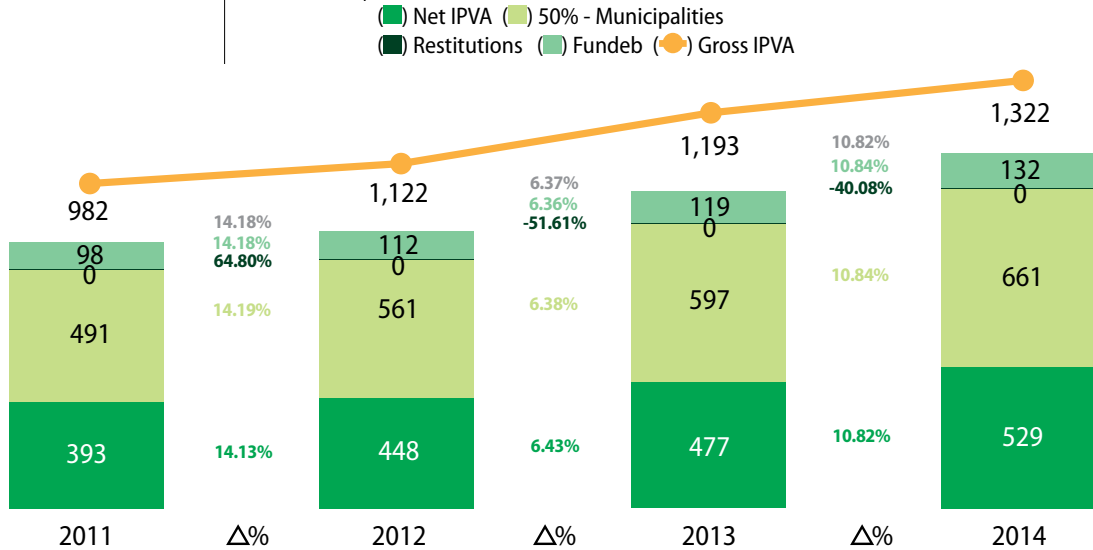


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The second tax with the highest revenue in the year 2014, was the Tax on Motor Vehicles (IPVA). The revenue from IPVA increased by 10.82% compared to 2013, and the gross revenue of the tax in 2014 reached R\$ 1.322 billion. Contributors to the increase in revenues were the increase in the fleet, the improvement in the standard of vehicles and the credit recovery campaigns.

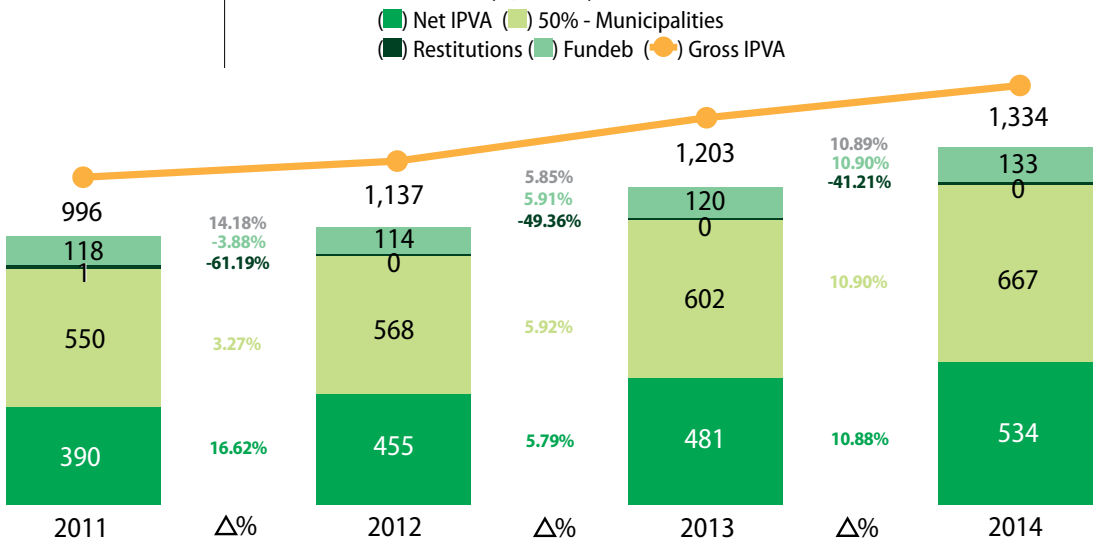
The net collection of IPVA, after transfers to municipalities and Fundeb, and after refunds to taxpayers, was R\$ 529 million. Graph 16 shows the division of IPVA revenue, gross and net values of the years 2011, 2012, 2013 and 2014.

Graph 16 | Collection of IPVA from 2011 to 2014 (R\$ million)



In the year 2014, R\$ 12 million was raised in fines, interest and active debt from IPVA. The collection of IPVA, considering fines, interest and active debt, the distribution to municipalities and Fundeb, as well as refunds to taxpayers, is shown in Graph 17.

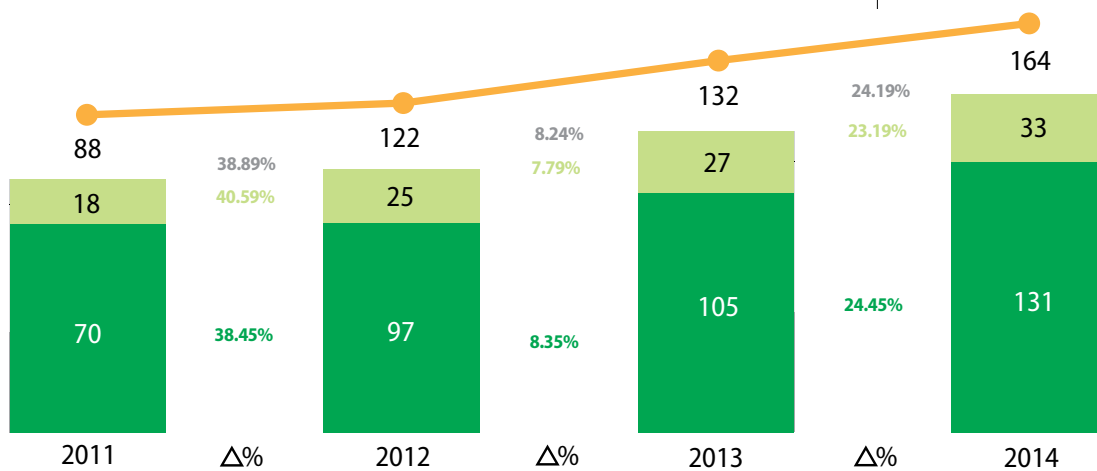
Graph 17 | Collection of IPVA from 2011 to 2014, Considering Fines, Interest and Active Debt (R\$ million)



The third most representative tax in 2014 was the Tax on Income and Earnings of Any Nature (IRRF), which, pursuant to Article 157, I, of the Constitution of the Federal Republic of Brazil of 1988, belongs to the state when levied at the source on income paid, on any account, by it, its agencies or the foundations it institutes and maintains. In 2014, the collection of IRRF was R\$ 1.054 billion, representing 5.64% of gross tax revenues and showing an increase of 25.95% over the previous year.

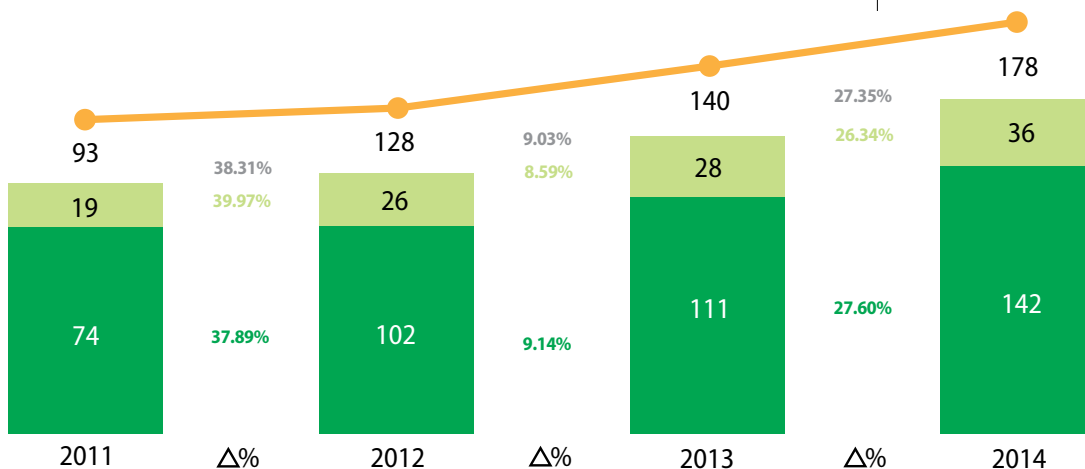
Gross revenue on Estate and Gift Tax (ITCMD) grew by 24.19%, hitting a new performance record in 2014. The total collected reached R\$ 164 million. Of this amount, R\$ 33 million refers to the deductions representing the transfers to Fundeb and restitutions to taxpayers. The gross amount, the deductions and the net values for ITCMD, collected in the years 2011 to 2014, are presented in Graph 18.

Graph 18 | Collection of ITCMD from 2011 to 2014 (R\$ million)
 (■ Net ITCMD (■) ITCMD Deductions (●) Gross ITCMD



The intense monitoring work, combined with the automation of the ITCMD payments, boosted the collection of the tax in Santa Catarina. The collection of ITCMD, considering the values charged for of fines, interest and active debt, is presented in Graph 19.

Graph 19 | Collection of ITCMD from 2011 to 2014, Considering Fines, Interest and Active Debt (R\$ million)
 (■ Net ITCMD (■) ITCMD Deductions (●) Gross ITCMD



The collection of fees for the exercise of police power and for the provision of services totaled 533 million in 2014, representing 2.85% of gross tax revenue.

Current Transfers

Current transfers are financial resources received from individuals or legal entities, independent of direct provision of goods or services and which will be applied in meeting current expenses.

In 2014, current transfers accounted for 17.28% of the gross budget revenues, totaling an amount of R\$ 5.062 billion, as previously shown in Table 14 - Gross Budget Revenue by Economic Category and Source in 2014 and 2013.

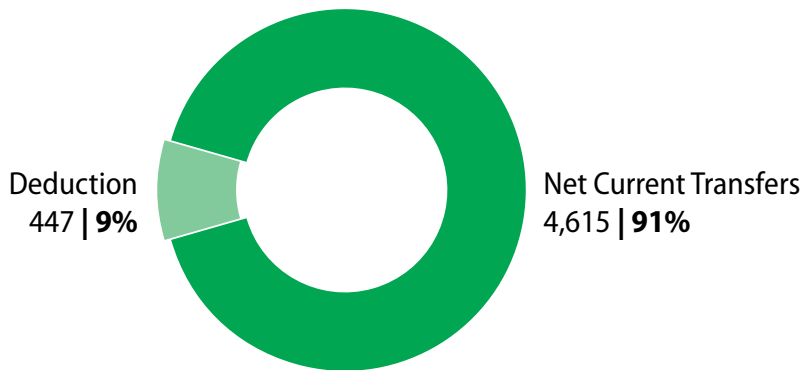
The principal current transfers received by the State are intergovernmental, and deserving of particular mention are those from the Union (43.49%) such as the Participation Fund of the States (FPE) (18.36%), the Transfer of Resources from the Unified Health System (SUS) (12.02%), the IPI Proportion (5.13%) and the National Education Development Fund (FNDE) (4.69%). The multigovernmentals are also relevant, due to the transfers of resources from Fundeb (37.95%). Table 17 shows the amounts received by the state in 2014 and 2013 through transfers.

Table 17 | Gross Current Transfers in 2014 and 2013 (R\$ million)

Gross Current Transfers	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Intergovernmental	4,123	81.44%	4,373	81.36%	-5.72%
Union	2,202	43.49%	1,977	36.78%	11.36%
FPE Proportion	929	18.36%	853	15.87%	8.97%
IPI Proportion	260	5.13%	231	4.31%	12.24%
CIDE Proportion	4	0.08%	2	0.04%	102.48%
Financial Compensation for Exploitation of Natural Resources	51	1.01%	39	0.73%	29.73%
Resource Transfers - Unified Health System - SUS	608	12.02%	495	9.21%	22.90%
Resource transfers - National Fund for Social Assistance - FNAS	2	0.04%	1	0.01%	193.23%
Resource transfers - National Education Development Fund - FNDE	238	4.69%	270	5.02%	-11.87%
ICMS - Tax relief	53	1.04%	53	0.98%	0.00%
Other Transfers	57	1.12%	34	0.62%	68.71%
Multigovernmental	1,921	37.95%	2,396	44.58%	-19.81%
Fundeb	1,921	37.95%	2,396	44.58%	-19.81%
Private Institutions	831	16.42%	871	16.21%	-4.60%
Personnel	0.4	0.01%	0.4	0.01%	6.10%
Pacts	108	2.13%	130	2.42%	-17.04%
Union	85	1.67%	113	2.10%	-25.01%
Municipalities	7	0.14%	1	0.02%	628.25%
Private Institutions	16	0,31%	16	0,29%	-1.22%
TOTAL	5,062	100.00%	5,375	100.00%	-5.81%

Of the total gross amount received through current transfers, R\$ 4,615 billion was left to the State after the legal deductions (transfers to municipalities and Fundeb), which totaled 447 million.

Graph 20 | Composition of Gross Current transfers in 2014 (R\$ million)



Capital Revenue

Capital revenue is inflow from loans, sale of assets, amortization of loans, capital transfers and other capital revenues to increase the funds available, constituting a financing instrument of budgetary action programs in order to achieve the public purposes.

Capital revenues accounted for 6.50% of gross budget revenues recorded in 2014 (see Table 14).

The composition of the gross revenues of capital in the years 2014 and 2013, is shown in Table 18.

Table 18 | Gross Capital Revenue by Source in 2014 and 2013 (R\$ million)

Gross Capital Revenue	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Loans	1,743	91.58%	2,058	94.59%	-15.28%
Sale of Assets	6	0.34%	5	0.25%	17.30%
Amortization of Loans	20	1.05%	16	0.75%	22.57%
Capital Transfers	27	1.42%	90	4.12%	-69.93%
Other Capital Revenues	98	5.16%	0	0.00%	-
Capital Intrabudgetary Revenues	9	0.45%	6	0.28%	39.67%
TOTAL	1,904	100.00%	2,176	100.00%	-12.50%

Analyzing the gross revenue from capital by source, it turns out that the most significant portion of capital revenues comes from loans (91.58%). These operations represent the contracting of loans and financing with state agencies, financial institutions and funds, and are generally used to finance public investments of interest to the population.

Table 19 shows the values of loans released in 2014 by program. Of the total received, 66% (or R\$ 1.16 billion) correspond to the liberalization of contracts with BNDES.

Table 19 | Loans in 2014 (R\$ million)

Source: Integrated Planning and Fiscal Management System (SIGEF) and Fundraising and Public Debt Directory (DICD)

Operation	Purpose	Value
INTERNAL LOANS		1,617.948
PMAE Financing	Modernization of revenue administration and state administration.	4.921
BB - Strategic Paths for Production and Prevention of Disasters Law no. 15,941/2012	Prevention of natural disasters, implementation works, renovation and expansion of the capacity of state highways and structural works to increase the operating capacity of Santa Catarina ports.	363.718
BNDES - Paths Program of Development - Law no. 15,830 and Law no. 15,882/2012	Investments in infrastructure, justice and citizenship, education, health and disaster prevention against droughts.	194.009
BNDES - Accelerate Program Santa Catarina - Law No. 15,855 and Law no. 15,883/2012	Investments in health, public safety, education, justice and citizenship, prevention of natural disasters, social assistance, work and housing, infrastructure and basic sanitation.	954.485
BNDES - Transport System of Joinville - Law no. 14,739/2009	Comply with the Modernization Program of the Integrated System of Public Transport Joinville.	10.713
BB II - Santa Catarina Pact - Law no. 16,129/2013	Comply with the Santa Catarina Pact Program to enable investments in education, health, infrastructure, public security, justice and citizenship, civil defense, agriculture, social protection, innovation, sanitation and sustainable economic development.	90.101
EXTERNAL LOANS		125.480
BIRD - Microbasins	Increase the competitiveness of organizations of family farmers.	2.285
BIRD - Santa Catarina Rural Program - Microbasins III	Increase the competitiveness of organizations of family farmers.	21.527
BID - VI - Law no. 14,532/2008	Paving and renovation of roads.	87.294
BID - PROFISCO - Law no. 14,529/2008 and alterations	Modernization of fiscal and financial management of the state administration.	14.374
TOTAL		1,743.428

Net Revenue Available

Net Revenue Available³ (RLD) is the calculation based on which the Executive Branch authorizes the funds to be invested by the Legislative Assembly (ALESC), the Santa Catarina Court of Justice (TJSC) by the Public Prosecution Service (MPSC), the State Audit Court (TCESC) and the Santa Catarina State University (UDESC).

Net Revenue Available calculated for the year 2014 was R\$ 12.173 billion, and its distribution, defined in the Budget Guidelines Law, took place as shown in Table 20.

³ See note on the financial statements No. 2, k

Table 20 | Percentage Distribution of Net Revenue Available in 2014

Entity	% of RLD
ALESC	4.51
TCESC	1.66
TJSC	9.31
MPSC	3.91
UDESC	2.49
Total	21.88

In addition to the percentage of Net Revenues Available defined in the LDO, part of the resources of the Social Development Fund (FundoSocial) and the State System Funds to Encourage Culture, the Tourism and Sports (SEITEC) also are passed on to the Powers and Bodies as legal provisions.

The total amounts transferred to Powers and Bodies in 2014, considering the Net Revenue Available from December 2013 to November 2014 (R\$ 12.075 billion), are detailed in Table 21.

Table 21 | Passthroughs to Powers and Bodies in 2014 (R\$ million)

Funds	Legislative Assembly	Audit Court	Court of Justice	Public Prosecution Service	UDESC	TOTAL
Participation in RLD	545	200	1,124	472	301	2,642
FundoSocial Passthrough	14	5	29	12	8	69
SEITEC Passthrough	5	2	11	5	3	26
Total	564	208	1,165	489	311	2,737

Of the total received in 2014, as shown in Table 21, the Legislative Assembly and the Court of Auditors repaid to the State, respectively, R\$ 30 million and R\$ 50 million by the end of the 2014 financial report.

Expenses

The budget's execution reached the amount of R\$ 21.230 billion, accounting for 84.88% of total expenditure authorized for the period (R\$ 25.011 billion). The total amount executed, corresponding to committed expenses, had a nominal increase of 10.26% compared to 2013.

Table 22 | Expenses by Economic Category and Nature Groups in 2014 and 2013 (R\$ million)

Expenses	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
3 - Current Expenses	18,402	86.68%	16,175	84.01%	13.77%
1 - Personnel and Social Charges	12,252	57.71%	10,559	54.84%	16.03%
2 - Interest and Debt Charges	811	3.82%	668	3.47%	21.33%
3 - Other Current Expenses	5,339	25.15%	4,948	25.70%	7.91%
4 - Capital Expenses	2,828	13.32%	3,079	15.99%	-8.15%
4 - Investments	2,191	10.32%	1,251	6.50%	75.14%
5 - Financial Inversions	75	0.35%	245	1.27%	-69.39%
6 - Amortization of Debt	562	2.65%	1,583	8.22%	-64.50%
TOTAL	21,230	100.00%	19,254	100.00%	10.26%

Of the total, it is worth highlighting the personnel expenses and social charges and other current costs, which together accounted for 82.86% of the total expenditure of 2014 (57.71% and 25.15 % of the total expenditure, respectively). It is also worth emphasizing the investments and financial inversions, which together in 2014 were 51.5% higher than in 2013, representing 10.67% of total expenses in 2014 and 7.77% in 2013.

■ Expenditure by Means of Application

Another way to look at the expenses of the state government is through the means of application, which reveals how the budget was spent directly by the state or other federal entities, multigovernmental institutions or even private institutions. Such observation can be seen in Table 23.

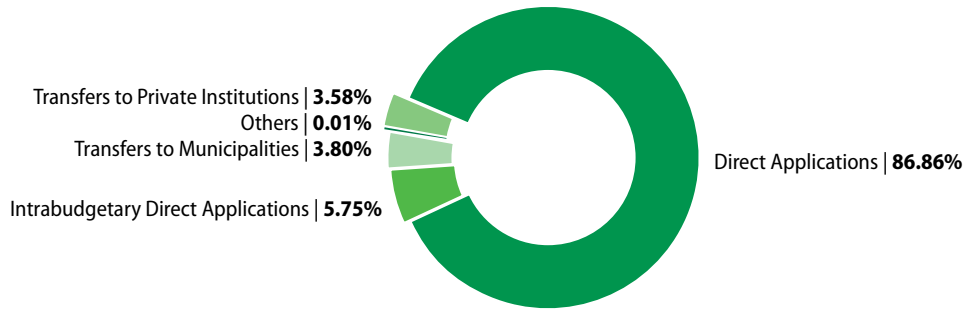
Table 23 | Expenses by Means of Application in 2014 (R\$ million)

Means of Application	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
20 - Transfers to the Union	0	0.00%	1	0.00%	-
22 - Budget Execution Delegate to the Union	3	0.01%	1	0.00%	444.03%
40 - Transfers to Municipalities	564	2.66%	146	0.76%	285.27%
41 - Transfers to municipalities Fund to Fund	160	0.76%	157	0.81%	2.36%
42 - Budget Execution Delegate to the Municipalities	82	0.39%	75	0.39%	9.51%
50 - Transfers to Private Non-Profit Institutions	735	3.46%	663	3.44%	10.88%
60 - Transfers to Private Institutions with Profit	24	0.11%	15	0.08%	66.44%
90 - Direct Applications	18,441	86.86%	17,153	89.09%	7.50%
91 - Direct Application Resulting from Operation between Agencies, Funds and Entities	1,220	5.75%	1,043	5.42%	16.91%
TOTAL	21,230	100.00%	19,254	100.00%	10.26%

According to Table 23, in 2014 the amounts directly spent by the State reached 92.61% of the budget (means 90 and 91), totaling R\$ 19.661 billion.

Of the expenses incurred indirectly, a large part was allocated to municipalities (means 40, 41 and 42) through legal and voluntary transfers, corresponding to 3.80% of total expenditure, as shown in Graph 21.

Graph 21 | Expenses by Means of Application in 2014



■ Funcional Classification

The functional classification basically seeks to answer the question 'In which governmental action area was the spending made?'. Table 24 shows the expenses committed for each function, in descending order of values, based on 2014.

Table 24 | Expenses by Function in 2014 and 2013 (R\$ million)

Expenses by Function	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
09 - Social Security	4,192	19.75%	3,564	18.51%	17.63%
12 - Education	3,128	14.74%	2,791	14.50%	12.07%
10 - Health	2,642	12.44%	2,653	13.78%	-0.42%
06 - Public Security	2,263	10.66%	1,794	9.32%	26.12%
04 - Administration	1,992	9.38%	1,182	6.14%	68.57%
28 - Special Charges	1,517	7.14%	2,354	12.23%	-35.58%
02 - Judiciary	1,478	6.96%	1,346	6.99%	9.77%
26 - Transport	1,035	4.87%	709	3.68%	46.04%
14 - Citizenship Rights	647	3.05%	472	2.45%	37.22%
20 - Agriculture	605	2.85%	543	2.82%	11.44%
01 - Legislative	580	2.73%	520	2.70%	11.63%
03 - Essential to the Justice	538	2.53%	570	2.96%	-5.65%
18 - Environmental Management	151	0.71%	107	0.56%	41.42%
08 - Social Assistance	91	0.43%	97	0.50%	-6.71%
27 - Sport and Leisure	95	0.45%	72	0.37%	31.65%
19 - Science and Technology	68	0.32%	47	0.25%	44.00%
23 - Trade and Services	58	0.27%	74	0.38%	-21.55%
24 - Communications	51	0.24%	79	0.41%	-35.72%
11 - Work	33	0.16%	10	0.05%	223.06%
13 - Culture	31	0.15%	40	0.21%	-21.63%
16 - Housing	27	0.13%	24	0.12%	13.51%
17 - Sanitation	5	0.02%	4	0.02%	33.09%
15 - Urbanism	2	0.01%	1	0.01%	39.27%
25 - Energy	0.1	0.00%	0.1	0.00%	-6.53%
TOTAL	21,230	100.00%	19,254	100.00%	10.26%

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On function level, the biggest expense of the state in 2014 occurred with Social Security (R\$ 4.192 billion), representing 19.75% of total expenditure in 2014. The Social Security function adds payments to retirees and pensioners of the State, and increased 17.63% compared to the year 2013.

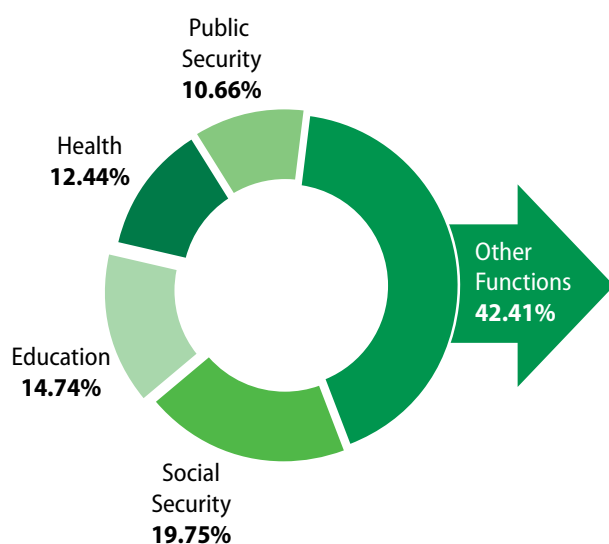
In education, R\$ 3.128 billion was invested, equivalent to 14.74% of total expenditure. This represents a 12.07% increase compared to the year 2013.

In the Health function, expenses totaled R\$ 2.642 billion (12.44% of the total expenses).

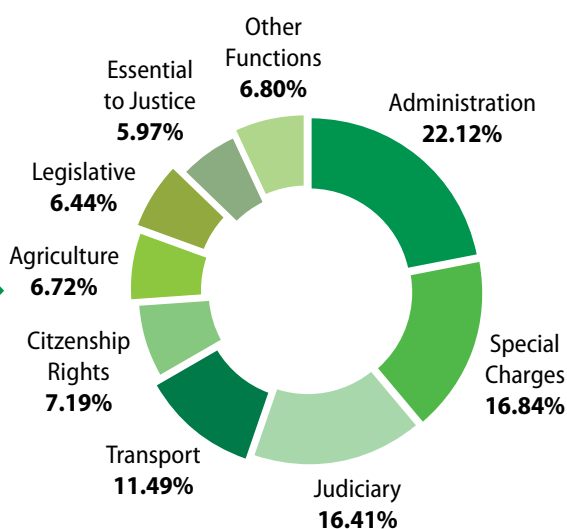
The Public Security function received R\$ 2.263 billion, representing 10.66% of total expenditure and 26.12% more than in 2013.

The other functions together totaled R\$ 9.005 billion, representing 42.41% of the expenditure, as shown in Graph 22.

Graph 22 | General Distribution of Expenditures by Function 2014



Graph 23 | Other Expenses by Function in 2014



■ Current Expenses

Current expenses refers to spending on personnel and social charges, interest and debt service charges, as well as other current expenses.

In the year 2014, current expenses totaled R\$ 18.402 billion (R\$ 16.175 billion in 2013), representing a 13.77% increase compared to the previous year. Table 25 shows the breakdown of current expenses, by expenditure group, in the years 2014 and 2013.

Table 25 | Composition of Current Expenses in 2014 and 2013 (R\$ million)

Current Expenses	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
1 - Personnel and Social Charges	12,252	66.58%	10,559	65.28%	16.03%
2 - Interest and Debt Charges	811	4.41%	668	4.13%	21.33%
3 - Other Current Expenses	5,339	29.02%	4,948	30.59%	7.91%
TOTAL	18,402	100.00%	16,175	100.00%	13.77%

Expenses on personnel and social charges, which are budget expenditures with active, inactive and retired personnel, nominally grew by 16.03% from 2013 to 2014 and totaled R\$ 12.252 billion in the last year.

Analyzing the personnel expenses by function, it turns out that Social Security accounts for 34% of personnel costs and social charges, followed by Education (17.45%) and Public Security (13.95%). These three functions had an increase of significant value in 2014 (Social Security - 17.66%; Education - 13.72%; and Public Safety - 29.76%). The increment in values was driven primarily by increased inactive expenses, implementation of the national minimum wage, and increase in police staff and remuneration respectively.

The interest and debt charges, representing the budgetary expenditure for the payment of interest, commission and other charges of internal and external loans contracted, as well as public debt, reached the amount of R\$ 811 million, representing an increase of R\$ 143 million over the previous year. Of the total increase in interest payments and charges of contractual debt, approximately R\$ 123.541 million (86% of the total) represent the sum of the values of the variation of the following contracts: (1) Union - Law No. 9,496/974⁴ - R\$ 47.559 million; (2) BNDES Accelerates Santa Catarina⁵ (discounting the value for the BNDES contract refinancing - Celesc) - R\$ 35.977 million; and (3) Santa Catarina Pact⁶ - R\$ 40.005 million.

Other current expenses include all other expenses with costs that do not relate to the payroll or government debt, such as consumables, diaries, water, electricity, telephone, rent, outsourcing, grants, etc., and in 2014 they represented 29.02% of the current expenditure, totaling R\$ 5.339 billion. This group showed the least increase in 2014, with a variation of 7.91% with respect to 2013.

■ Capital Expenses

The capital expenses, which accounted for 13.32% of the total amount of expenditure of the State, are structured in groups of Investment expenses, Financial Inversions and Debt Amortization. The amounts of capital expenses in each expenditure group in the years 2014 and 2013 are shown in Table 26.

Table 26 | Composition of Capital Expenses in 2014 and 2013 (R\$ million)

Capital Expenses	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
4 - Investments	2,191	77.48%	1,251	40.63%	75.14%
5 - Financial Inversions	75	2.65%	245	7.95%	-69.39%
6 - Amortization of Debt	562	19.87%	1,583	51.42%	-64.50%
TOTAL	2,828	100.00%	3,079	100.00%	-8.15%

⁴ Union - Law No. 9,496/97: from 2013, with the contract residue refinancing in December 2012, the nominal growth of the value related to interest payments and charges, although positive, has become lower than in previous years. Between 2011 and 2012, this growth was around R\$ 578 million.

⁵ BNDES Accelerates Santa Catarina: contract with quarterly interest payments and charges. In 2013, the year the contract was signed, there were only two interest payments and charges - in July and October. But in 2014, there was payment of four installments of interest and charges, in January, April, July and October. Thus, the difference between 2013 and 2014 is explained in large part by the increase in the number of installments paid

⁶ Santa Catarina Pact: the beginning of the payment of interest and charges occurred in 2014, without any payment in the previous years.

FINANCIAL ASPECTS

In capital expenses, the Investments group showed the highest growth compared to 2013 – from R\$ 1.251 billion to R\$ 2.191 billion in 2014 –, which represents an increase of 75.14%.

The Financial Inversions group⁷ reached the amount of R\$ 75 million in 2014, representing a decrease of 69.39% over the previous year.

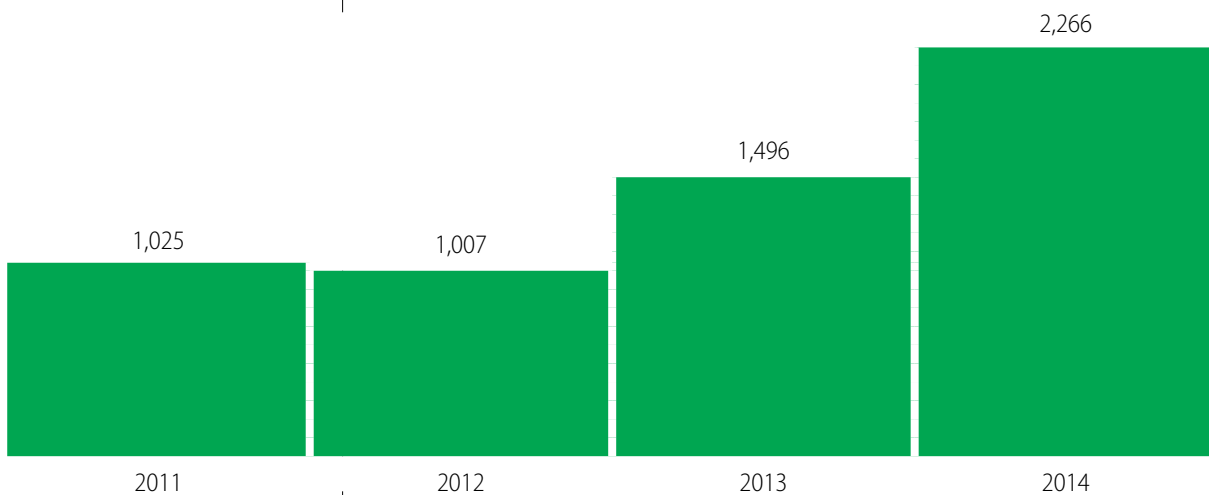
Because the financial inversions also represent State investments⁸, the investment analysis to be presented will include this expenditure group (investments = investments group + financial inversions group).

Thus, of the investments made by the state in 2014, totaling \$ 2.266 billion, the most significant share (36.23%) was directed to the Transport function, totaling R\$ 821 million invested. The amount was intended, almost in its entirety, for the expansion and revitalization of state highways through improvement of the State road network.

The Education functions (R\$ 200 million), Public Safety (R\$ 152 million) and Health (R\$ 143 million) also received large investments. Significant investments in these functions represents the Government's intention to make health services closer to the people, the public school system is increased and the prison system expanded.

Analyzing the investments made by the State between 2011 and 2014 and considering financial inversions, it can be seen that the amount invested in 2014 (R\$ 2.266 billion) is more than double that of 2011 (R\$ 1.025 billion). The change from 2011 to 2014 was 121% and shows a positive evolution of state investments, as shown in Graph 24.

Graph 24 | Investments⁹ in the Period from 2011 to 2014 (R\$ million)



⁷ Financial inversions are classified as the appropriations intended for:

- I - acquisitions of property or capital goods already in use;
- II - acquisition of equity securities of companies or entities of any kind, already constituted, when the operation does not import the capital increase; and
- III - constitution or increase of capital of entities or businesses with commercial or financial objectives, including banking or insurance.

⁸ According to Machado Jr. and Reis (2001), the distinction between financial inversions and investments is purely economic, and that investment would be all capital expenditure that may generate services and, consequently, increase the Gross Domestic Product. Financial inversion, in turn, would be capital expenditure which, unlike investment, would not generate services and increase the Gross Domestic Product. As can be seen, these are technical notions of Economics. Therefore, the merger of the two classifications is entirely possible and desirable, without bringing harm to the economic analysis. From the perspective of asset Management, both the investments and financial inversions produce qualitative and quantitative changes in public assets.

⁹ Investments plus financial inversions.

The increase in the amount invested shows that the State Government of Santa Catarina sought, over the years, to develop public policies of investment to ensure regional development and promote the reduction of inequality, the increase of work and income, and improving the coverage and quality of public services offered to society.

Amortization of debt in 2014, in turn, was R\$ 562 million, characterizing a decrease of 64.5% with respect to the amount amortized in 2013. Of this amount, R\$ 464 million refers to the internal debt and R\$ 98 million to foreign debt.

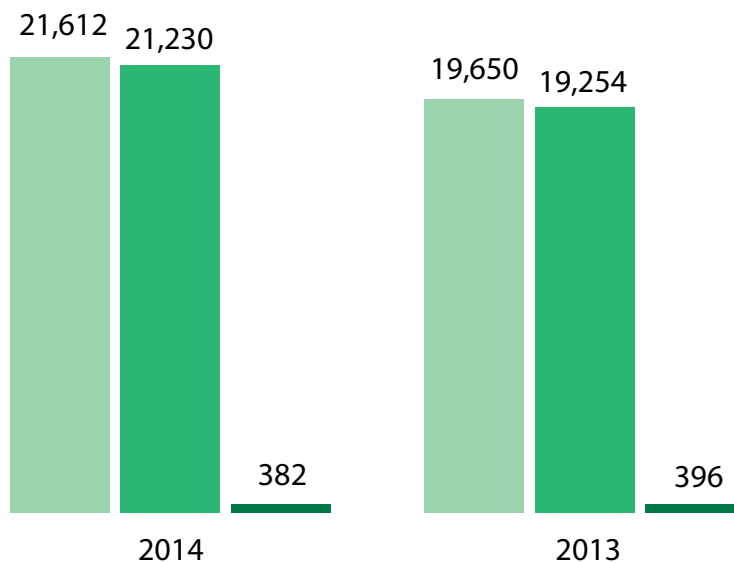
Budgetary Result

The budget execution shows the values of revenue collection and the implementation of the expenditure committed in a given period. The balance of these values is the source the budget result, which can be positive (surplus) when the revenues collected exceed the expenditure committed, or negative (deficit) when the reverse occurs.

In 2014, the budget result obtained was **R\$ 382 million**, thus occurring a surplus in the year, as shown in Graph 25.

BUDGET EXCESS
R\$382 MILLION

Graph 25 | Budget Execution in 2014 and 2013 (R\$ million)
 (■) Revenue Collected (■) Expenditure Committed
 (■) Budgetary Surplus



Of the total expenditure in 2014, R\$ 1.596 billion was funded with resources from the financial surplus of previous years. So, if this value was suppressed and only the funds raised in 2014 were considered and expenditure financed with these funds, the state would present a budgetary surplus of R\$ 1.978 billion.

FINANCIAL ASPECTS

NET TAX REVENUE
R\$15.217BILLION

NET CURRENT REVENUE
R\$17.836BILLION

Compliance with Legal and Constitutional Limits

In 2014, the State of Santa Catarina complied with the minimum constitutional application limits in health and education, the limits set by the Fiscal Responsibility Act for expenditure on personnel, debt, loans, guarantees and counter-guarantees, as well as registration of outstanding commitments.

For verification purposes the application of the constitutional minimum in health and education, uses Net Tax Revenue (RLI) as the base, which aggregates all tax revenues and constitutional transfers, minus passthroughs to municipalities. In 2014, the RLI was **R\$ 15.217 billion** (R\$ 13.533 billion in 2013).

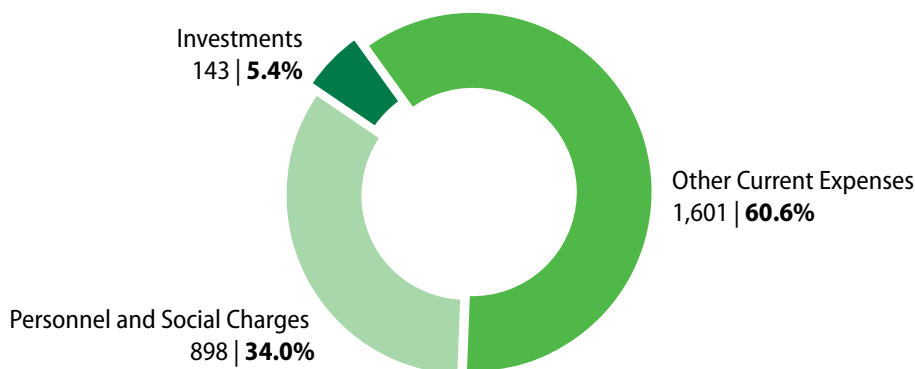
As for checking the limits established by Fiscal Responsibility Law, the parameter is the Net Current Revenue (RCL), which includes all current revenue of the State, such as revenue from tax, contributions, equity, industrial, agricultural, services, current transfers and other current revenues, minus legal and constitutional transfers to municipalities and Fundeb as well as the contributions of servers to the own pensions, financial compensation between the general and special social security policies, and refunds of income. In 2014, the RCL totaled R\$ **17.836 billion** (R\$ 15.893 billion in 2013), representing a 12% increase compared to 2013.

■ Health

In 2014, over R\$ 2.642 billion (R\$ 2.239 billion in 2013) was applied in equipment, construction, maintenance of public hospitals and contracts with outsourced, municipal and philanthropic hospitals, and social organizations.

Expenditure for maintenance of public health services totaled R\$ 2.499 billion (R\$ 2.161 billion in 2013), and the payroll of active servers consumed R\$ 898 million (R\$ 769 million in 2013), and other current expenses totaled R\$ 1.601 billion (R\$ 1.393 billion in 2013). Investments in health were R\$ 143 million (R\$ 77 million in 2013), representing an increase of 85% over the previous year. The distribution of these resources can be seen in Graph 26.

Graph 26 | Expenses on Health Function in 2014 (R\$ million)



For verification purposes the application of the constitutional minimum¹⁰, which takes into account basically the costs borne with tax resources, in 2014 considered expenses of R\$ 1.843 billion (R\$ 1.627 billion in 2013), representing 12.11% of net tax revenue (12.02% in 2013). This percentage is applied in health is 0.11 percentage points higher than the minimum constitutional requirement.

Given the caveats and recommendations of the Court of the State of Santa Catarina (TCESC) since 2011 the costs of the payment of inactive Health is not considered in calculating the constitutional minimum. In addition, from 2013, the values collected by the Social Development Fund (FundoSocial) originating in tax revenues were considered in the base Net Tax Revenue calculation, in compliance with the decision issued by TCESC, in judgment No. 892/2010.

Table 27 | Application of Constitutional Minimum in Health in 2014 and 2013 (R\$ million)

Source: Summary Report of Budget Execution (RREO)

HEALTH	2014		2013	
	Value	% RLI	Value	% RLI
Constitutional minimum to be applied (art. 77, ADCT, CF/88)	1,826	12	1,624	12
Expenses considered	1,843	12.11	1,627	12.02

■ Education

In 2014, the State Government invested R\$ 3.128 billion (R\$ 2.791 billion in 2013) in the construction, expansion, renovation and maintenance of schools, youth and adult education centers, sports areas, school food and transport, scholarships, materials, furniture, computer equipment as well as the remuneration of teaching. This amount benefited approximately 560,000 students.

Investments in education in 2014 were 53.74% higher than the year 2013, totaling R\$ 200 million (R\$ 130 million in 2013). Expenditures for funding and maintenance of public services in education totaled R\$ 2.928 billion (R\$ 2.661 billion in 2013), and spending on Personnel and Social Charges totalized R\$ 2.138 billion (1.880 billion in 2013) and other current expenses equaled R\$ 790 million (R\$ 781 million in 2013), as presented in Table 28.

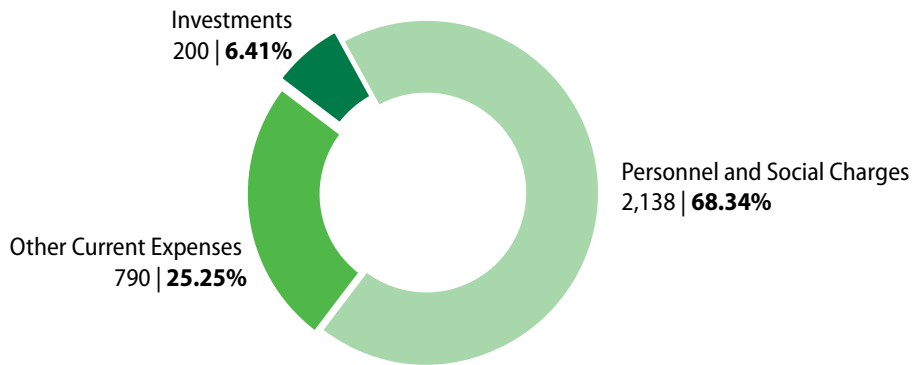
Table 28 | Expenses on the Education Function in 2014 and 2013 (R\$ million)

Expenses on the Education Function	2014		2013		Variation % 2014/2013
	Value	%	Value	%	
Personnel and Social Charges	2,138	68.34%	1,880	67.36%	13.72%
Other Current Expenses	790	25.25%	781	27.97%	1.15%
Investments	200	6.41%	130	4.67%	53.74%
TOTAL	3,128	100.00%	2,791	100.00%	12.07%

¹⁰ The minimum percentage required by the Constitution is 12% of Net Revenue Tax (RLI) (Note no. 2, m).

Graph 27 illustrates the share of expenses on the Education function in 2014.

Graph 27 | Expenses on Education Function in 2014 (R\$ million)

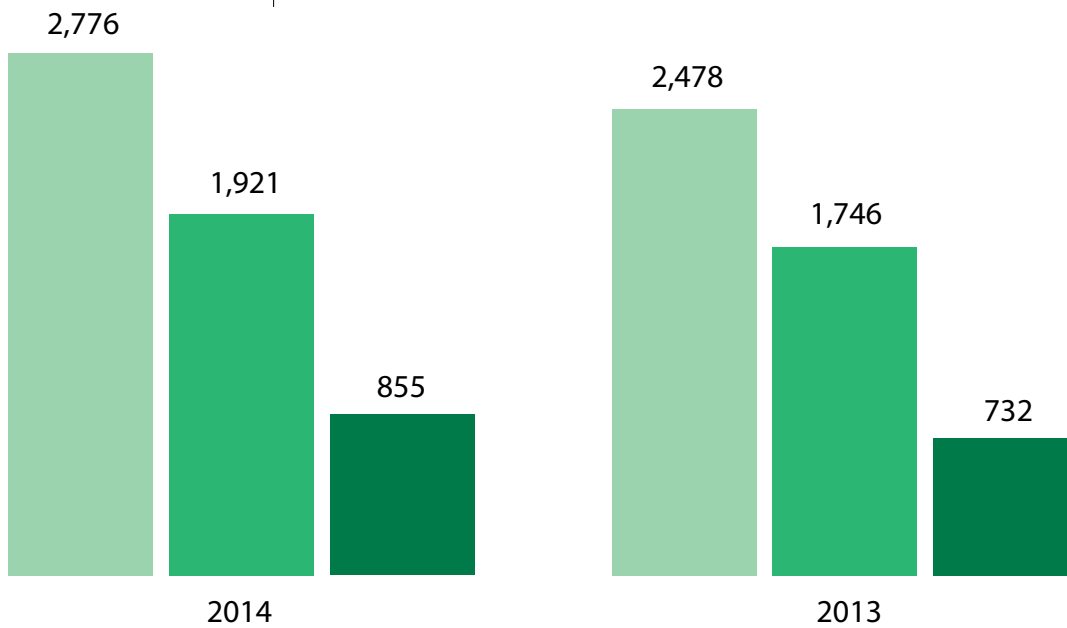


In 2013, the State of Santa Catarina transferred R\$ 2.776 billion to the Fund for Maintenance and Development of Basic Education and Enhancement of Education Professionals (Fundeb) (R\$ 2.478 billion in 2013). However, only R\$ 1.921 billion returned to the State Treasury (R\$ 1.746 billion in 2013), leading to a loss of R\$ 855 million (R\$ 732 million in 2013), as shown in Graph 28.

Graph 28 | Passthroughs vs Return from Fundeb in 2014 and 2013 (R\$ million)

(Light Green) Passthrough to Fundeb (Medium Green) Return to Fundeb (Dark Green) Loss

Source: Summary Report of Budget Execution (RREO)



It should be noted that Fundeb resources that do not return to the state treasury are distributed among the municipalities of Santa Catarina, as the Fund is formed with resources of the State and municipalities, and the redistribution of these resources occurs in proportion to the number of students enrolled in their school systems.

Of the Fundeb return resources, 82.32% were spent on the remuneration of basic education teaching professionals (81.77% in 2013), thus meeting the requirements of Article 60, XII of the Act of Constitutional Transitory Provisions of the Constitution which states that the percentage cannot be less than 60%.

Table 29 | Application on Remuneration of Teachers of Basic Education in 2014 and 2013 (R\$ million)

Source: Summary Report of Budget Execution (RREO)

EDUCATION Fundeb - Remuneration of the Teachers	2014		2013	
	Value	% Fundeb	Value	% Fundeb
Constitutional minimum to be applied (art. 60, ADCT, CF/88)	1,163	60	1,053	60
Expenses considered	1,596	82.32	1,435	81.77

In determining the constitutional minimum, resources coming from taxes on maintenance and development of education are considered, plus the loss that the state has from the transfer of Fundeb resources. In addition, 60% (65% in 2013) of the cost of the payment of inactive Education is considered, to the amount of R\$ 782 million (R\$ 731 million in 2013). Thus, for the purposes of the constitutional limit, expenses of R\$ 4.320 billion were taken into account (R\$ 3.829 billion in 2013), a total of 28.39% of net income taxes (28.30% in 2013).

Table 30 | Application on the Maintenance and Development of Education in 2014 and 2013 (R\$ million)

Source: Summary Report of Budget Execution (RREO)

EDUCATION Maintenance and Development of Education - MDE	2014		2013	
	Value	% RLI	Value	% RLI
Constitutional Minimum to be applied (art. 212, CF/88)	3,804	25	3,383	25
Expenses considered	4,320	28.39	3,829	28.30

■ Science and Technology

Article 193 of the State Constitution requires that at least 2% of current revenue collected by the State must be spent on scientific and technological research, jointly¹¹, by Empresa de Pesquisa Agropecuária e Extensão Rural de Santa Catarina S.A. (Epagri) and by the Fundação de Amparo à Pesquisa e Inovação do Estado de Santa Catarina (FAPESC).

In determining the constitutional minimum, the committed by Epagri and the FAPESC were considered, as well as the values decentralized by FAPESC and committed by Epagri, UDESC, the State Department for Sustainable Development (SDS), SDR of Joinville and SDR of Lages at the sources of resources for the current year, minus outstanding canceled commitments.

Table 31 presents the amounts invested in the years 2014 and 2013 in science and technology.

¹¹ As per Articles 100, I, and 112, §§ 1 and 2 of the Complementary Law No. 381 of May 7, 2007, with the new text provided by Complementary Law No. 534, of April 20, 2011.

Table 31 | Application on Science and Technology in 2014 and 2013 (R\$ Thousands)

Specification	2014	2013
CALCULATION BASE		
Current Revenues	27,386,905	25,103,852
(-) Deductions from the Current Revenue	-7,678,434	-7,629,083
Calculation Base Total	19,708,471	17,474,769
Value to be applied (2%)	394,169	349,495
APPLICATIONS		
Epagri		
Function 20 - Agriculture		
Expenditure committed	323,746	278,002
(-) Outstanding Cancelled Commitments in the year	-645	-401
Total Applied - Epagri	323,101	277,601
FAPESC		
Function 19 - Science and Technology		
Expenses Committed by FAPESC	30,560	33,344
(-) Outstanding Cancelled Commitments in the year	-581	-10
Expenses Committed by Decentralization:		
On Epagri	1,857	1,531
(-) Outstanding Cancelled Commitments in the year	-1	-1
On UDESC	0	485
On SDS	0	3,000
On the SDR of Joinville	5	0
On the SDR of Lages	550	0
Total Applied - FAPESC	32,389	38,349
Total Applied on Science and Technology	355,490	315,950
Percentage Applied	1.80%	1.81%
Application below the constitutional minimum	-38,679	-33,545

Notes: (1) In the determination of the constitutional minimum, the amounts committed by Epagri and FAPESC were considered, as well as the values also decentralized by Epagri and FAPESC, and committed by Epagri, UDESC, The State Department for Sustainable Development (SDS), the SDRs of Joinville and Lages, at the sources of current year resources (x1xx and x2xx except x191, x198, x291 and x298), minus outstanding canceled commitments.

(2) In the deduction of current revenues, deductions from Account 493009902 were not considered - Deduction of Miscellaneous Debt Amortization, due to being deductions from Capital Revenue.

■ Expenditure on Personnel

The 1988 Federal Constitution, in Article 169, determined that “spending on active and retired personnel of the Union, the States, the Federal District and Municipalities shall not exceed the limits established in a supplementary law.”

Supplementary Law No. 101/2000, known as the Fiscal Responsibility Law, in its articles 19, 20, 22 and 59, deals with the spending limits for personnel, in the Federal Constitution and establishes the limits of personnel expenses in relation to Net Current Revenue.

Table 32 shows that in 2014 and in 2013, the State of Santa Catarina fulfilled the legal limit set by the Fiscal Responsibility Law for expenses on Personnel in relation to the Net Current Revenue.

Table 32 | Representation of Personnel expenses in relation to the Net Current Revenue in 2014 and 2013

Source: Fiscal Management Report (RGF)

Specification	2014	2013	Variation 2014/2013	Legal Limit	Prudential Limit	Alert Limit
Executive Branch	47.93%	46.70%	2.63%	49.00%	46.55%	44.10%
Consolidated General	57.55%	56.20%	2.40%	60.00%	57.00%	54.00%

In 2014, consolidated personnel expenses for the state of Santa Catarina, for purposes of LRF, represented 57.55% of Net Current Revenue and exceeded the prudential limit (57%). Its change from 2013 to 2014 was positive, representing an increase of 2.40%.

Similarly, expenditure on Executive Branch personnel represented 47.93% of the RCL and also exceeded the prudential limit. In terms of representation with regard to the RCL, expenses increased their participation to 2.63% in 2014.

From in-depth analysis of the items that comprise personnel expenses, it appears that gross personnel expenses, which account for almost all of the financial disbursement of payroll, grew by 14.65% in 2014 in the consolidated general of the State and 15.16% in the Executive Branch, while the Net Current Revenue grew by 12.22%. The value and the variation of each item that makes up the calculation of personnel expenditure, according to the Fiscal Responsibility Law, are shown in Table 33.

Table 33 | Personnel Expenses according to the Fiscal Responsibility Law in 2014 and 2013 (R\$ million)

Source: Fiscal Management Report (RGF)

Specification	2014	2013	Variation % 2014/2013
CONSOLIDATED			
Gross Expenditure on Personnel (I)	12,081	10,537	14.65%
Active Personnel	7,909	6,941	13.94%
Inactive Personnel and Pensioners	4,147	3,570	16.16%
Other Personnel Expenses Arising from Third-Party Contract	25	26	-5.38%
Expenses Not Computed (art. 19, § 1º of the LRF) (II)	1,816	1,605	13.11%
Compensation for Dismissal and Incentives for Voluntary Retirement	158	82	93.25%
Arising from Court Decisions	140	130	7.36%
Expenses from Previous Years	90	123	-26.68%
Retirees and Pensioners with Linked Resources	1,427	1,270	12.38%
Net Expenditure on Personnel (I - II)	10,265	8,932	14.92%
EXECUTIVE BRANCH			
Specification	2014	2013	Variation % 2014/2013
Gross Expenditure on Personnel (I)	9,857	8,560	15.16%
Active Personnel	6,126	5,362	14.25%
Retirees and Pensioners	3,707	3,172	16.88%
Other Personnel Expenses Arising from Third-Party Contracts	25	26	-5.38%
Expenses Not Computed (art. 19, § 1º of the LRF) (II)	1,309	1,137	15.05%
Compensation for Dismissal and Incentives for Voluntary Dismissal	60	24	153.60%
Arising from Court Decisions	59	36	64.71%
Expenses from Previous Years	55	85	-35.26%
Retirees and Pensioners with Linked Resources	1,135	993	14.26%
Net Expenditure on Personnel (I - II)	8,549	7,422	15.18%
Net Current Revenue	17,836	15,893	12.2%

- Notes:**
- (1) During the year, only the paid expenses are considered as executed. At year end, the unsettled expenses registered in outstanding unprocessed commitments are also considered executed.
 - (2) In accordance with Article 18 of the Fiscal Responsibility Law, the total personnel expenditures includes the sum of the Federation of spending on active, inactive and pensioners with any remuneration. Thus, amounts related to indemnification, such diaries, food tickets and housing assistance, were not included in the calculation. Nor were those costs involved in the budget item 3.3.90.37 - manual labor contracting - outsourced services and special pensions.
 - (3) Expenditure on indemnifications resulting from the application of the State Complementary Law numbers 609, 611 and 614/2013 and the State Law 16,160/2013 were not considered in the calculation of expenditure on personnel due to not being involved in the concept of Article 18 of the LRF.
 - (4) In expenditure on consolidated personnel, the figures published by the Executive, Legislative and Judiciary Branches, as well as the Public Ministry were considered, in addition to expenditure on personnel of the Public Defender and the Attorney General to the Court of Auditors.
 - (5) In personnel expenses of the Executive Branch, wages and salaries of the State Public Defender's Office and the Attorney General to the Court of Auditors were not considered, by virtue of its budgetary and financial autonomy, as established in Article 134 of the Federal Constitution (with wording given by Constitutional Amendment no. 45/2004 and 80/2014) and Article 107 of State Complementary Law No. 202/2000, respectively.

■ Net Consolidated Debt

The Net Consolidated Debt corresponds to the value of Public Consolidated Debt minus cash and cash equivalents, investments and other financial assets, that are net and certain receivables.

Debt limits are defined by Resolution No. 40/2001, of the Federal Senate, as established in Article 52 of the 1988 Federal Constitution.

In accordance with to the Senate Resolution, by the end of 2017 (fifteen years after the resolution was sanctioned), the amount of Net Consolidated Debt of States must be limited to twice the annual Net Current Revenue.

Table 34 summarizes the Net Consolidated Debt Statement of 2014 and 2013, which states that, in 2014, the Net Consolidated Debt totaled R\$ 8.051 billion, corresponding to a percentage of 45.14% of the RCL (47.92% in 2013) and in compliance with the limit established by the Resolution of the Federal Senate.

The Net Consolidated Debt Statement covers all branches of government and makes up the Fiscal Management Report, in order to ensure the transparency of the obligations undertaken by the entities of the Federation and verify debt limits mentioned in the legislation, and other relevant information on the subject.

Table 34 | Net Consolidated Debt Statement in 2014 and 2013 (R\$ million)

Source: Fiscal Management Report (RGF)

Net Consolidated Debt	2014		2013	
	Value	% RCL	Value	% RCL
Limit defined by the Resolution of the Federal Senate	35,671	200	31,786	200
Net Consolidated Debt	8,051	45.14	7,615	47.92

■ Loans

In accordance with the Fiscal Responsibility Law (Article 29, section III), the Loan corresponds to the financial commitment assumed because of a loan, credit facility, issuance and acceptance of title, financed acquisition of goods, anticipated receipt of values from the forward sale of goods and services, leasing and similar operations, including the use of financial derivatives.

As per Resolution No. 43/2001, Article 7, paragraph I, of the Senate, the limit for internal and external loans is 16% of the Net Current Revenue, and the limit for loans in anticipation of revenue is 7% over the RCL.

In 2014, an amount of R\$ 1.743 billion was released in Internal and External loan resources. Of this total, approximately 98% of resources were released from the Internal Loans, particularly releases of the contracts with the National Bank of Economic and Social Development (BNDES), which represented 66% of total amounts received.

The internal and external loans of the State, considered for the purpose of verifying the limit mentioned above, totaled R\$ 1.530 billion in 2014 (R\$ 961.31 million in 2013) and represented 8.58% of Net Current Revenue (6.05% in 2013). In the year, there were no loans in anticipation of revenue.

Remember that, as established by that resolution, for limit verification purposes, loans contracted by the states, with the Union, multilateral lending agencies or federal official credit or development institutions are not considered, in order to finance investment projects for improving revenue administration and tax management, financial and property under program proposed by the Federal Executive Branch.

Table 35 shows that the commitment percentage of revenues from loans carried out in relation to the Net Current Revenue, the State gave attention to the provisions of Resolution No. 43/2001, below the established limit.

Table 35 | Loans in 2014 and 2013 (R\$ million)

Source: Fiscal Management Report (RGF)

Loans	2014		2013	
	Value	% RCL	Value	% RCL
Limit set by the Federal Senate for Internal and External Loans	2,854	16	2,543	16
Internal and External Loans	1,530	8.58	961	6.05
Limit set by the Federal Senate for Loans in Anticipation of Revenue	1,248	7	1,113	7
Loans in Anticipation of Revenue	-	-	-	-

■ Guarantees and Counter-guarantees

The balance of guarantees granted by the State Government at the end of December 2014 was R\$ 620 million (R\$ 787 million in 2013), representing 3.48% of the RCL (4.95% in 2013), given the maximum limit of 22% established by Article 9 of Senate Resolution No. 43/2001.

The counter-guarantees received by the State totaled R\$ 620 million at the end of 2014 (756 million in 2013), due to loan agreements entered into between the Companhia Catarinense de Águas e Saneamento (CASAN) and Caixa Econômica Federal (CEF), and a financing agreement between the CASAN and the Agence Française de Développement (AFD). All contracts refer to interventions in water supply and sanitation in municipalities of the State.

Table 36 | Guarantees Granted in 2014 and 2013 (R\$ million)

Source: Fiscal Management Report (RGF)

Guarantees Granted	2014		2013	
	Value	% RCL	Value	% RCL
Limit defined by the Resolution of the Federal Senate	3,924	22	3,496	22
Total Guarantees	620	3.48	787	4.95

Notes: (1) The State signed two guarantee agreements with Caixa Econômica Federal (CEF) and two counter-guarantees with the Catarinense Water and Sanitation Company (CASAN) as a result of 18 loan agreements signed between CEF and CASAN, totaling R\$ 302,002,093.35, related to interventions in water supply and sanitation in some municipalities of the State.

(2) The State signed a guarantee agreement with the Agence Française de Développement (AFD) and a counter-guarantee agreement with CASAN as a result of the signed financing in the amount of € 99,756,455.08, for the implementation of a Collective Sewage System in the state of Santa Catarina.

■ Registrations of Outstanding Commitments and Cash Availability

The remains to pay are the expenses involved and not paid until the end of the year. Divided into processed outstanding commitments (paid and unpaid expenses) and outstanding commitments (expenses committed but not liquidated).

For registration of fees for outstanding commitments, the public entity must provide proof of available funds to meet the commitments and see if the resources are legally bound to the specific purpose for which they will be used.

In 2014, the State of Santa Catarina registered outstanding commitments to the amount of R\$ 494.981 million (R\$ 675 million in 2013), of which R\$ 57.233 million was processed and R\$ 437.748 million unprocessed.

The availability of gross cash less financial obligations¹² totaled, in 2014, R\$ 3.324 billion (after registration of the processed outstanding commitments before the registration of unprocessed outstanding commitments). After the registration of unprocessed outstanding commitments, the remaining financial availability was R\$ 2.887 billion (R\$ 2.245 billion in 2013), representing a financial surplus of the year¹³.

Availability of Net Cash	-	Unprocessed Outstanding Commitments	=	Financial Surplus
R\$ 3.324 billion		R\$ 438 million		R\$ 2.887 billion

Table 37 | Financial Availability vs Outstanding Commitments – Consolidated General (R\$ million)

Source: Fiscal Management Report (RGF)

Destination of resources	Availability Financial		Financial Obligations		Unprocessed Outstanding Commitments Registrations		Availability after Registration of Outstanding Commitments	
	2014	2013	2014	2013	2014	2013	2014	2013
Linked Resources	6,823	5,494	4,422	3,685	272	376	2,128	1,433
Resources Linked to Health	254	213	33	49	135	145	86	19
Resources Linked to Education	143	224	2	8	21	26	120	190
Resources Intended for RPPS/SC	529	350	1	1	2	2	526	347
Other Linked Resources	5,896	4,707	4,385	3,627	115	204	1,396	876
Unlinked Resources	946	1,025	22	14	165	199	758	812
TOTAL	7,769	6,520	4,444	3,699	438	576	2,887	2,245

¹² The financial obligations are broken down by assignments, by deposits from various sources and other financial obligations arising from transactions with third parties, regardless of budget execution. The amount already includes values registered as processed outstanding commitments.

¹³ The financial surplus calculation report is presented in Volume II of the Financial Report.

■ Primary Result

The primary balance is the difference between the primary revenue (total revenue minus financial revenue) and the primary expenditure (total expenditure minus the financial expenditure). Simply put, one can consider that the primary revenue and primary expenditure are typical of Government operations, being that they do not include the revenues from financial applications, loans, repayment of loans or the sale of assets. On the expenditure side, interest expenses and debt relief are not considered, nor are the granting of loans.

Therefore, on the revenue side, obtained loan proceeds taken, for example, are not considered. However, when using these funds to finance important investments for the state, the primary revenue for the period can be in a deficit, since investments are capital expenses (primary expenditure). Since the loans are characterized as financial revenue, i.e., they are not primary revenue. Thus, the imbalance of the primary balance is generated.

In addition, it is important to note that a portion of the expenses executed is funded with resources from previous years cash surplus (financial surplus). These leftovers are considered as revenue in the year they were collected, so when used to cover expenses in years subsequent to their collection, generate primary deficits.

In 2014, the State of Santa Catarina had a primary deficit of **R\$ 555.788 million**, not reaching the goal of the Budget Guidelines Law, which set a primary surplus of R\$ 498.382 million.

The primary balance of the year 2014 was affected mainly by expenditure borne from the previous year's cash surplus, which totaled R\$ 1.596 billion and the investments made with funds from loans, which totaled R\$ 882.008 million. The main loans concern the institution of the SC Pact Program, which provides for investments of R\$ 10 billion. While the works of the Pact are performed, the primary revenue for the period will be affected.

The primary outcome will continue to be negatively affected when investment surplus resources from previous years are used and which are made with loans as a source of revenue because the primary expenses will be greater than the primary revenue, thus generating imbalance in the primary balance.

The primary deficit of Santa Catarina State was similar to that found at a national level. According to the Central Bank, the Union, the states and the municipalities have closed 2014 with a 32.5 billion deficit. This is the first negative result recorded by the Central Bank since records started in December 2001.

■ Nominal Balance

The aim of the Nominal Balance is to measure the evolution of the Net Fiscal Debt between the previous year and the current year.

In accordance with the Fiscal Statements Manual, published by the National Treasury, the net fiscal debt corresponds to net consolidated debt, added to privatization revenues, minus recognized liabilities, resulting from deficits incurred in previous years. The net consolidated debt (DCL) is the balance of the consolidated debt, minus available assets (gross cash availability) financial assets, the latter being net of processed outstanding commitments.

Thus, the difference between the Net Fiscal Debt in 2013, which totaled R\$ 5.359 billion, and the Net Fiscal Debt in 2014, which totaled R\$ 5.875 billion, generated a positive Nominal Balance of **R\$ 516 million**, i.e., an increase in Net Fiscal Debt.

PRIMARY RESULT
-R\$555.788 MILLION



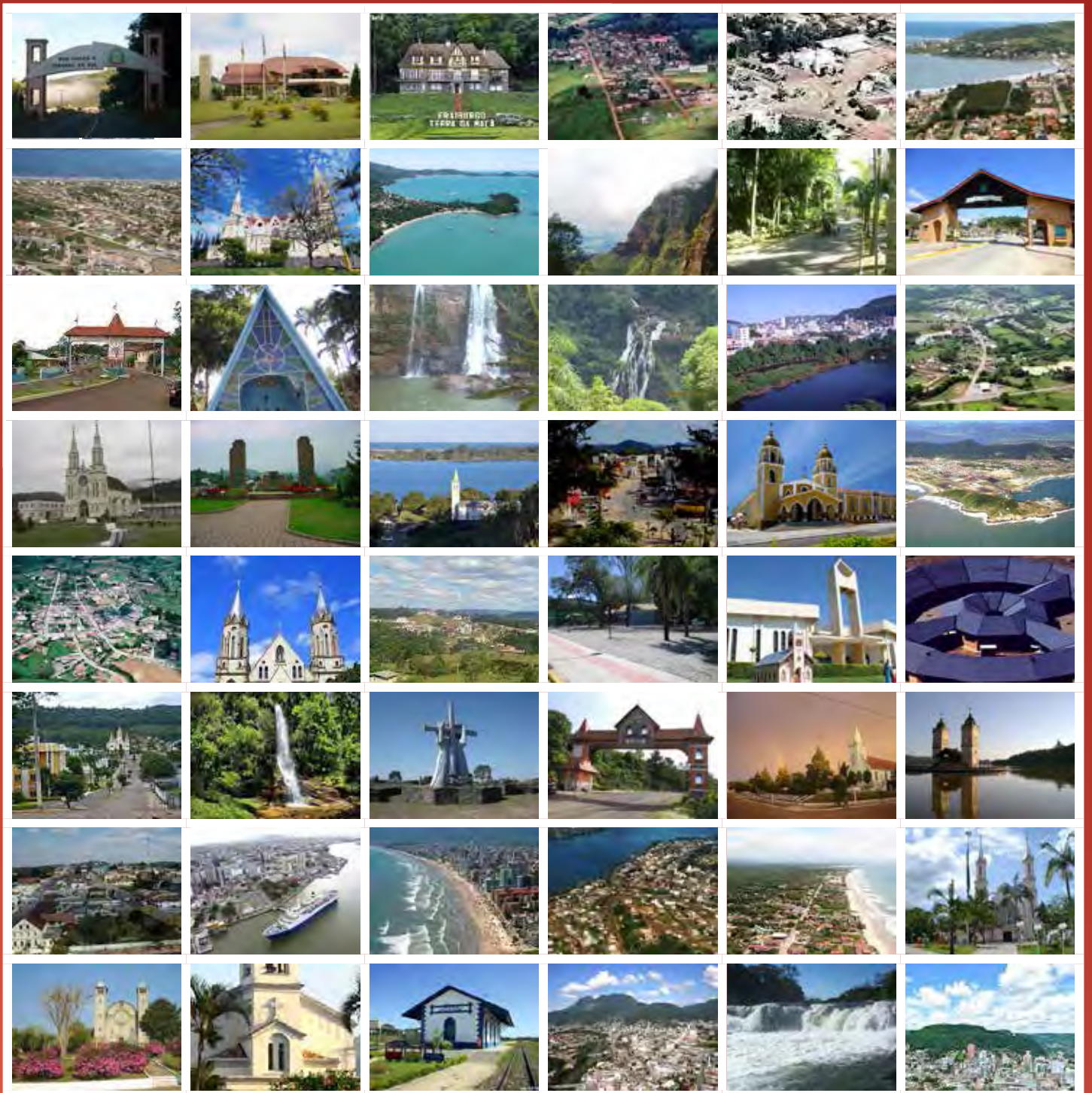
NOMINAL BALANCE
R\$516 MILLION



Table 38 presents a summary of key indicators and results of the State of Santa Catarina in 2014 and 2013.

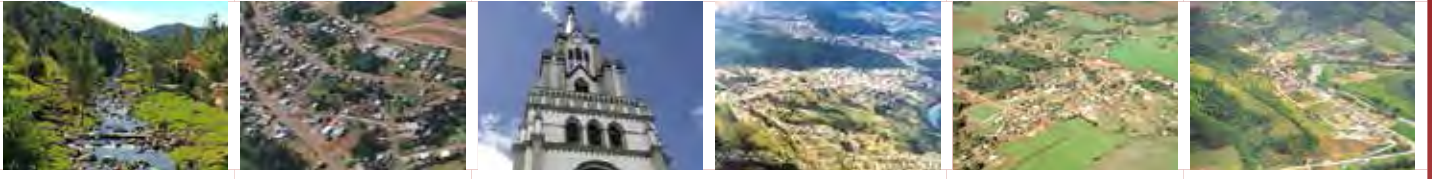
Table 38 | Summary of the Santa Catarina State Balance in 2014 and 2013 (R\$ million)

	2014		2013	
	VALUE	% RLI	VALUE	% RLI
HEALTH				
Constitutional minimum to be applied (art. 77, ADCT, CF/88)	1,826	12	1,624	12
Expenses considered	1,843	12.11	1,627	12.02
EDUCATION - Maintenance and Development of Education - MDE	VALUE	% RLI	VALUE	% RLI
Constitutional Minimum to be applied (art. 212, CF/88)	3,804	25	3,383	25
Expenses considered	4,320	28.39	3,829	28.30
EDUCATION - Fundeb - Remuneration of the Teachers	VALUE	% Fundeb	VALUE	% Fundeb
Constitutional minimum to be applied (art. 60, ADCT, CF/88)	1,163	60	1,053	60
Expenses considered	1,596	82.32	1,435	81.77
SCIENCE AND TECHNOLOGY	VALUE	% Revenue Current	VALUE	% Revenue Current
Constitutional Minimum to be applied (art. 193, CE/89)	394	2	349	2
Expenses considered	355	1.80	316	1.81
NET CURRENT REVENUE		17,836		15,893
NET TAX REVENUES		15,217		13,533
EXPENDITURE ON PERSONNEL	VALUE	% RCL	VALUE	% RCL
Maximum Limit (art. 20, inc. I, II and III, LRF)	10,701	60	9,536	60
Prudential Limit (art. 22, sole paragraph, LRF)	10,166	57	9,059	57
Total Expenditure on Personnel	10,265	57.55	8,932	56.2
NET CONSOLIDATED DEBT VALUE % RCL VALUE % RCL	VALUE	% RCL	VALUE	% RCL
Limit defined by the Resolution of the Federal Senate	35,671	200	31,786	200
Net Consolidated Debt	8,051	45.14	7,615	47.92
GUARANTEES GRANTED VALUE % RCL VALUE % RCL	VALUE	% RCL	VALUE	% RCL
Limit defined by the Resolution of the Federal Senate	3,924	22	3,496	22
Total Guarantees	620	3.48	787	4.95
LOANS VALUE % RCL VALUE % RCL	VALUE	% RCL	VALUE	% RCL
Limit set by the Federal Senate for Internal and External Loans	2,854	16	2,543	16
Internal and External Loans	1,530	8.58	961	6.05
Limit set by the Federal Senate for Loans in Anticipation of Revenue	1,248	7	1,113	7
Loans in Anticipation of Revenue	-	-	-	-
PRIMARY BALANCE	VALUE		VALUE	
Goal Established in the LDO	498		1,523	
Determined Balance	-556		296	
NOMINAL BALANCE	VALUE		VALUE	
Goal Established in the LDO	-35		-138	
Determined Balance	516		1,370	
OUTSTANDING COMMITMENTS	VALUE		VALUE	
Availability of Net Cash before Registration of Outstanding Commitments	3,382		2,920	
Registration of Processed Commitments	57		99	
Availability of Net Cash before Registration of Unprocessed Outstanding Commitments	3,324		2,821	
Registration of Unprocessed Commitments	438		576	





SC Financial Statements



BUDGET SHEET - CONSOLIDATED GENERAL

Period: January to December, 2014

BUDGETARY REVENUES	INITIAL FORECAST	UPDATED FORECAST (a)	REVENUE RECEIVED (b)	BALANCE c = (b - a)
CURRENT REVENUES	19,248,163	19,248,163	19,708,473	460,310
TAX REVENUE	11,026,934	11,026,934	11,612,600	585,666
Taxes	10,540,779	10,540,779	11,079,674	538,895
Rates	486,155	486,155	532,926	46,771
Improvement Contribution	0	0	0	0
REVENUE FROM CONTRIBUTIONS	1,462,657	1,462,657	1,533,140	70,482
Social Contributions	1,462,657	1,462,657	1,533,140	70,482
Economic Contributions	-	-	-	-
EQUITY REVENUE	402,198	402,198	592,641	190,443
Property Revenues	6,434	6,434	6,498	65
Revenue from Securities	382,657	382,657	566,983	184,326
Revenue from Concessions and Permissions	12,093	12,093	7,839	-4,254
Revenue from Assignment of Rights	0	0	10,019	10,019
Other Equity Revenues	1,014	1,014	1,302	287
AGRICULTURAL REVENUE	2,522	2,522	1,220	-1,302
Revenue from Crop Production	1,237	1,237	740	-497
Revenue from Production of Animals and Animal Products	1,277	1,277	480	-796
Other Agricultural Revenues	9	9	0	-9
INDUSTRIAL REVENUE	19,524	19,524	5,076	-14,448
Revenue from Manufacturing Industry	10,946	10,946	72	-10,875
Revenue from Construction Industry	8,577	8,577	5,004	-3,573
Other Industrial Revenues	0	0	0	0
SERVICES REVENUE	629,195	629,195	674,060	44,865
CURRENT TRANSFERS	5,131,178	5,131,178	4,615,268	-515,910
Intragovernmental Transfers (note nº 25)	4,125,415	4,125,415	3,821,403	-304,012
Private Institution Transfers	808,960	808,960	685,954	-123,006
Transfers from Abroad	0	0	0	0
Personal Transfers	400	400	426	26
Pact Transfers	196,403	196,403	107,485	-88,918
Transfers to Combat Hunger	-	-	-	-
OTHER CURRENT REVENUES	573,954	573,954	674,468	100,514
Fines and Interest	134,453	134,453	172,342	37,888
Compensation and Restitutions	191,476	191,476	211,351	19,874
Active Debt Revenue	12,149	12,149	54,469	42,319
Various Current Revenues	235,875	235,875	236,307	433

Continues on page 107

Continuation from page 106

R\$ thousands

BUDGETARY REVENUES	INITIAL FORECAST	UPDATED FORECAST (a)	REVENUE RECEIVED (b)	BALANCE c = (b - a)
CAPITAL REVENUE	2,045,173	2,045,173	1,903,638	-141,536
LOANS	1,927,570	1,927,570	1,743,428	-184,142
Internal Loans	1,584,240	1,584,240	1,617,948	33,708
External Loans	343,330	343,330	125,480	-217,850
DISPOSAL OF ASSETS	10,212	10,212	6,391	-3,821
Disposal of Movable Assets	5,019	5,019	5,879	860
Disposal of Immovable Assets	5,193	5,193	512	-4,682
AMORTIZATION OF LOANS	41,113	41,113	19,923	-21,189
CAPITAL TRANSFERS	62,743	62,743	26,981	-35,762
Intragovernmental Transfers	11,234	11,234	3,632	-7,603
Private Institution Transfers	0	0	0	0
Transfers from Abroad	0	0	0	0
Personal Transfers	0	0	0	0
Transfers from Other Public Institutions	0	0	0	0
Pact Transfers	51,509	51,509	23,349	-28,160
Transfers to Combat Hunger	-	-	-	-
OTHER CAPITAL REVENUES	3,535	3,535	106,915	103,379
Payment of Social Capital	0	0	8,621	8,621
Div. Active Prov. from Amortiz. of Loans and Financ.	-	-	-	-
Restitutions	-	-	-	-
Various Capital Revenues	3,535	3,535	98,293	94,758
SUBTOTAL OF REVENUES (I)	21,293,336	21,293,336	21,612,111	318,775
REFINANCING (II)	-	-	-	-
Internal Loans	-	-	-	-
Securities	-	-	-	-
Contractual	-	-	-	-
External Loans	-	-	-	-
Securities	-	-	-	-
Contractual	-	-	-	-
SUBTOTAL WITH REFINANCING (III) = (I + II)	21,293,336	21,293,336	21,612,111	318,775
DEFICIT (IV)	-	-	-	-
Total (V) = (III) + (IV)	21,293,336	21,293,336	21,612,111	318,775
BALANCES FROM PREVIOUS YEARS (USED FOR ADDITIONAL LOANS)				
Financial Surplus	2,032,856	1,596,005	1,596,005	
Reopening of Additional Loans	-	-	-	

Source: Integrated Planning and Fiscal Management System (SIGEF)

Continues on page 108



BUDGET SHEET - CONSOLIDATED GENERAL

Period: January to December, 2014

Continuation from page 107

BUDGET EXPENSES	INITIAL ALLOCATION (d)	UPDATED ALLOCATION (e)
CURRENT EXPENSES	17,271,081	19,680,744
PERSONNEL AND SOCIAL CHARGES	10,358,877	12,397,002
INTEREST AND DEBT CHARGES	748,493	868,011
OTHER CURRENT EXPENSES	6,163,710	6,415,730
CAPITAL EXPENSES	3,918,469	5,227,377
INVESTMENTS	3,325,328	4,543,546
FINANCIAL INVERSIONS	25,141	86,866
AMORTIZATION OF DEBT	568,000	596,965
CONTINGENCY RESERVE	1,000	-
RPPS RESERVE	102,786	102,786
SUBTOTAL OF EXPENSES (VI)	21,293,336	25,010,907
AMORTIZATION OF DEBT/REFINANCING (VII)	-	-
Amortization of Internal Debt	-	-
Public Debt	-	-
Other Debts	-	-
Amortization of External Debt	-	-
Public Debt	-	-
Other Debts	-	-
SUBTOTAL WITH REFINANCING (VIII) = (VI + VII)	21,293,336	25,010,907
SURPLUS (IX)	-	-
TOTAL (X) = (VIII + IX)	21,293,336	25,010,907

R\$ thousands

EXPENDITURE COMMITTED (f)	NET EXPENDITURE (g)	PAID EXPENDITURE (h)	BALANCE OF ALLOCATION (i) = (e - f)
18,402,189	18,096,441	18,049,747	1,278,555
12,251,875	12,236,979	12,230,896	145,127
810,888	810,888	810,888	57,123
5,339,426	5,048,575	5,007,963	1,076,304
2,827,924	2,695,924	2,685,385	2,399,453
2,191,033	2,059,033	2,048,494	2,352,513
74,936	74,936	74,936	11,929
561,955	561,955	561,955	35,011
-	-	-	-
-	-	-	102,786
21,230,114	20,792,365	20,735,132	3,780,793
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
21,230,114	20,792,365	20,735,132	3,780,793
381,997	-	-	-
21,612,111	20,792,365	20,735,132	3,780,793

Source: Integrated Planning System and Fiscal Management (SIGEF)

Attachment 1

Statement of Execution of Unprocessed Outstanding Commitments

R\$ thousands

Unprocessed Outstanding Commitments	REGISTERED		LIQUIDATED (c)	PAID (d)	CANCELED (e)	BALANCE (f) = (a + b - c - e)
	In Previous Years (a)	On December 31 of the Year 2013 (b)				
Current Expenses	0	363,030	184,611	184,598	178,419	0
Personnel and Social Charges	0	9,135	7,563	7,563	1,572	0
Interest and Debt Charges	0	0	0	0	0	0
Other Current Expenses	0	353,895	177,048	177,035	176,847	0
	0	560	102	102	458	0
Capital Expenses	0	212,688	124,272	124,272	88,416	0
Investments	0	212,128	124,169	124,169	87,959	0
Financial Inversions	0	560	102	102	458	0
Amortization of Debt	0	0	0	0	0	0
TOTAL	0	575,718	308,883	308,870	266,835	0

Source: Integrated Planning System and Fiscal Management (SIGEF)

Attachment 2

Statement of Execution of Liquidated Processed and Unprocessed Outstanding Commitments

R\$ thousands

Liquidated Processed and Unprocessed Outstanding Commitments	REGISTERED		PAID (c)	CANCELED (d)	BALANCE (e) = (a + b - c - d)
	In Previous Years (a)	On December 31 of the Year 2013 (b)			
Current Expenses	0	59,772	56,068	3,704	0
Personnel and Social Charges	0	2,937	2,937	0	0
Interest and Debt Charges	0	0	0	0	0
Other Current Expenses	0	56,835	53,132	3,704	0
Capital Expenses	0	39,649	38,820	829	0
Investments	0	39,649	38,820	829	0
Financial Inversions	0	0	0	0	0
Amortization of Debt	0	0	0	0	0
TOTAL	0	99,421	94,888	4,533	0

Source: Integrated Planning System and Fiscal Management (SIGEF)

FINANCIAL STATEMENTS - CONSOLIDATED GENERAL

Period: January to December of 2014 and 2013

ADMISSION		
SPECIFICATION	2014	2013
Budgetary Revenue (I)	21,612,111	19,650,193
Revenue	29,290,544	27,279,363
Current Revenue	26,167,766	24,082,819
Tax Revenue	18,686,678	16,564,139
Revenue Contributions	629,805	534,641
Equity Revenue	621,305	516,508
Agricultural Revenue	1,221	1,249
Industrial Revenue	5,076	9,939
Services Revenue	493,352	436,651
Current Transfers	5,062,353	5,374,739
Other Current Revenue	667,975	644,952
Capital Revenue	1,895,017	2,169,338
Loans	1,743,428	2,057,900
Disposal of Assets	6,391	5,449
Loan Amortization	19,924	16,255
Capital Transfers	26,981	89,734
Other Capital Revenue	98,293	0
Current Intradudgetary Revenue	1,219,140	1,021,033
Revenue Contributions	906,550	800,919
Equity Revenue	1,423	1,197
Industrial Revenue	0	280
Services Revenue	180,895	155,923
Other Current Revenue	130,272	62,714
Capital Intradudgetary Revenue	8,621	6,172
Other Capital Revenues	8,621	6,172
Deductions	7,678,434	7,629,170
Deductions from Current Revenue	7,678,433	7,629,083
Deductions from Tax Revenue	7,074,078	6,320,974
Deduction from Social Contributions	3,216	5,942
Deduction from Equity Revenue	30,087	31,351
Deduction from Agricultural Revenue	1	0
Deduction from Services Revenue	187	251
Current Transfers	447,085	1,096,508
Other Deductions	123,779	174,058
Deductions from Capital Revenue	1	87
Deduction of Disposal of Movable Assets	0	87
Deduction from Loan Amortization	1	0
Financial Transfers Received (II)	59,890,826	53,972,036
Transfers Received for the Budget Execution	16,816,761	14,856,643
Transfers Received Independent of Budget Execution	40,382,456	36,849,910
Transfers Received - RPPS Contributions	2,691,609	2,265,482
Extrabudgetary Receipts (III)	13,402,954	12,061,827
Registration of Processed Outstanding Commitments	57,233	99,421
Registration of Unprocessed Outstanding Commitments	437,748	575,718
Refundable Deposits and Linked Values	8,848,298	7,689,327
RPPS Applications	4,059,655	3,692,486
VPA Cancellation of Retention	20	16
VPA Compensation of Loans	0	0
Incorporation of Financial Balances	0,1	4,859
Balance on the case of previous year (IV)	6,175,639	4,667,396
Cash and Cash Equivalents (note nº 24)	6,175,639	4,667,396
TOTAL (V) = (I+II+III+IV)	101,081,530	90,351,451

BALANCE SHEET - CONSOLIDATED GENERAL

on December 31 of 2014 and 2013

A S S E T				
SPECIFICATION	EXPLANATORY NOTE	31/12/2014	31/12/2013	
CURRENT ASSETS		12,395,049	10,170,836	
Cash and Cash Equivalents	3	9,039,326	7,500,538	
Short-term Loans		1,206,568	1,386,255	
Clients	4	62,041	66,824	
Tax Credits Receivable	5	1,131,410	1,306,286	
Tax Debts	6	387	414	
Loans and Financing Granted	7	12,730	12,730	
Other Short-term Loans and Values	8	1,273,110	686,460	
Short-term Temporary Investments and Applications	9	529,435	344,737	
Stocks	10	343,182	249,166	
VPDs Advance Payments	11	3,427	3,678	
NON-CURRENT ASSETS		16,768,934	10,671,498	
Long-term Assets		2,569,647	1,941,927	
Long-term Loans		2,300,455	1,805,410	
Tax Credits Receivable	5	1,956,022	1,427,668	
Tax Debts	6	53,500	77,559	
Loans and Financing Granted	7	290,933	300,182	
Other Long-term Loans and Values	8	146,433	118,574	
Stocks	10	16,604	16,589	
VPDs Advance Payments	11	106,154	1,354	
Investments	12	3,226,098	3,190,399	
Property, plant and equipment	13	10,810,933	5,432,284	
Intangible	14	162,256	106,887	
TOTAL		29,163,983	20,842,333	
FINANCIAL ASSETS		9,623,934	7,887,088	
PERMANENT ASSETS		19,540,049	12,955,245	
EQUITY BALANCE				
BALANCE OF POTENTIAL ASSETS				
		31/12/2014	31/12/2013	
Guarantees and Counter-guarantees Received		846,143	990,634	
Third Party Liabilities for Securities, Funds and Assets Responsible in Determination		47,006	270,700	
		85,763	79,460	
TOTAL		978,912	1,340,794	

R\$ thousands

L I A B I L I T I E S				
SPECIFICATION	EXPLANATORY NOTE	31/12/2014	31/12/2013	
CURRENT LIABILITIES		8,015,032	6,737,870	
Labor Obligations, Social Security and Assistance Payable	15	149,279	144,379	
Short-term Loans and Financing	16	753,561	570,265	
Short-term Suppliers and Accounts Payable	17	196,314	207,106	
Fiscal Obligations	18	16,453	10,490	
Short-term Provisions	19	504,724	611,074	
Other Short-term Obligations	20	6,394,701	5,194,557	
NON-CURRENT LIABILITIES		18,751,255	16,322,265	
Labor Obligations, Social Security and Assistance Payable	15	732,578	837,853	
Long-term Loans and Financing	16	14,613,508	12,660,682	
Long-term Suppliers	17	1,359,086	1,307,708	
Long-term Fiscal Obligations	18	242,426	241,200	
Long-term Provisions	19	816,184	378,821	
Other Long-term Obligations	20	469,780	521,165	
Deferred Income	21	517,693	374,836	
TOTAL OF LIABILITIES		26,766,287	23,060,136	
NET EQUITY		2,397,696	(2,217,802)	
Social Equity and Social Capital		198,097	189,476	
Capital Reserves		368	368	
Other Reserves		8,088	8,088	
Accumulated Balance		2,191,143	(2,415,735)	
TOTAL		29,163,983	20,842,333	
FINANCIAL LIABILITIES		6,681,996	5,024,028	
PERMANENT LIABILITIES		20,521,975	18,036,108	
		1,960,012	(2,217,802)	
BALANCE OF POTENTIAL LIABILITIES				
		31/12/2014	31/12/2013	
Guarantees and Counter-guarantees Received		620,249	787,080	
Other Similar Instruments to be Released		466,491	-	
Contractual Obligations to Execute		16,005,140	-	
Third Party Liabilities for Securities, Funds and Assets		90,420	83,409	
Control of Fiscal Risks and Contingent Liabilities	23	9,147,871	8,007,381	
Convening Obligations and Other Similar Instruments	-	690,433	690,433	
Other Potential Liabilities				
TOTAL		26,330,171	9,568,303	

Source: Integrated Planning and Fiscal Management System (SIGEF)



STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED GENERAL

Period: January to December of 2014 and 2013

R\$ thousands

	EXPLANATORY NOTE	2014	2013
QUANTITATIVE EQUITY VARIATIONS			
AUGMENTATIVE EQUITY VARIATIONS			
Taxes, Fees and Improvement Contributions	26	19,905,343	19,778,128
Taxes on Equity and Income - Consolidation		2,518,237	2,332,589
Taxes on Production and Circulation - Consolidation		16,645,435	16,784,846
Taxes for the Exercise of Police Power - Consolidation		488,609	441,662
Taxes for the Provision of Services - Consolidation		253,062	219,031
Contributions		1,515,351	1,309,442
Social Contributions - RPPS - Consolidation		626,424	530,030
Social Contributions - RPPS - Intra OFSS		888,927	779,402
Contribution on Prediction Contest Revenue - Consolidation		-	10
Exploitation and Sale of Goods, Services and Rights		808,299	726,927
Gross Sales of Goods - Consolidation		17,123	17,018
Gross Sales of Goods - Intra OFSS		-	710
Gross Sales of Products - Consolidation		6,784	11,299
Gross Sales of Products - Intra OFSS		-	683
Gross Value of Exploitation of Goods, Rights and Provision of Services - Consolidation		611,820	609,866
Gross Value of Exploitation of Goods, Rights and Provision Services - Intra OFSS		172,794	88,947
Deduction Gross Value of Exploitation of Goods, Rights and Provision of Services - Consolidation		(221)	(1,596)
Financial Augmentative Equity Variations		1,647,254	1,220,649
Transfers and Delegations Received	26	68,587,794	61,525,339
Appreciation and Gains on Assets		923,142	44,883
Other Augmentative Equity Variations		27,994,730	1,233,433
DIMINUTIVE EQUITY VARIATIONS (DEVs)			
Personnel and Social Charges		8,488,171	7,528,988
Social Security and Assistance Benefits		4,236,446	3,631,066
Use of Goods, Services and Fixed Capital Consumption		3,465,532	2,900,880
Financial Diminutive Equity Variations		2,394,039	1,937,942
Transfers and Delegations Granted		71,655,932	64,241,123
Devaluation and Loss of Assets		1,730,839	2,135,928
Taxes		175,462	151,568
Diminutive Equity Variations (DEVs)		27,924,225	3,587,885
EQUITY BALANCE OF THE PERIOD	27	1,311,266	(276,579)
QUALITATIVE EQUITY VARIATIONS (ARISING FROM THE BUDGET EXECUTION)			
Asset Incorporation		1,562,459	1,130,382
Liability Disconnection		561,955	1,583,099
Liability Incorporation		1,743,428	2,064,073
Asset Disconnection		26,315	21,705

Source: Integrated Planning and Fiscal Management System (SIGEF)

CASH FLOW STATEMENTS - CONSOLIDATED GENERAL

Period: January to December of 2014 and 2013

R\$ thousands

	EXPLANATORY NOTE	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
ADMISSION		79,610,633	51,778,680
DERIVED REVENUE		13,333,275	11,656,190
Tax Revenue		11,612,600	10,243,165
Revenue Contributions		1,533,140	1,329,532
Other Derived Revenues		187,535	83,494
ORIGINATING REVENUES		1,759,931	1,540,261
Equity Revenue		43,310	206,688
Agricultural Revenue		1,220	1,249
Industrial Revenue		5,076	10,220
Services Revenue		674,060	592,323
Other Originating Revenues		486,933	450,115
Remuneration of Cash		549,331	279,666
TRANSFERS		64,506,094	38,546,793
Intergovernmental	25	3,821,403	3,448,468
Intragovernmental		59,890,826	34,268,562
Pacts		107,485	129,788
Other Transfers		686,380	699,975
OTHER OPERATIONAL ADMISSIONS		11,334	35,435
DISBURSEMENTS		78,775,992	50,369,123
PERSONNEL AND OTHER CURRENT EXPENSES BY FUNCTION		16,563,822	14,478,504
INTEREST AND DEBT CHARGES		810,888	668,313
TRANSFERS		61,373,866	35,211,961
Intergovernmental		726,175	288,744
Intragovernmental		59,882,547	34,281,081
Multigovernmental		0	0
Private Institutions		765,144	642,136
Other Operational Disbursements		27,416	10,345
NET CASH FLOW FROM OPERATING ACTIVITIES		834,641	1,409,557
CASH FLOWS FROM INVESTMENT ACTIVITIES			
ADMISSION		53,295	111,438
Disposal of Assets		6,391	5,449
Amortization of Loans and Financing Granted		19,923	16,255
Capital Transfers		26,981	89,734
DISBURSEMENTS		1,719,757	1,137,122
Acquisition of Non-Current Assets		1,707,278	1,115,733
Granting of Loans and Financing		8,549	7,181
Losses with Applications of RPPS		3,931	14,209
NET CASH FLOW FROM INVESTMENT ACTIVITIES		-1,666,462	-1,025,684
CASH FLOWS FROM FINANCING ACTIVITIES			
ADMISSION		1,850,342	2,064,073
Loans		1,743,428	2,057,900
Other Revenues		98,293	0
Payment of Capital		8,621	6,172
DISBURSEMENTS		561,955	1,583,099
Amortization/Refinancing of Debt		561,955	1,583,099
NET CASH FLOW FROM FINANCING ACTIVITIES		1,288,388	480,974
DETERMINATION OF CASH FLOW OF THE PERIOD	24		
NET GENERATION OF CASH AND CASH EQUIVALENTS (1+2+3)		456,567	864,846
INITIAL CASH AND CASH EQUIVALENTS		2,927,762	2,062,916
FINAL CASH AND CASH EQUIVALENTS		3,384,329	2,927,762

Source: Integrated Planning and Fiscal Management System

STATEMENT OF CHANGES IN NET EQUITY - CONSOLIDATED GENERAL

Values on December 31 of 2014 and 2013

SPECIFICATION	EXPLANATORY NOTE	EQUITY SOCIAL/ CAPITAL SOCIAL	ADVANCE FOR FUTURE SOCIAL CAPITAL INCREASE	CAPITAL RESERVES	REVALUATION RESERVES	
INITIAL BALANCE OF PREVIOUS YEAR		179,775	8,510	0	5,815	
PRIOR YEAR ADJUSTMENTS						
REDUCTION OF SOCIAL CAPITAL			-8,510			
CAPITAL INCREASE		9,701				
With Reserves and Profits		3,529				
With Subscription of New Actions		6,172				
BALANCE OF THE YEAR						
CONSTITUTION/REVERSAL OF RESERVES				368		
PROPOSED DIVIDENDS						
FINAL BALANCE OF PREVIOUS YEAR		189,476	0	368	5,815	
INITIAL BALANCE OF CURRENT YEAR						
PRIOR YEAR ADJUSTMENTS	22					
CAPITAL INCREASE		8,621				
With Reserves and Profits						
With Subscription of New Actions		8,621				
BALANCE OF THE YEAR	27					
CONSTITUTION/REVERSAL OF RESERVES						
PROPOSED DIVIDENDS						
FINAL BALANCE OF THE CURRENT YEAR		198,097	0	368	5,815	

R\$ thousands

	EQUITY VALUATION ADJUSTMENTS	PROFIT RESERVES	OTHER RESERVES	RESULTS RETAINED WITHOUT PRIOR YEAR ADJUSTMENTS	PRIOR YEAR ADJUSTMENTS	RESULTS RETAINED WITH PRIOR YEAR ADJUSTMENTS	TREASURY ACTIONS	EQUITY TOTAL NET
			2,274	-2,647,724	425,309	-2,222,415		-2,026,042
				17,793	60,853	78,646		78,646
				8,510		8,510		
					-3,529	-3,529		6,172
					-3,529	-3,529		
								6,172
				-276,579		-276,579		-276,579
					-368	-368		
	0	0	2,274	-2,898,000	482,265	-2,424,245	0	-2,217,802
				482,265	2,813,346	3,295,611		3,295,611
								8,621
								8,621
				1,311,266		1,311,266		1,311,266
	0	0	2,274	-1,104,469	3,295,611	2,191,143	0	2,397,696

Source: Integrated Planning and Fiscal Management System (SIGEF)





SC Explanatory Notes for the Financial Statements



1. Basis of Preparation and Presentation of the Financial Statements

The consolidated financial statements of this Technical Report were prepared based on data extracted from the Integrated Planning and Fiscal Management System (SIGEF) and include the consolidated data of all the powers and bodies of the State. They are composed of the Budget Balance, Financial Balance and Balance Sheet, and also by the Statement of Equity Changes, Statement of Cash Flows and Statement of Net Equity Changes.

These statements were prepared in accordance with the guidelines of Part V - Financial Statements Applied to the Public Sector, the Applied Accounting Manual for the Public Sector, 5th edition, approved by Order STN nº 437 of July 12, 2012, observing the legal devices regulating the matter, as per Law No. 4,320/1964, Complementary Law No. 101/2000 and also the provisions of the Federal Accounting Council relating to Accounting Principles, as well as the Brazilian Accounting Standards Applied to the Public Sector (NBC T 16).

Another concern was the compliance with Ordinance No. 634, of December 19, 2013, published by the National Treasury Department (STN), which establishes the end of 2014 as the deadline for adaptation to the Plan of Accounts applied to the Public Sector (PCASP).

With the implementation of the new PCASP in 2013, many accounting scripts were changed, which required a large effort in adapting the Integrated Planning and Fiscal Management System (SIGEF). In 2014, work was intensified for the presentation of the consolidated entity statements, highlighting the operations between the bodies and entities included in the Fiscal and Social Security Budget.

In addition to the PCASP, the state of Santa Catarina has already implemented a number of other actions related to the convergence with the International Accounting Standards Applied to the Public Sector. These include: recognition by the accrual of tax credits receivable from ICMS (Tax on the Circulation of Goods and on Intermunicipal and Interstate Transport and Communication Services) and IPVA (Tax on Motor Vehicles); the asset revaluation (movables, immovable and intangible); the recognition of infrastructure assets; and the implementation of an experimental calculation project of the state education service costs.

The Balance Sheet and the Equity Changes Statement are consolidated considering transactions between agencies and entities, called "intra". For analysis purposes, without these operations, it is necessary to exclude the account group with that name.

It is worth noting that the financial statements and their respective Explanatory Notes are presented with values expressed in thousands of reais, except where indicated otherwise. Their total may eventually differ from the sum of the parts due to rounding.

The accompanying Explanatory Notes form part of these financial statements and contain relevant, complementary or supplementary information for those not sufficiently highlighted or not contained in the financial statements. The Explanatory Notes include the criteria used in preparing the financial statements, information of an asset, budgetary, legal or performance nature, as well as other events not sufficiently evidenced or not contained in these statements.

2. Summary of Principal Accounting Policies

a) Cash

Cash is measured or evaluated by the original value once the conversion is made, when in foreign currency, at the exchange rate in effect on the date of the balance sheet.

Financial investments of immediate liquidity are measured or evaluated by the original value and updated up to the date of the balance sheet.

The cleared updates are recorded in the balance accounts.

b) Loans and Debts

The rights, obligations and credit titles are measured or evaluated by the original value once the conversion is made, when in foreign currency, at the exchange rate in effect on the date of the Equity Balance.

The risks of receiving debts are recognized in adjustment account, which will be reduced or canceled when the reasons that gave rise to them no longer exist.

The rights, obligations and fixed rate credit titles are adjusted to the present value.

The rights, obligations and floating-rate credit titles are adjusted considering all charges incurred up to the date of the financial report.

Provisions are recognized based on estimates by the realizable value for the assets and recognition for liabilities.

Updates and calculated adjustments are recorded in the income accounts.

c) Stocks

Stocks are stated at average cost of production, acquisition or market value, among these the lowest.

d) Permanent Investments

Participation in companies over which the state has significant influence in the administration, are measured or evaluated by the equity equivalency method. Other investments are measured or evaluated according to the cost of acquisition. The calculated adjustments are recorded in the income accounts. The equity equivalency is based on the financial statements for the third quarter of 2014 of the public enterprises and joint stock companies.

e) Property, Plant and Equipment

Fixed assets, including additional or complementary expenses, are measured or estimated initially based on the cost of acquisition, production or construction and, in the case of fixed assets obtained free of charge, the amount resulting from the valuation obtained on the basis of technical procedure or the equity value determined pursuant to the donation.

f) Intangible

Intangible assets consist of the rights that have as their object intangible assets intended for maintenance of public activity or used for this purpose and are measured or estimated initially based on the value of acquisition or production, and in the case of intangible assets obtained free of charge, the amount resulting from the valuation obtained on the basis of technical procedure or the equity value determined pursuant to the donation.

g) Revaluation and Impairment

In accordance with Decree No. 3,486 /2010, all assets acquired before 1/1/2010, must go through the re-evaluation or impairment procedure. The procedure was carried out, therefore, for a time period.

From this, a schedule of revaluation/impairment for assets was established for assets recorded in equity prior to 1/1/2010. On the other hand, it assured the possibility of recognition of the loss of value of assets acquired and put into operation after that date, considering these assets with objectively measured value from the transaction which led to its incorporation into the state assets. The solution adopted by the State of Santa Catarina, accordingly, sought to meet the accounting standard applicable to the matter and to mobilize the structures involved for the task of adequately evaluating the State's assets.

The first evaluation of the asset is recorded in Net Equity in the Prior year Adjustments account, and from the second onward, directly in the balance accounts.

h) Depreciation, amortization and depletion

The depreciation/amortization/depletion of assets acquired and put into operation until 31/12/2009 was carried out according to the lifetime defined in the revaluation report, according to the schedule established by the Joint Instruction SEA/SEF No. 001/2011.

The depreciation/amortization/depletion of assets acquired and put into operation from 1/1/2010 uses the methods of quotas contained and in accordance with the table set by the Department of State Administration, based on Normative Ruling of the Internal Revenue No. 162/1998.

i) Court-ordered debt payments

The court-ordered debt payments are payment requests issued by the Judiciary determining the importance with the Treasury (at the federal, state and municipal levels) was ordered to pay, that is, it is the collection of the results of an action which recognized the particular person or entity the constitutional right to a debt that the government owes to it. Payment will be determined by the Court, according to the chronological order of request, except those from alimony funds (Constitutional Amendment - EC No. 62/2009).

The segregation of the court-ordered debt payments for the period before and after 5/5/2000 stems from the Federal Senate Resolution No. 40/2001 which, in its Article 1, paragraph 1, item III, ruled that judicial writs issued after that date and not paid during the budget execution in which it was included, form part of the consolidated debt for purposes of compliance with the debt limits.

Through State Decree No. 3,061 of March 8, 2010, the State of Santa Catarina opted for the special scheme of payment of the court-ordered debt payments (payment term of up to 15 years), including those of direct and indirect administration. This regime includes these court-ordered debt payments that were pending payment and those that were to be issued during its term.

According to Decree No. 2,057, of February 26, 2014, the payment of the expired/to expire writ, will be deposited annually in the proper account, to the amount corresponding to the balance of the writ due, divided by the number of years remaining on the special arrangements for payment, under item II of § 1 of Article 97 of the Temporary Constitutional Provisions Act. The annual amount due will be transferred in one or more installments, up to the month of October of the respective year, or in monthly installments of 1/12.

Funds deposited in a separate account for the payment of judicial court-ordered debt payments, are used:

I - 50% (fifty percent) for the payment of judicial requests in chronological order of presentation, subject to the preferences defined in § 1 of Article 100 of the Federal Constitution, for the writs of the same year, and in § 2 of the same article, for court-ordered debt payments in general;

II - 50% (fifty percent) for payment of court-ordered debt payments through an auction, of unique order increasing in value by writ, and direct agreement with creditors as defined in specific state legislation¹.

In March 2013, the Constitutional Amendment 62/2009 was declared partially unconstitutional by the Supreme

Federal Court (STF) in the judgment of the Direct Unconstitutionality Actions numbers 4,357 and 4,425, remaining pending the consideration of the matter of its effects - modulation of the decision in time.

¹ State Decree No. 3,061 of March 8, 2010; State Decree No. 3,379, of July 14, 2010; Decree No. 228 of May 13, 2011; State Law No. 15,300, of 13 September 2010; Law No. 15,693, of December 21, 2011.

For caution, on April 11, 2013, the Supreme Court ruled that the Courts of Justice of all States and the Federal District gave continuity to the payment of court-ordered debt payments, in the way they had been doing until the Court decides on the modulation of the decision. Therefore, in the year 2014, the rules for payment of writs adopted were maintained, with the publication of Amendment No. 62/2009.

Of the total amount transferred by the State to the Court for payment of court-ordered debt payments in 2014, approximately 74% came from tax escrow deposits. The use of tax escrow deposits for payment of court-ordered debt payments is backed by Federal Law No. 11,429, of December 26, 2006, which authorizes states to use part of tax deposits for payment of court-ordered debt payments by establishing a guarantor fund.

j) Determination of the Balance

The budget and balance results were determined in accordance with current accounting practices.

k) Net Revenue Available (RLD)

The concept of RLD is dictated by the Budget Guidelines Law (LDO) and serves as the basis for calculating the definition of values to be passed by the Executive Branch to the Legislative Assembly, the Court of Justice, the Public Prosecutor, at the Court of the State and Santa Catarina State University (UDESC).

The RLD is the total of current revenues of the State Treasury, minus secured funds from rates that, by specific legislation, should be allocated to certain agencies or entities; of equity revenues; indemnities and the State Treasury refunds; voluntary transfers or donations received; the pension compensation between the general regime and the Special Social Security Policy (RPPS); the participation of the Education Allowance; the participation of the Contribution of Intervention in the Economic Domain (CIDE); the participation of the financial contribution of water resources; and funds received from the Fund for Maintenance and Development of Basic Education and Enhancement of Education Professionals (Fundeb).

l) Net Current Revenue (RCL)

The concept of Net Current Revenue (RCL) was established by the Fiscal Responsibility Law, in its article 2, section IV, as the total of current revenues minus the constitutional and legal transfers to municipalities and Fundeb, revenues from contributions of state employees to RPPS/SC, the financial compensation between the general and special social security policies, and refunds of income. This concept was established as a parameter for calculating the contingency reserve and the calculation of the total expense limits for personnel, public debt, guarantees and counter-guarantees and loans.

m) Net Tax Revenue (RLI)

The concept of income that serves as the basis for verifying compliance with the minimum levels required in the Federal Constitution for the application of resources in the areas of health and education. RLI integrates part of the taxes collected by the state (ICMS, IPVA, ITCMD and IRRF) and the constitutional and legal transfers received from the Union (FPE, IPI proportion, ICMS exemption and IOF gold participation), minus transfers to municipalities and refunds to taxpayers. From 2013 it also included amounts raised by FundoSocial originating in tax revenues, in compliance with the provisions of the decision emanating from the State Audit Court, contained in Judgment No. 892/2010.

3. Cash and Cash Equivalents

R\$ thousands		
TITLES	31/12/2014	31/12/2013
Single Account - Treasury	288	240
Banco do Brasil	1,800,019	1,324,899
(-) Financial Applications from the Single Account	(1,799,730)	(1,324,660)
Single Account - RPPS	-	5,524
Transaction Account - Financial Plan	2	41,796
Transaction Account - RPPS	31,610	-
Transaction Account - Pension Plan	495,488	290,817
Transaction Account - Administration Fee	2,118	17,018
(-) Financial Applications - RPPS	(2)	-
(-) Financial Applications - Financial Fund	(31,610)	(36,273)
(-) Financial Applications - Pension Fund	(495,488)	(290,817)
(-) Financial Applications - Administration Fee	(2,118)	(17,016)
Other Accounts	10,455	95,814
Banco do Brasil - Other Accounts	1,238,166	1,448,840
Bradesco	24	376
Caixa Econômica Federal	4,178,377	3,364,242
Other Bank Accounts	-	3,437
(-) Financial Applications from Other Banks	(5,406,112)	(4,721,081)
Indirect Collection	22,721	28,320
Financial Applications	7,205,842	6,045,741
CDB/RDB	1,837,484	1,548,501
Savings	95,191	90,204
Funds	5,216,102	4,307,577
Other Applications	57,066	99,459
Withdrawal Limit	1,800,019	1,324,899
TOTAL	9,039,326	7,500,538

■ Single Account – Treasury

In compliance with the principle of the Treasury, the financial administration of the state is performed by using the Single Account Finance System, in order to optimize the management of financial resources, seeking higher yields for the funds deposited in the single account. These funds are applied in the financial markets, as provided for in Article 128, § 6, of State Complementary Law No. 381/2007, which states that the financial resources of government agencies and entities may apply in federal titles, in financial institutions that have higher profitability and security, respecting the existing clauses in contracts.

Thus, the operationalization of the accounting records of financial applications of the single account, use the creditor items “(-) Financial applications from single account”. The outstanding balance of financial applications is presented in the “Financial Applications” subgroup.

■ Single Account - RPPS

Comprises the sum of the values available in the single account of the Special Social Security Policy (RPPS). In the same way as the scheme of single account Treasury System, the creditor items “(-) Financial Investments - Financial Fund”, “(-) Financial Investments - Pension Fund” and “(-) Financial Investments - Administration Fee” demonstrate the financial resources

applied to the Special Social Security Policy (RPPS). However, the group of accounts that present the outstanding balance of the finances of RPPS is segregated from the Cash and Cash Equivalents group, as described in explanatory note 9.

■ Other Accounts

This item shows the cash existing in other bank accounts not belonging to the Single Account Financial System, given the resources link, as per legal provisions such as, for example, the resources received through agreements.

■ Indirect Collection

Represents the revenue values collected by financial agents and not yet collected any of the domiciled banks owners of State management units.

■ Financial Applications

Cover the amounts deposited in the single account and in the other banks that are applied in the financial market pursuant to Article 128, § 6, of State Complementary Law No. 381/07. The funds received through transfers (agreements) are applied according to the specific laws of the grantors.

The following shows the breakdown of financial applications by Power and Authority.

					R\$ thousands
					31/12/2014
TITLES	CDB/RDB	Savings	Funds	Other Applications	TOTAL
Executive	1,491,639	94,058	877,396	2,382	2,465,475
Legislative	-	-	76,556	-	76,556
Judiciary	345,845	1,133	4,135,513	-	4,482,491
Court of State Audit	-	-	-	54,685	54,685
Public Ministry	-	-	126,636	-	126,636
TOTAL	1,837,484	95,191	5,216,102	57,066	7,205,843

It is noteworthy that in the Judiciary, the amount of R\$ 4.136 billion applied in funds, R\$ 4.097 billion does not constitute an availability of fact, given that, pursuant to State Law No. 15,327/2010, the funds coming from deposits under notice to justice in general - judicial deposits - are applied to the financial market while the unauthorized payments on them by the competent court. Thus, the contrast of these values is recorded in current liabilities of the Court, in the account of the deposits received by judicial determination and hence in current liability of the State.

Therefore, for analysis of financial statements, the amount of R\$ 4.097 billion is disregarded both in assets and liabilities, as there is no availability/financial obligation effective (see Explanatory Note 20 - Judicial Deposits).

■ Withdrawal limit

The use of account withdrawal limit at management units of the Executive Branch is based on the systematic implementation of the single account, which is recorded centrally in the Management Unit of the State Treasury Board, in the account 1.1.1.1.1.02.01.00 (Single Account - Treasury - Banco do Brasil).

This way, all amounts deposited in collection accounts (general ledger account 1.1.1.1.1.03.01.01 Collection Account - Banco do Brasil) of State agencies and entities are automatically transferred to the single account of the Treasury, generating a lowering of these values in the collection account and the incorporation of a right in the agency, with the corresponding obligation on the Treasury by centralizing the collection. This Agency-right and Treasury-obligation is called withdrawal limit. In assets of agencies and entities, the withdrawal limit is represented by the accounting account 1.1.1.1.2.40.01.01 (Withdrawal Limit) and in the Treasury liabilities, by the account 2.1.8.9.2.40.01.00 (Resources to Release - Withdrawal Limit (F)).

To better understand the systematic withdrawal limit of the accounts, the following presents the accounting scheme for revenue collection in the agencies and entities, and centralization in the single account:

■ **At the collection agency:**

D – 1.1.1.1.1.03.01.01 (Collection account - Banco do Brasil)
C – Revenue account, Liabilities Account or Due From Account

■ **By Resource Transfer to the Single Account:**

■ **At the collection agency:**

D – 3.5.1.2.2.01.06.00 (Matching Credits – Withdrawal Limit)
C – 1.1.1.1.1.03.01.01 (Collection Account – Banco do Brasil)
D – 1.1.1.1.2.40.01.01 (Withdrawal Limit)
C – 4.5.1.2.2.01.06.00 (Matching Debits – Withdrawal Limit)

■ **At the centralizing agency - Treasury:**

D – 1.1.1.1.1.02.01.00 (Single Account – Treasury – Banco do Brasil)
C – 4.5.1.2.2.01.06.00 (Matching Debits - Withdrawal Limit)
D – 3.5.1.2.2.01.06.00 (Matching Credits – Withdrawal Limit)
C – 2.1.8.9.2.40.01.00 (Resources to Release – Withdrawal Limit (F))

As a result of the accounting treatment of the centralization of the collection by single account, it is noteworthy that, for financial statement analysis purposes and general consolidation of accounts, the value of the withdrawal limit should be disregarded both in assets and liabilities, as both are not available resources/effective financial obligations.

4. Clients

	R\$ thousands	
MANAGEMENT UNIT	31/12/2014	31/12/2013
Catarinense Culture Foundation	26	-
Santa Catarina State Housing Company	453	-
Environmental Foundation	3	-
Santa Catarina State Board of Trade	1	-
Integrated Agricultural Development Company of Santa Catarina S.A.	2,256	2,598
Agricultural Research and Rural Extension Company of Santa Catarina	2,018	1,834
Materials, Publications and Official Prints Fund	57,971	62,623
State Rural Development Fund	-	593
Joinville Industrial Penitentiary Revolving Fund	38	-
Florianópolis Penitentiary Revolving Fund	8	17
Chapecó Penitentiary Revolving Fund	120	47
Greater Florianópolis Penitentiary Complex Revolving Fund	50	-
Allowance for Doubtful Accounts	(902)	(888)
TOTAL	62,041	66,824

This account shows the receivable values from sales, services rendered or reimbursement of expenses among the various State bodies.

5. Tax Credits Receivable

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	Total	Current	Non-Current	Total
Taxes	539,970	-	539,970	794,150	-	794,150
Social Contributions	67	-	-	-	-	-
Tax Credits Installments	578,292	-	578,292	512,110	-	512,110
Tax Credits PRODEC	-	1,956,022	1,956,022	-	1,427,668	1,427,668
Social Security Credits Installments	13,081	-	13,081	27	-	27
TOTAL	1,131,410	1,956,022	3,087,365	1,306,286	1,427,668	2,733,955

■ Taxes

From the year 2012, in compliance with the planned competency scheme in Brazilian Accounting Standards and the International Public Sector Accounting Standards (IPSAS), ICMS, IPVA and ITCMD were recognized as tax credit receivable values.

In compliance with the guidelines of the Public Sector Accounting Manual², the installments of the issued tax assessments and the estimated values declared for ICMS in the Current Assets of the Management Unit of the State Finance Department were recognized. During the year 2014, the values were updated, according to the monthly estimates of receipt of taxes.

■ Tax Credit Installations

This account records the amounts of installments of tax credits, conducted by the State Finance Department through administrative processes, as agreed with the taxpayers. These receivable values are recorded in the Management Unit of the State Treasury Directory.

■ Tax Credit PRODEC

This account records the amounts arising from contracts related to the Catarinense Company Development Program (PRODEC) which aims to promote the Santa Catarina socioeconomic development through the granting of funding to encourage investment and operation or participation in the capital of companies based in Santa Catarina. These values are recorded in the Fund for Supporting Business Development of Santa Catarina (FADESC), which is the management unit responsible for the financial structure of PRODEC.

■ Social Security Credit Installations

This account records the receivable value, as of 2013, by the Financial Fund of Santa Catarina State Social Security Institute (IPREV) for the Installment Agreement Term and Social Security Debt Confession between IPREV, the Government and the State Finance Department.

The increase in this account, compared to the previous year, is due to the transfer of the value of non-current assets to current assets.

In the non-current assets, these loans are recorded under Other Credits of Tax Debts in the amount of R\$ 17.683 million (explanatory note 6 - other credits).

² National Treasury Department Ordinance No. 406 of June 20, 2011.

6. Tax Debts

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	Total	Current	Non-Current	Total
ICMS	355,115	9,678,343	10,033,459	417,274	8,680,141	9,097,415
IPVA	3,635	174,512	178,147	2,934	132,800	135,734
ITCMD	7,439	36,439	43,878	2,193	28,339	30,532
Other Credits	25	77,874	77,899	2,179	98,521	100,700
Tax Debts Loss Adjustments	(365,827)	(9,913,669)	(10,279,495)	(424,166)	(8,862,241)	(9,286,407)
TOTAL	387	53,500	53,887	414	77,559	77,973

■ Outstanding Debt Collection

R\$ thousands

TITLES	31/12/2014	31/12/2013
Tax Debts Stock	10,333,382	9,364,381
Collection in the Year	96,764	64,173

■ Other Credits

Among other credits, are recorded in this group, in non-current assets, the values receivable by the Financial Fund for the State Social Security Institute of Santa Catarina (IPREV) - R\$ 17.683 million - related to social security credit installments as per the Installment Agreement and Social Security Debt Confession Terms agreed between IPREV, the Government and the State Finance Department (explanatory note 5 - pension credit installments).

■ Tax Debts Loss Adjustment

The provision for losses on outstanding debt is calculated based on the calculation method provided for in Part III - Specific financial procedures, of the 5th edition of the Public Sector Accounting Manual (MCASP), according to Ordinance No. 437/2012 STN.

This provision calculation methodology makes use of two main variables:

1. average percentage of past receipts; and
2. adjusted balance of the registered credit account in outstanding debt.

The average percentage of past receipts is calculated by dividing the weighted average receipts, which uses values entered in the last three years, by the number of months corresponding to the budget year.

7. Loans and Financing Granted

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Santa Catarina State Housing Company	28,892	21,965	50,857	28,892	21,906	50,798
Popular Housing Fund of the State of Santa Catarina	-	0	0	-	22,951	22,951
Water and Sewer Fund	-	66,843	66,843	-	66,843	66,843
State Land Fund of Santa Catarina	-	8,166	8,166	-	7,725	7,725
State Rural Development Fund	-	73,959	73,959	-	78,985	78,985
Support Fund for the Development of Santa Catarina Companies	-	14,493	14,493	-	14,493	14,493
General Charges	-	105,507	105,507	-	87,279	87,279
Loss Adjustment for Loans and Financing Granted	(16,162)	-	(16,162)	(16,162)	-	(16,162)
TOTAL	12,730	290,933	303,663	12,730	300,182	312,912

8. Other Credits and Values

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Advances Granted to Staff	5,035	-	5,035	3,106	-	3,106
Funds/Daily Supply	15,136	-	15,136	18,890	-	18,890
Transfer Advances Voluntaries (Pacts and Others)	958,778	-	958,778	399,574	-	399,574
Advance for Payment of Special Regime Writs	11,369	-	11,369	12,770	-	12,770
Recoverable/Offset Taxes	5,758	-	5,758	8,252	-	8,252
Loans for Equity Damage	156,412	-	156,412	140,870	-	140,870
Refundable Deposits and Linked Values	44,589	48,120	92,709	30,527	11,956	42,483
Outstanding Non-Tax Debt	28	10,594	10,622	26	11,464	11,490
Principal	949	173,729	174,678	885	143,376	144,261
(-) Loss Adjustment	(921)	(163,135)	(164,056)	(859)	(131,913)	(132,772)
Loans Coming from Assignment of Rights of Use and Exploitation of Net Assets	3,501	2,521	6,022	1,139	9,957	11,096
Principal	314,705	2,655	317,360	278,832	10,012	288,844
(-) Loss Adjustments	(311,204)	(134)	(311,338)	(277,693)	(55)	(277,749)
Other Loans and Receivable Values	72,504	85,198	157,702	71,307	85,198	156,505
TOTAL	1,273,110	146,433	1,419,544	686,460	118,574	805,035

■ Advances Granted to Personnel

This account records values of advances granted to personnel regarding the 13th salary and 1/3 of vacation, which occurs mainly with advancement of 13th salary of state-owned companies, by collective labor agreement.

■ Funds/Daily Supply

After the implementation of the new PCASP in 2013, the advances made by the agency in respect of supply of funds/daily are recorded in assets, since these are values that do not follow the normal spending process (small figure expenses and prompt service, daily). The lower these values occur only after the proper accountability for the person receiving the appeal.

■ Voluntary Transfer Advances (Pacts and Others)

Advances granted under voluntary transfers also started to be recorded in assets due to proper accountability, with the implementation of the new PCASP, in 2013. The following is a breakdown of the transfers made and which are still pending accountability:

TITLES	R\$ thousands	
	31/12/2014	31/12/2013
Pacts	776,002	262,631
Social Subsidies	22,437	28,151
Financial Support Contract - individuals and companies	61,338	52,901
Management Contracts	40,561	7,570
Research Support Contract	38,208	44,171
Economic Subsidies	20,234	4,150
TOTAL	958,778	399,574

■ Advance for Payment of Court-Ordered Payments - Special Scheme

Presents the amounts transferred to the Santa Catarina Court of Justice (TJSC) for payment of court-ordered payments. The lowering of this value occurs with confirmation of payment of the court-ordered payment by TJSC.

■ Recoverable/Offset Taxes

Records the tax credits to be offset, such as IRRF, IRPJ, CSLL, PIS, COFINS, among others, at the following management units:

MANAGEMENT UNITS	R\$ thousands	
	31/12/2014	31/12/2013
Integrated Agricultural Development Company of Santa Catarina S.A.	677	3,484
Agricultural Research and Rural Extension Company of Santa Catarina	5,079	4,767
Materials, Publications and Official Prints Fund	1	1
TOTAL	5,758	8,252

■ Loans for Equity Damage

Records the amounts of anticipated resources whose deadline for accountability has expired and the amounts of potential damage to the treasury determined in the accountability considered irregular by the internal control unit, as established in the Joint Instruction DIAG/DCOG No. 001/2008.

R\$ thousands

LOANS FOR EQUITY DAMAGE	31/12/2014	31/12/2013
Receivables Arising from Failure in Duty of Accountability	76,110	84,788
Receivables Arising from Fault/Illegality in the Application of Anticipated Resources	35,791	17,579
Receivables Arising from Payments without Budget Backing	219	91
Other Receivables Resulting from Administrative Claims	1,117	1,249
Receivables Arising from Fault/Illegality in the Application of Anticipated Resources - TCE	12,149	-
Other Receivables Calculated in Special Accounts - TCE	31,026	37,162
TOTAL	156,412	140,870

■ Refundable Deposits and Linked Values

Records the values arising from court or appeal deposits and warrants in the single account and in other bank accounts because of litigation and payments of court-ordered payments.

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Santa Catarina State Housing	2,735	642	3,376	1,832	695	2,527
Integrated Agricultural Development Company of Santa Catarina S.A.	34	8,205	8,239	34	6,317	6,351
Agricultural Research and Rural Extension Company of Santa Catarina	-	5,096	5,096	0	4,225	4,225
State Treasury Directory	40,951	-	40,951	27,779	0	27,779
Other Management Units	869	34,177	35,046	882	719	1,601
TOTAL	44,589	48,120	92,709	30,527	11,956	42,483

■ Outstanding Non-Tax Debts

Registers values from non-tax taxable events (e.g., fines), occurring in selected public entities such as FATMA, DETER, DEINFRA, CIDASC due to its activities.

■ Credits Coming from Granting of Rights of Use and Exploitation of Goods

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Principal	Loss Adjustment	Net Value	Principal	Loss Adjustment	Net Value
State Finance Department	476	-	476	476	-	476
Catarinense Culture Foundation	40	-	40	9	-	9
Materials, Publications and Official Prints Fund	3	-	3	0	-	0
Equity Fund	11	-	11	0	-	0
State Department of Infrastructure	316,830	(311,204)	5,626	288,359	(277,749)	10,610
TOTAL	317,360	(311,204)	6,156	288,844	(277,749)	11,096

Registers rights receivable related to concessions of rights of way areas. The exploration of the use and marketing, for consideration, of the rights of way areas and adjacent areas ranges to the state and federal highways are provided in the State Law 13,516/05, regulated by State Decree No. 3,930/06.

The "Provision for Losses" is being recognized by the State Department of Infrastructure (DEINFRA) and is composed by amounts overdue for more than 30 days, except for rights against Centrais Elétricas de Santa Catarina (Celesc), which have all the amounts accrued as a result of litigation (lawsuit No. 023.09.028623-8).

The following shows the composition of the rights of the Management Unit DEINFRA in 2014 by debtor:

R\$ thousands

31/12/2014						
TITLES	Current			Non-Current		
	Rights	Loss Provisions	Subtotal	Rights	Loss Provisions	Subtotal
CASAN	1,395	(1,395)	0	0	-	0
Casa de Pedra Energia S.A.	360	(360)		109	(109)	
Celesc	307,970	(307,970)	0	0	-	0
Claro S.A.	0	-	0	0	-	0
Embratel	1,747	-	1,747	1,747	-	1,747
SC GAS	1,674	-	1,674	0	-	0
Vivo S.A.	0	-	0	0	-	0
Other debtors	1.029	(637)	392	799	(25)	774
TOTAL	314,175	(310,362)	3,813	2,655	(134)	2,521

9. Temporary Investments and Applications

Cover amounts deposited in the single account of the Special Social Security Policy (RPPS) that are invested in the financial market.

R\$ thousands

TITLES	31/12/2014	31/12/2013
Investment Funds in Fixed Income	527,101	327,090
Applications with RPPS Administration Fee	2,118	17,016
Possible Sale Actions	216	631
TOTAL	529,435	344,737

10. Stock

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Inventory	1,140	-	1,140	1,527	-	1,527
Raw-Materials	1,636	-	1,636	2,229	-	2,229
Supplies	329,912	-	329,912	240,771	-	240,771
Other Stock	10,494	-	10,494	4,638	-	4,638
Land	-	15,608	15,608	-	15,608	15,608
Construction in Progress	-	981	981	-	981	981
Unserviceable Movable Goods Stock	-	15	15	-	-	-
TOTAL	343,182	16,604	359,786	249,166	16,589	265,755

11. Diminutive Equity Variations (VPDs) Advance Payments

Represent the amount recorded as prepaid expenses to be appropriated in subsequent years by its taxable event, according to the provisions of the application of the principle of competence. Basically, they are the records of insurance to expire and the signatures/annuities to be appropriated. Included in Non-current Assets, the economic subsidy values held with resources from the Santa Catarina Business Development Support Fund (FADESC), which will be recognized in the budget at the end of contracts as provided for in legislation.

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Diminutive Equity Variations Advance Payments	3,427	106,154	109,581	3,678	1,354	5,033

12. Investments

R\$ thousands

TITLES	31/12/2014	31/12/2013
Equity Investments - Equity Equivalence Method	3,225,726	3,181,132
Investment in Companies	2,567,617	2,779,268
Advance for Capital Increase	658,110	401,864
Investment - Cost Method	370	9,266
Other Permanent Investments	2	2
TOTAL	3,226,098	3,190,399

■ Equity Participation

The equity investment of the State encompasses both those in surplus state-owned companies and in state-owned, dependent companies³, in addition to shares in other companies.

Investment in companies over which the state has significant influence in the administration, are measured or evaluated by the equity equivalency method. Others are measured or evaluated according to the cost of acquisition.

In the consolidation of accounts, the values of state-owned companies, totaling R\$ 21.808 million, should be disregarded to avoid duplication of balances. Thus, the PCASP identifies these interests on the 5th level (code "2" - intra), representing an operation between member units of the same Fiscal and Social Security Budget. This system inhibits duplication of records without the need to adopt a reductive account. Considering the consolidation, the value of equity investments totaled R\$ 3.204 billion.

It is noteworthy that the year 2014 saw the release of R\$ 8.896 million as losses to net realizable value of referring to the Santa Catarina State Development Company (CODESC), recorded in the Social Security Fund Management Unit, as per the opinion issued by the Fiscal and Administrative Councils of the IPREV.

³ Epagri, Santur, COHAB and CIDASC

31/12/2014

DISCRIMINATION	Equity Investments			TOTAL
	Equity Equivalence Method	Cost Method	Advance for Capital Increase	
SC Participações	69,073	-	411,539	480,612
Companhia de Águas e Saneamento (CASAN)	799,687	-	36,931	836,619
State Development Agency of Santa Catarina (BADESC)	268,433	-	-	268,433
Industrial Districts Company of SC (CODISC)	2,328	6	-	2,334
Center of Information Technology and Automation of the State of Santa Catarina (CIASC)	39	-	4,543	4,582
Santa Catarina State Development Company (CODESC)	396,925	8,896	5,097	410,918
Supply Centers of the State of Santa Catarina (CEASA)	5,464	-	-	5,464
Centrais Elétricas de Santa Catarina (Celesc)	426,893	-	-	426,893
Regional Development Bank of the Far South (BRDE)	577,030	-	200,000	777,030
Agricultural Research and Rural Extension Company of SC (Epagri)	4,858	65	-	4,923
Santa Catarina Turismo S.A. (Santur)	2,463	-	-	2,463
Integrated Company of Agricultural Development of SC (CIDASC)	4,376	-	-	4,376
Housing Company of the State of Santa Catarina (COHAB)	10,046	-	-	10,046
Tele Norte Celular Participações S.A.	-	9	-	9
Empresa Brasileira de Telecomunicações S.A. (EMBRATEL)	-	71	-	71
Blumenautur Empreendimentos Turísticos S.A.	-	6	-	6
OI S.A.	-	148	-	148
Piratuba Hidromineral Company	-	22	-	22
BESC S.A.	-	32	-	32
Indústria Carboquímica Catarinense S.A. (ICC)	-	1	-	1
Telecomunicações de Santa Catarina S/C (TELESC)	-	11	-	11
Monte Castelo Indústria de Erva-Mate Ltda.	2	-	-	2
Estimated Losses to Net Realizable Value	-	(8,896)	-	(8,896)
TOTAL	2,567,618	370	658,110	3,226,098

13. Property, Plant and Equipment

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Corrected Cost	Accumulated Depreciation	Net Value	Corrected Cost	Accumulated Depreciation	Net Value
Movable Assets	2,111,742	(407,591)	1,704,151	1,812,361	(270,229)	1,542,132
Machinery, Appliances, Equipment and Tools	853,056	(163,475)	689,581	714,168	(113,316)	600,853
Information Technology Equipment	243,291	(47,366)	195,925	188,790	(27,027)	161,763
Furniture and fixtures	346,419	(51,247)	295,172	335,023	(31,959)	303,064
Cultural, Educational and Communicational Material	113,248	(453)	112,795	129,311	(1,114)	128,197
Vehicles	502,077	(136,534)	365,543	407,371	(91,548)	315,823
Fittings	42,467	(4,378)	38,089	27,965	(1,686)	26,279
Other Movable Assets	11,184	(4,138)	7,046	9,733	(3,578)	6,155
Immovable Assets	9,277,126	(170,344)	9,106,782	3,920,352	(30,201)	3,890,151
Special Use Assets	5,850,595	(151,448)	5,699,147	1,921,314	(22,492)	1,898,821
People's Common Use Assets	786,642	(14,245)	772,397	164,293	-	164,293
Immovable Assets in Progress	2,569,180	-	2,569,180	1,553,642	-	1,553,642
Facilities	57,695	(2,743)	54,952	53,574	(2,901)	50,674
Improvements in Third-party Properties	5,817	(1,908)	3,909	5,063	(1,650)	3,413
Other Immovable Assets	7,197	-	7,197	222,466	(3,158)	219,309
TOTAL	11,388,869	(577,935)	10,810,933	5,732,714	(300,430)	5,432,284

The main asset valuation criteria adopted by the State of Santa Catarina in the scope of the Executive Branch are the cost of acquisition, production or construction, including additional expenses. Fixed or intangible assets obtained free of charge are evaluated based on technical procedure or the equity value determined pursuant to donation.

In 2014, there were significant reclassifications from the "Cultural, Education and Communications Materials" account to the "Machines, Appliances, Equipment and Tools" account, and also from the "Other Immovable Assets" account to the "Special Use Assets" account.

■ Basis for Initial Evaluation, Reevaluation and Appraisers

The basis for the initial evaluation (initial revaluation) of movable assets of the Executive Branch were established by the Joint Instruction SEA/SEF no. 001/2011 and its attachments.

The evolution of the reevaluation work is summarized in the following table.

Situation of the Revaluation	Deadline for Revaluation of Assets							
	2011		2012		2013		2014	
	Managing Unit	%	Managing Unit	%	Managing Unit	%	Managing Unit	%
Started/concluded	49	60.49	39	48.15	42	51.85	65	80.25
Not started	26	32.10	26	32.10	26	32.10	12	14.81
Unit has no assets	6	7.41	16	19.75	13	16.05	4	4.94
TOTAL	81	100.00	81	100.00	81	100.00	81	100.00

Source: Management of Movable Assets/Department of State Administration

The basis for the initial evaluation and the augmentative or diminutive revaluation of properties of the Executive Branch is outlined in technical reports issued by commissions appointed by the Equity Management Board, the Department of State Administration (DGPA/SEA), according to Article 4 Decree no. 3,486/2010.

In the year 2014, 441 properties were revaluated under direct administration. This work raised the value of fixed assets by R\$ 869.980 million. Considering the work undertaken since 2012, 1,379 listings from a total of 3,292 assets registered in the state property management system were revaluated. The total impact of this procedure was 3.889 billion reais (see explanatory note no. 22).

For the indirect administration, Instruction No. 003, of April 24, 2013 was issued, regulating procedures for revaluation applicable to government agencies and foundations.

■ Depreciation

R\$ thousands

Movable Assets - Accumulated Depreciation		
Type of Consolidation	31/12/2014	31/12/2013
Direct Administration	234,945	135,559
Authorities	20,446	15,642
Foundations	32,450	21,204
Special Funds	20,547	9,935
Dependent Companies	99,203	87,889
Consolidated General	407,591	270,229

From October 2013, the state suspended the monthly calculation of depreciation for assets whose value was less than or equal to R\$ 10.00. Taking into account the materiality of this value and the cost associated with the processing of such data (the calculations are prolonged for 3 days, according to state data processing company, before the adoption of this cutoff, going to 3 hours after its adoption), the Executive Branch considers that it meets the requirements of QC item 35 (balance between cost and benefit) of CFC Resolution No. 1,374 of December 8, 2011.

The criteria for calculating depreciation of movable assets are presented in the table below.

Depreciated Item	Parameter
Movable assets acquired and put into operation by 31/12/2009	<ul style="list-style-type: none"> » Evaluated according to the schedule established by the Joint Instruction SEA/SEF no. 001/2011. » Lifetime defined in the evaluation report.
Movable assets acquired and put into operation from January 1, 2010.	<ul style="list-style-type: none"> » Method of constant quotas. » Lifetime defined by the Department of State Administration, based on the SRF Normative Instruction no. 162/1998.

The policy for depreciation of immovable assets of bodies and agencies of the Executive Branch (except for companies that must comply with the legislation itself) is in accordance with the provisions of Brazilian public sector accounting standards.

R\$ thousands

Immovable Assets - Accumulated Depreciation		
Type of Consolidation	31/12/2014	31/12/2013
Direct Administration	1,021	297
Authorities	14,340	71
Foundations	326	1,190
Special Funds	126,467	47
Dependent Companies	28,190	28,595
Consolidated General	170,344	30,201

The evolution of account balances of accumulated depreciation of immovable assets showed considerable increase in the "special funds" consolidation of 2013 to 2014. Adjustments to the management unit of the Equity Fund, whose records were backed by documentation issued by GEIMO/DGPA/SEA, explain this increase. The counterpart of that record was made on account of prior year adjustments, as part of this balance relates to the recognition of immovable asset depreciation in the years 2011 to 2013.

■ Infrastructure Assets

The criteria and procedures for recognition, measurement and disclosure of infrastructure assets administrated by the State Executive Branch were fixed by a Working Group composed of servants of the State Finance Department and the State Department of Infrastructure, appointed by the SEF Ordinance No. 244 of October 21, 2013 (published in the DOE No. 19,688 of October 23, 2013). The criteria were established according to the provisions in Brazilian Public Sector Technical Accounting Standards 16.9 and 16.10, approved by Resolution CFC numbers 1,136 and 1,137, of November 21, 2008, amended by Resolution CFC No. 1,437, of March 22, 2013, and ordinances of the STN/MF governing the matter.

In 2014, the bridges under State control were evaluated and recorded. This explains the increase in the balance of that asset class (bridges), as can be seen in the following table.

R\$ thousands			
RECORD ACCOUNTS	Balance on 31/12/2013	Incorporations in 2014	Balance on 31/12/2014
1.2.3.2.1.03.01.00 - Highways and Roads	154,580	76,885	231,465
1.2.3.2.1.03.03.00 - Bridges	9,242	542,053	551,295
1.2.3.2.1.03.04.00 - Overpasses and Tunnels	-	3,191	3,191
1.2.3.2.1.03.05.00 - Dams	472	-	472
1.2.3.2.1.03.99.00 - Other People's Common Use Assets	-	220	220
TOTAL	164,294	622,349	786,643

The average cost of the bridges was estimated at R\$ 2,740.36/m². The bridges connecting the mainland of the catarinense capital to the island of Santa Catarina had an estimated average cost more than this: R\$ 10,567.19/m².

Since 2013, recognized as infrastructure assets (new building and significant restorations) completed are: (1) highways and roads, (2) bridges, (3) overpasses and tunnels and (4) dams.

■ Accounting

The General Accounting Office, of the State Finance Department, chose to follow the standard set by the National Treasury Department, under the Ministry of Finance, promoting the release of the initial valuation of assets already part of its equity (or initial revaluation) to the adjustment account of previous years. The effect on the profit for the year of the depreciation on this initial evaluation and subsequent lows of these assets was nil due to this option. From the initial evaluation procedures, new evaluations are recorded in the accounts of augmentative equity variations (AEVs) or diminutive equity variations (DEVs), following the guidance of the Applied Public Sector Accounting Manual.

In 2014, evaluations increased the income for the year by approximately R\$ 36 million, as shown in detail below.

R\$ thousands	
RECORD ACCOUNTS	31/12/2014
3.6.1.1.1.01 Revaluation of Movable Assets – DEV	(7,898)
4.6.1.1.1.01 Revaluation of Movable Assets – AEV	43,889
TOTAL	35,991

■ Public Companies

The state-owned companies⁴ are subject to the rules established by Federal Law No. 6,404 of December 15, 1976 and thus prevented from performing the revaluation of its fixed assets.

14. Intangible

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value
Software	114,104	(9,091)	105,013	60,822	(5,869)	54,953
Software in Development	57,043	-	57,043	51,710	-	51,710
Industrial Brands, Rights and Patents	248	(48)	200	248	(24)	225
TOTAL	171,395	(9,140)	162,256	112,780	(5,892)	106,887

Intangible assets comprise the Executive Branch, especially - but not exclusively - software acquired from specialized companies, to meet the specific needs of this Federation unit. The following tables present a list of major assets classified in the software and software in development accounts, in some units of the Executive Branch (only material values are shown).

■ Principal Software Recorded in Some Agencies

R\$ thousands

Unit	Description	Value
State Department of Infrastructure (DEINFRA)	ACT - Traffic Accident System	1,949
	CCO - Consulting and Supervision Contracts System	1,373
	SCO - Road Costs and Budgets System	1,509
	SGF - Financial Management System	3,712
	SICOP - Integrated System of Control of Public Works	4,238
	SQM - Quantitative Measurement System	2,204
State Finance Department (SEF)	SPJ - Legal Proceedings Management System	1,441
	SAT - Tax Administration System	9,273
	Oracle Licenses	6,910
State Attorney General (PGE)	Business Intelligence	4,133
	PGE-Net - Electronic Process	3,838
São Francisco Port Administration (APSF)	PORTONET System	2,923

Source: Managing Units

■ Principal Software in Development Recorded in Some Agencies

R\$ thousands

Unit	Description	Value
Santa Catarina State University (UDESC)	SIGA - Academic Management System	1,281
State Finance Department (SEF)	SIGEF - Integrated Planning and Fiscal Management System	16,068
	Tax Administration System (SAT)	3,303
Foundation for Research and Innovation Protection of the State of Santa Catarina (FAPESC)	FAPESC Platform	2,138
State Administration Department (SEA)	SIGRH - Integrated Human Resource Management	12,893
	SGPE - Electronic Protocol Management System	12,516
	DOESC - Electronic Official Gazette	1,984

Source: Managing Units

⁴ Agricultural Research and Rural Extension Company of Santa Catarina (Epagri) Integrated Agricultural Development Company of Santa Catarina (CIDASC), Santa Catarina Tourism (Santur) and Santa Catarina State Housing Company (COHAB).

These assets were measured by the cost of production, represented by the value of the development agreement and their additives, or by the estimated replacement cost (PGE-Net and software from DEINFRA), and are not subject to amortization, since it was not possible to estimate its useful life, observing the provisions of the Brazilian Public Sector Accounting Standards and Technical Note No. 001/2011, item 35.

The evolution of the balance of software accounts and software in development during the year is presented below.

■ Evolution of the Balance of software and software in Development accounts

R\$ thousands

	Software	Software in Development	Total
Balance on 31/12/2013	60,822	51,710	112,532
Additions	71,756	5,708	77,464
Drops	18,474	375	18,849
Balance on 31/12/2014	114,104	57,043	171,147

The evolution of the balances of the accounts shows the effort of State administrative units to recognize, measure and highlight its financial progress regarding these intangibles.

15. Labor Obligations, Social Security and Assistance Payable

R\$ thousands

TITLES	2014			2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Personnel Payable	56,280	123,625	179,905	64,865	210,163	275,027
Vacation	15,494	-	15,494	16,309	-	16,309
License-Prize	-	-	-	624	-	624
Personnel Payable from Previous Years	26,804	-	26,804	27,911	-	27,911
Personnel Court-Ordered Payments - Before 5/5/2000	-	668	668	242	2,443	2,686
Personnel Court-Ordered Payments - From 5/5/2000	13,651	122,956	136,608	19,586	207,719	227,306
Other Personnel Obligations Payable	330	-	330	192	-	192
Social Security Benefits Payable	21,669	173,853	195,522	2,698	193,445	196,142
Social Security Benefits (P)	2,351	-	2,351	-	-	-
Social Security Benefit Court-Ordered Payments - From 5/5/2000	19,317	173,853	193,171	2,698	193,445	196,142
Social Charges Payable	71,330	435,100	506,430	76,816	434,245	511,061
Private and Complementary Social Security Entities	1,704	-	1,704	7,962	-	7,962
Contribution to the Special Social Security Policy	12,805	25,342	38,147	12,809	48,191	61,001
Contribution to the Exercise Health Plan	54	-	54	-	-	-
INSS Payable	56,767	409,758	466,525	55,789	386,054	441,843
PIS/PASEP over the Payroll	-	-	-	255	-	255
TOTAL	149,279	732,578	881,857	144,379	837,853	982,231

16. Loans and Financing

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Internal	514,544	12,115,092	12,629,635	468,451	10,383,303	10,851,754
External	239,017	2,498,416	2,737,433	101,814	2,277,379	2,379,193
TOTAL	753,561	14,613,508	15,367,069	570,265	12,660,682	13,230,947

■ Internal

R\$ thousands

AUTHORIZATIONS (CREDITOR INSTITUTIONS, LAWS, NUMBER AND DATE)	2014
CAIXA ECONOMICA FEDERAL (CEF)	8,942
Contract 31/03/98 - Law no. 10,637, of December 23, 1997	8,942
BANCO DO BRASIL S.A.	9,508,643
Contract 31/10/95 - IPESC - Law no. 8,727, of November 5, 1993	1,462
Contract 10/11/98 - COHAB - Law no. 8,727, of November 5, 1993	27,066
Contract 21/2/94 - GOVERNMENT - Law no. 8,727, of November 5, 1993	-
Contract 31/3/98 - 012/98/STN/COAFI - Law no. 9,496, of September 11, 1997	8,646,166
Contract 21/1/98 - DMLP - Law no. 10,542, of September 30, 1997	41,874
Contract 22/10/09 - PFE-I - Law no. 14.500, of August 13, 2008	25,149
Contract 18/7/13 - Prevention of Natural Disasters - Law no. 15,941, of December 21, 2012	675,741
Contract 27/11/13 - Santa Catarina Pact - Law no. 16,129, of September 23, 2013	91,185
NATIONAL BANK OF ECONOMIC AND SOCIAL DEVELOPMENT (BNDES)	3,111,921
Contract 11/09/09 - PMAE - Law no. 14,500, of August 13, 2008	8,664
Contract 30/06/10 - PEF II - Law no. 15,067, of December 30, 2009	52,765
Contract 13/08/10 - CASAN/PAC - Law no. 15,255, of August 5, 2010 and Law no. 14,436, of May 21, 2008	104,437
Contract 15/12/11 - Joinville Transport System - Law no. 14,031, of June 22, 2007	25,576
Contract 21/11/12 - Development Paths - Law no. 15,830, of May 30, 2012	401,206
Contract 4/4/13 - Santa Catarina Accelerates - Law no. 15,903, of December 20, 2012	2,519,273
FINANCING	129
Equipment Supply and Provision of Services Contract no. 044/2012	129
TOTAL	12,629,635

Source: Fundraising and Public Debt Directory (SEF)

■ External

R\$ thousands

AUTHORIZATIONS (CREDITOR INSTITUTIONS, LAWS, NUMBER AND DATE)	2014
INTERAMERICAN BANK OF DEVELOPMENT - BID 1390/OC/BR-ROF: TA 154202	
Contract signed on 09/05/2002 - Law no. 11,830, of July 10, 2001	224,944
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - BIRD 4660 BR-ROF: 232598	
Contract signed on 10/05/2002 - Law no. 12,007, of November 29, 2001	41,786
INTERAMERICAN BANK OF DEVELOPMENT - BID 2171/OC/BR	
Contract signed on 09/04/2010 - Law no. 14,532, of November 6, 2008	124,081
INTERAMERICAN BANK OF DEVELOPMENT - BID 2172/OC/BR	
Contract signed on 01/09/2010 - Law no. 14,529, of October 28, 2008	54,616
ANDEAN DEVELOPMENT CORPORATION - CAF	
Contract signed on 31/08/2010 - Law no. 13,919, of December 27, 2006	87,260
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - BIRD 7952 BR-RURAL	
Contract signed on 30/09/2010 - Law no. 14,962, of December 3, 2009	96,725
BANK OF AMERICA - BAML TA - 634758	
Contract signed on 27/12/2012 - Law no. 15,881, of August 10, 20012	1,875,691
INTERAMERICAN BANK OF DEVELOPMENT - BID 2900	
Contract signed on 09/01/2013 - Law no. 14,532, of November 6, 2008	232,331
TOTAL	2,737,433

Source: Fundraising and Public Debt Directory (SEF)

The reported amounts of external loans and financing were converted into the real based on the dollar exchange rate R\$ 2.6562 dated December 31, 2014.

Further information on the listed contracts can be found in the Fundraising and Public Debt Directory (DICD) of 2014, part of Volume II of this Financial Report.

17. Suppliers and Accounts Payable

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Suppliers and Accounts Payable of the Year	45,313	-	45,313	77,166	-	77,166
Suppliers and Accounts Payable of Previous Years	-	47	47	-	42	42
Court-Ordered Payments of Suppliers and Accounts Payable - Before 5/5/2000	-	-	-	1,856	18,505	20,361
Court Ordered Payments of Suppliers and Accounts Payable - From 5/5/2000	151,001	1,359,039	1,510,040	128,084	1,289,160	1,417,244
TOTAL	196,314	1,359,086	1,555,400	207,106	1,307,708	1,514,814

18. Fiscal Obligations

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Renegotiated Taxes	15,626	242,411	258,037	9,664	241,185	250,849
Other Fiscal Obligations	827	15	842	826	15	841
TOTAL	16,453	242,426	258,879	10,490	241,200	251,690

■ Renegotiated Taxes

These amounts refer, basically, to the payment in installment of debts with the Union related to the Training Program of Civil Service Assets (Pasep) by the Provisional Measure No. 574/2012 and Law No. 12,810/2013.

19. Provisions

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Provision for Labor Risks	12,484	8,991	21,475	12,219	8,991	21,211
Provision for Civil Risks	3,700	1,499	5,199	3,319	1,499	4,818
Provision for Fiscal Risks	-	34,456	34,456	-	34,456	34,456
Provision for Division of Loans	452,200	-	452,200	543,003	-	543,003
Mathematical Social Security Provisions	-	771,238	771,238	-	333,875	333,875
Other Provisions	36,340	-	36,340	52,533	-	52,533
TOTAL	504,724	816,184	1,320,908	611,074	378,821	989,896

■ Provision for Credit Distribution

Refers to the estimated amount of constitutional and legal distribution of revenues recognized by the accrual of assets, as described in explanatory note no. 5.

R\$ thousands

Taxes	31/12/2014	
	Transfers to Fundeb	Transfers to Municipalities
ICMS	156,709	261,182
IPVA	4,360	21,798
ITCMD	8,151	-
TOTAL	169,220	282,980

■ Mathematical Social Security Provisions

R\$ thousands

31/12/2014			
TITLES	Financial Plan	Social Security Plan	Total
Provisions for Benefits Assigned:			
. Retirement/Pensions/Other Benefits	72,155,034	2,678	81,695,655
. Contributions of Retirees	(1,662,021)	-	(2,392,922)
. Contributions of Pensioners	(408,133)	(2)	(744,730)
. Coverage of Insufficient Financing	(70,026,068)	-	(70,026,068)
	58,812	2,676	61,488
Provisions for Benefits Assignable:			
. Retirement/Pensions/Other Benefits	94,943,033	7,026,385	117,645,648
. Contributions of Being	(6,114,231)	(3,107,702)	(10,123,167)
. Contributions of Workers	(3,202,692)	(3,418,472)	(11,321,369)
. Social Security Compensation	(1,670,981)	(25,723)	(2,218,695)
. Coverage of Insufficient Financing	(83,955,129)	-	(94,188,501)
. Actuarial Provisions for Adjustment Plan	-	235,262	484,056
	0	709,750	709,750
	58,812	712,426	771,238

The actuarial valuation for the financial year 2014 was carried out by CSM - Actuarial Consulting, according to the contract for services No. 040/2013, which made monthly updates to the balance of the mathematical provisions.

In relation to the criteria, hypotheses and assumptions adopted in this actuarial evaluation, the following points were highlighted:

- the actuarial interest rate applied in the calculations of 5.75% for social security fund (6% in 2013) and 0.00% for the financial fund for the year meets the maximum limit imposed by the Ordinance of the Ministry of Social Security (MPS) No. 403, of December 10, 2009;
- this evaluation adopted the real growth rate of retirement and pension of 2.42% per year;
- it adopted 1% turnover rate for social security and financial funds;
- the index used in the financial and economic hypotheses was the IPCA;
- the information provided to the actuary by the State of Santa Catarina is from December 2013.

In the actuarial valuation of 2014, the coverage of insufficient financing was R\$ 153.981 billion (R\$ 172.691 billion in 2013).

20. Other Obligations

R\$ thousands

TITLES	31/12/2014			31/12/2013		
	Current	Non-Current	TOTAL	Current	Non-Current	TOTAL
Advances from Customers	68,846	182,809	251,655	70,243	247,329	317,573
Dividends Payable	1,104	-	1,104	1,104	-	1,104
Consignments	2,798	-	2,798	7,643	-	7,643
Guarantees	7,412	-	7,412	7,868	-	7,868
Judicial Deposits	4,219,918	98,293	4,318,211	3,401,770	-	3,401,770
Deposits	224,050	-	224,050	241,743	-	241,743
Withdrawal Limit	1,800,019	-	1,800,019	1,324,899	-	1,324,899
Other Obligations	70,553	188,677	259,230	139,286	273,836	413,121
TOTAL	6,394,701	469,780	6,864,480	5,194,557	521,165	5,715,722

■ Advance from Customers

Records, mainly, the amounts paid in advance by Banco do Brasil to the Government of the State of Santa Catarina due to the provision of banking services for a period of 60 months, counted at the Management Unit Board of the State Treasury.

■ Judicial Deposits

			R\$ thousands
			31/12/2014
MANAGEMENT UNIT	Current	Non-Current	TOTAL
Court of State Justice	4,097,214	-	4,097,214
Justice Modernization Fund	-	-	-
Military Police Improvement Fund	3	-	3
State Education Department	3	-	3
State Treasury Board	122,693	-	122,693
São Francisco Port Administration	5	-	5
General Charges of the State	-	98,293	98,293
TOTAL	4,219,918	98,293	4,318,211

Of the total recorded in the Judicial Deposits account, the amount of R\$ 4.097 billion, equivalent to 94.88%, refers to judicial deposits of the Court. This value does not constitute financial obligation, given that, pursuant to State Law No. 15,327/2010, funds from deposits under notice of the court in general - judicial deposits - are invested in the financial market while they are allowed the payments on them by the competent court. Thus, the contrast of these values is recorded in the current liabilities of the Court, in the account of the deposits received by judicial determination and hence, in the current liability of the State.

For analysis of financial statements, the amount of R\$ 4.097 billion is disregarded both in assets and liabilities, as there is no availability/financial obligation effective (see explanatory note no. 3).

■ Deposits

Among the values reported in this section, we highlight those received by FADESC in relation to PRODEC⁵.

As required by law⁶, the amounts paid to FADESC may be used for investments of high interest to the State, especially as counterpart to funds from the Federal Government or passthroughs to SC Parcerias S.A

Until 2011, the values passed through to SC Parcerias S.A. were recorded in the financial liabilities of FADESC, up to the entry of budget revenue, which only occurs at the end of the loan agreement⁷, resulting in financial deficit of the source of resources 9.9.99 - extrabudgetary source⁸.

However, although the legislation requires the registration of budgetary revenues only at the end of the loan agreement, there was the deferral of recognition of revenue under both the budget approach and the equity approach.

To defer the recognition of revenue means that there was a triggering event of revenue, which from the perspective of the budget is the collection (Article 35, paragraph I, of Law No. 4,320/64) and under the patrimonial theory would be the triggering event of the tax, but, by the legal provision, it was not recognized.

Thus, in 2014 a deferred income (explanatory note no. 21) is recognized, amounting to R\$ 518 million.

⁵ State Law no. 13.342/2005 and amendments.

⁶ State Decree no. 704/2007, article 14, §2.

⁷ State Law no. 13.342/2005, article 9, § 2.

⁸ Disclaimer number 5 - Source of resource with high financial deficit in the judgment of the 2011 Government accounts.

21. Deferred Income

The deferral of budget revenue is recorded in this section. In 2014, the growth of this account occurred due to the values passed through by FADESC to SC Parcerias S.A. (R\$ 38.056 million) and the Regional Development Bank of the Far South (BRDE) (R\$ 104.800 million) (see explanatory note no. 20 - deposits). At the end of the loan agreement, the deferred revenue will be recorded as budget revenue, as established in legislation⁹.

22. Prior Year Adjustments

The Prior Year Adjustments account was used substantially in 2014, due to:

- a) changes in accounting practices, such as:
 - » positive or negative valuation, as per the procedures of State Decree No. 3486 of September 3, 2010, when it is the first evaluation of the asset. The General Accounting Office chose to follow the standard established by the National Treasury Department (STN), linked to the Ministry of Finance, promoting the release of the initial revaluation of prior year adjustment accounts.
- b) correction of prior year errors not attributable to subsequent events, such as:
 - » adjustment of the balance from public accounting to commercial accounting, made by state-owned companies due to the lag between the financial end of year of the commercial and public area; and
 - » incorporation or separation of assets relating to prior years (see explanatory note no. 13).

Below is the summary table of amounts recorded in Prior Year Adjustments:

R\$ thousands	
Prior Year Adjustments Arising from:	
a) Changes in Accounting Practices	541,504
b) Correction of Prior Year Errors	2,754,107
TOTAL	3,295,611

In the changes in accounting practices item, we highlight DEINFRA, which in 2014 evaluated infrastructure assets such as bridges, recording the amount of R\$ 535.339 million.

Regarding the correction of prior year errors item, the highest value (R\$ 2.702 billion) is the Equity Fund and relates to incorporations, separations and depreciation values of movable and immovable assets from the financial years 2012 and 2013 that were recorded in 2014.

23. Fiscal Risks and Contingent Liabilities

R\$ thousands		
TITLES	31/12/2014	31/12/2013
Cash Securities Issued - Treasury bills - Law No. 10,168/1996	1,921,815	1,782,326
Judicial Passive Sentences in progress	7,193,153	6,192,151
INVESC	5,644,738	4,703,241
DEINFRA	1,484,916	1,437,988
UDESC	9,817	10,282
EPAGRI	53,682	40,640,00
Debt with Celesc	32,903	32,903
TOTAL	9,147,871	8,007,381

⁹ State Law no. 13.342/2005, article 9, § 2.

■ Treasury Bills - Law No. 10,168/1996 (LFTSC)

The Financial Bills from the State Treasury of Santa Catarina (LFTSC) were issued in 1996 with support in Law No. 10,168, of July 11, 1996, and held in custody by the Custody and Financial Settlement of Private Securities Center (CETIP). The LFTSC were handled by the Public Debt Liquidity Fund of the BESC and were taken into custody by CETIP in June 2000. The LFTSC were not paid in wages, which is why there is litigation of 239,855 of them.

■ INVESC

In 1995, Santa Catarina Participation and Investment S.A. (INVESC) raised R\$ 104.22 million through the issuance of 10,000 debentures. The funds were transferred to the State Treasury and applied in public investments. These debentures, due on October 31, 2000 and not redeemed by INVESC, are being collected in court (Judicial Proceeding No. 023.00.005707-2 - PLANNER Corretora de Valores S.A. Vs. INVESC).

■ Celesc

Treated as debt collected from the State by Celesc for the period from November 1985 to December 2007, as per PSEF Case No. 97,521/043. In December 2010, part of the value recorded as liability by the recognition of debt was reclassified, according to the protocol of intentions ECP No. 03/88 (PSEF nº 97.521/043, PSEF nº 93.345/097, SEF nº 198.457/098, SEF nº 64.127/958, SEPF nº 64.696/952, SEF nº 40.207/2010 and PSEF nº 88.046/095).

■ DEINFRA

The DEINFRA fiscal risks are composed of class actions, outstanding debt, labor actions and common actions, including the lawsuit regarding the duplication of highways SC-401, SC-402 and SC-403 (R\$ 72.154 million).

■ UDESC

It is actions, virtually all civil, filed at the Court of the Treasury. In general, they are overpayments of shares for distance learning, being mostly paid through RPV.

■ Epagri

The fiscal risks of the Agricultural Research and Rural Extension Company of Santa Catarina (Epagri) refer to labor, civil and tax lawsuits, filed by accounting in December 2013.

In Volume II of this annual statement of accounts, is the report of the Fundraising and Public Debt Directory, of the State Finance Department, which details the fiscal risks and contingent liabilities.

24. Cash and Cash Equivalents (DFC and BF)

The available resources are composed of cash and cash equivalents. The cash balance refers to the resources available in current bank accounts. Cash equivalents are short-term investments with high liquidity and the values collected and not paid to the Treasury, which are accounted for as an indirect revenue.

For purposes of preparation of the Cash Flow Statement (DFC), the source values 9.9.99 (extrabudgetary) are not part of the cash and cash equivalents as they are resources that are not used to finance flows from operating activities, investments and financing.

Regarding the Financial Statements (BS), the source values 9.9.99 (extrabudgetary) comprise the balance of cash and cash equivalents, and is therefore different from cash and cash equivalents presented in the demonstration Flow box.

25. Intergovernmental and Intragovernmental Transfers (DFC and BO)

In the Cash Flow Statement, intergovernmental transfers are considered to be the values relating to financial transactions between members of the Federation. In the Budget Balance (BO), these values are represented as intragovernmental transfers. Such classifications follow the provisions of the Accounting Manual of the National Treasury Department (STN).

26. Taxes and Transfers (DVP)

The following presents the amounts of the major classes of taxes and transfers that comprise the Equity Changes Statement (DVP), according to IPSAS 23 - Transactions of Revenue without Consideration (Taxes and Transfers) - item 106. The following values already consider deductions from income and are, therefore, net.

R\$ thousands

TAXES	31/12/2013	31/12/2014
Taxes, Fees and Improvement Contributions		
Taxes	19,117,435	19,163,672
Rates	660,694	741,671
TOTAL	19,778,128	19,905,343

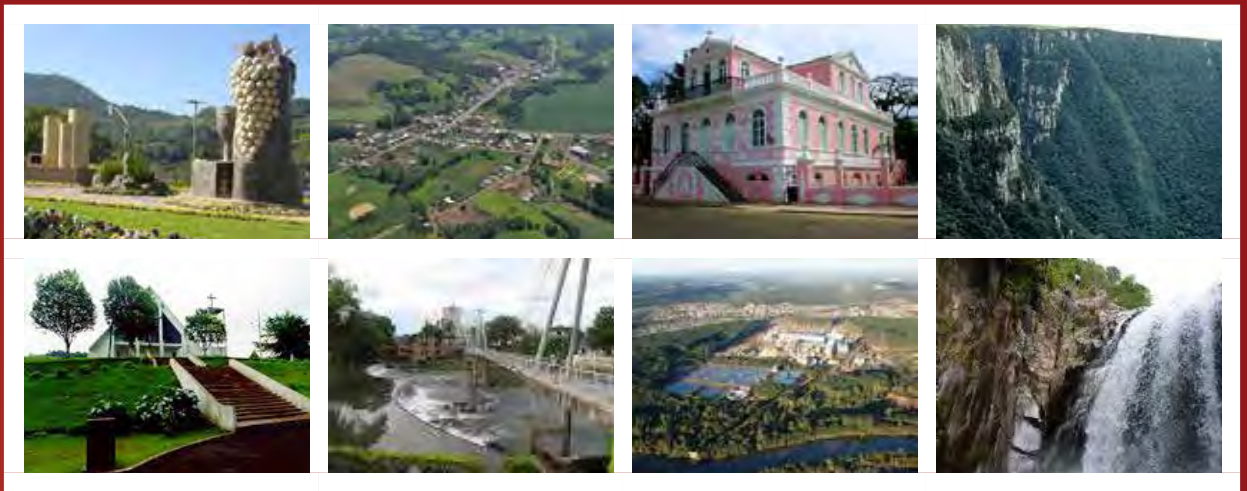
R\$ thousands

TRANSFERS	31/12/2013	31/12/2014
Transfers and Delegations Received		
Intragovernmental Transfers	56,797,206	62,697,279
Intergovernmental Transfers	3,851,289	4,504,379
Transfers from Private Institutions	876,336	929,106
Transfers from Abroad	38	49
Transfers from Individuals	471	616
Other Transfers and Delegations Received	0	456,366
TOTAL	61,525,339	68,587,794

27. Financial Result (DVP and DMPL)

The equity income for the period was R\$ 1.311 billion, considering the intra operations. Excluding these operations, the balance was R\$ 1.319 billion. This difference, which also corresponds to the calculation of the intra result, was R\$ 7.538 million, representing the negative balance of the equity equivalence of the state-owned companies.

The qualitative equity variations represent the incorporations/separations of assets and liabilities resulting from budget execution of capital revenue/expenditures.



SC Analysis of Financial Statements



The analysis of Financial Statements of the Financial Report aims to obtain a decomposition and interpretation of figures in statements to produce useful information, to enable an understanding of the state accounts, assisting in the decision-making process. This analysis looks at the evolution of indicators over the last four years. The variation between one year and the previous one and is called horizontal analysis, and is identified by the term H%.

The indicators are divided into five parts: Indicators of the Balance Sheet, Budget Execution Analysis, Financial Statement Analysis, Equity Variations Analysis and Cash Flows Analysis. The values of these indicators are based on the statements published in the "Financial Statements", which presents the consolidated figures for the State.

In 2014, there was a change in the composition of some indicators, excluding the 9.9.99 source (extrabudgetary) of the values of assets and liabilities, since this source is not used to finance the operating activities flows, investments and financing. This criterion was also used for the Cash Flow Statement (DFC), as detailed in Explanatory Note no. 24.

Below, we present some concepts defined by the Brazilian Standards of Public Sector Accounting, by Law No. 4,320/64, by the Accounting Manual for the Public Sector (MCASP) and other literature in the area, with the aim of providing a better understanding of the structured methodology in the financial statements of the Financial Report.

Asset – is a resource controlled by the entity as a result of past events, from which future economic benefits or potential services benefits are expected to arise for the entity. It covers available resources, rights and assets, tangible or intangible, acquired, formed, produced, received, maintained or used by the public sector, which is a bearer of or represents a flow of benefits, present or future, relating to the provision of public services.

Liability – is the entity's current obligations derived from past events, whose payments are expected to give rise to the entity outputs of resources embodying economic benefits or potential services. Includes the obligations of the public sector entities to the achievement of public services or maintained in the trustee condition, as well as provisions.

Net Equity – is the residual value of the entity's assets after deducting all of its liabilities.

Public Equity – is the set of rights and assets, tangible or intangible, encumbered or not, acquired, formed, produced, received, maintained or used by public sector entities, that is a bearer of or represents a flow of benefits, present or future, inherent in the provision of public services or economic exploitation by public sector entities and their obligations.

Current Asset – comprises the assets that meet any of the following criteria: are cash or cash equivalents; are achievable or held for sale or consumption within the entity's operating cycle; are maintained for commercial purposes; are to be realized within twelve months of the date of publication of financial statements.

Non-Current Asset – comprises the realizable assets and rights after twelve months from the date of publication of the financial statements.

Fixed Asset – comprises the assets, loans and amounts whose mobilization or sale depends on legislative authorization.

Financial Asset – comprises loans and realizable values, regardless of budgetary authorization, and numerical values.

Current Liability – comprises outstanding obligations or outstanding payables until the end of the year following the publication of the financial statements.

Non-current Liability – comprises the known and estimated obligations, whose established or expected deadlines are within twelve months of the date of publication of the financial statements.

Fixed Liability – comprises the founded debts and others that depend on legislative authorization for repayment or redemption.

Financial Liability – comprises the founded debts and other commitments payable whose payment is independent of budget authorization as the outstanding commitments of the debt service payable, deposits and debts of the treasury (loans in anticipation of revenue).

Equity Variations – are transactions that promote changes in equity of the public sector entity, even of a compensatory character, affecting or not its outcome. They are divided into quantitative and qualitative. Qualitative equity variations alter the composition of the assets without affecting the net equity, determining changes only in the specific composition of the assets. Quantitative equity variations arise from transactions that increase or decrease net equity, subdivided into Augmentative Equity Variations (AEVs) and Diminutive Equity Variations (DEVs).

Augmentative Equity Variations (AEVs) – are equity variations that increase the net equity (revenue under the equity approach).

Diminutive Equity Variations (DEVs) – are equity variations that decrease the net equity (revenue under the equity approach).

Equity Balance – qualitative and quantitative evidence of the financial position of the public body. It is divided into Assets, Liabilities and Net Equity.

Budget Balance – shows the budgetary revenues and expenses, detailed in relevant levels of analysis, comparing the initial budget and any changes to the execution, and demonstrating the budgetary balance. It is structured to highlight the integration between the budgetary planning and execution.

Financial Statements – shows the budgetary revenues and expenditures, as well as the receipts and payments of an extrabudgetary nature, combined with cash balances from the previous year and those that are transferred to the beginning of the following year.

Equity Variations Statement – shows the quantitative variations (AEVs and DEVs), the equity balance and the qualitative changes resulting from budgetary execution.

Cash Flow Statement – allows the design of future cash flows scenarios and preparation of analysis on possible changes around the regular funding maintainability of public services. The operating cash flow comprises the admissions, including revenue arising from originating and derived receipts, and the disbursements related to public action and the other flows that do not qualify as investment or financing.

Net Equity Mutations Statement – objectively demonstrates: a) the deficit or surplus balance for the period; b) each mutation in net equity, recognized directly in it; c) the effect of the change in accounting principles and the effects of the correction of errors committed in previous years; d) the contributions of the owners and distributions received by them as owners. It further states that changes to the net equity of an entity between two consecutive financial statements reflects the increase or decrease in wealth during the period.

Balance Sheet Indicators

■ Financial Situation

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014	Interpretation	
Financial Situation ^{1,2}	Financial Asset ÷ Financial Liability	1.48	2%	1.51	4%	1.57	333%	(9,039,325 + 529,435 - 1,800,019 - 4,384,197) ÷ (6,681,996 - 1,800,019 - 4,384,197) (R\$ thousands)	6.80	Indicates whether the period was a financial surplus or deficit. = 1 - Financial balance. > 1 - There is a financial surplus. < 1 - Financial deficit. Conclusion The bigger the better.

Note: the Financial Assets were considered as Cash and cash equivalents (explanatory note 3), Investments and temporary Applications (explanatory note 9), disregarding the balance of the withdrawal limit. In Financial Liabilities, the balance of the withdrawal limit was excluded (note 3), because it is not set up as debt.

Note: in 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities are not being considered in Assets and Liabilities

■ Liquidity

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014	Interpretation	
Current Liquidity ^{1,2}	Current Assets ÷ Current Liabilities	1.30	-5%	1.23	23%	1.51	125%	(12,395,049 - 1,800,019 - 4,384,197) ÷ (8,015,032 - 1,800,019 - 4,384,197) (R\$ thousands)	3.39	Indicates how much cash the state has plus assets and rights achievable in the next financial year, compared with the debt to be paid in the same period. = 1 - Indicates short-term asset balance to honor short-term liabilities. > 1 - Indicates short-term asset surplus to honor short-term liabilities. < 1 - Indicates short-term asset deficit to honor short-term liabilities. Conclusion The bigger the better.

Note: in Current Assets and Current Liabilities, the withdrawal limit balance was disregarded (explanatory note 3).

Note: in 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities are not being considered in Assets and Liabilities.

■ Debt

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014	Interpretation
Composition of the Debt ¹	$\frac{\text{Current Liabilities}}{\text{Current Liabilities} + \text{Non-current Liabilities}}$	0.21	48%	0.31	0%	0.31	-71%	$\frac{(8,015,032 - 1,800,019 - 4,384,197)}{(8,015,032 - 1,800,019 - 4,384,197 + 18,751,255)}$ (R\$ thousands)	Shows how much of the state's debt is due in the next financial year. = 1 - Indicates that the entire debt will remain next financial year. <1 - Indicates how much debt will remain in the next financial year. Conclusion The lower the better.
Onerous Debt on Total Asset ²	$\frac{\text{Short-term and Long-term Loans and Financing}}{\text{Total Assets}}$	0.82	-12%	0.72	-6%	0.68	-2%	$\frac{(753,561 + 14,613,508)}{(29,163,983 - 1,800,019 - 4,384,197)}$ (R\$ thousands)	Indicates how much of the total assets of the State is committed to onerous debts held with financial institutions = 1 - Indicates that all the state assets are committed to onerous debts. > 1 - Indicates that the onerous debts exceed state assets. <1 - Indicates that part of the state assets are committed to onerous debts. Conclusion The lower the better.
Net Onerous Debt ³	$\frac{\text{Available Resources}}{\text{Short-term and Long-term Loans and Financing}}$	0.40	2%	0.41	45%	0.59	-63%	$\frac{(9,039,325 + 529,435 - 1,800,019 - 4,384,197)}{(753,561 + 14,613,508)}$ (R\$ thousands)	Indicates how much the state has in cash plus investments to cope with its onerous debt. = 1 - Indicates a balance of cash to honor the onerous debt. > 1 - Indicates available cash to honor the onerous debt. <1 - Indicates lack of availability to honor the onerous debt. Conclusion The bigger the better.

Note¹: in Current Liabilities, the balance of the withdrawal limit was excluded (explanatory note 3), because it is not set up as debt. In 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities are not being considered Liabilities.

Note²: the Assets were taken off the balance of the withdrawal limit (explanatory note 3), due to equivalent to the balance of the single account. In 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities are not being considered Assets.

Note³: the Cash and cash equivalents (explanatory note 3), Investments and temporary Applications (explanatory note 9) were considered as Available Resources, disregarding the balance of the withdrawal limit. In 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities, are not being considered as Available (Assets).

Analysis of the Budgetary Execution

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014	Interpretation
Execution of Revenue	Revenue Executed ÷ Forecasted Revenue	1.02	2%	1.04	-2%	1.02	0%	21,612,111 ÷ 21,293,336 (R\$ thousands)	1.01 The indicator allows the evaluation of the accuracy of the budget. = 1 - The executed revenue is equal to the forecast. > 1 - The difference shows excess revenue. < 1 - Revenue is than forecast. Conclusion Bigger than 1 is better.
Budgetary Balance	Fixed Expenses ÷ Forecasted Revenue	1.00	0%	1.00	0%	1.00	0%	21,293,336 ÷ 21,293,336 (R\$ thousands)	1.00 Indicates whether there is a balance between fixed expenses and the revenue forecasted in the LOA. = 1 - There is a budgetary balance. > 1 - The difference represents the amount of additional credit open. < 1 - The budget law may have been approved with a surplus, and not with a balance. Conclusion The ideal is equal to 1.
Execution of Expenditure	Executed Expenditure ÷ Updated Allocation	0.84	2%	0.86	-3%	0.84	1%	21,230,114 ÷ 25,010,907 (R\$ thousands)	0.85 Evaluates the effectiveness of the budget regarding the fixing of expenses. = 1 - Balance in expenditure execution. > 1 - There was allocation without legal authorization < 1 - There are budgetary savings. Conclusion Lower than 1 is better.
Budgetary Result	Revenue Executed ÷ Expenditure Executed	1.02	-9%	0.93	10%	1.02	0%	21,612,111 ÷ 21,230,114 (R\$ thousands)	1.02 Indicates whether there was a budgetary surplus or deficit during the period. = 1 - There is a budgetary balance. > 1 - There is a budget surplus in the execution. < 1 - There is a budget deficit in the execution. Conclusion The bigger the better.
Current Budgetary Execution	Current Revenue ÷ Current Expenditure	1.13	-9%	1.03	5%	1.08	-1%	19,708,473 ÷ 18,402,189 (R\$ thousands)	1.07 Indicates whether the current revenue supported the current expenditure or whether it was necessary to use capital revenue. = 1 - There is a balance in the current budgetary execution > 1 - There is a current budgetary surplus. < 1 - There is a current budgetary deficit, indicating that it will be necessary to use capital revenue to supply resources required. Conclusion The bigger the better.
Capital Budgetary Execution	Capital Revenue ÷ Capital Expenditure	0.10	580%	0.68	4%	0.71	-5%	1,903,638 ÷ 2,827,924 (R\$ thousands)	0.67 Indicates whether the period was a capital surplus or deficit. = 1 - There is a balance in the capital budgetary execution > 1 - There is a capital budget surplus, demonstrating the occurrence of disposal of assets and values and, therefore, a decrease in equity or loans. < 1 - There is a capital budget deficit, indicating that there was use of current revenue to cover capital expenditure. Conclusion The ideal is equal to or less than 1.

Analysis of Financial Statement

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014	Interpretation
Financial Reality of the Budgetary Execution	Budgetary Revenue ÷ Budgetary Expenditure Paid	1.05	-5%	1.00	6%	1.06	-1%	21,612,111 ÷ 20,735,132 (R\$ thousands)	1.04 Indicates whether the period was surplus or deficit in the budgetary and financial execution, also considering the cash scheme for the expenditure. = 1 - There is a balance in the budgetary and financial execution, also considering the cash scheme for the expenditure. > 1 - There is a budget surplus in the execution and financial transactions, also considering the cash scheme for the expenditure. < 1 - There is a budget deficit in the execution and financial transactions, also considering the cash scheme for the expenditure. Conclusion The bigger the better.
Extrabudgetary Execution	Extrabudgetary Revenue ÷ Extrabudgetary Expenditure	1.01	-1%	1.00	10%	1.10	-5%	13,402,954 ÷ 12,729,562 (R\$ thousands)	1.05 Indicates whether there was an extrabudgetary surplus or deficit during the period. = 1 - There is a balance in the extrabudgetary execution. > 1 - There is an extrabudgetary surplus. < 1 - There is an extrabudgetary deficit. Conclusion The ideal is equal to 1.
Financial Balances Results	Balance that carries over to the Next Year ÷ Balance from the Previous Year	1.28	-19%	1.04	27%	1.32	-11%	7,239,307 ÷ 6,175,639 (R\$ thousands)	1.17 Indicates whether the period was a financial surplus or deficit. = 1 - there is a balance between receipts and payments for the period. > 1 - There is a financial surplus. < 1 - There is a financial deficit Conclusion The bigger the better.

Analysis of Changes in Equity

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014		Interpretation
Analysis of Equity Variations	Augmentative Variations Total ÷ Diminutive Variations Total	1.01	0.39%	1.01	-1.31%	1.00	1.42%	121,381,913 ÷ 120,070,646 (R\$ thousands)	1.01	Indicates whether the period was an equity surplus or deficit. = 1 - The equity situation is balanced. > 1 - There is an equity surplus for the year. < 1 - There is an equity deficit for the year. Conclusion The bigger the better.

Analysis of Cash Flow Statement

Indicator	Methodology	2011	H%	2012	H%	2013	H%	2014		Interpretation
Quotient of the debt amortization capacity ¹	Net Cash Generated From Operations ÷ Total from Liabilities	0.12	-67%	0.04	81%	0.07	-48%	834,641 ÷ (29,163,983 - 1,800,019 - 4,384,197) (R\$ thousands)	0.04	Indicates the portion of the resources generated by the entity for debt payment. Conclusion The bigger the better.
Quotient of the operational activity	Net Cash Generated From Operations ÷ Total Net Cash Generation	1.99	113%	4.24	-62%	1.63	12%	834,641 ÷ 456,567 (R\$ thousands)	1.83	Indicates that the portion of net cash generation by the entity was attributed to operating activities. Conclusion The bigger the better.

Note: the balance of the withdrawal limit was excluded (explanatory note 3), because it is not set up as debt. In 2014, the values from 9.9.99 source (extrabudgetary) that are not used to finance flows from operating, investing and financing activities are not being considered Liabilities.

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