BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2019
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 4,573,287	$ 1,119,539	$ 5,692,826	$ 3,230,967
Investments	5,261,264	284,854	5,546,118	1,729,201
Invested securities lending collateral	374,472	4,907	379,379	26,956
Receivables, net:				
Accounts	503,054	14,863	517,917	468,653
Contributions	4,564	—	4,564	143,974
Participants	—	612	612	—
Accrued interest	57,058	2,098	59,156	12,057
Income taxes	695,933	—	695,933	—
Sales and other taxes	764,647	—	764,647	—
Student accounts	529	—	529	55,976
Patient accounts	21,632	—	21,632	332,977
Loans and notes	786,382	—	786,382	86,892
Assessments	—	119,693	119,693	—
Due from Federal government and other grantors	1,013,617	778	1,014,395	109,358
Internal balances	53,608	(53,608)	—	—
Due from component units	101,054	—	101,054	—
Due from primary government	—	—	—	51,084
Inventories	51,670	1,370	53,040	441,009
Restricted assets:				
Cash and cash equivalents	793,391	260	793,651	1,409,107
Investments	—	—	—	1,878,710
Accounts receivable	70,199	—	70,199	106
Loans receivable	—	—	—	699,634
Other	74,037	—	74,037	31,198
Prepaid items	39,787	539	40,326	83,948
Other assets	455	—	455	385,077
Regulatory assets	—	—	—	4,401,713
Other assets- asset retirement obligation	—	—	—	935,916
Investment in joint venture	—	—	—	7,162
Capital assets-nondepreciable	5,597,614	264,047	5,861,661	3,297,938
Capital assets-depreciable, net	12,579,972	20,670	12,600,642	9,839,605
Total assets	$ 33,418,226	$ 1,780,622	$ 35,198,848	$ 29,659,218
DEFERRED OUTFLOWS OF RESOURCES	$ 974,312	$ 3,038	$ 977,350	$ 1,208,237
LIABILITIES				
Accounts payable	$ 864,772	$ 2,448	$ 867,220	$ 537,628
Accrued salaries and related expenses	164,293	1,219	165,512	267,549
Accrued interest payable	24	77	101	82,854
Retainages payable	1,436	—	1,436	33,827
Tax refunds payable	908,781	20,347	929,128	—
Payables-aid to individuals/families	10,211	—	10,211	—
Prizes payable	—	—	—	38,096
Unemployment benefits payable	—	1,513	1,513	—
Intergovernmental payables	464,718	5,073	469,791	560
Tuition benefits payable	—	78,272	78,272	—
Due to component units	51,084	—	51,084	—
Due to primary government	—	—	—	101,054
Due to fiduciary funds	14,448	—	14,448	—
Unearned revenues and asset retirement obligation	474,950	3,287	478,237	946,355
Deposits	9	300	309	11,545
Amounts held in custody for others	—	—	—	28,279
Securities lending collateral	374,472	4,907	379,379	26,956
Liabilities payable from restricted assets:				
Accrued interest payable	18,114	—	18,114	—
Other	—	126	126	15,651
Other liabilities	402,263	20	402,283	778,648
Long-term liabilities:				
Due within one year	943,337	35,007	978,344	444,692
Due in more than one year	9,222,361	269,587	9,491,948	20,500,415
Total liabilities	$ 13,915,273	$ 422,183	$ 14,337,456	$ 23,814,109
DEFERRED INFLOWS OF RESOURCES	$ 422,581	$ 1,357	$ 423,938	$ 1,390,780

Exhibit A-1

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 16,039,329	$ 221,494	$ 16,260,823	$ 6,400,503
Restricted:				
Expendable:				
General government	931,224	—	931,224	—
Education	309,232	—	309,232	1,047,231
Health	1,306,719	—	1,306,719	—
Transportation	1,209,339	—	1,209,339	2,078
Capital projects	—	—	—	765,594
Debt service	841,232	—	841,232	142,908
Loan programs	217	—	217	480,564
Waste management	180,351	—	180,351	—
Insurance programs	398,228	45,998	444,226	—
Administration of justice	22,591	—	22,591	—
Unemployment compensation benefits	—	1,180,013	1,180,013	—
Other	—	—	—	19,497
Nonexpendable:				
Education	11,373	—	11,373	1,181,388
Other	854,015	—	854,015	—
Unrestricted	(2,049,166)	(87,385)	(2,136,551)	(4,377,197)
Total net position	**$ 20,054,684**	**$ 1,360,120**	**$ 21,414,804**	**$ 5,662,566**

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

Statement of Activities

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses)
Functions					
Primary government:					
Governmental activities:					
General government	$ 6,661,431	$ 3,227,055	$ 856,108	$ 26,739	$ (2,551,529)
Education	4,893,190	44,653	949,568	—	(3,898,969)
Health and environment	8,388,809	197,662	5,338,239	8,902	(2,844,006)
Social services	1,602,776	8,566	1,302,984	9,511	(281,715)
Administration of justice	1,013,459	60,146	25,503	18	(927,792)
Resources and economic development	472,696	74,079	124,278	965	(273,374)
Transportation	1,526,454	242,965	115,067	627,120	(541,302)
Unallocated interest expense	18,211	—	—	—	(18,211)
Total governmental activities	**24,577,026**	**3,855,126**	**8,711,747**	**673,255**	**(11,336,898)**
Business-type activities:					
Unemployment compensation benefits	149,581	342,263	5,143	—	197,825
Second Injury	12,085	16	—	—	(12,069)
Other enterprise activities	64,908	51,908	354	—	(12,646)
Total business-type activities	**226,574**	**394,187**	**5,497**	**—**	**173,110**
Total primary government	**$ 24,803,600**	**$ 4,249,313**	**$ 8,717,244**	**$ 673,255**	**$ (11,163,788)**
Component units:					
Public Service Authority	1,646,680	1,806,620	19,844	—	179,784
Medical University of South Carolina	2,741,610	2,502,277	135,213	22,081	(82,039)
University of South Carolina	1,410,653	1,120,261	156,772	31,245	(102,375)
Clemson University	1,103,140	819,750	218,099	32,507	(32,784)
State Ports Authority	269,823	294,326	11,688	5,898	42,089
Housing Authority	205,390	47,596	186,085	—	28,291
Lottery Commission	1,984,775	1,984,650	32	—	(93)
Nonmajor component units	1,928,579	1,160,498	431,124	123,490	(213,467)
Total component units	**$ 11,290,650**	**$ 9,735,978**	**$ 1,158,857**	**$ 215,221**	**$ (180,594)**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (11,336,898)	$ 173,110	$ (11,163,788)	$ (180,594)
General revenues:				
Taxes:				
Individual income	4,835,821	—	4,835,821	—
Retail sales and use	5,004,470	—	5,004,470	—
Corporate income	396,207	—	396,207	—
Gas and motor vehicle	1,198,220	—	1,198,220	—
Insurance	204,755	—	204,755	—
Hospital	261,448	—	261,448	—
Other	731,276	—	731,276	—
Total taxes	12,632,197	—	12,632,197	—
Unrestricted grants and contributions	14	—	14	—
Unrestricted investment income	365,453	48,530	413,983	—
State Appropriations	—	—	—	747,809
Tobacco legal settlement	80,723	—	80,723	—
Other revenues	723,194	4,510	727,704	—
Additions to endowments	—	—	—	58,996
Transfers–internal activities	21,016	(21,016)	—	—
Total general revenues, additions to endowments, and transfers	**13,822,597**	**32,024**	**13,854,621**	**806,805**
Change in net position	**2,485,699**	**205,134**	**2,690,833**	**626,211**
Net position at beginning of year, as restated	**17,568,985**	**1,154,986**	**18,723,971**	**5,036,355**
Net position at end of year	**$ 20,054,684**	**$ 1,360,120**	**$ 21,414,804**	**$ 5,662,566**

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

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2019
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue
ASSETS				
Cash and cash equivalents	$ 1,876,462	$ —	$ 134,339	$ 1,118,691
Investments	3,751,469	162,819	374,804	—
Invested securities lending collateral	297,519	3,230	21,644	17,577
Receivables, net:				
Accounts	91,749	188,146	—	3,167
Contributions	1,342	3,222	—	—
Accrued interest	31,989	1,239	6,754	7,166
Income taxes	695,933	—	—	—
Sales and other taxes	646,647	—	—	7,601
Student accounts	529	—	—	—
Patient accounts	19,156	2,476	—	—
Loans and notes	38,799	375	746,276	932
Due from Federal government and other grantors	5,174	891,838	379	116,114
Due from other funds	67,455	6,444	23,964	104,029
Due from component units	57,196	4,677	—	45
Interfund receivables	51,142	1,550	152,057	—
Inventories	30,365	13,383	—	5,427
Restricted assets:				
Cash and cash equivalents	11,013	—	781,160	1,218
Accounts receivable, net	—	—	70,199	—
Other	—	—	36,537	—
Prepaid items	9,612	1,794	—	5,692
Other assets	102	—	—	203
Total assets	**$ 7,683,653**	**$ 1,281,193**	**$ 2,348,113**	**$ 1,387,862**
LIABILITIES				
Accounts payable	224,708	365,635	10,705	205,100
Accrued salaries and related expenditures	105,710	31,672	96	23,161
Retainages payable	28	801	—	—
Tax refunds payable	908,768	—	—	—
Payable–aid to individuals/families	1,742	8,469	—	—
Intergovernmental payables	90,614	172,952	15,847	—
Due to other funds	146,795	62,252	36	17,974
Due to component units	18,791	24,540	—	—
Interfund payables	1,550	—	—	152,057
Unearned revenues	23,803	111,338	55,945	109,260
Securities lending collateral	297,519	3,230	21,644	17,577
Other liabilities	197,876	6,819	—	—
Total liabilities	**2,017,904**	**787,708**	**104,273**	**525,129**
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	3,906	70	38,789	253
Deferred nonexchange revenues	12,773	—	—	—
Total deferred inflows of resources	**16,679**	**70**	**38,789**	**253**
FUND BALANCES				
Nonspendable	125,746	15,552	701,015	11,681
Restricted	1,194,858	997,196	1,504,036	509,083
Committed	520,128	18,990	—	341,716
Assigned	187,427	22,308	—	—
Unassigned	3,620,911	(560,631)	—	—
Total fund balances	**5,649,070**	**493,415**	**2,205,051**	**862,480**
Total liabilities, deferred inflows and fund balances	**$ 7,683,653**	**$ 1,281,193**	**$ 2,348,113**	**$ 1,387,862**

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

Exhibit B-1

Nonmajor Governmental Funds	Totals
$ 456,574	$ 3,586,066
490,027	4,779,119
9,997	349,967
24,323	307,385
—	4,564
4,006	51,154
—	695,933
110,399	764,647
—	529
—	21,632
—	786,382
112	1,013,617
—	201,892
22,736	84,654
—	204,749
—	49,175
—	793,391
—	70,199
37,500	74,037
21	17,119
—	305
$ 1,155,695	**$ 13,856,516**
$ 52,635	$ 858,783
248	160,887
607	1,436
13	908,781
—	10,211
185,300	464,713
89	227,146
7,538	50,869
—	153,607
—	300,346
9,997	349,967
—	204,695
256,427	**3,691,441**
—	43,018
—	12,773
—	**55,791**
11,394	865,388
555,724	4,760,897
198,801	1,079,635
133,349	343,084
—	3,060,280
899,268	**10,109,284**
$ 1,155,695	**$ 13,856,516**

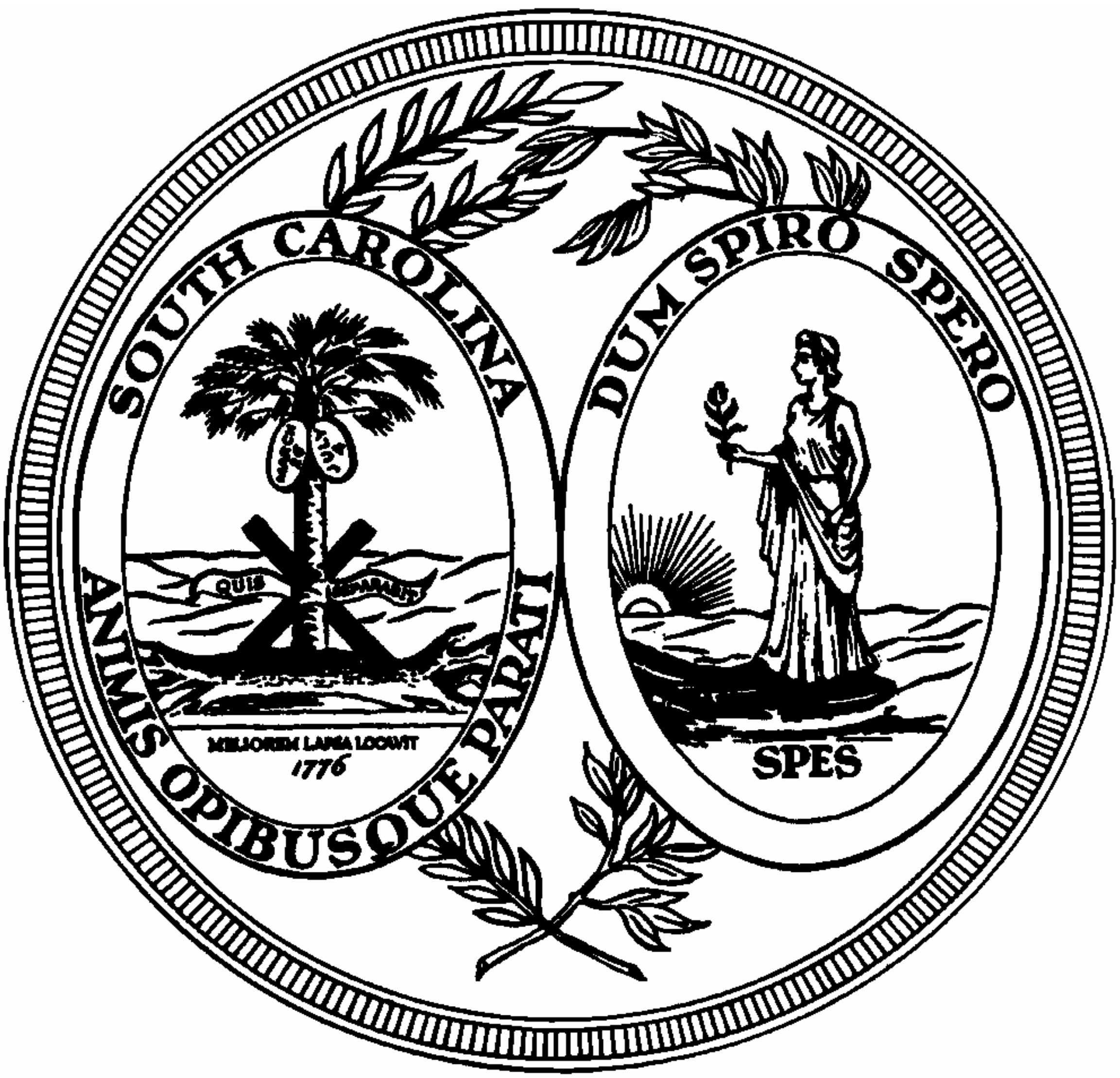
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2019
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 10,109,284**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets	$ 5,591,275	
Depreciable capital assets	19,052,490	
Accumulated depreciation	(6,571,614)	
Total capital assets		18,072,151
Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Hedging portion of derivative instruments		32,816
Deferred loss on refunding bonds		87,881
Pension and OPEB contributions made after the measurement date		379,801
Difference between expected and actual retirement plan experience		74,297
Net difference between projected and actual earnings on investments		76,360
Changes in proportion and differences between contributions and proportionate share of plan contributions		131,875
Changes in assumptions		177,776
Deferred inflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Difference between expected and actual retirement plan experience		(24,448)
Changes in proportion and differences between contributions and proportionate share of plan contributions		(142,847)
Changes in assumptions		(236,748)
Certain State revenues will be collected after year-end but are not available soon enough to pay for the the current period's expenditures, and therefore are considered deferred inflows of resources		43,018
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position		726,608
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(2,142,526)	
Notes payable	(77,807)	
Accrued interest on bonds	(18,114)	
Capital leases	(2,434)	
Net pension liability	(3,884,552)	
Net OPEB liability	(2,907,710)	
Compensated absences	(200,657)	
Policy claims	(22,470)	
Other	(196,870)	
Total long-term liabilities		(9,453,140)
Net position of governmental activities		**$ 20,054,684**

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


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
DUM SPIRO SPERO
SPES

Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 4,801,707	$ 11,182	$ 22,932
Retail sales and use	3,968,934	2,948	—
Corporate Income	396,207	—	—
Gas and motor vehicle	—	—	—
Insurance	202,481	2,274	—
Hospital	261,448	—	—
Other	616,269	111,624	—
Licenses, fees, and permits	204,569	51,040	135,128
Interest and other investment income	157,129	7,348	82,427
Federal	45,649	7,976,463	27,372
Local and private grants	8,164	55,366	—
Departmental services	767,500	72,294	388
Contributions	17,196	83,363	65,112
Fines and penalties	67,593	4,616	—
Tobacco legal settlement	—	—	—
Other	319,423	291,349	306
Total revenues	**11,834,269**	**8,669,867**	**333,665**
Expenditures:			
Current:			
General government	1,211,617	126,201	—
Education	617,339	135,149	—
Health and environment	3,091,832	5,890,073	—
Social services	244,320	1,317,156	—
Administration of justice	881,512	32,331	—
Resources and economic development	162,421	92,161	1,802
Transportation	1,979	2,687	1,848
Capital outlay	69,780	16,485	—
Debt service:			
Principal retirement	56,471	117	78,135
Interest and fiscal charges	21,956	17	69,362
Intergovernmental	4,038,020	1,012,393	105,183
Total expenditures	**10,397,247**	**8,624,770**	**256,330**
Excess of revenues over (under) expenditures	**1,437,022**	**45,097**	**77,335**
Other financing sources (uses):			
Bonds and notes issued	2,183	—	—
Refunding bonds issued	—	—	350,375
Capital leases	1,846	8	—
Payment to refunded bond escrow agent	—	—	(350,375)
Transfers in	44,621	15,175	4,642
Transfers out	(44,180)	(12,556)	—
Total other financing sources (uses)	**4,470**	**2,627**	**4,642**
Net change in fund balances	**1,441,492**	**47,724**	**81,977**
Fund balances at beginning of year	**4,207,578**	**445,691**	**2,123,074**
Fund balances at end of year	**$ 5,649,070**	**$ 493,415**	**$ 2,205,051**

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

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 4,835,821
—	1,032,588	5,004,470
—	—	396,207
1,198,220	—	1,198,220
—	—	204,755
—	—	261,448
—	3,383	731,276
—	77,211	467,948
40,753	24,801	312,458
739,391	214	8,789,089
—	—	63,530
141,724	72,294	1,054,200
—	487,760	653,431
—	8,682	80,891
—	80,723	80,723
20,838	1,135	633,051
2,140,926	**1,788,791**	**24,767,518**
—	108,837	1,446,655
—	411,999	1,164,487
—	41,414	9,023,319
—	12	1,561,488
—	9	913,852
—	184	256,568
1,066,539	—	1,073,053
815,469	101,660	1,003,394
46,595	1	181,319
11,129	—	102,464
97,445	1,048,952	6,301,993
2,037,177	**1,713,068**	**23,028,592**
103,749	**75,723**	**1,738,926**
—	674	2,857
—	—	350,375
—	—	1,854
—	—	(350,375)
57	113,621	178,116
(3,564)	(86,561)	(146,861)
(3,507)	**27,734**	**35,966**
100,242	**103,457**	**1,774,892**
762,238	**795,811**	**8,334,392**
$ 862,480	**$ 899,268**	**$ 10,109,284**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 1,774,892**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Capital outlay	$ 1,003,394	
Depreciation expense	(383,661)	
Excess of capital outlay over depreciation expense		619,733
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources		82,765
Loss on disposals of capital assets are reported as an expense in the Statement of Activities		(37,342)
Bond, note, and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
Bonds, notes, and capital leases issued		(355,086)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position		9,071
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond, note, and capital lease retirement	181,319	
Payment to refunded bond escrow agent	350,375	
Total long-term debt repayment		531,694
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is included in governmental activities in the Statement of Activities, net of restatements		109,394
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in unearned revenues		(83,550)

Exhibit B-2a

Decrease in general operating expense due to the increase in pension expense for the amortization of deferred outflows and inflows of resources related to the net pension liability		(42,623)
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of changes in the following assets and liabilities:		
Accrued interest payable	$ 309	
Unamortized bond premiums and discounts	19,855	
Net pension liability	(15,771)	
Net OPEB liability	(120,130)	
Compensated absences payable	(17,164)	
Policy claims payable	11,736	
Other long-term liabilities	(2,084)	
Total additional expenses		(123,249)
Change in net position of governmental activities		**$ 2,485,699**

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

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2019
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,065,960	$ 32,060	$ 21,519	$ 1,119,539	$ 987,221
Investments	12,237	224,998	47,619	284,854	2,286
Invested securities lending collateral	252	4,635	20	4,907	24,505
Receivables, net:					
Accounts	10,708	1	4,154	14,863	195,594
Participants	—	—	242	242	—
Accrued interest	108	1,935	55	2,098	5,904
Assessments	119,693	—	—	119,693	—
Due from Federal government and other grantors	778	—	—	778	—
Due from other funds	—	—	—	—	14,057
Due from component units	—	—	—	—	16,400
Inventories	—	—	1,370	1,370	2,495
Restricted assets:					
Cash and cash equivalents	—	—	239	239	—
Prepaid items	—	—	539	539	22,664
Total current assets	1,209,736	263,629	75,757	1,549,122	1,271,126
Long-term assets:					
Investments	—	—	—	—	479,859
Receivables, net:					
Accounts	—	—	—	—	75
Participants	—	—	370	370	—
Restricted assets:					
Cash and cash equivalents	—	—	21	21	—
Prepaid items	—	—	—	—	4
Other long-term assets	—	—	—	—	150
Non-depreciable capital assets	—	—	264,047	264,047	6,339
Depreciable capital assets, net	—	—	20,670	20,670	99,096
Total long-term assets	—	—	285,108	285,108	585,523
Total assets	**1,209,736**	**263,629**	**360,865**	**1,834,230**	**1,856,649**
DEFERRED OUTFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 3,038**	**$ 3,038**	**$ 13,506**

Exhibit B-3

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable	$ 126	$ 910	$ 1,412	$ 2,448	$ 5,990
Accrued salaries and related expenses	—	—	1,219	1,219	3,406
Accrued interest payable	—	—	77	77	24
Tax refunds payable	20,347	—	—	20,347	—
Unemployment benefits payable	1,513	—	—	1,513	—
Intergovernmental payables	4,960	—	113	5,073	5
Tuition benefits payable	—	—	13,659	13,659	—
Policy claims	—	22,102	12,342	34,444	633,491
Due to other funds	2,525	—	83	2,608	643
Due to component units	—	—	—	—	215
Unearned revenues	—	—	3,287	3,287	174,604
Deposits	—	—	300	300	9
Securities lending collateral	252	4,635	20	4,907	24,505
Liabilities payable from restricted assets:					
Notes payable	—	—	—	—	5,934
Revenue bonds payable	—	—	190	190	—
Capital leases payable	—	—	—	—	26
Compensated absences payable	—	—	373	373	2,205
Other current liabilities	—	—	20	20	2,061
Total current liabilities	29,723	27,647	33,095	90,465	853,118
Long-term liabilities:					
Tuition benefits payable	—	—	64,613	64,613	—
Policy claims	—	189,984	40,690	230,674	169,490
Interfund payables	—	—	51,000	51,000	142
Other liabilities payable from restricted assets	—	—	126	126	—
Notes payable	—	—	6,500	6,500	10,643
Revenue bonds payable	—	—	5,185	5,185	—
Capital leases payable	—	—	—	—	28
Compensated absences payable	—	—	200	200	1,234
Other long-term liabilities	—	—	—	—	159
Net pension liability	—	—	15,033	15,033	57,421
Net OPEB liability	—	—	11,995	11,995	45,547
Total long-term liabilities	—	189,984	195,342	385,326	284,664
Total liabilities	**29,723**	**217,631**	**228,437**	**475,791**	**1,137,782**
DEFERRED INFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 1,357**	**$ 1,357**	**$ 5,765**

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

Continued on Next Page

Statement of Net Position

Exhibit B-3

PROPRIETARY FUNDS (Continued)

June 30, 2019
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
NET POSITION					
Net investment in capital assets	$ —	$ —	$ 221,494	$ 221,494	$ 102,064
Restricted:					
Expendable:					
Loan programs	—	—	—	—	217
Unemployment compensation benefits	1,180,013	—	—	1,180,013	—
Insurance programs	—	45,998	—	45,998	398,228
Unrestricted	—	—	(87,385)	(87,385)	226,099
Total net position	**$ 1,180,013**	**$ 45,998**	**$ 134,109**	**$ 1,360,120**	**$ 726,608**

Statement of Revenues, Expenses, and Changes in Fund Net Position

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Operating revenues:					
Assessments	$ 326,985	$ 16	$ —	$ 327,001	$ —
Charges for services	—	—	51,787	51,787	2,972,592
Contributions	—	—	354	354	—
Interest and other investment income	22,821	11,875	13,428	48,124	—
Federal operating grants and contracts	5,143	—	—	5,143	—
Other operating revenues	15,278	—	121	15,399	390,268
Total operating revenues	**370,227**	**11,891**	**65,690**	**447,808**	**3,362,860**
Operating expenses:					
General operations and administration	—	5	35,683	35,688	496,487
Benefits and claims	149,581	12,080	13,309	174,970	2,781,748
Tuition plan disbursements	—	—	14,487	14,487	—
Depreciation and amortization	—	—	1,405	1,405	20,309
Other operating expenses	—	—	24	24	269
Total operating expenses	**149,581**	**12,085**	**64,908**	**226,574**	**3,298,813**
Operating income	**220,646**	**(194)**	**782**	**221,234**	**64,047**
Nonoperating revenues (expenses):					
Interest income	—	—	483	483	52,995
Contributions	—	—	—	—	14
Interest expense	—	—	(77)	(77)	(3,110)
Net other nonoperating revenues (expenses)	—	429	4,081	4,510	5,787
Losses on sale of capital assets	—	—	—	—	(100)
Total nonoperating revenues (expenses)	**—**	**429**	**4,487**	**4,916**	**55,586**
Income before transfers	**220,646**	**235**	**5,269**	**226,150**	**119,633**
Transfers in	609	—	—	609	530
Transfers out	(18,219)	(343)	(3,063)	(21,625)	(10,769)
Change in net position	**203,036**	**(108)**	**2,206**	**205,134**	**109,394**
Net position (deficit), beginning, as restated	976,977	46,106	131,903	1,154,986	617,214
Net position at end of year	**$ 1,180,013**	**$ 45,998**	**$ 134,109**	**$ 1,360,120**	**$ 726,608**

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

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers	$ 15,267	$ —	$ 50,088	$ 65,355	$ 2,757,603
Assessments received	321,544	16	—	321,560	—
Grants received	4,365	—	—	4,365	—
Tuition plan contributions received	—	—	734	734	—
Internal activity–payments from other funds	—	—	—	—	222,258
Other operating cash receipts	—	—	1,646	1,646	383,464
Claims and benefits paid	(160,659)	(33,782)	(34,807)	(229,248)	(242,649)
Payments to suppliers for goods and services	—	—	(26,735)	(26,735)	(2,987,296)
Payments to employees	—	—	(9,226)	(9,226)	(54,454)
Other operating cash payments	—	882	(6)	876	—
Net cash provided by (used in) operating activities	**180,517**	**(32,884)**	**(18,306)**	**129,327**	**78,926**
Cash flows from noncapital financing activities:					
Payment of bond issuance costs for other funds	—	—	—	—	(2,760)
Miscellaneous revenue cash receipts	—	—	43	43	3,813
Other noncapital financing cash payments	—	—	(576)	(576)	(7)
Transfers in	609	—	—	609	530
Transfers out	(18,219)	(343)	(3,063)	(21,625)	(10,769)
Net cash used in noncapital financing activities	**(17,610)**	**(343)**	**(3,596)**	**(21,549)**	**(9,193)**

Exhibit B-5

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (4,953)	$ (4,953)	$ (11,710)
Principal payments on capital debt	—	—	(180)	(180)	(5,855)
Interest payments on capital debt	—	—	(97)	(97)	(341)
Proceeds from sale or disposal of capital assets	—	—	2,954	2,954	1,838
Net cash used in capital and related financing activities	**—**	**—**	**(2,276)**	**(2,276)**	**(16,068)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	—	6,262	14,713	20,975	91,371
Purchase of investments	(381)	—	(2,825)	(3,206)	(103,383)
Interest and dividends on investments	22,791	11,293	13,909	47,993	39,388
Net cash provided by (used in) investing activities	**22,410**	**17,555**	**25,797**	**65,762**	**27,376**
Net increase (decrease) in cash and cash equivalents	**185,317**	**(15,672)**	**1,619**	**171,264**	**81,041**
Cash and cash equivalents at beginning of year	**880,643**	**47,732**	**20,160**	**948,535**	**906,180**
Cash and cash equivalents at end of year	**$ 1,065,960**	**$ 32,060**	**$ 21,779**	**$ 1,119,799**	**$ 987,221**
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ 220,646	$ (194)	$ 782	$ 221,234	$ 64,047
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,405	1,405	20,309
Provision for bad debts	11,603	—	—	11,603	—
Realized gains (losses) on sale of assets	—	—	2,910	2,910	(100)
Interest and dividends on investments and interfund loans	(22,791)	(11,293)	(13,505)	(47,589)	104
Other nonoperating revenues	—	—	55	55	72
Other nonoperating expenses	—	(10,851)	(576)	(11,427)	—

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

Continued on Next Page

Statement of Cash Flows

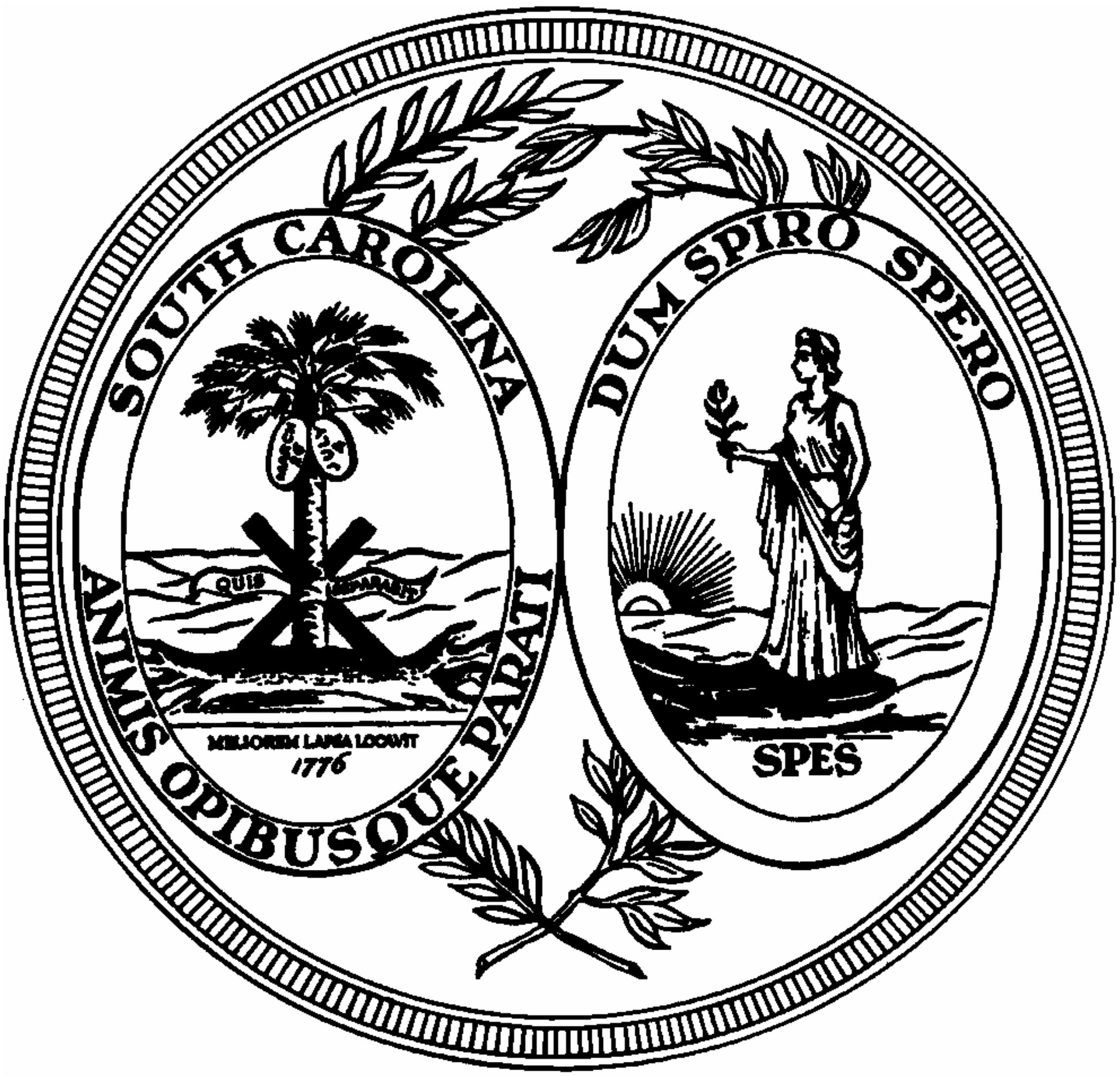
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Effect of changes in operating assets, deferred outflows, liabilities and deferred inflows:					
Accounts receivable, net	$ (928)	$ —	$ (547)	$ (1,475)	$ (5,389)
Accrued interest	(30)	(583)	—	(613)	—
Assessments receivable, net	(16,127)	—	—	(16,127)	—
Due from Federal government and other grantors	(778)	—	—	(778)	—
Due from other funds	—	—	(2)	(2)	(3,011)
Inventories	—	—	761	761	334
Other assets	—	—	(581)	(581)	(2,853)
Deferred outflows	—	—	1,237	1,237	7,945
Accounts payable	116	888	(1,719)	(715)	688
Accrued salaries and related expenses	—	—	199	199	(340)
Tax refunds payable	(8,198)	—	—	(8,198)	—
Unemployment benefits payable	(2,529)	—	—	(2,529)	—
Tuition benefits payable	—	—	(11,220)	(11,220)	—
Policy claims	—	(10,851)	4,209	(6,642)	12,228
Due to other funds	(467)	—	110	(357)	(613)
Unearned revenues	—	—	(209)	(209)	9,844
Compensated absences payable	—	—	49	49	78
Other liabilities	—	—	(1,672)	(1,672)	(22,209)
Deferred inflows	—	—	8	8	(2,208)
Net cash provided by (used in) operating activities	**$ 180,517**	**$ (32,884)**	**$ (18,306)**	**$ 129,327**	**$ 78,926**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	—	$ —	$ —	$ 10,726
Increase (decrease) in fair value of investments	—	—	1,827	1,827	12,558
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ 1,827**	**$ 1,827**	**$ 23,284**

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


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS
1776
SPES

Statement of Fiduciary Net Position — Exhibit B-6

FIDUCIARY FUNDS

June 30, 2019
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 2,599,154	$ 4,115,788	$ 16,907	$ 291,791
Receivables, net:				
Accounts	—	—	—	10,865
Contributions	337,077	—	—	—
Accrued interest	57,270	496	4,073	13,908
Unsettled investment sales	1,411,101	—	5,974	—
Other investment receivables	4,510	—	—	—
Total receivables	1,809,958	496	10,047	24,773
Due from other funds	74,020	—	—	—
Due from governmental funds	—	—	—	14,448
Investments, at fair value:				
Short term investments	402,848	—	—	18,067
Debt-domestic	5,783,054	574,517	—	—
Equity-international	14,366,890	—	—	—
Alternatives	10,158,256	—	—	—
Financial and other	108,004	2,699,696	3,978,740	—
Total investments	30,819,052	3,274,213	3,978,740	18,067
Invested securities lending collateral	70,722	76,500	102	3,426
Capital assets, net	2,232	—	—	—
Prepaid items	3,875	—	—	—
Other assets	—	—	4,398	—
Total assets	**35,379,013**	**7,466,997**	**4,010,194**	**352,505**
LIABILITIES				
Accounts payable	11,558	—	3,277	29,744
Accounts payable–unsettled investment purchases	1,281,247	—	6,147	—
Policy claims	542	—	—	—
Due to other funds	74,020	—	—	—
Intergovernmental payables	—	—	—	32,727
Deposits	—	—	—	5,851
Amounts held in custody for others	—	—	—	280,755
Deferred retirement benefits	70	—	—	—
Securities lending collateral	116,647	76,500	102	3,426
Due to participants	—	—	—	2
Other liabilities	175,453	—	—	—
Total liabilities	**1,659,537**	**76,500**	**9,526**	**352,505**
NET POSITION				
Restricted for pension and other post-employment benefits	33,719,476	—	—	—
Held in trust for:				
External investment pool participants	—	7,390,497	—	—
Other purposes	—	—	4,000,668	—
Total net position	**$ 33,719,476**	**$ 7,390,497**	**$ 4,000,668**	**$ —**

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

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 49
Contributions:			
Employer	2,252,147	—	—
Employee	1,028,413	—	—
Non-employer	204,354	—	—
Deposits from pool participants	—	12,559,307	—
Tuition plan deposits	—	—	3
Other	—	—	234,945
Total contributions	3,484,914	12,559,307	234,948
Investment income:			
Interest income and net appreciation in investments	2,185,517	165,974	206,091
Securities lending income	3,080	17	—
Total investment income	2,188,597	165,991	206,091
Less investment expense:			
Investment expense	331,539	—	—
Securities lending expense	3	—	—
Net investment income	1,857,055	165,991	206,091
Assets moved between pension trust funds	1,244	—	—
Total additions	**5,343,213**	**12,725,298**	**441,088**
Deductions:			
Regular retirement benefits	3,354,605	—	—
Supplemental retirement benefits	333	—	—
Refunds of retirement contributions to members	139,692	—	—
Death benefit claims	23,717	—	—
Accidental death benefits	1,809	—	—
Other post-employment benefits	542,986	—	—
Withdrawals, pool participants	—	11,660,260	—
Distributions to pool participants	—	162,706	—
Depreciation	171	—	—
Administrative expense	19,015	5,282	13,366
Other expenses	—	—	809
Assets moved between pension trust funds	1,244	—	—
Total deductions	**4,083,572**	**11,828,248**	**14,175**
Change in net position	**1,259,641**	**897,050**	**426,913**
Net position, beginning	**32,459,835**	**6,493,447**	**3,573,755**
Net position at end of year	**$ 33,719,476**	**$ 7,390,497**	**$ 4,000,668**

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

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2019

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University
ASSETS				
Cash and cash equivalents	$ 475,601	$ 813,086	$ 689,695	$ 360,143
Investments	474,269	290,943	473,557	3,448
Invested securities lending collateral	—	1,825	5,698	6,459
Receivables, net:				
Accounts	225,636	33,015	13,781	16,165
Contributions	—	31,633	48,660	29,091
Accrued interest	2,308	1,697	3,352	2,837
Student accounts	—	1,453	8,651	6,871
Patient accounts	—	332,977	—	—
Loans and notes	—	262	10,236	3
Due from Federal government and other grantors	—	21,136	31,161	25,498
Due from primary government	—	16,524	5,810	11,073
Inventories	372,556	39,892	2,122	3,065
Restricted assets:				
Cash and cash equivalents	58,847	122,561	205,785	268,763
Investments	149,380	466,052	16,002	812,161
Accounts receivable	—	—	—	—
Loans receivable	—	11,988	14,064	6,171
Other	—	4,958	—	8,228
Prepaid items	14,068	35,754	2,506	12,140
Other assets	216,458	21,802	2,209	7,180
Regulatory asset	4,401,713	—	—	—
Other regulatory assets- asset retirement obligation	935,916	—	—	—
Investment in joint venture	7,162	—	—	—
Capital assets-nondepreciable	1,200,946	500,376	181,601	152,471
Capital assets-depreciable, net	3,855,938	1,014,234	1,281,455	1,258,378
Total assets	$ 12,390,798	$ 3,762,168	$ 2,996,345	$ 2,990,145
DEFERRED OUTFLOWS OF RESOURCES	$ 228,116	$ 303,423	$ 236,271	$ 145,750
LIABILITIES				
Accounts payable	$ 220,554	$ 181,457	$ 12,267	$ 30,072
Accrued salaries and related expenses	10,416	157,191	22,753	24,085
Accrued interest payable	46,383	3,622	4,971	4,546
Retainages payable	21,504	45	1,921	2,288
Prizes payable	—	—	—	—
Intergovernmental payables	—	—	—	—
Due to primary government	—	4,677	5,673	4,656
Unearned revenues and asset retirement obligation	716,666	28,002	46,383	56,789
Deposits	—	—	3,441	1,019
Amounts held in custody for others	—	—	11,960	1,159
Securities lending collateral	—	1,825	5,698	6,459
Liabilities payable from restricted assets:				
Other	—	—	—	—
Other liabilities	437,042	179,887	34,326	89,426
Long-term liabilities:				
Due within one year	46,980	197,527	57,343	36,897
Due in more than one year	7,901,945	3,248,284	2,508,121	1,894,851
Total liabilities	$ 9,401,490	$ 4,002,517	$ 2,714,857	$ 2,152,247
DEFERRED INFLOWS OF RESOURCES	$ 954,984	$ 100,671	$ 81,521	$ 52,304
NET POSITION				
Net investment in capital assets	$ 1,955,185	$ 522,562	$ 856,433	$ 823,621
Restricted:				
Expendable:				
Education	—	242,978	182,589	301,672
Transportation	—	—	—	—
Capital projects	280	250,623	117,724	133,639
Debt service	7,322	2,945	9,539	11,729
Loan programs	—	—	—	—
Other	—	—	—	—
Nonexpendable:				
Education	—	191,397	391,714	380,328
Unrestricted	299,653	(1,248,102)	(1,121,761)	(719,645)
Total net position (deficit)	**$ 2,262,440**	**$ (37,597)**	**$ 436,238**	**$ 931,344**

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

Exhibit C-1

State Ports Authority	Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ 218,884	$ 14,663	$ 24,723	$ 634,172	$ 3,230,967
34,160	—	—	452,824	1,729,201
6,225	272	—	6,477	26,956
53,438	356	48,273	77,989	468,653
—	—	—	34,590	143,974
—	120	—	1,743	12,057
—	—	—	39,001	55,976
—	—	—	—	332,977
—	24,784	—	51,607	86,892
—	690	—	30,873	109,358
—	111	—	17,566	51,084
9,634	—	4,491	9,249	441,009
298,310	102,885	492	351,464	1,409,107
—	123,860	—	311,255	1,878,710
—	106	—	—	106
—	657,560	—	9,851	699,634
—	3,395	—	14,617	31,198
4,257	—	—	15,223	83,948
5,277	3,952	8,884	119,315	385,077
—	—	—	—	4,401,713
—	—	—	—	935,916
—	—	—	—	7,162
894,802	—	—	367,742	3,297,938
493,220	624	383	1,935,373	9,839,605
$ 2,018,207	$ 933,378	$ 87,246	$ 4,480,931	$ 29,659,218
$ 25,450	$ 2,810	$ 2,652	$ 263,765	$ 1,208,237
$ 36,206	$ —	$ 4,173	$ 52,899	$ 537,628
5,578	846	—	46,680	267,549
17,899	—	—	5,433	82,854
4,501	—	—	3,568	33,827
—	—	38,096	—	38,096
—	—	—	560	560
50,000	—	14,404	21,644	101,054
—	6,855	601	91,059	946,355
—	—	—	7,085	11,545
—	—	—	15,160	28,279
6,225	272	—	6,477	26,956
—	13,866	—	1,785	15,651
4,280	980	1,953	30,754	778,648
14,636	11,007	581	79,721	444,692
1,042,411	415,477	27,675	3,461,651	20,500,415
$ 1,181,736	$ 449,303	$ 87,483	$ 3,824,476	$ 23,814,109
$ 5,420	$ 28,983	$ 1,540	$ 165,357	$ 1,390,780
$ 712,008	$ 624	$ 383	$ 1,529,687	$ 6,400,503
—	—	—	319,992	1,047,231
—	—	—	2,078	2,078
—	—	—	263,328	765,594
34,161	20,892	—	56,320	142,908
—	418,015	—	62,549	480,564
—	—	492	19,005	19,497
—	—	—	217,949	1,181,388
110,332	18,371	—	(1,716,045)	(4,377,197)
$ 856,501	**$ 457,902**	**$ 875**	**$ 754,863**	**$ 5,662,566**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Service Authority	$ 1,646,680	$ 1,806,620	$ 19,844	$ —
Medical University of South Carolina	2,741,610	2,502,277	135,213	22,081
University of South Carolina	1,410,653	1,120,261	156,772	31,245
Clemson University	1,103,140	819,750	218,099	32,507
State Ports Authority	269,823	294,326	11,688	5,898
Housing Authority	205,390	47,596	186,085	—
Lottery Commission	1,984,775	1,984,650	32	—
Nonmajor component units	1,928,579	1,160,498	431,124	123,490
Totals	**$ 11,290,650**	**$ 9,735,978**	**$ 1,158,857**	**$ 215,221**

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

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	State Appropriations	Net Position (Deficit) Beginning	Net Position (Deficit) Ending
$ 179,784	$ —	$ —	$ 2,082,656	$ 2,262,440
(82,039)	15,945	134,173	(105,676)	(37,597)
(102,375)	11,608	175,649	351,356	436,238
(32,784)	10,459	136,487	817,182	931,344
42,089	—	—	814,412	856,501
28,291	—	—	429,611	457,902
(93)	—	—	968	875
(213,467)	20,984	301,500	645,846	754,863
$ (180,594)	**$ 58,996**	**$ 747,809**	**$ 5,036,355**	**$ 5,662,566**

Notes to the Financial Statements—Contents

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

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

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

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

Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below.

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership and the Retirement Systems Investment Commission (RSIC), which consists of eight members appointed by the Governor, the other four members of the State Fiscal Accountability Authority, a retired member of one of the five systems appointed by the other RSIC directors, and the ex-officio Executive director of PEBA, are co-trustees of the assets of the retirement system. PEBA also serves as the custodian of the assets of the retirement system.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2019.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2018. The Palmetto Railways Division is governed by the Secretary of the Department of Commerce which operates as a cabinet agency under the Governor and is subject to state laws and regulations as well maintaining operational responsibility for the blended component unit.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
http://osa.sc.gov

Palmetto Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200
http://osa.sc.gov

Major Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2019. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2018. A financial benefit/burden relationship exists between the State and the Public Service Authority.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates six ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

The South Carolina State Housing Finance and Development Authority is a legally separate entity that facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Authority issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Authority. The Governor appoints, with the advice and consent of the Senate, seven persons to be commissioners of the South Carolina State Housing Finance and Development Authority. The State has the ability to impose its will on the Housing Finance and Development Authority.

South Carolina Lottery Commission

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission is legally separate and is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs. A benefit/burden relationship exists between the State and the Lottery.

Clemson University

Clemson University is a legally separate State-supported, institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the General Assembly. The University is governed by a board of thirteen members, including six elected by the General Assembly and seven self-perpetuating life members. A benefit/burden relationship exists between the State and Clemson University.

Medical University of South Carolina

The Medical University of South Carolina (MUSC) is a legally separate State-supported institution of higher education. MUSC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The management and control of the University is vested in a board of trustees, composed as follows: the Governor or designee, ex officio, fourteen members elected by the General Assembly in joint assembly, and one member appointed by the Governor. A financial benefit/burden relationship exists between the State and MUSC.

University of South Carolina

The University of South Carolina (USC) is a legally separate State-supported institution of higher education. USC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The board of trustees is composed of the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association, which three are members ex officio of the board, and seventeen other members including one member from each of the sixteen judicial circuits elected by the general vote of the General Assembly, and one at-large member appointed by the Governor. A financial benefit/burden relationship exists between the State and USC.

Nonmajor Discretely Presented Component Units

The State's government-wide financial statements also include the following nonmajor discretely presented component units in the aggregate:

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2018.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2018. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

The South Carolina Education Assistance Authority is a legally separate entity that issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings. The State has the ability to impose its will on the Education Assistance Authority.

The South Carolina First Steps to School Readiness is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee. The State has the ability to impose its will on First Steps to School Readiness.

The South Carolina Jobs-Economic Development Authority is a legally separate entity that promotes and develops business and economic welfare in the state. The Authority is governed by a Board of Directors which consists of ten members all appointed by the Governor. The State has the ability to impose its will on the Jobs-Economic Development Authority.

The South Carolina Research Authority was created through an act of the General Assembly, as a legally separate entity, for the development and marketing of a statewide system of research and technology-based infrastructure and to conduct applied research and commercialization services on a contractual basis. The Research Authority is governed by twenty-four board members, of which an executive committee of nine members holds all voting ability. All nine of the executive committee members are State appointees. The State has the ability to impose its will on the Research Authority.

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2018. In May 2019, the State decided to combine The South Carolina Medical Malpractice Liability Joint Underwriting Association and the Patients' Compensation Fund (a nonmajor enterprise fund), which will take effect on January 1, 2020. The new combined entity will be named The South Carolina Medical Malpractice Association.

The Patriots Point Development Authority is a legally separate entity, established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor. Members of the Authority are appointed by the Governor as follows: one upon the joint recommendation of the Chairman of the House Ways and Means Committee and the Speaker of the House, one upon the joint recommendation of the Chairman of the Senate Finance Committee and the President Pro Tempore of the Senate, and three appointed by the Governor. The Governor appoints the chairman. In addition, there are three additional members of the board appointed by the Governor, one appointed upon recommendation of the President Pro Tempore of the Senate, one appointed upon recommendation of the Speaker of the House of Representatives, and one appointed upon recommendation of the State Adjutant General. A financial benefit/burden relationship exists between the State and the Authority.

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University*, and *Winthrop University*. The universities are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual university because the State provides significant funding to these institutions.

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-*

Georgetown Technical College, *Midlands Technical College*, *Northeastern Technical College*, *Orangeburg-Calhoun Technical College*, *Piedmont Technical College*, *Spartanburg Community College*, *Technical College of the Lowcountry*, *Tri-county Technical College*, *Trident Technical College*, *Williamsburg Technical College*, and *York Technical College*. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

One may obtain stand-alone financial statements for discretely presented component units from the following administrative offices:

South Carolina Public Service Authority
(Santee Cooper)
http://santeecooper.com

South Carolina State Ports Authority
http://scspa.com

South Carolina State Housing Finance and Development Authority
http://osa.sc.gov

South Carolina Lottery Commission
http://osa.sc.gov

Universities:
Medical University of South Carolina
University of South Carolina
Clemson University
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
http://osa.sc.gov

Technical Colleges:
Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Technical College of the Lowcountry
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College
http://sctechsystem.com

Children's Trust Fund of South Carolina
1205 Pendleton Street, Suite 506
Columbia, South Carolina 29201
http://scchildren.org

Connector 2000 Association, Inc.
Post Office Box 408
Piedmont, South Carolina 29673
http://southernconnector.com

South Carolina Education Assistance Authority
http://osa.sc.gov

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
http://osa.sc.gov

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
http://osa.sc.gov

South Carolina Research Authority
315 Sigma Drive
Summerville, SC 29486
http://scra.org

South Carolina Medical Malpractice Liability Joint Underwriting Association
c/o Patient's Compensation Fund
121 Executive Center Drive
Suite 110
Columbia, South Carolina 29210
http://scpcf.com

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
http://osa.sc.gov

Related Organizations

A related organization is one for which the primary government is accountable but not *financially accountable.* The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment

Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

The State of South Carolina is a member state within the Atlantic Interstate Low-Level Radioactive Waste Management Compact, a voluntary association of states that, by federal law, is legally separate from each of the member states. South Carolina does not have an ongoing financial interest in the Compact.

b. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities.* Taxes, federal revenues, and nonexchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities, and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

Statement of Activities and Eliminations

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The State does not eliminate direct expenses and does not allocate indirect expenses to functions in the statement of activities. In the statement of activities, reimbursements under indirect cost plans for federal reimbursement purposes are reported as program revenues of the function that includes the reimbursed expenses.

Eliminations have been made to minimize the double-counting of internal activities. For example, the State eliminates payments the Department of Health and Human Services makes to the Department of Mental Health for providing Medicaid services because it reports both departments in its health and environment function. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost for functional activities as reported in the total column of that statement. The State treats these internal payments as program revenues and treats interfund reimbursements in the statement of activities in the same manner as described below for fund financial statements.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs; (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and (c) investment earnings that are legally restricted for a specific program. The State classifies as *general revenues* all revenues that are not program revenues, including all taxes.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. The State presents separate statements for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. The State aggregates and reports as nonmajor funds all remaining governmental and enterprise funds.

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with monies from a Special Revenue Fund. That is, the Department of Motor Vehicles recorded Special Revenue Fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

Governmental Funds

Governmental funds focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds. The State reports the following major governmental funds:

The *General Fund* is the State's general operating fund. It accounts for resources that fund the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund.

The *Departmental Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts.

The *Local Governmental Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. This fund includes operations of the South Carolina Transportation Infrastructure Bank.

The *Department of Transportation Special Revenue Fund* accounts for the various gasoline taxes, fees, fines, and federal grant resources that the Department of Transportation uses in its general operations. Those operations include highway maintenance and repair as well as most of the Department's administrative activities.

The State aggregates other nonmajor governmental funds in a single column in its fund financial statements.

Enterprise Funds

Enterprise funds (which are reported as business-type activities in the government-wide financial statements) report activities that charge fees to external users for goods or services. The State reports the following major enterprise funds:

The *Unemployment Compensation Fund* accounts for the State's unemployment compensation benefits. Revenues consist of federal grants and assessments on employers to pay benefits to qualified unemployed persons.

The *Second Injury Fund* serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment. With the ratification of the Workers' Compensation Reform Act the Second Injury Fund was placed in "run-off" and terminated effective July 1, 2013. The Act provided for an orderly termination of the Fund by decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and remaining assets or operational liabilities to the State Fiscal Accountability Authority (SFAA).

The State aggregates other nonmajor enterprise funds in a single column in its fund financial statements.

Other Fund Types

The State reports the following fund types in addition to governmental and enterprise funds:

Internal service funds account for various goods and services provided to other State departments or agencies (primarily to governmental funds), or to other governments, on a cost-reimbursement basis. Services provided by these funds include several risk management activities for which the State is the primary participant, including underwriting related to the following risks: public buildings and their contents, torts, medical malpractice, automobile use by public employees in the performance of their official duties, employee health and disability, and workers' compensation benefits. Other services include those relating to telecommunications, computer operations, office rental, janitorial, building maintenance, lease and repair of fleet vehicles, procurement, and employee training. The internal service funds also sell goods produced with prison inmate labor. In addition, the internal service funds purchase selected supplies and equipment in bulk and sell these items to other State funds (primarily governmental funds) and to local governmental units. The State's internal service funds are considered to be governmental activities because they primarily serve governmental funds.

Pension and post-employment benefit trust funds account for the pension benefits of the South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Supplemental Retirement Plan, and the post-employment health, dental, and long-term disability insurance benefits provided by the State to its retirees.

The State's *investment trust fund* acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and miscellaneous other trust agreements holding assets that benefit non-State parties.

Agency funds account for assets that the State holds as an agent. These assets include amounts held for prisoners, patients of State institutions, and other external parties.

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported as nonoperating.

For the *Unemployment Compensation Fund,* principal operating revenues include amounts received from covered employers and from federal agencies. The amounts received from federal agencies are classified as operating revenues because they are provided to the State primarily to provide unemployment benefits, although amounts not needed for that purpose may be used for other purposes. This fund's operating expenses consist primarily of unemployment compensation benefits paid.

Component Unit Financial Statements

The State presents a statement of net position and a statement of activities for each of its major discretely presented component units and for the aggregate of its nonmajor discretely presented component units.

c. Measurement Focus and Basis of Accounting

A particular measurement focus determines *what* resources are measured. The State reports its government-wide, proprietary, and fiduciary fund (other than agency fund) financial statements using the *economic resources* measurement focus. Agency funds report only assets and liabilities and therefore cannot be said to have a measurement focus. Private sector business enterprises also use the economic resources measurement focus. The State reports its governmental funds using the *current financial resources* measurement focus.

The basis of accounting determines *when* the State recognizes revenues and expenditures/expenses as well as the related assets and liabilities, regardless of measurement focus. Generally accepted accounting principles for governments require the use of the accrual and the modified accrual basis of accounting as described below.

Accrual Basis

The State uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary and fiduciary fund financial statements and its component unit financial statements. Under the accrual basis, the State generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows.

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection.

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Revenues not considered available are reported as deferred inflows of resources. Generally, the State considers revenues reported in the governmental funds to be available if they are collected within 31 days after year-end. Exceptions are individual income tax revenues and federal and county funds accrued for the matching share of medicaid claims payable, which the State considers to be available if they are collected within 12 months after year-end. Furthermore, in the circumstance where underpayments exceed overpayments, individual income tax revenues are recognized to the extent of estimated overpayments (i.e., refunds payable and applied refunds). Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds, and investment earnings.

Recognition of Specific Grant and Shared Revenue Transactions

The State reports the receipt of food commodities and vaccines as revenue and the distribution of commodities and vaccines as expenditure or expense. The fair values of the donated commodities and vaccines are recognized as revenues when all eligibility requirements are met.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditure or expense under both the accrual and modified accrual bases of accounting.

The State shares certain of its revenues with municipalities, counties, and districts within its borders, recognizing expenditure or expense when the recipient government has met all eligibility requirements.

d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent cash on hand, cash on deposit in banks and savings associations, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: retirement plans, the Local Government Investment Pool (an external investment pool), and the Tobacco Settlement Revenue Management Authority (a blended component unit and a nonmajor governmental fund). For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

e. Cash Management Pool–Allocation of Interest

The State's cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Investments

The State Treasurer is authorized by statute to invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing mostly in the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Certain agencies and component units have specific authority to manage deposits and investments under their control. The investment policies of these entities may differ from those of the State Treasurer.

State law has established an eight-member Investment Commission with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The Commission may invest no more than 70.0% of the Systems' investment portfolio in equity securities.

Substantially all of the State's investments are presented at fair value.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained at: http://osa.sc.gov.

g. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience. The State discloses the allowances for uncollectible receivables and the net receivables not expected to be collected within one year in Note 5. Further, the State disaggregates its receivable balances in Note 5 if any significant components thereof have been obscured in the financial statements by aggregation or if different components of receivables have significantly different liquidity characteristics.

The State presents balances outstanding at the end of the fiscal year that relate to lending/borrowing arrangements between funds as interfund receivables and payables and reports all other outstanding balances between funds as due to/from other funds. The government-wide statement of net position displays internal balances that involve fiduciary funds as accounts receivable and accounts payable. The State reports as internal balances any residual balances outstanding between the governmental and business-type activities in the government-wide financial statements.

h. Inventories

The State values its inventories at the lower of cost or market, predominantly using the first-in, first-out methodology for its proprietary funds and its business-type activities and predominantly using the average cost methodology for its other funds and activities and its discretely presented component units. The State records expenditures in governmental funds when it consumes inventory items rather than when it purchases them.

i. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements. The State's policy is to reflect consumption of the future benefit under the consumption method.

j. Capital Assets

The State reports its capital assets in the following categories in the applicable governmental or business-type activities in the government-wide financial statements: land and land improvements, infrastructure (i.e., highways and bridges), buildings and improvements, construction in progress, vehicles, machinery and equipment, works of art and historical treasures, and intangible assets.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated acquisition value on the donation date. Infrastructure assets acquired prior to fiscal year ended June 30, 1980, are reported at cost beginning with fiscal year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. Net interest incurred by a proprietary fund during the construction phase of a major capital asset is included as part of the capitalized value of such asset.

The State reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based upon this assessment there were no material impairments as of June 30, 2019.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than $100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than $500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

Asset Category	Years
Land Improvements	3 - 60
Infrastructure--highways	75
Infrastructure--bridges	50
Buildings and Improvements	5 - 55
Vehicles	3 - 20
Machinery and equipment	2 - 25
Works of art; historical treasures	10 - 25
Intangible assets	3 - 38

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

In the government-wide statement of activities, the State reports losses on disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

k. Regulatory Assets and Regulatory Assets-Asset Retirement Obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as regulatory assets and regulatory asset retirement obligations. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority. The abandoned V.C. Summers 2 and 3 projects encompass the majority of the South Carolina Public Service Authority's $4.402 billion regulatory asset. These regulatory assets are also continuously monitored for impairment.

l. Tax Refunds Payable

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

m. Long-Term Obligations

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

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

Losses and gains on bond refundings are reported as deferred outflows or inflows of resources, respectively.

n. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees hired prior to July 1, 2012 participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

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

o. Net Position and Fund Balance

The State reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2019, $850.853 million was reported as restricted net position because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if either a state statute or constitutional provision constrains the use of resources of the state. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. Assigned fund balance is constrained through appropriation actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used. Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

q. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net position that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, nuclear decommissioning costs, non-exchange revenues, service concession arrangements, pension and other post-employment benefit (OPEB) contributions subsequent to the measurement date, difference between actual and expected experience on investments, net difference between projected and actual earnings on pension and OPEB plan investments, and changes in proportion and differences between contributions and proportionate share of contributions. See Note 9, Deferred Outflows of Resources and Deferred Inflows of Resources, on page 118 for further detail.

r. Pension and Other Post-Employment Benefit (OPEB) Obligations

The South Carolina Retirement Systems' financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The State's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market value are reported at estimated fair value.

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and expenses, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from the pension and OPEB fiduciary net positions have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, the pension and OPEB plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2019, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is intended to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2019:

Patients' Compensation	$ 47,932
Canteen	95
Tuition Prepayment Program	36,908
Prison Industries	2,341

Actions taken to eliminate deficits include increase of existing fees, assessment of additional fees, purchase of excess loss reinsurance, General Fund appropriations, and implementation of cost containment programs.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, those agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

a. Deposits

The following deposits disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems (the Systems) which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Deposit Policy

The State's deposit policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the State Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. Agencies, with specific authority to manage their deposits outside of the State Treasurer, may have custodial credit risk policies that differ from that of the State Treasurer. Therefore, some deposits presented below have custodial credit risk. See Note 1, sections d and e for additional information on deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2019 was $721.802 million and the bank balance was $1.198 billion. As of June 30, 2019, the reported amount of the primary government's deposits outside of the State Treasurer was $387.049 million and the bank balance was $389.533 million. Of the $6.812 million bank balance exposed to custodial credit risk, $704.120 thousand was uninsured and collateralized with securities held by the pledging financial institution and $6.108 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

b. Investments

The following investment disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section e of this note.

Investment Policy

The State's investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Agencies with specific authority to manage their own investments may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Fair Value

The State categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72*, Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

> Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.
>
> Level 2 Inputs: Inputs that are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-drivel valuations.
>
> Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the State performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments not having a readily determinable fair value is established using net asset value (or amortized cost) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by the State's custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. The State may override prices provided by the custodian bank if it is deemed necessary or appropriate. The following table is expressed in thousands:

Investments by Fair Value Level	At 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 114,978	$ —	$ 114,978
U.S. agencies	7,717,464	7,717,464	—
Mortgage backed obligations	86,395	—	86,395
Common stock	44,348	44,348	—
Other equity securities	2,105,514	2,105,514	—
Corporate bonds	2,336,959	—	2,336,959
Municipal bonds	5,280	—	5,280
Asset backed securities	632,866	—	632,866
Commercial paper	6,624,132	—	6,624,132
Money market mutual funds	608,747	608,747	—
Bond mutual funds	1,285,702	1,285,702	—
Other	78,135	—	78,135
Total investments at fair value level	21,640,520	$ 11,761,775	$ 9,878,745
Investments measured at amortized cost			
Repurchase agreements	1,701,408		
Total investments measured at fair value	$ 23,341,928		

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Agencies with specific authority to manage their own investments may have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2019 using the Standard and Poor's rating scale, Moody's rating scale, or other rating scale when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	BB	B	Alternative Rating Agency	Not Rated
U.S. agencies	$ 560,598	$ 7,078,833	$ 52,358	$ 10,383	$ —	$ —	$ —	$ 15,292
Mortgage backed obligations	40,264	46,131	—	—	—	—	—	—
Corporate bonds	36,751	143,860	980,378	1,122,988	52,698	197	—	87
Municipal bonds	—	—	5,280	—	—	—	—	—
Repurchase agreements	—	—	—	—	—	—	—	1,701,408
Asset backed securities	11,289	619,616	—	—	1,961	—	—	—
Commercial paper	—	5,561,030	43,143	836,314	—	—	—	183,645
Money market mutual funds	831	—	—	—	—	—	428	607,488
Bond mutual funds	—	810	—	—	—	—	—	1,284,892
Other	—	—	—	—	—	—	—	78,135
Totals	**$ 649,733**	**$ 13,450,280**	**$ 1,081,159**	**$ 1,969,685**	**$ 54,659**	**$ 197**	**$ 428**	**$ 3,870,947**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2019, the State Treasurer had 6.76% of the LGIP investment portfolio in Federal Home Loan Bank securities. In addition, LGIP had investments with Landesbank Hessen-Thueringen Girozentrale that represented 5.16% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2019, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. agencies	$ 6,916,019	$ 1,646,705	$ 4,912,148	$ 325,748	$ 31,418
Mortgage backed obligations	86,395	—	—	—	86,395
Corporate bonds	2,116,574	647,596	1,300,620	150,224	18,134
Municipal bonds	5,280	—	5,280	—	—
Repurchase agreements	1,448,593	1,448,593	—	—	—
Asset backed securities	632,866	—	—	11,289	621,577
Commercial paper	61,464	58,964	2,500	—	—
Other	76,217	63,000	13,217	—	—
Totals	**$ 11,343,408**	**$ 3,864,858**	**$6,233,765**	**$ 487,261**	**$ 757,524**

Agencies that manage their own investments may have interest rate risk policies that differ from that of the State Treasurer. Some of these agencies may not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2019, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 114,978	$ 105,934	$ 8,722	$ 322	$ —
U.S. agencies	796,239	499,545	195,522	292	100,880
Corporate bonds	220,385	782	218,803	713	87
Repurchase agreements	252,815	252,815	—	—	—
Commercial paper	6,562,668	6,562,668	—	—	—
Bond mutual funds	1,285,702	—	1,269,952	—	15,750
Totals	**$ 9,232,787**	**$ 7,421,744**	**$ 1,692,999**	**$ 1,327**	**$ 116,717**

Market Risk

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result from market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section d of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section e of this note.

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2019. At June 30, 2019, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2019, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2019, the State met the 102.0% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2019, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2019:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 450,931
Total securities lent for cash collateral	**$ 450,931**
Cash collateral invested as follows:	
Repurchase agreements	$ 459,950
Total for cash collateral invested	**$ 459,950**

At June 30, 2019, the fair value of securities on loan was $455.458 million. The fair value of the invested cash collateral was $459.950 million. Securities lending obligations were $459.950 million.

d. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand or collateralized with securities held by the State or its agent.

As of June 30, 2019, the carrying amount of the Systems' deposits was $72.671 million and the bank balance was $63.380 million.

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

Fair Value Measurements

The Systems categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are significant unobservable inputs.

The Systems have the following recurring fair value measurements as of June 30, 2019 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short Term Investments				
Short Term Investment Funds (U. S. Regulated)	$ 1,318,934	$ 1,318,934	$ —	$ —
Certificates of Deposit	5,403	—	5,403	—
Commercial Paper	940,969	—	940,969	—
U. S. Government Agency	35,005	—	35,005	—
U. S. Treasury Bills	312,704	312,704	—	—
Non U. S. Government Short Term Investments	19,824	—	19,824	—
Corporate Bonds	5,078	—	5,078	—
Total Short Term Investments	$ 2,637,917	$ 1,631,638	$ 1,006,279	$ —
Equity Allocation				
Global Public Equity				
Common Stocks	$ 5,221,350	$ 5,221,350	$ —	$ —
Real Estate Investment Trusts	705,442	705,442	—	—
Preferred	7,160	2,780	4,380	—
Total Equity	$ 5,933,952	$ 5,929,572	$ 4,380	$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	$ 338,406	$ 338,406	$ —	$ —
U.S. Government Agencies	645,479	—	645,479	—
Mortgage Backed				
Government National Mortgage Association	31,266	—	31,266	—
Federal National Mortgage Association	19,986	—	19,986	—
Federal Home Loan Mortgage Association (Multiclass)	4,069	—	4,069	—
Collateralized Mortgage Obligations	1,914	—	1,914	—
Municipals	44,516	—	44,516	—
Corporate				
Corporate Bonds	1,741,863	—	1,491,262	250,601
Asset Backed Securities	264,993	—	264,993	—
Private Placements	667,831	—	667,831	—
Yankee Bonds	636	—	636	—
Total Fixed Income	$ 3,760,959	$ 338,406	$ 3,171,952	$ 250,601
Total Investments by Fair Value Level	$ 12,332,828	$ 7,899,616	$ 4,182,611	$ 250,601

(continued)

Recurring fair value measurements as of June 30, 2019, continued (amounts in thousands):

Investments measured at net asset value (NAV)	
Strategic Partnership Short Duration	$ 13,298
Global Equity	5,686,544
Global Tactical Asset Allocation	2,404,366
Other Opportunistic	320,905
High Yield/Bank Loans	12,467
Emerging Debt	838,500
Hedge Funds	3,197,690
Private Equity	2,323,786
Private Debt	2,036,401
Private Real Estate	2,456,239
Private Infrastructure	144,140
Total investments measured at NAV	19,434,336
Total investments measured at fair value	$ 31,767,164

		Fair Value Measurements Using	
Investment derivative instruments	**At 6/30/2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Short Term Investments			
Options - Cash	$ (20)	$ —	$ (20)
Futures - Cash	0	0	—
Equity Investments			
Options - Equity	(17,734)	781	(18,515)
Futures - Equity	23,225	23,225	—
Swaps - Equity	15,632	—	15,632
Fixed Income Investments			
Options - Fixed Income	2	—	2
Futures - Fixed Income	2,709	2,709	—
Swaps - Fixed Income	4,841	—	4,841
Total investment derivative instruments	$ 28,655	$ 26,715	$ 1,940
Total Invested Assets	$ 31,795,819		

For investments measured at net asset value (NAV) (amounts in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Strategic Partnership Short Duration	$ 13,298	$ -	Monthly	5 - 10 days
Global Equity	5,686,544	-	Daily/Monthly	5 - 30 days
Global Tactical Asset Allocation	2,404,366	-	Monthly	5 - 14 days
Other Opportunistic	320,905	35,979	Monthly	5 - 30 days
High Yield/Bank Loans	12,467	-	Monthly	5 - 30 days
Emerging Debt	838,500	-	Daily/Monthly	10 - 15 days
Hedge Funds	3,197,690	-	Monthly/Quarterly	2 - 90 days
Private Equity	2,323,786	2,083,579	Illiquid	Illiquid
Private Debt	2,036,401	1,936,090	Illiquid	Illiquid
Private Real Estate	2,456,239	975,512	Illiquid	Illiquid
Private Infrastructure	144,140	274,308	Illiquid	Illiquid
Total investments measured at the NAV	$ 19,434,336	$ 5,305,468		

Strategic Partnership Short Duration Funds. This investment type contains one fund that invests primarily in short duration debt instruments which generally have a one to three-year maturity. The fair values of the investments have been determined using the percent ownership of the NAV of the fund and reported by the Investment Manager. Redemptions are generally allowed monthly, provided adequate notice.

Global Equity Funds. This investment type includes 14 funds that invest primarily in global developed and emerging equity public markets instruments with one of the funds invested in an equity options strategy. One of the funds is held in a strategic partnership. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

Global Tactical Asset Allocation Funds. This investment type includes three funds that may be invested in liquid securities and instruments, including but not limited to equities, fixed income securities, bank loans, commodities, futures, swaps, forwards, options and currencies. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are allowed monthly, provided adequate notice.

Other Opportunistic Funds. This investment type includes four funds all of which are strategic partnership investments. The objective of this asset class is to identify investments that, while they may not fit into other asset classes, still offer compelling opportunities for the Portfolio. These investments may offer either high returns, diversifying returns, or both. Examples of potential investments include, but are not limited to, commodities, CTAs, TIPS, and insurance strategies. This allocation also includes risk parity investments. The fair values of three investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The fair value of one investment in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Manager. Redemptions are generally allowed monthly, provided adequate notice.

High Yield/Bank Loan Funds. This investment type includes one fund that generally invests in high yield, bank loan and structured credit instruments. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Manager. Redemptions are generally allowed monthly, provided adequate notice.

Emerging Debt Funds. This investment type includes three funds that generally invest in debt securities issued in any currency and may hold foreign currency. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice, and one fund charges a redemption fee.

Hedge Funds. This investment type includes 22 funds that generally invest in hedge fund strategies that seek alpha in equity or credit markets or seek to minimize embedded market beta. There are 15 of these funds invested through strategic partnership investments which may consist of underlying investments in more than one hedge fund. The fair values of the investments in this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice; however, it is common that funds have authority to require longer redemption timeframes and/or make the redemption subject to gates to mitigate any detrimental impact to the fund.

Private Equity Funds. This investment type includes 55 funds that consist of investments in limited partnerships or co-investments and five funds within strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private equity investments span the venture capital, growth equity, fund of funds, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Debt Funds. This investment type includes 26 funds that consist of investments in limited partnerships and 4 funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, opportunistic and other strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Real Estate Funds. This investment type includes 28 funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, timber, value add and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Infrastructure Funds. This investment type includes three funds that consist of investments in limited partnerships. Common types of infrastructure investments are in transportation, energy, telecommunications, water supply, sewage, or hospitals. These assets tend to benefit from a rising inflation environment. Infrastructure is considered an illiquid investment strategy as funds generally have a life span of 20 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (Commission) has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that change proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio. Disclosures for interest rate risk at June 30, 2019, are noted below (amounts in thousands):

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 1,318,934	$ —	$ 1,318,934	0.08
Invested Securities Lending Collateral	41,327	41,327	—	0.00
Certificates of Deposit	5,403	—	5,403	0.31
Commercial Paper	940,969	—	940,969	0.07
U. S. Government Agency	35,005	—	35,005	0.34
U. S. Treasury Bills	312,704	—	312,704	0.32
Non U. S. Government Short Term	19,824	—	19,824	0.22
Corporate Bonds	5,078	—	5,078	0.24
Strategic Partnership Short Duration	13,298	13,298	—	0.00
Options - Cash	(20)	(20)	—	0.00
Total Short Term Investments	2,692,522	54,605	2,637,917	
Equity Allocation				
Preferred	$ 7,160	$ 7,160	$ —	0.00
Total Equity Investments	7,160	7,160	0	
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	338,406	—	338,406	6.97
U.S. Government Agencies	645,479	5,124	640,355	1.05
Mortgage Backed:				
Government National Mortgage Association	31,266	5,362	25,904	2.50
Federal National Mortgage Association	19,986	—	19,986	2.63
Federal Home Loan Mortgage Association (FHLMC Multiclass)	4,069	—	4,069	2.30
Collateralized Mortgage Obligations	1,914	—	1,914	2.50
Municipals	44,516	—	44,516	0.25
Corporate:				
Corporate Bonds	1,741,863	23,844	1,718,019	2.06
High Yield/Bank Loans	12,467	—	12,467	2.00
Asset Backed Securities	264,993	22,796	242,197	1.27
Private Placements	667,831	63,773	604,058	1.36
Yankee Bonds	636	—	636	1.24
Emerging Debt	838,500	—	838,500	6.13
Options - Fixed Income	2	—	2	(56.95)
Futures - Fixed Income	2,709	—	2,709	3.86
Swaps - Fixed Income	4,841	8,729	(3,888)	4.69
Total Fixed Income	4,619,478	129,628	4,489,850	
Mixed Credit Hedge Fund Allocation				
Mixed Credit Hedge Funds	33,629	3,429	30,200	0.01
Total Mixed Credit Hedge Funds	33,629	3,429	30,200	
Total Invested Assets	**$ 7,352,789**	**$ 194,822**	**$ 7,157,967**	
Total Portfolio Effective Duration (option adjusted duration)				**1.86**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Systems' staff. The Systems' fixed income investments at June 30, 2019 were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	C	NR[1]
Short Term Investments										
Short Term Investment Funds (U. S. Regulated)	$ 1,318,934	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Invested Securities Lending Collateral	—	—	—	—	—	—	—	—	—	41,327
Certificates of Deposit	—	—	—	—	—	—	—	—	—	5,403
Commercial Paper	—	275,779	—	656,599	—	—	—	—	—	8,591
Non U. S. Government Short Term	—	—	—	—	—	—	—	—	—	19,824
Corporate Bonds	—	—	—	201	1,777	—	—	—	—	3,100
Strategic Partnership Short Duration	—	—	—	—	—	—	—	—	—	13,298
Options - Cash	—	—	—	—	—	—	—	—	—	(20)
Equity Investments										
Preferred	—	—	—	—	—	—	—	—	—	7,160
Fixed Income Allocation[2]										
Mortgage Backed:										
Federal National Mortgage Association	19,986	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association (Multiclass)	4,069	—	—	—	—	—	—	—	—	—
Collateralized Mortgage Association	1,914	—		—	—	—	—	—	—	—
Municipals	—	4,800	7,165	—	—	—	—	—	—	32,551
Corporate:										
Corporate Bonds	45,325	214,454	454,028	290,827	190,500	225,327	29,737	4,864	1,515	285,286
High Yield/Bank Loans	—	—	—	—	—	—	—	—	—	12,467
Asset Backed Securities	95,118	1,704	5,901	27,935	60,845	15,544	5,862	6,857	—	45,227
Private Placements	35,289	79,559	185,859	57,942	57,117	52,864	27,291	2,609	—	169,301
Yankee Bonds	—	—	—	636	—	—	—	—	—	—
Emerging Debt	—	—	—	—	—	—	—	—	—	838,500
Options - Fixed Income	—	—	—	—	—	—	—	—	—	2
Futures - Fixed Income	—	—	—	—	—	—	—	—	—	2,709
Swaps - Fixed Income	—	—	—	—	—	—	—	—	—	4,841
Totals	**$1,520,635**	**$576,296**	**$652,953**	**$1,034,140**	**$310,239**	**$293,735**	**$ 62,890**	**$14,330**	**$ 1,515**	**$1,489,567**

[1]*NR represents securities that were either not rated or had a withdrawn rating.*

[2]*U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of $1.13 billion are not included in the above table because they are not subject to credit risk.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6.0% exposure to any single issuer." As of June 30, 2019, there is no single issuer exposure within the portfolio that comprises 5.0% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2019 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Infrastructure	Preferred Securities	Fixed Income	Equity	Total
Australian Dollar	$ 1,685	$ 13,215	$ (87)	$ 22,667	$ —	$ —	$ 2,442	$ 131,742	$ 171,664
Brazil Real	—	(10,970)	—	—	—	—	10,849	—	(121)
Canadian Dollar	1,990	26,270	113	—	—	—	41	253,938	282,352
Danish Krone	182	(742)	—	—	—	—	—	49,274	48,714
Euro Currency	9,850	(61,893)	464	192,228	85,663	2,780	186,588	595,269	1,010,949
Hong Kong Dollar	950	10,078	59	—	—	—	—	99,673	110,760
Israeli Shekel	540	(1,775)	—	—	—	—	1,293	9,257	9,315
Japanese Yen	23,385	69,426	(100)	—	—	—	(2,367)	393,557	483,901
Mexican Peso	327	138	—	—	—	—	—	—	465
New Zealand Dollar	71	(248)	—	—	—	—	—	11,422	11,245
Norwegian Krone	63	798	—	—	—	—	—	26,044	26,905
Pound Sterling	3,419	32,293	193	—	—	—	11,126	302,159	349,190
Singapore Dollar	836	274	—	—	—	—	—	18,132	19,242
South African Rand	2	—	—	—	—	—	—	—	2
Swedish Krona	(76)	7,096	54	—	—	—	—	60,279	67,353
Swiss Franc	387	(2,908)	—	—	—	—	—	114,058	111,537
Totals	**$ 43,611**	**$ 81,052**	**$ 696**	**$214,895**	**$ 85,663**	**$ 2,780**	**$ 209,972**	**$2,064,804**	**$2,703,473**

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, total return swaps, interest-only strips, and CMOs to enhance the performance and reduce volatility. To comply with the requirements of multiple exchanges, cash and securities in the amount of $95.9 and $244.1 million, respectively, were held in trust by the clearing brokers on June 30, 2019. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on the following pages. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient Market Theory dictates that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The tables below present classification information on the Systems' derivatives at June 30, 2019 (amounts in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation	$ 56,266
Forward Contracts	Net appreciation	7,569
Swaps	Net appreciation	48,916
Options	Net appreciation	42,069

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ (492)	$ —	$ (20)	$ —
Fixed Income	—	2,709	2	4,841
Global Public Equity	—	23,225	839,383	15,632
Totals	**$ (492)**	**$ 25,934**	**$839,365**	**$ 20,473**

At June 30, 2019, the Systems had the following exposure via futures contracts (amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*	Fair Value
SPI 200 Future (SFE)	September 19	Long	84	$ 9,666	$ 111
S&P/TSX 60 Index Future (MSE)	September 19	Long	89	13,318	121
DAX Index Future (EUX)	September 19	Long	39	13,755	256
EURO STOXX 50 Future (EUX)	September 19	Long	370	14,604	443
IBEX 35 Index Future (MFM)	July 19	Long	40	4,178	27
CAC40 10 EURO Future (EOP)	July 19	Long	258	16,256	420
FTSE/MIB Index Future (MIL)	September 19	Long	32	3,855	80
AMSTERDAM Index Future (EOE)	July 19	Long	38	4,855	60
HANG SENG Index Future (HKG)	July 19	Long	31	5,655	59
TOPIX Index Future (OSE)	September 19	Long	214	30,807	(100)
FTSE 100 Index Future (ICF)	September 19	Long	244	22,884	252
OMXS30 Index Future (SSE)	July 19	Long	198	3,459	54
S&P500 EMINI Future (CME)	September 19	Long	9,758	1,436,475	23,596
E-MINI RUSS 2000 Future (CME)	September 19	Short	(1,264)	(99,041)	(2,154)
Total Equity				1,480,726	23,225
US Long Bond Future (CBT)	September 19	Short	(9)	(1,400)	(47)
US 10YR Note Future (CBT)	September 19	Long	1,280	163,800	2,984
US 5YR Note Future (CBT)	September 19	Long	625	73,847	942
US 5YR Note Future (CBT)	September 19	Short	(24)	(2,836)	(36)
AUST 10YR Bond Future (SFE)	September 19	Short	(321)	(32,359)	(194)
AUST 3YR Bond Future (SFE)	September 19	Short	(35)	(2,824)	(4)
CAN 10YR Bond Future (MSE)	September 19	Short	(5)	(547)	(8)
EURO BUXL 30Y Bond Future (EUX)	September 19	Short	(20)	(4,621)	(158)
EURO-OAT Future (EUX)	September 19	Short	(191)	(35,861)	(710)
Long GILT Future (ICF)	September 19	Short	(46)	(7,628)	(60)
Total Fixed Income				149,571	2,709
Totals				**$ 1,630,297**	**$ 25,934**

**Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are “over-the-counter” (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. As of June 30, 2019, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	$ 15,316	$ 232	1.96%
Bank of Montreal	46,165	167	5.92%
Bank of New York Mellon	194,397	(1,309)	24.91%
Barclays Bank PLC	10,612	(91)	1.36%
BNP Paribas Securities Corporation	45,963	108	5.88%
Citibank	74,541	201	9.55%
Citigroup Global Markets	9,961	(103)	1.28%
Commonwealth Bank of Australia	36,427	144	4.67%
Deutsche Bank AG	8,796	(14)	1.13%
Goldman Sachs	117,251	99	15.03%
HSBC Bank	7,154	203	0.92%
Instinet Europe Ltd	8,878	(1)	1.14%
JPMorgan Chase Bank	83,021	(225)	10.64%
Morgan Stanley & Company	2,476	(15)	0.32%
Royal Bank of Canada	46,743	139	5.99%
Standard Chartered Bank	9,011	50	1.15%
State Street Corporation	41,448	143	5.31%
UBS AG/Stamford CT	22,133	(220)	2.84%
Totals	**$ 780,293**	**$ (492)**	**100.00%**

Swaps

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

The table below reflects the counterparty credit ratings at June 30, 2019, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aa2	$ (932)	$ (12,873)	$ 298	$ (13,507)
Aa3	375	404	—	779
A1	(18)	27,961	316	28,259
A2	98	9,191	—	9,289
A3	(14)	—	—	(14)
Baa2	(1)	—	—	(1)
Total subject to credit risk	$ (492)	$ 24,683	$ 614	$ 24,805
Centrally cleared:				
Chicago Board Options Exchange	$ —	$ —	$ (18,366)	$ (18,366)
Chicago Mercantile Exchange	—	(3,087)	—	(3,087)
Intercontinental Exchange	—	(151)	—	(151)
LCH Ltd	—	(972)	—	(972)
Total not subject to credit risk	$ —	$ (4,210)	$ (18,366)	$ (22,576)
Total	**$ (492)**	**$ 20,473**	**$(17,752)**	**$ 2,229**

At June 30, 2019, the Systems held swaps as shown in the tables below (amounts in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*	Gain (Loss) Since Trade
Bank of America	S&P 600 Swap	Fixed Rate	Fixed Rate	3/31/2020	$ 101,867	$ 1,202	$ 1,210
Bank of America	Russell 2000 Growth Swap	Fixed Rate	Variable Rate	9/30/2019	(141,455)	(2,943)	10,999
Bank of America	Russell 2000 Proxy	Fixed Rate	Variable Rate	9/30/2019	(140,024)	(2,001)	12,536
BNP Paribas	MSCI World Swap Proxy	Variable Rate	Fixed Rate	7/31/2019	576,572	404	6,226
Barclays Bank	Barclays US Securitized Proxy	Variable Rate	Fixed Rate	4/30/2020	51,040	174	808
Barclays Bank	Barclays US Securitized Proxy	Fixed Rate	Fixed Rate	4/1/2020	306,133	1,672	4,057
Barclays Bank	Barclays US Securitized Proxy	Variable Rate	Fixed Rate	7/31/2019	137,825	733	5,286
Barclays Bank	Barclays US Corporate Proxy	Variable Rate	Fixed Rate	7/31/2019	109,004	2,377	7,724
Barclays Bank	Barclays US Agg Proxy	Variable Rate	Fixed Rate	9/30/2019	319,610	3,159	17,325
Barclays Bank	TIPS Proxy	Variable Rate	Fixed Rate	9/30/2019	158,556	1,077	5,594
Goldman Sachs	Russell 1000 Value Proxy	Variable Rate	Fixed Rate	8/30/2019	359,726	25,066	2,114
Goldman Sachs	Russell 2500 Growth Proxy	Variable Rate	Fixed Rate	6/30/2020	140,003	3,097	3,068
Merrill Lynch	CSI 500 Net TR Proxy	Variable Rate	Fixed Rate	6/30/2020	24,997	(398)	(320)
Merrill Lynch	Shenzhen Comp Index TR proxy	Variable Rate	Fixed Rate	1/15/2020	86,665	(8,796)	13,939
Societe Generale	TIPS Proxy	Variable Rate	Fixed Rate	6/30/2020	457,077	—	—
					$ 2,547,596	**$ 24,823**	**$ 90,566**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/2021	$ 2,000	$ 25
Credit Suisse	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	12,500	127
Goldman Sachs	Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	12,630	(248)
HSBC Securities	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/21	1,200	15
JP Morgan Chase Bank	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	2,200	22
Morgan Stanley Capital	Credit Default Swaps	Fixed Rate	Variable Rate	12/20/23	4,000	(81)
					$ 34,530	**$ (140)**
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	175,976	(3,087)
Intercontinental Exchange	Cleared Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	92,670	(151)
LCH.Ltd	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	221,737	(972)
					$ 490,383	**$ (4,210)**

**Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.*

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. As of June 30, 2019, the Systems had the following option positions (amounts in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Call Aug 19 020.410	MXN/USD Spot Option 2019	August 2019	(7,400,000)	$ (10)
Call Jul 19 019.640	MXN/USD Spot Option 2019	July 2019	(1,750,000)	(3)
Call Aug 19 019.800	MXN/USD Spot Option 2019	August 2019	(1,750,000)	(7)
Total Cash & Cash Equivalents				(20)
Put Dec 19 002.750	IRS P US0003M R 2.75% 12/11/24	December 2019	(9,900,000)	$ (2)
Put Dec 19 002.945	IRS P US0003M R 2.945% 12/11/49	December 2019	2,200,000	4
Total Fixed Income				2
Call Jun 20 6618.800	ASX S&P/ASX 200 Index (OTC)	June 2020	3,728	$ 624
Put Jun 20 6618.800	ASX S&P/ASX 200 Index (OTC)	June 2020	(2,146)	(643)
Put Jun 20 21275.920	NIKKEI 225 (OTC)	June 2020	(182,106)	(2,752)
Call Jun 20 21275.920	NIKKEI 225 (OTC)	June 2020	259,810	2,701
Call Jun 20 7425.630	FTSE 100 Index (OTC)	June 2020	5,229	1,648
Put Jun 20 7425.630	FTSE 100 Index (OTC)	June 2020	(2,653)	(1,728)
Put Jul 19 2870.000	S & P 500 Index (SPX)	July 2019	(368)	(221)
Put Jul 19 2530.000	S & P 500 Index (SPX)	July 2019	(64)	(6)
Put Jul 19 2755.000	S & P 500 Index (SPX)	July 2019	64	37
Put Jul 19 2885.000	S & P 500 Index (SPX)	July 2019	(369)	(568)
Put Jul 19 2950.000	S & P 500 Index (SPX)	July 2019	(1,101)	(4,349)
Put Aug 19 2935.000	S & P 500 Index (SPX)	August 2019	(1,095)	(6,756)
Put Jul 19 2940.000	S & P 500 Index (SPX)	July 2019	(1,452)	(5,038)
Put Jul 19 2935.000	S & P 500 Index (SPX)	July 2019	(365)	(1,464)
Call May 21 000.355	2Y-10 CMS CAP	May 2021	630,000	146
Call May 21 000.365	2Y-10 CMS CAP	May 2021	655,000	148
Call May 21 000.455	2Y-10 CMS CAP	May 2021	783,000	142
Call May 21 000.355	2Y-10 CMS CAP	May 2021	787,000	182
Call May 21 000.365	2Y-10 CMS CAP	May 2021	249,000	56
Call May 21 000.605	2Y-10 CMS CAP	May 2021	492,000	60
Call Jun 20 3473.690	EURO STOXX 50 Future (OTC)	June 2020	39,558	5,988
Put Jun 20 3473.690	EURO STOXX 50 Future (OTC)	June 2020	(19,979)	(5,941)
Total Equity				(17,734)
Total				**$ (17,752)**

Alternative Investments

The Alternative Investment category includes the following asset classes: private equity, hedge funds, private debt, real estate, and infrastructure.

Private equity, private debt, and real estate investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. Hedge fund and commodities investments are typically on subscription basis with a single, initial investment with no further commitment.

The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts may include allocations to any asset class including those considered alternative investments. Assets of Strategic Partnerships are reported within their respective asset class totals.

The Investment Commission's intent is to access superior risk-adjusted returns through investing in alternative investment asset classes. Due to their low correlation to traditional asset classes, alternative investments diversify the portfolio and help reduce the risk associated with volatility of returns.

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt, real estate and private infrastructure investments. As of June 30, 2019, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

	Total Commitment	Amount Funded To Date	Remaining Unfunded Commitment
Limited Partnerships USD			
Private Equity	$ 5,251,815	$ 3,334,040	$ 1,917,775
Private Debt	5,856,766	3,920,676	1,936,090
Private Real Estate	3,780,331	2,804,819	975,512
Private Infrastructure	275,000	61,013	213,987
Other Opportunistic	105,249	69,270	35,979
Totals	$ 15,269,161	$ 10,189,818	$ 5,079,343
Limited Partnerships Euros			
Private Equity	€ 359,080	€ 253,965	€ 105,115
Private Infrastructure	125,000	72,031	52,969
Totals	€ 484,080	€ 325,996	€ 158,084
Limited Partnerships AUD			
Private Equity	$ 100,000	$ 34,304	$ 65,696
Totals	$ 100,000	$ 34,304	$ 65,696

Securities Lending

The Retirement Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102% of the fair value of the securities loaned for U.S. Securities, 105% for cross currency securities and 107% for equity securities, providing a margin against a decline in the market value of collateral. If the collateral value falls below 102%, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of $1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2019 included U.S. Government securities, U.S. Government agencies, corporate bonds, non U.S. sovereign debt and global equities. The contractual agreement between the RSIC and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash, U. S. Government securities, corporate securities, asset-backed securities and global equities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2019, the fair value of securities on loan was $83.247 million. The fair value of the invested cash collateral was $41.327 million. Securities lending obligations were $86.644 million with an unrealized loss in invested cash collateral of $45.317 million. The unrealized loss from securities lending activity was determined based on the settlement agreement between BNY Mellon and the State.

Under the agreement with BNY Mellon, the $45.317 million in unrealized loss is being gradually offset by a portion of securities lending earnings over a period of years. The gross securities lending revenue for the fiscal year was $3.047 million, an increase from $2.0 million in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2019, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2019:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
U.S Government Securities	$ 839	$ 148	$ 1	$ 5	$ 1	$ 994
Corporate bonds	6,086	1,075	7	36	6	7,210
Global Public Equity	63,346	11,182	75	377	63	75,043
Total securities lent for cash collateral	**$ 70,271**	**$ 12,405**	**$ 83**	**$ 418**	**$ 70**	**$ 83,247**
Securities lent for non-cash collateral:						
U.S Government Securities	$ 232,719	$ 41,080	$ 275	$ 1,383	$ 232	$ 275,689
Corporate bonds	1,767	312	2	10	2	2,093
Global Public Equity	637,379	112,511	752	3,789	637	755,068
Total securities lent for non-cash collateral	**$ 871,865**	**$153,903**	**$ 1,029**	**$ 5,182**	**$ 871**	**$1,032,850**
Cash collateral invested as follows:						
Repurchase agreements	$ 34,886	$ 6,158	$ 41	$ 207	$ 35	$ 41,327
Total cash collateral invested	**$ 34,886**	**$ 6,158**	**$ 41**	**$ 207**	**$ 35**	**$ 41,327**
Securities received as collateral:						
U.S. Government securities	$ 246,806	$ 43,566	$ 292	$ 1,467	$ 247	$ 292,378
Global Public Equity	666,478	117,648	786	3,962	666	789,540
Global Fixed Income	27,448	4,845	32	163	28	32,516
Total securities received as collateral	**$ 940,732**	**$166,059**	**$ 1,110**	**$ 5,592**	**$ 941**	**$1,114,434**

e. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2019, the Trusts had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to the Trust's investments in the State internal cash management pool, all of the Trust's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Fair Value Measurements

The Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trusts have the following recurring fair value measurements as of June 30, 2019 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. agencies	$ 748,800	$ 595,443	$ 153,357
Collateralized mortgage-backed obligations	87,793	—	87,793
Repurchase agreements	77,450	77,450	—
Corporate bonds	326,983	—	326,983
Financial paper	108,005	—	108,005
Total Investments at Fair Value	$ 1,349,031	$ 672,893	$ 676,138

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2019, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

Investment Type and Fair Value	AAA / AA	A / A1 / A2	BAA/BA	B/1/B/2/B/3	Not Rated
U.S. agencies	$ 748,800	$ —	$ —	$ —	$ —
Collateralized mortgage-backed obligations	87,793	—	—	—	—
Repurchase Agreements	—	—	—	77,450	—
Corporate Bonds	15,694	86,423	215,032	2,231	7,603
Financial Paper	13,393	60,394	34,218	—	—
Totals	**$ 865,680**	**$ 146,817**	**$ 249,250**	**$ 79,681**	**$ 7,603**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2019, the maturities of the investments for the Trusts that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. agencies	$ 748,800	$ 84,076	$ 280,345	$ 241,441	$ 142,938
Collateralized mortgage-backed obligations	87,793	—	48	1	87,744
Repurchase Agreements	77,450	77,450	—	—	—
Corporate bonds	326,983	30,744	224,075	70,017	2,147
Financial paper	108,005	13,441	56,323	35,001	3,240
Totals	**$ 1,349,031**	**$ 205,711**	**$ 560,791**	**$ 346,460**	**$ 236,069**

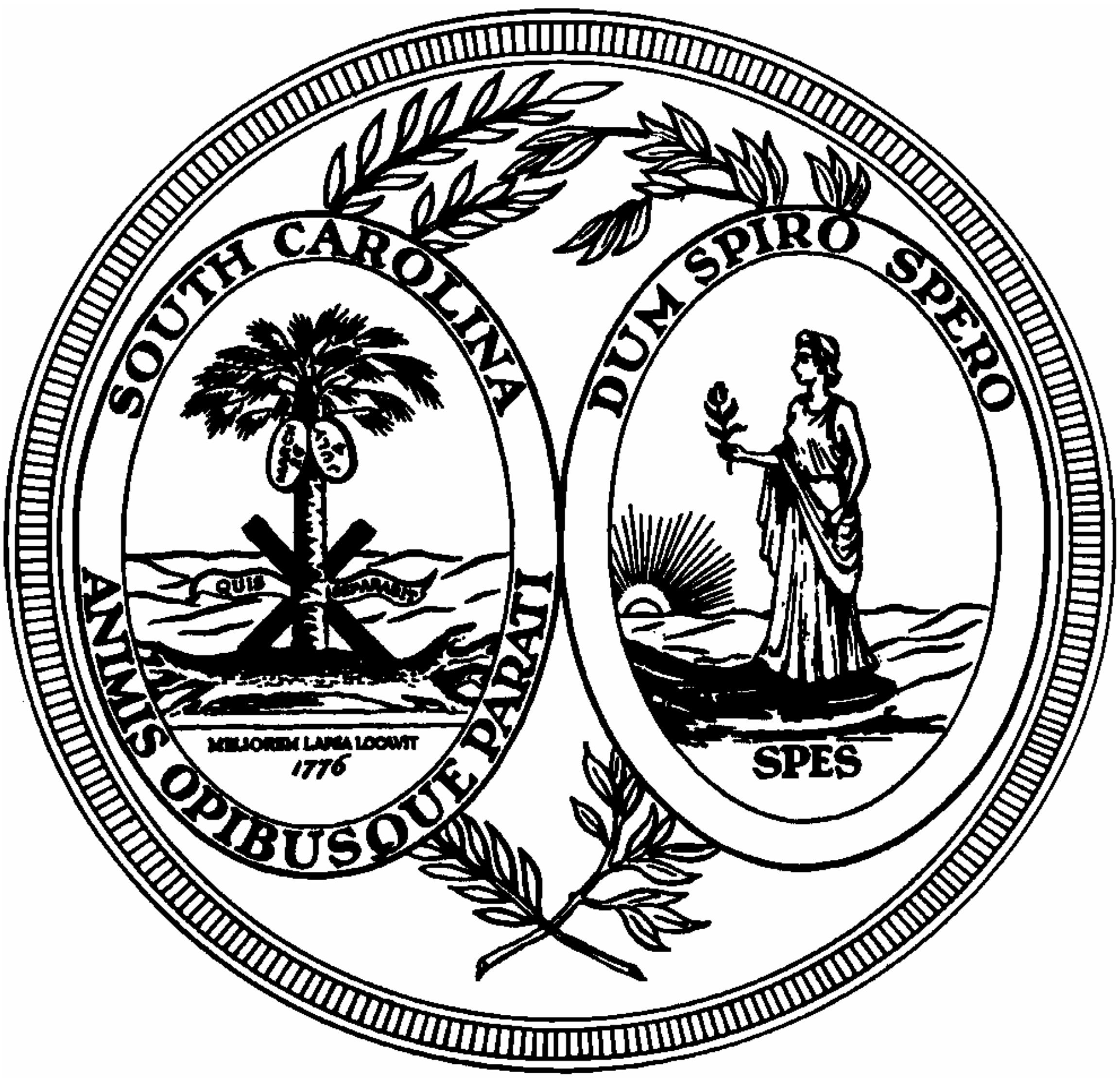
Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2019, the Trusts did not have any single issuers of debt that were not fully collateralized by U.S. Government obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The Trusts have no securities lending losses as of June 30, 2019. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2019:

	Amount
Securities lent for cash collateral:	
U.S. Government Securities	$ 25,429
Corporate Bonds	3,966
Total securities lent for cash collateral	**$ 29,395**
Cash collateral invested as follows:	
Repurchase agreements	$ 30,003
Total for cash collateral invested	**$ 30,003**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
DUM SPIRO SPERO
SPES

NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for governmental activities uncollectible receivables (expressed in thousands) at June 30, 2019, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
Allowances related to	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes	$ 365,989	$ —	$ —	$ —	$ —	$ 365,989
Sales and other taxes	218,655	—	—	26,574	—	245,229
Patient accounts	2,933	—	—	—	—	2,933
Other	20,506	10,986	337	—	30	31,859
Total allowances for uncollectibles	**$ 608,083**	**$ 10,986**	**$ 337**	**$ 26,574**	**$ 30**	**$ 646,010**

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Allowances for business-type activities uncollectible receivables (expressed in thousands) at June 30, 2019 were as follows:

	Business-type Activities (Enterprise Funds)
Allowances related to	Unemployment Compensation Benefits
Assessments	$ 41,432
Other	7,630
Total allowances for uncollectibles	**$ 49,062**

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2019, were as follows:

	Governmental Activities					
	Governmental Funds					
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Internal Service Funds	Total Governmental Activities
Accounts	$ 29,740	$ 66,953	$ —	$ —	$ 75	$ 96,768
Patient accounts	3,302	1,599	—	—	—	4,901
Loans and notes	34,525	375	701,015	359	—	736,274
Accounts receivable—restricted	—	—	70,199	—	—	70,199
Total long-term receivables, net	**$ 67,567**	**$ 68,927**	**$ 771,214**	**$ 359**	**$ 75**	**$ 908,142**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unavailable and unearned revenue in the governmental funds (expressed in thousands) at June 30, 2019, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ 3,906	$ —	$ 3,906
Federal grants	70	118,446	118,516
Contributions	39,042	165,131	204,173
Departmental services	—	16,769	16,769
Total unearned revenues	$ 43,018	300,346	$ 343,364
Internal service funds		174,604	
Total governmental activities		$ 474,950	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2019, for the primary government was as follows:

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 2,108,891	$ 45,552	$ (1,381)	$ 2,153,062
Construction in progress	3,320,255	973,703	(855,214)	3,438,744
Works of art and historical treasures	8,612	463	(3,278)	5,797
Intangibles	12	—	(1)	11
Total capital assets not being depreciated	5,437,770	1,019,718	(859,874)	5,597,614
Capital assets being depreciated:				
Land improvements	114,805	1,700	—	116,505
Infrastructure (road and bridge network)	14,528,713	707,730	(13,943)	15,222,500
Buildings and improvements	2,248,616	25,518	(26,630)	2,247,504
Vehicles	840,232	91,582	(29,388)	902,426
Machinery and equipment	635,581	67,493	(23,383)	679,691
Works of art and historical treasures	1,508	—	(1)	1,507
Intangibles	168,734	39,438	(8,431)	199,741
Total capital assets being depreciated	18,538,189	933,461	(101,776)	19,369,874
Less accumulated depreciation for:				
Land improvements	(64,738)	(2,789)	—	(67,527)
Infrastructure (road and bridge network)	(4,062,209)	(210,042)	7,974	(4,264,277)
Buildings and improvements	(1,156,109)	(60,089)	12,299	(1,203,899)
Vehicles	(611,790)	(75,365)	26,997	(660,158)
Machinery and equipment	(451,112)	(43,735)	16,350	(478,497)
Works of art and historical treasures	(601)	(61)	—	(662)
Intangibles	(108,367)	(11,889)	5,374	(114,882)
Total accumulated depreciation	(6,454,926)	(403,970)	68,994	(6,789,902)
Total capital assets being depreciated, net	12,083,263	529,491	(32,782)	12,579,972
Capital assets for governmental activities, net	**$ 17,521,033**	**$ 1,549,209**	**$ (892,656)**	**$ 18,177,586**

During the fiscal year ended June 30, 2019, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 31,755	$ 20,088	$ 51,843
Education	39,486	—	39,486
Health and environment	13,985	—	13,985
Social services	861	—	861
Administration of justice	27,573	221	27,794
Resources and economic development	38,549	—	38,549
Transportation	231,452	—	231,452
Total depreciation expense, governmental activities	**$ 383,661**	**$ 20,309**	**$ 403,970**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 176,886	$ 129	$ (7,078)	$ 169,937
Construction in progress	88,470	9,968	(4,328)	94,110
Total capital assets not being depreciated	265,356	10,097	(11,406)	264,047
Capital assets being depreciated:				
Land improvements	1,244	59	—	1,303
Buildings and improvements	16,588	8,742	(3,689)	21,641
Vehicles	1,290	—	(20)	1,270
Machinery and equipment	8,328	488	(501)	8,315
Intangibles	1,274	—	—	1,274
Total capital assets being depreciated	28,724	9,289	(4,210)	33,803
Less accumulated depreciation for:				
Land improvements	(1,080)	(56)	—	(1,136)
Buildings and improvements	(5,673)	(560)	619	(5,614)
Vehicles	(815)	(150)	20	(945)
Machinery and equipment	(4,943)	(511)	501	(4,953)
Intangibles	(357)	(128)	—	(485)
Total accumulated depreciation	(12,868)	(1,405)	1,140	(13,133)
Total capital assets being depreciated, net	15,856	7,884	(3,070)	20,670
Capital assets for business-type activities, net	**$ 281,212**	**$ 17,981**	**$ (14,476)**	**$ 284,717**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $2.134 million with accumulated depreciation of $5.233 million. Depreciation expense for fiscal year 2019 was $171 thousand. There were additions of $41 thousand for equipment during the year.

At June 30, 2019, the primary government had outstanding construction commitments totaling $51.749 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $22.068 million for significant permanent improvement projects. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling $37.008 million at June 30, 2019, related to information technology projects.

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. The South Carolina Public Employee Benefit Authority (PEBA) was created effective July 1, 2012 and administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the South Carolina Retirement System Investment Commission, which consists of eight members appointed by mostly elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The Systems' financial statements may be obtained by writing to:

Retirement Systems Finance
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, South Carolina 29223
http://www.peba.sc.gov

The **South Carolina Retirement System** (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **South Carolina Police Officers Retirement System** (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his or her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **Retirement System for Members of the General Assembly of the State of South Carolina** (GARS), a single-employer defined benefit pension plan, was created effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012. Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, persons elected to the General Assembly in November 2012 or after must elect membership in SCRS, the State Optional Retirement Program (State ORP), or may elect non-membership. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).

The **Retirement System for Judges and Solicitors of the State of South Carolina** (JSRS), a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the State. All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age. Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60. The mandatory retirement age is 72.

A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of the current active salary). The normal form of payment for a married member is a 33.3% joint and survivor annuity. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

The **South Carolina National Guard Supplemental Retirement Plan** (SCNG), a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard. National Guard members are considered to be federal government employees. The federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members' salaries only if the Governor activates the National Guard for service to the State. A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG retirees.

The pension benefit that the State provides is intended only to supplement the retirement benefit that Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of South Carolina National Guard duty, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to $50 per month for twenty years of creditable service with an additional $5 per month for each additional year of service, provided that the total pension shall not exceed $100 per month.

Each plan is independent. Assets of each plan may be used only to benefit participants of that plan. PEBA does not have the authority to establish or amend the benefit terms of SCRS, PORS, GARS, JSRS, and SCNG without a legislative change in the code of laws. Additionally, the plans provide retirement, death, and disability benefits to State employees; public school employees; and employees of counties, municipalities, and certain other State political subdivisions.

A summary of information related to members of the five plans is as follows at June 30, 2019:

	SCRS	PORS	GARS	JSRS	SCNG
Active Contributing Members	196,184	27,093	83	160	11,853
Retirees and Beneficiaries Currently Receiving Benefits	142,278	18,491	343	213	4,821
Terminated Members Entitled to But Not Yet Receiving Benefits	182,933	17,277	37	4	1,895
Total Membership	521,395	62,861	463	377	18,569

b. Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments

The financial statements of the previously-described plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Retirement benefits and refunded expenses are recognized when due and payable in accordance with the terms of each plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement Systems (PORS), the Retirement System for Members of the General Assembly of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG) and additions to/deductions from SCRS', PORS', GARS', JSRS', and SCNG's fiduciary net position have been determined on the same basis as they are reported by SCRS, PORS, GARS, JSRS, and SCNG. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See Note 4d for more information on pension trust fund investments.

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

By law, employee contribution requirements for the fiscal year ended June 30, 2019, were as follows:

Plan	Rate
SCRS	9.00% of earnable compensation
PORS	9.75% of earnable compensation
GARS	11.00% of earnable compensation
JSRS	10.00% of earnable compensation
SCNG	Non-contributory by employees

Actuarially-determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2019, were as follows:

Plan	Rate
SCRS	14.56%
PORS	17.24%
JSRS	52.49%

Contributions to SCRS, PORS, and JSRS from the State were $186.054 million, $66.834 million, and $11.730 million, respectively, for the year ended June 30, 2019. The GARS employer contribution of $5.804 million was actuarily determined and included incidental death benefits. The State contributed $5.290 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2019. Additionally, the State contributed $88.706 million to SCRS and $12.470 million to PORS above its proportionate employer contributions.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the State reported $2.905 billion and $826.612 million for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 2017 actuarial valuations, using membership data as of July 1, 2017, projected forward to June 30, 2018, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the State's SCRS proportion was 12.96%, which was a decrease of 0.09% from its proportion measured as of June 30, 2017. The State's PORS proportion of the net pension liability at June 30, 2018 was 29.17%, which was an increase of 0.20% from its proportion measured as of June 30, 2017.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2017, using membership data as of July 1, 2017, projected forward to June 30, 2018, and financial information of the pension trust funds as of June 30, 2018, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2019, the State recognized pension expenses of $282.800 million for SCRS, $107.984 million for PORS, $15.268 million for JSRS, $4.164 million for GARS, and $4.067 million for SCNG.

According to South Carolina Code of Laws 9-1-1180, the State is responsible for contributing the employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRS and PORS, but remitted instead to each school district and technical college for their contribution payments, GASB 68 requires that the school districts and technical colleges recognize the portions of the SCRS and PORS net pension liabilities that relate to their respective employees. As the State is actually responsible for these net pension liabilities, the State's effective share of the SCRS net pension liability was approximately $12.895 billion (or 57.55% of the total net SCRS pension liability) at June 30, 2019, with related pension expenses of approximately $1.255 billion for the year ended June 30, 2019. Likewise, the State's effective share of the PORS net pension liability was approximately $843.771 million at June 30, 2019 (or 29.78% of the total net PORS pension liability), with related pension expenses of approximately $110.226 million for the year ended June 30, 2019. As prescribed by GASB 68, the teachers and technical college employee-related net pension liabilities and corresponding pension expenses are not included in the State's net pension liability or in the State's pension expense.

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

	SCRS	PORS	JSRS	GARS	SCNG	Total
Deferred Outflows of Resources						
State Contributions Subsequent to the Measurement Date………………..……	$ 186,054	$ 66,834	$ 11,730	$ 5,804	$ 5,290	$ 275,712
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	80,192	18,273	—	—	—	98,465
Net Differences Between Projected and Actual Earnings on Pension Plan Investments…………………………….	46,147	16,530	2,128	688	561	66,054
Differences Between Expected and Actual Experience………………………	5,244	25,469	—	23	386	31,122
Changes in Assumptions……………...	115,256	54,503	7,716	—	3,397	180,872
Total…………………………………...	$ 432,893	$ 181,609	$ 21,574	$ 6,515	$ 9,634	$ 652,225
Deferred Inflows of Resources						
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	$ 80,324	$ 23,491	$ —	$ —	$ —	$ 103,815
Differences Between Expected and Actual Experience………………………	17,097	—	4,472	—	2,246	23,815
Total…………………………………...	$ 97,421	$ 23,491	$ 4,472	$ —	$ 2,246	$ 127,630

$275.712 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2020. Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions (expressed in thousands) will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	JSRS	GARS	SCNG
2020	$ 113,515	$ 48,280	$ 3,810	$ 697	$ 675
2021	73,079	34,634	2,411	280	397
2022	(32,369)	7,363	(683)	(246)	22
2023	(4,807)	1,007	(166)	(20)	177
2024	—	—	—	—	178
Thereafter	—	—	—	—	649
	$ 149,418	$ 91,284	$ 5,372	$ 711	$ 2,098

The total pension liabilities in the July 1, 2017 actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS	GARS	JSRS	SCNG
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25%	7.25%	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5% (Varies by Service)	3.5% to 9.5% (Varies by Service)	None	2.75%	None
Inflation Rate	2.25%	2.25%	2.25%	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or $500	Lesser of 1% or $500	None	2.75%	None

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2018 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety, Firefighters and Members of the South Carolina National Guard	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2017. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**47.0%**		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	**10.0%**		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Commodities	2.0%	5.09%	0.10%
Opportunistic	**13.0%**		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	**100.0%**		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			**7.28%**

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS and PORS participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (expressed in thousands)

	GARS	JSRS	SCNG
Total Pension Liability			
Service Cost	$ 464	$ 6,521	$ 804
Interest	5,200	21,271	4,743
Difference Between Actual and Expected Experience	138	(3,548)	(767)
Benefit Payments	(6,468)	(17,811)	(4,411)
Net Change in Total Pension Liability	(666)	6,433	369
Total Pension Liability at June 30, 2017	74,728	299,039	67,222
Total Pension Liability at June 30, 2018 (a)	$ 74,062	$ 305,472	$ 67,591
Plan Fiduciary Net Position			
Contributions - Employer	$ 5,428	$ 11,043	$ 4,814
Contributions - Member	287	3,016	—
Retirement Benefits	(6,452)	(17,655)	(4,411)
Death Benefits	(16)	(156)	—
Net Investment Income (Loss)	2,376	11,723	1,902
Administrative Expense	(18)	(86)	(14)
Net Change in Plan Fiduciary Net Position	1,605	7,885	2,291
Plan Fiduciary Net Position at June 30, 2017	31,789	152,151	26,036
Plan Fiduciary Net Position at June 30, 2018 (b)	$ 33,394	$ 160,036	$ 28,327
Net Pension Liability at June 30, 2018 (a) - (b)	$ 40,668	$ 145,436	$ 39,264

The following table presents the State's proportionate share of the SCRS and PORS net pension liabilities and the GARS, JSRS, and SCNG net pension liabilities calculated using the discount rate of 7.25%, as well as what the State's respective net pension liabilities (expressed in thousands) would be if it were calculated using a discount rate of 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 3,712,086	$ 2,905,026	$ 2,328,058
PORS	1,114,378	826,612	590,910
GARS	47,113	40,668	35,116
JSRS	178,963	145,436	117,750
SCNG	47,778	39,264	32,287

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2019, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 306,674	$ 29,547	$ 25	$ 830	$ 1	$ 337,077
Accrued interest	41,341	7,320	54	251	49	49,015
Unsettled investment sales	1,191,159	210,265	1,406	7,081	1,190	1,411,101
Other investment receivables	3,807	672	5	22	4	4,510
Total receivables	**$ 1,542,981**	**$ 247,804**	**$ 1,490**	**$ 8,184**	**$ 1,244**	**$ 1,801,703**
Due from other funds	**$ —**	**$ 50**	**$ —**	**$ 69**	**$ —**	**$ 119**
Investments and invested securities lending collateral:						
Short-term securities	$ 340,059	$ 60,027	$ 401	$ 2,021	$ 340	$ 402,848
Fixed income	3,899,462	688,338	4,601	23,181	3,896	4,619,478
Equity-international	12,127,591	2,140,779	14,309	72,095	12,116	14,366,890
Alternatives	8,574,936	1,513,660	10,118	50,975	8,567	10,158,256
Invested securities lending collateral	34,886	6,158	41	207	35	41,327
Total investments	**$ 24,976,934**	**$ 4,408,962**	**$ 29,470**	**$ 148,479**	**$ 24,954**	**$ 29,588,799**

f. Deferred Retirement Option Plans

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

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. The TERI program was closed effective June 30, 2018. Any member entering the TERI program after July 1, 2015 was only be able to participate in the program until June 30, 2018.

The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2019, was as follows:

Beginning balance of TERI trust accounts	$ 377,263
Additions	—
TERI distributions at termination	(377,193)
Ending balance of TERI trust accounts	**$ 70**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2019, there was $456 thousand held in this trust.

g. Optional Retirement Program

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program. Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (9.00%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (9.41%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$ 1,604,026
Employee contributions to providers	144,362
Employer contributions to providers	80,201

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits through the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (LTDITF), collectively referred to as the OPEB plans, to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority (PEBA). Article 5 of the State Code of Laws defines the two plans and authorizes PEBA to at any time adjust the plans, including its benefits and contributions, as necessary to ensure the fiscal stability of the plans. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the Executive Budget, 6.05% of annual covered payroll for fiscal year 2019. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $533.328 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2019. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2019.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. SCRHITF is funded primarily through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($100.803 million). LTDITF is funded primarily through investment income and employer contributions.

c. OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the State reported a liability of $2.965 billion for its proportionate share of the SCRHITF net OPEB liability and reported a liability of $673 thousand for its proportionate share of the LTDITF net OPEB liability. The net OPEB liabilities were measured as of June 30, 2018, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2017. At June 30, 2017, the State's proportion of the SCRHITF net OPEB liability was 20.92% and the State's proportion of the LTDITF net OPEB liability was 21.98%, based on its statutory contribution requirements. These proportions decreased by 0.03% and increased by 0.27%, respectively from the prior year.

As with SCRS and PORS, the State is responsible for contributing the OPEB employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRHITF and LTDITF, but remitted instead to each school district and technical college for their contribution payments, GASB 75 requires that the school districts and technical colleges recognize the portions of the SCRHITF and LTDITF net OPEB liabilities that relate to their respective employees. As the State is actually responsible for these net OPEB liabilities, the State's effective share of the SCRHITF net OPEB liability was approximately $10.880 billion (or 76.78% of the total net SCRHITF pension liability) at June 30, 2019, with related OPEB expenses of approximately $632.246 million for the year ended June 30, 2019. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately $2.140 million at June 30, 2019 (or 69.91% of the total net LTDITF OPEB liability), with related pension expenses of approximately $5.608 million for the year ended June 30, 2019. As prescribed by GASB 75, the teachers and technical college employee-related net OPEB liabilities and corresponding OPEB expenses are not included in the State's net OPEB liability or in the State's OPEB expense.

As a result of its requirement to contribute to the SCRHITF and LTDITF, the State recognized expenses of $172.747 million for SCRHITF and $1.763 million for LTDITF for the year ended June 30, 2019. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to SCRHITF and LTDITF (expressed in thousands):

	SCRHITF	LTDITF	Total
Deferred Outflows of Resources			
State Contributions Subsequent to the Measurement Date………………..….	$ 109,268	$ 1,362	$ 110,630
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	37,671	—	37,671
Net Differences Between Projected and Actual Earnings on Pension Plan Investments………………………….	11,718	—	11,718
Differences Between Expected and Actual Experience……………………….	44,018	391	44,409
Total……………………………………..	$ 202,675	$ 1,753	$ 204,428
Deferred Inflows of Resources			
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………..	$ 41,006	$ 49	$ 41,055
Differences Between Expected and Actual Experience……………………….	992	41	1,033
Changes in Assumptions……………..	241,403	44	241,447
Total……………………………………..	$ 283,401	$ 134	$ 283,535

$110.630 million reported as deferred outflows resulting from State contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liabilities in the year ended June 30, 2020. Other amounts reported as deferred (inflows)/outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to SCRHITF and LTDITF will be recognized as expense as follows (expressed in thousands):

Year Ended June 30,	SCRHITF	LTDITF
2020	$ (35,387)	$ 95
2021	(35,387)	95
2022	(35,387)	95
2023	(36,604)	47
2024	(38,533)	(15)
Thereafter	(8,696)	(60)
	$ (189,994)	$ 257

The total OPEB liabilities in the June 30, 2017 valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	SCRHITF	LTDITF
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Inflation Rate	2.25%	2.25%
Investment Rate of Return	4.00%, net of OPEB plan expense, including inflation	4.00%, net of OPEB plan expense, including inflation
Healthcare Cost Trend Rates	Initial trend starting at 6.75% and gradually decreasing to an ultimate rate of 4.15% over 14 years	N/A

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period for both OPEB plans. The last experience study was performed on data through June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both OPEB plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	20.0%	0.84%	0.17%
Total	**100.0%**		1.84%
Expected Inflation			2.25%
Total Return			**4.09%**
Investment Return Assumption			**4.00%**

The single discount rate used to measure the total SCRHITF liability is 3.62% (updated from 3.56% in the 2018 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.62%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate.

Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

The single discount rate used to measure the total LTDITFF liability is 3.91% (updated from 3.87% in the 2018 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.62%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index") and the resulting Single Discount Rate is 3.91%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain $38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2040. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2040, and the municipal bond rate was applied to all benefit payments after that date.

The following table presents the State's proportionate share of the SCRHITF and LTDITF net OPEB liabilities, as well as what the State's proportionate share of the net OPEB liabilities would be if it were calculated using a discount rate of 1.00% lower (2.62% for SCRHITF and 2.91% for LTDITF) or 1.00% higher (4.62% for SCRHITF and 4.91% for LTDITF) than the current discount rates:

Plan	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
SCRHITF	$ 3,492,571	$ 2,964,579	$ 2,538,865

Plan	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
LTDITF	$ 1,006	$ 673	$ 348

In addition, the following table presents SCRHITF's net OPEB liability, calculated using the assumed healthcare cost trend rates as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower (6.00%) and one percent higher (8.00%):

Plan	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
SCRHITF	$ 2,439,256	$ 2,964,579	$ 3,643,468

Complete financial statements for the OPEB plans and the trust funds may be obtained by writing to:

Insurance Benefits Division
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223
http://www.peba.sc.gov

d. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2019, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 7,953**	**$ 302**	**$ 8,255**
Due from other funds	**$ 73,901**	**$ —**	**$ 73,901**
Investments and invested securities lending collateral:			
Debt domestic instruments	$ 1,132,322	$ 31,254	$ 1,163,576
Financial paper	102,834	5,170	108,004
Invested securities lending collateral	29,395	—	29,395
Total investments	**$1,264,551**	**$ 36,424**	**$1,300,975**

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Details of all deferred outflows of resources and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

	Governmental Activities less Internal Service	Internal Service	Total Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ 32,816	$ —	$ 32,816	$ —	$ 32,816	$ 39,842
Deferred amount on refunding	87,881	—	87,881	—	87,881	194,677
Pensions:						
State contributions subsequent to the measurement date	271,144	3,887	275,031	681	275,712	303,402
Change in proportion and differences between employer contributions and proportionate share of plan contributions	94,630	2,952	97,582	883	98,465	125,651
Net Differences between projected and actual earnings on pension plan investments	64,868	944	65,812	242	66,054	74,592
Differences between expected and actual experience	30,751	318	31,069	53	31,122	12,024
Changes in assumptions	177,776	2,476	180,252	620	180,872	184,464
OPEB:						
State contributions subsequent to the measurement date	108,657	1,679	110,336	294	110,630	167,397
Change in proportion and differences between employer contributions and proportionate share of plan contributions	37,245	387	37,632	39	37,671	32,714
Net Differences between projected and actual earnings on OPEB plan investments	11,492	179	11,671	47	11,718	17,146
Differences between expected and actual experience	43,546	684	44,230	179	44,409	56,328
Total	$ 960,806	$ 13,506	$ 974,312	$ 3,038	$ 977,350	$ 1,208,237
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —	$ 1,414
Deferred gain on refunding	—	—	—	—	—	2,925
Deferred nuclear decommissioning costs	—	—	—	—	—	215,551
Deferred service concession arrangement receipts	—	—	—	—	—	1,774
Deferred nonexchange revenues	12,773	—	12,773	—	12,773	24,425
Toshiba Settlement	—	—	—	—	—	732,325
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	102,445	1,161	103,606	209	103,815	44,134
Differences between expected and actual experience	23,435	296	23,731	84	23,815	28,520
Changes in Assumptions	—	—	—	—	—	274
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	40,402	568	40,970	85	41,055	30,322
Differences between expected and actual experience	1,013	16	1,029	4	1,033	2,026
Changes in assumptions	236,748	3,724	240,472	975	241,447	307,090
Total	$ 416,816	$ 5,765	$ 422,581	$ 1,357	$ 423,938	$ 1,390,780

Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

	Patient's Compensation	Canteen	Palmetto Railways	Other Enterprise	Total
Deferred Outflows of Resources					
Pensions:					
State contributions subsequent to the measurement date	$ 37	$ 219	$ 385	$ 40	$ 681
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3	84	781	15	883
Net Differences between projected and actual earnings on pension plan investments	9	54	169	10	242
Differences between expected and actual experience	1	27	20	5	53
Changes in assumptions	20	147	425	28	620
OPEB:					
State contributions subsequent to the measurement date	14	96	166	18	294
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	33	—	6	39
Net Differences between projected and actual earnings on OPEB plan investments	2	10	33	2	47
Differences between expected and actual experience	6	38	128	7	179
Total	$ 92	$ 708	$ 2,107	$ 131	$ 3,038
Deferred Inflows of Resources					
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ 45	$ 90	$ 57	$ 17	$ 209
Differences between expected and actual experience	3	15	63	3	84
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	39	36	3	7	85
Differences between expected and actual experience	—	1	3	—	4
Changes in assumptions	34	209	694	38	975
Total	$ 121	$ 351	$ 820	$ 65	$ 1,357

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date	$ 287	$ 993	$ 364	$ 1,662
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1,212	873	13	633
Net Differences between projected and actual earnings on pension plan investments	79	224	86	411
Differences between expected and actual experience	9	25	10	203
Changes in assumptions	198	559	214	1,115
OPEB:				
State contributions subsequent to the measurement date	123	418	157	727
Change in proportion and differences between employer contributions and proportionate share of plan contributions	51	—	—	249
Net Differences between projected and actual earnings on OPEB plan investments	15	43	17	77
Differences between expected and actual experience	60	167	65	291
Total	$ 2,034	$ 3,302	$ 926	$ 5,368
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ —	$ —	$ 237	$ 685
Differences between expected and actual experience	29	83	33	112
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	87	117	270
Differences between expected and actual experience	1	4	1	7
Changes in assumptions	325	909	352	1,585
Total	$ 355	$ 1,083	$ 740	$ 2,659

Motor Pool	Prison Industries	Other Internal Service	Total
$ 132	$ 435	$ 14	$ 3,887
50	166	5	2,952
32	108	4	944
16	53	2	318
89	292	9	2,476
58	190	6	1,679
20	65	2	387
6	20	1	179
23	76	2	684
$ 426	$ 1,405	$ 45	$ 13,506
$ 54	$ 179	$ 6	$ 1,161
9	29	1	296
21	71	2	568
1	2	—	16
126	414	13	3,724
$ 211	$ 695	$ 22	$ 5,765

Details of all major discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority
Deferred Outflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 39,440	$ —	$ —	$ —	$ —
Deferred amount on refunding	134,937	32,071	19,878	4,585	—
Pensions:					
State contributions subsequent to the measurement date	8,829	94,259	63,155	42,480	7,973
Change in proportion and differences between employer contributions and proportionate share of plan contributions	513	31,673	30,494	22,937	8,843
Net Differences between projected and actual earnings on pension plan investments	5,544	19,735	15,591	10,182	1,676
Differences between expected and actual experience	2,547	2,669	2,229	1,392	198
Changes in assumptions	13,131	51,014	39,195	25,561	4,190
OPEB:					
State contributions subsequent to the measurement date	21,046	45,375	33,499	22,793	1,944
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	5,323	15,016	4,712	—
Net Differences between projected and actual earnings on OPEB plan investments	2,129	4,254	3,508	2,298	626
Differences between expected and actual experience	—	17,050	13,706	8,810	—
Total	$ 228,116	$ 303,423	$ 236,271	$ 145,750	$ 25,450
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 1,414	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—
Deferred nuclear decommissioning costs	215,551	—	—	—	—
Deferred service concession arrangement receipts	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—
Toshiba Settlement	732,325	—	—	—	—
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1,638	627	1,030	479	7
Differences between expected and actual experience	3,533	7,444	5,657	3,711	618
Changes in Assumptions	274	—	—	—	—
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	24	10	12	—
Differences between expected and actual experience	249	404	319	209	—
Changes in assumptions	—	92,172	74,505	47,893	4,795
Total	$ 954,984	$ 100,671	$ 81,521	$ 52,304	$ 5,420

Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ —	$ —	$ 402	$ 39,842
—	—	3,206	194,677
972	1,069	84,665	303,402
328	5	30,858	125,651
243	243	21,378	74,592
28	31	2,930	12,024
608	608	50,157	184,464
404	467	41,869	167,397
—	—	7,663	32,714
46	47	4,238	17,146
181	182	16,399	56,328
$ 2,810	$ 2,652	$ 263,765	$ 1,208,237
$ —	$ —	$ —	$ 1,414
2,925	—	—	2,925
—	—	—	215,551
—	—	1,774	1,774
24,059	—	366	24,425
—	—	—	732,325
563	353	39,437	44,134
90	89	7,378	28,520
—	—	—	274
360	105	29,811	30,322
4	4	837	2,026
982	989	85,754	307,090
$ 28,983	$ 1,540	$ 165,357	$ 1,390,780

Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University
Deferred Outflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —
Deferred amount on refunding	—	400	699	—	—
Pensions:					
State contributions subsequent to the measurement date	3,708	10,989	12,194	4,047	2,923
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3,257	10,239	1,914	379	913
Net Differences between projected and actual earnings on pension plan investments	1,409	2,673	2,742	940	664
Differences between expected and actual experience	200	450	415	134	108
Changes in assumptions	3,541	6,756	6,907	2,363	1,678
OPEB:					
State contributions subsequent to the measurement date	2,967	5,843	6,254	1,961	1,382
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1,634	1,601	—	—	—
Net Differences between projected and actual earnings on OPEB plan investments	306	584	641	205	142
Differences between expected and actual experience	1,175	2,295	2,455	784	540
Total	$ 18,197	$ 41,830	$ 34,221	$ 10,813	$ 8,350
Deferred Inflows of Resources					
Deferred service concession arrangement receipts	$ —	$ 60	$ 1,714	$ —	$ —
Deferred nonexchange revenues	—	345	—	—	—
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	294	140	2,953	784	104
Differences between expected and actual experience	511	952	989	341	237
Changes in assumptions	—	—	—	—	—
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	2	3	3,232	843	2,937
Differences between expected and actual experience	27	54	58	19	83
Changes in assumptions	6,390	12,407	13,348	4,261	1
Total	$ 7,224	$ 13,961	$ 22,294	$ 6,248	$ 3,362

South Carolina State University	Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College
$ —	$ —	$ —	$ —	$ —
—	1,610	—	—	—
3,667	5,586	1,093	1,944	427
4,230	1,861	233	243	21
931	1,489	263	447	127
148	204	30	58	18
2,350	3,739	655	1,122	317
1,684	3,012	443	837	204
2,538	—	—	—	—
175	335	52	86	24
684	1,281	204	328	92
$ 16,407	$ 19,117	$ 2,973	$ 5,065	$ 1,230
$ —	$ —	$ —	$ —	$ —
—	21	—	—	—
5,075	3,251	550	602	2,264
334	542	97	164	46
—	—	—	—	—
—	3,903	563	346	1,424
16	31	5	8	2
3,717	6,962	1,108	1,786	499
$ 9,142	$ 14,710	$ 2,323	$ 2,906	$ 4,235

Continued on Next Page

	Florence-Darlington Technical College		Greenville Technical College		Horry-Georgetown Technical College		Technical College of the Lowcountry		Midlands Technical College
Deferred Outflows of Resources									
Accumulated increase in fair value of hedging derivatives.................	$	—	$	402	$	—	$	—	$	—
Deferred amount on refunding...............		295		—		—		—		202
Pensions:										
State contributions subsequent to the measurement date......................		2,245		5,832		2,821		1,235		6,187
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................		84		64		254		8		789
Net Differences between projected and actual earnings on pension plan investments.................................		620		1,428		1,716		300		1,521
Differences between expected and actual experience..........................		71		178		79		34		199
Changes in assumptions.........................		1,546		3,576		690		748		3,814
OPEB:										
State contributions subsequent to the measurement date......................		1,077		2,637		1,375		538		2,688
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................		—		—		113		—		—
Net Differences between projected and actual earnings on OPEB plan investments.................................		123		291		140		57		290
Differences between expected and actual experience..........................		470		1,112		533		223		1,135
Total...	$	6,531	$	15,520	$	7,721	$	3,143	$	16,825
Deferred Inflows of Resources										
Deferred service concession arrangement receipts............................	$	—	$	—	$	—	$	—	$	—
Deferred nonexchange revenues.............		—		—		—		—		—
Pensions:										
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................		2,048		1,847		241		251		2,945
Differences between expected and actual experience..........................		230		525		254		111		557
Changes in assumptions.........................		—		—		—		—		—
OPEB:										
Change in proportion and differences between employer contributions and proportionate share of plan contributions..................		1,718		700		—		42		3,275
Differences between expected and actual experience..........................		11		27		13		5		26
Changes in assumptions.........................		2,553		6,045		2,901		1,211		6,167
Total...	$	6,560	$	9,144	$	3,409	$	1,620	$	12,970

Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College	Spartanburg Community College	Tri-County Technical College
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
555	1,529	2,421	2,753	2,885
1	43	18	2,530	1,223
130	374	549	—	663
16	58	77	—	99
338	943	1,379	—	1,671
262	645	1,040	1,329	1,297
—	—	—	1,190	257
26	70	94	—	133
100	272	404	—	508
$ 1,428	$ 3,934	$ 5,982	$ 7,802	$ 8,736
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
613	1,389	2,432	634	58
50	135	199	—	239
—	—	—	—	—
229	958	822	2,570	1
2	6	—	—	12
543	1,480	2,197	—	2,764
$ 1,437	$ 3,968	$ 5,650	$ 3,204	$ 3,074

Continued on Next Page

	Trident Technical College	Williamsburg Technical College	York Technical College	South Carolina Jobs-Economic Development Authority	Patriot's Point Development Authority
Deferred Outflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —
Deferred amount on refunding	—	—	—	—	—
Pensions:					
State contributions subsequent to the measurement date	6,171	464	2,024	38	576
Change in proportion and differences between employer contributions and proportionate share of plan contributions	15	92	599	111	220
Net Differences between projected and actual earnings on pension plan investments	1,442	108	591	9	130
Differences between expected and actual experience	235	13	77	1	15
Changes in assumptions	3,641	271	1,482	24	325
OPEB:					
State contributions subsequent to the measurement date	2,696	207	1,077	16	252
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	93	161	76	—
Net Differences between projected and actual earnings on OPEB plan investments	281	20	119	2	24
Differences between expected and actual experience	1,096	79	455	7	95
Total	$ 15,577	$ 1,347	$ 6,585	$ 284	$ 1,637
Deferred Inflows of Resources					
Deferred service concession arrangement receipts	$ —	$ —	$ —	$ —	$ —
Deferred nonexchange revenues	—	—	—	—	—
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	7,186	172	377	—	303
Differences between expected and actual experience	516	40	216	3	48
Changes in assumptions	—	—	—	—	—
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3,094	—	1	—	289
Differences between expected and actual experience	25	2	11	—	2
Changes in assumptions	5,958	428	2,471	37	519
Total	$ 16,779	$ 642	$ 3,076	$ 40	$ 1,161

South Carolina First Steps to School Readiness Board of Trustees	Total
$ —	$ 402
—	3,206
351	84,665
1,517	30,858
112	21,378
13	2,930
281	50,157
146	41,869
—	7,663
18	4,238
72	16,399
$ 2,510	$ 263,765
$ —	$ 1,774
—	366
2,924	39,437
42	7,378
—	—
2,859	29,811
392	837
1	85,754
$ 6,218	$ 165,357

NOTE 10: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

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

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 292,050	$ 121,560	$ (92,969)	$ 320,641
2018	282,735	106,839	(97,524)	292,050

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above $10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2019 the IRF had no reinsurance recoverable receivables, but had expenses of $40.259 million in reinsurance premiums for the 2019 fiscal year.

b. Employee Insurance Programs Fund

State law established the Employee Insurance Programs Fund, part of the State's internal service funds, to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and to provide group life and long-term disability insurance coverage to eligible active State and public school employees. The State, the predominant participant, retains the risk of loss. Under the health insurance program, participants elect coverage through a State Health Plan or a fully funded health plan if available. All dental, group life, and long-term disability coverages are provided through the State's self-insured plans. State funds and payroll deductions pay health and dental premiums for eligible State and public school employees. Agencies and school districts pay the employer share of premiums for retirees. Retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long-term disability for their employees.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise, monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 8 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHITF for which claims liability information is also available in Note 8.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 246,713	$ 2,650,592	$ (2,625,955)	$ 271,350
2018	222,617	2,486,691	(2,462,595)	246,713

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 251,990	$ 9,377	$ (50,377)	$ 210,990
2018	254,014	46,502	(48,526)	251,990

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of $1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first $1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of $1.000 million per occurrence up to a limit of $9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable. Within the last three years there have been no claims in excess of coverage.

At June 30, 2019 the Fund had a balance of $1.267 million in reinsurance recoverable receivables and had expenses of $2.757 million in reinsurance premiums for the 2019 fiscal year.

d. Uninsured Employers' Fund

The Uninsured Employers' Fund was established by Section 42-7-200. Effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund were devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. This long term liability is included in the Governmental Activities located in Exhibit A-1.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Uninsured Employers' Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 34,207	$ -	$ (11,737)	$ 22,470
2018	35,505	3,560	(4,858)	34,207

e. Patients' Compensation Fund

The South Carolina Medical Malpractice Patients' Compensation Fund (PCF) was created by State law. The PCF is accounted for as a nonmajor enterprise fund. The State accounts for the PCF as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the PCF follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The Medical Malpractice Liability Insurance Joint Underwriting Association (JUA), a discretely presented component unit, is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to $200 thousand per incident or $600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the PCF includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability (as Restated)	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 48,824	$ 13,309	$ (9,101)	$ 53,032
2018	48,362	9,144	(8,682)	48,824

f. Second Injury Fund

The Second Injury Fund, a major enterprise fund, was created by Code of Laws Section 42-7-310. It established the guidelines by which to pay compensation claims in those cases where an individual having an existing permanent physical impairment incurs a subsequent disability from injury by accident arising out of and in the course of employment. Funding for payment of compensation awards and for Fund operating costs is provided by equitable assessments upon all workmen's compensation insurance carriers, self-insurers, and the South Carolina State Accident Fund (approximately 360 entities). Participation is mandatory as required by State law. Participants of the fund are responsible for the fund's liabilities. Payments of claims and awards are made directly to the carriers and self-insurers. The State of South Carolina will not be responsible for any expense or liabilities of the fund, except the State Accident Fund, who is a participant in the fund.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	$ 222,937	$ 12,080	$ (22,931)	$ 212,086
2018	249,886	(185)	(26,764)	222,937

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the State Fiscal Accountability Authority.

NOTE 11: LEASES

The State leases land, office facilities, equipment, and other assets under both capital and operating leases.

a. Capital Leases

The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2019 for the primary government were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2020	$ 1,257
2021	1,017
2022	286
2023	76
2024	21
Total minimum payments	**2,657**
Less: interest and executory costs	(169)
Net minimum payments	**$ 2,488**

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2019, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Governmental Activities
Machinery and equipment	$ 11,617
Assets acquired under capital leases before accumulated amortization	**11,617**
Less: accumulated amortization	(9,387)
Assets acquired under capital leases, net	**$ 2,230**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2019, minimum rental payments under operating leases were $54.375 million and contingent rental payments were $6.346 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2019, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2020	$ 29,654	$ 33	$ 29,687
2021	23,120	—	23,120
2022	19,177	—	19,177
2023	14,188	—	14,188
2024	7,174	—	7,174
2025-2029	14,466	—	14,466
2030-2034	1,461	—	1,461
2035-2039	80	—	80
Net minimum payments	**$ 109,320**	**$ 33**	**$ 109,353**

c. Facilities and Equipment Leased to Others

At June 30, 2019, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $83.905 million and related accumulated depreciation of $30.387 million. Future minimum rental payments to be received at June 30, 2019, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2020	$ 8,687
2021	8,482
2022	8,435
2023	7,625
2024	6,041
2025-2029	27,546
2030-2034	30,178
2035-2039	34,552
Total	**$ 131,546**

NOTE 12: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2019, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:		
State highway bonds, 4.00% to 5.00%, maturing serially through 2023	$	109,839
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028		30,746
State economic development bonds, 2.00% to 5.00%, maturing serially through 2029		230,095
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029		63,654
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025		23,221
Totals—primary government	**$**	**457,555**

At June 30, 2019, $6.344 million of capital improvement bonds, $106.000 million of State highway bonds, $121.125 million of State economic development bonds, and $13.680 million of State research university infrastructure bonds were authorized by the General Assembly but unissued.

At June 30, 2019, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities			
Year Ending June 30	**Principal**		**Interest**	
2020	$	78,590	$	16,064
2021		91,690		12,230
2022		64,975		8,206
2023		46,080		5,314
2024		57,255		3,533
2025-2029		66,905		4,477
Total debt service requirements		**405,495**	**$**	**49,824**
Unamortized premiums		52,060		
Total principal outstanding	**$**	**457,555**		

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

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2019, was $68.809 million for highway bonds, $442.009 million for general obligation bonds excluding institution and highway bonds, $36.077 million for economic development bonds, and $21.191 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170.000 million 2010 issue, an $85.000 million 2013 issue, and an $18.110 million 2015 issue of economic development bonds and a $50.000 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

b. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2019, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.40% to 5.50%, maturing serially through 2041	$ 1,645,007	$ —
Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038	39,964	—
Department of Transportation note, 3.04%, maturing through 2032	—	4,535
Department of Administration notes, 1.66% to 2.80%, maturing through 2023	—	16,577
Department of Education notes, 1.44% to 1.72%, maturing through 2023	—	16,213
Judicial Department note, 2.02%, maturing through 2021	—	2,017
Department of Corrections notes, 2.62% to 5.25%, maturing through 2024	—	2,413
Department of Probation, Parole and Pardon note, 1.81%, maturing through 2022	—	650
Department of Social Services note, 2.94%, maturing through 2024	—	1,979
InvestSC, Inc. notes, 7.25%, maturing through 2023	—	50,000
Totals—governmental activities	**1,684,971**	**94,384**
Business-Type Activities:		
Nonmajor enterprise fund bonds, 0.43%, maturing through 2038	$ 5,375	$ —
Palmetto Railways note, 4.28%, maturing through 2047	—	6,500
Totals—business-type activities	**5,375**	**6,500**
Totals—primary government	**$ 1,690,346**	**$ 100,884**

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.40%, on such notional amount. For the fiscal year ended June 30, 2019, the Bank made variable bond interest payments of $6.956 million and fixed rate payments on the exchange agreement of $13.626 million. The Bank received variable swap payments on the exchange agreement of $5.521 million. The June 30, 2019 mark to market value of this swap was negative $1.434 million, representing an increase in fair value of $13.302 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

Pledged Revenues for Payment of Debt

Certain revenue bonds require the individual business-type activities to provide sufficient revenue to pay debt service and to fund all necessary expenses of the activities. The funds that receive the proceeds of revenue, Infrastructure Bank, and other bonds and notes have pledged revenues for payment of debt service as follows:

Primary Government:
Governmental Activities:

	Infrastructure Bank Bonds
Specific revenue pledged	Truck and vehicle registration fees; One-cent motor fuel user fee; contributions receivable and intergovernmental loans
Approximate amount of pledge	$283.777 million
General purpose for the debt	Provide financial assistance for major transportation projects for DOT
Term of commitment	FY 2041
% of revenue stream pledged	70.47%
Pledged revenue recognized	$205.310 million
Principal & interest paid	$131.080 million

Debt Service Requirements

At June 30, 2019, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2020	$ 102,587	$ 67,708	$ 190	$ 8
2021	103,750	65,995	195	8
2022	105,159	60,365	205	7
2023	76,764	55,773	215	7
2024	65,205	51,737	225	7
2025-2029	400,363	207,693	1,275	29
2030-2034	526,191	111,665	1,560	19
2035-2039	177,440	40,558	1,510	6
2040-2044	81,326	4,115	—	—
2045-2047	—	—	6,500	5,163
Total debt service requirements..................................	**1,638,785**	**$ 665,609**	**11,875**	**$ 5,254**
Net unamortized premiums.................	140,570		—	
Total principal outstanding.............	**$ 1,779,355**		**$ 11,875**	

On May 5, 2017, the Palmetto Railways purchased the assets of the Hampton and Branchville Railroad Company (H&B) for $6.500 million. Financing for the acquisition was provided to the Division by the Colleton County Intermodal Corporation (CCIC), which obtained the funds from its issuance of taxable economic development revenue bonds.

Payments on the loan are payable only from the revenues and net income generated from the operation of H&B. Payments are limited to 10% of annual revenues of H&B and 25% of net income generated by H&B.

The loan matures on May 12, 2047 and may be extended in four increments of five years each, if certain conditions are met and the loan has not been paid in full by the maturity date. The loan has a put option beginning at the end of five years under which Palmetto Railways may relinquish its rights to the H&B in exchange for the loan being considered paid in full. The loan also contains a call option exercisable after five years under which CCIC can demand payment in full or repossess the H&B if the loan payments in the preceding fiscal year are less than CCIC's payment obligations on its taxable economic development revenue bonds for that year.

The loan requires total payments of $11.663 million, which includes $6.500 million of principal that was borrowed to fund the acquisition of H&B. This leaves the remaining $5.163 million allocated to interest expense. Because of the variable nature of the payments, the effective interest rate will vary depending on the timing and amount of the loan repayments. Assuming a level stream of payments over the life of the loan, the effective interest rate is calculated to be 4.28%.

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2019, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 78,963
Total allocated interest expense	**$ 78,963**

c. Defeased Bonds

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has removed the defeased bonds from the accompanying financial statements. At June 30, 2019, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds	$ 92,007
Infrastructure Bank bonds	206,894
Tobacco Authority bonds	73,458
Totals	**$ 372,359**

d. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2019, there was no arbitrage rebate liability associated with the State's General Obligation Debt and with the Local Government Infrastructure Fund (a major governmental fund).

e. Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

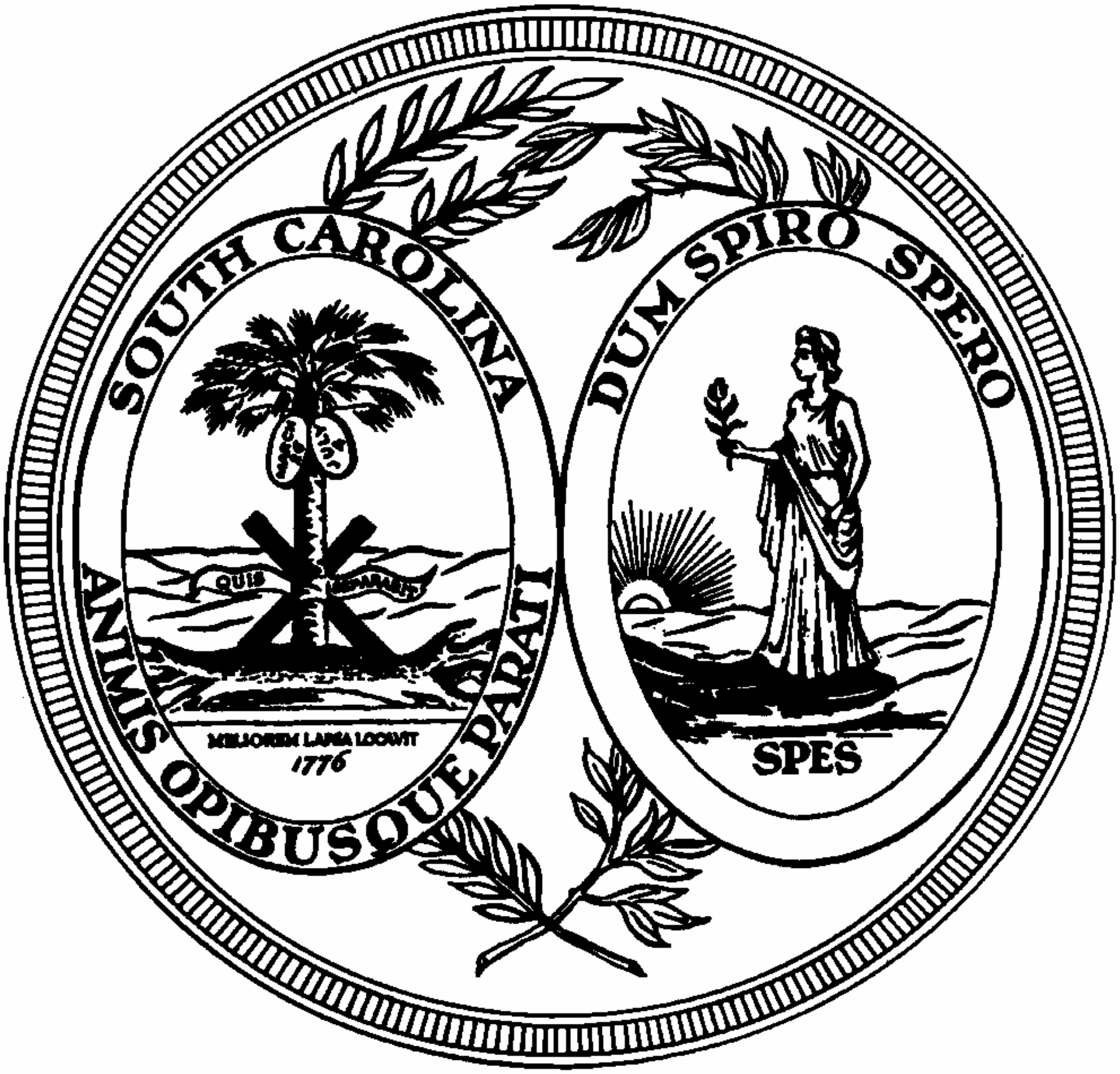
The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2019, the outstanding balance of bonds issued was $189.716 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2019, were (expressed in thousands):

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 824,960	$ 2,781,529	$ (2,781,038)	$ 825,451	$ 637,258
Notes payable	105,045	2,857	(13,518)	94,384	26,847
General obligation bonds payable	501,305	—	(95,810)	405,495	78,590
Unamortized discounts and premiums	63,506	—	(11,446)	52,060	—
Total general obligation bonds payable	564,811	—	(107,256)	457,555	78,590
Infrastructure Bank bonds payable	1,584,930	350,375	(426,014)	1,509,291	74,590
Unamortized discounts and premiums	144,075	—	(8,359)	135,716	—
Total Infrastructure Bank bonds	1,729,005	350,375	(434,373)	1,645,007	74,590
Revenue bonds payable	36,205	—	(1,095)	35,110	1,150
Unamortized discounts and premiums	4,904	—	(50)	4,854	—
Total revenue bonds payable	41,109	—	(1,145)	39,964	1,150
Capital leases payable	1,745	1,854	(1,111)	2,488	1,142
Compensated absences payable	186,856	145,326	(128,086)	204,096	122,237
Net pension liability	3,946,686	—	(4,713)	3,941,973	—
Net other post-employment benefit liability	2,834,077	119,180	—	2,953,257	—
Judgments and contingencies payable	12,909	1,523	(12,909)	1,523	1,523
Total long-term liabilities	$ 10,247,203	$ 3,402,644	$ (3,484,149)	$ 10,165,698	$ 943,337

	Balances at July 1, 2018 (As Restated)	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 271,761	$ 25,390	$ (32,033)	$ 265,118	$ 34,444
Notes payable	6,500	—	—	6,500	—
Revenue bonds payable	5,555	—	(180)	5,375	190
Compensated absences payable	525	459	(411)	573	373
Net pension liability	16,111	—	(1,078)	15,033	—
Net other post-employment benefit liability	3,589	8,406	—	11,995	—
Total long-term liabilities	$ 304,041	$ 34,255	$ (33,702)	$ 304,594	$ 35,007


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS
SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
DUM SPIRO SPERO
SPES

NOTE 14: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2019, the amounts constrained within the fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 51,142	$ —	$ —	$ —	$ —	$ 51,142
Inventories	30,365	13,383	—	5,427	—	49,175
Prepaid items	9,612	1,794	—	5,692	21	17,119
Other assets	102	—	—	203	—	305
Long-term loans and notes receivable	34,525	375	701,015	359	—	736,274
Endowments	—	—	—	—	11,373	11,373
Total Non-spendable	125,746	15,552	701,015	11,681	11,394	865,388
Restricted:						
Primary and Secondary Education	90,980	49,604	—	—	168,648	309,232
Health, Human Services and Environment	584,608	636,587	—	—	85,524	1,306,719
Transportation	—	7,363	662,804	499,381	—	1,169,548
Capital Projects	—	—	—	—	—	—
Debt Service	—	—	841,232	—	—	841,232
Administration of Justice	—	22,591	—	—	—	22,591
Waste management	—	—	—	—	180,351	180,351
General Government	519,270	281,051	—	9,702	121,201	931,224
Total Restricted	1,194,858	997,196	1,504,036	509,083	555,724	4,760,897
Committed:						
General Government	501,414	18,990	—	341,716	195,589	1,057,709
Capital reserve fund	—	—	—	—	—	—
Primary and Secondary Education	2,459	—	—	—	—	2,459
Health, Human Services and Environment	16,255	—	—	—	3,207	19,462
Waste Management	—	—	—	—	5	5
Total Committed	520,128	18,990	—	341,716	198,801	1,079,635
Assigned:						
Capital reserve fund	—	—	—	—	129,777	129,777
Primary and Secondary Education	12,918	941	—	—	—	13,859
Health, Human Services and Environment	46,311	8,426	—	—	—	54,737
General Government	81,928	7,044	—	—	3,572	92,544
Administration of Justice	13,820	1,026	—	—	—	14,846
Economic Development	9,724	560	—	—	—	10,284
Transportation	341	—	—	—	—	341
Social Programs	22,385	4,311	—	—	—	26,696
Total Assigned	187,427	22,308	—	—	133,349	343,084
Total Unassigned	3,620,911	(560,631)	—	—	—	3,060,280
Total Fund Balances	**$ 5,649,070**	**$ 493,415**	**$ 2,205,051**	**$ 862,480**	**$ 899,268**	**$ 10,109,284**

The following subsections contain further descriptive information regarding the constraints of fund balance.

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact (endowments).

b. Restricted

Primary and Secondary Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

These are restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction. As of June 30, 2019, the Capital Projects restricted fund balance was $0.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Administration of Justice

These are restricted resources for the continuation and enhancement of programs to improve the safety of the citizens and visitors of the State of South Carolina. Programs promote law enforcement agencies, judicial agencies and corrections of the State, its resources, citizens, and travelers.

Waste Management

The balance represents resources received from external parties which requires the use of the resources for governmental actions involving uncontrolled hazardous waste sites.

General Government

General Government includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

General Government

This represents the portion of the fund balance, which is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the General Fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund. As of June 30, 2019, the Capital Reserve committed fund balance was $0.

Primary and Secondary Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

d. Assigned

Primary and Secondary Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health, Human Services and Environment

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

General Government

The fund balance reported in this category is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

Administration of Justice

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to the courts to ensure the safety of its citizens and visitors.

Economic Development

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to assist in bringing businesses to South Carolina or expanding current businesses within South Carolina as it relates to infrastructure.

Transportation

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding for use in the maintenance and improvement of highway systems and access to commercial markets through rail, air, and transoceanic.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

e. Unassigned

Included in the unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve aids in preventing deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2019 fiscal year if it equals 5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year.

If the State withdraws funds from the Reserve to cover a year-end deficit, it must replace the funds within five years. The Constitution requires that at least one percent of the Budgetary General Fund revenue (budgetary basis) of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

At June 30, 2019, the Reserve met the legally-required fully funded amount.

NOTE 15: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The amounts in the "Implementation of GASB 75" column reflect restatements related to GASB Statement No. 75 as explained on the page that follows. The State is now required to record a liability for future pension benefits in excess of accumulated plan contributions. The amounts in the "Other Adjustments" column are due to the correction of errors related to prior periods, as described on the page that follows.

	7/1/2018 Fund Equity as Previously Reported	Implementation of GASB 75	Adjustments	7/1/2018 Fund Equity as Restated
Primary Government				
Governmental Funds:				
General Fund	$ 4,207,578	$ —	$ —	$ 4,207,578
Departmental Program Services	445,691	—	—	445,691
Local Government Infrastructure	2,123,074	—	—	2,123,074
Department of Transportation Special Revenue	762,238	—	—	762,238
Other Nonmajor Governmental Funds	795,811	—	—	795,811
Total Governmental Funds	8,334,392	—	—	8,334,392
Internal Service Funds	617,214	—	—	617,214
Government-Wide Adjustments:				
Capital assets	17,406,995	—	—	17,406,995
Net deferred outflows and inflows	716,883	—	—	716,883
Long-term liabilities	(9,506,499)	—	—	(9,506,499)
Total Government-Wide Adjustments	8,617,379	—	—	8,617,379
Total Governmental Activities	17,568,985	—	—	17,568,985
Business-Type Activities - Enterprise Funds:				
Unemployment Compensation Fund	976,977	—	—	976,977
Second Injury Fund	46,106	—	—	46,106
Other nonmajor enterprise funds	142,685	(8,778)	(2,004)	131,903
Total Business-Type Activities - Enterprise Funds	1,165,768	(8,778)	(2,004)	1,154,986
Total Primary Government	$ 18,734,753	$ (8,778)	$ (2,004)	$ 18,723,971
Component Units				
Public Service Authority	$ 2,082,656	$ —	$ —	$ 2,082,656
MUSC	(105,676)	—	—	(105,676)
USC	351,356	—	—	351,356
Clemson University	817,182	—	—	817,182
State Ports Authority	814,412	—	—	814,412
Housing Authority	429,611	—	—	429,611
Lottery Commission	968	—	—	968
Nonmajor component units	645,846	—	—	645,846
Total Component Units	$ 5,036,355	$ —	$ —	$ 5,036,355

The State implemented GASB 75 during its fiscal year ended June 30, 2018. However, it has two component units, one blended and the other discretely presented, with fiscal years ending December 31. In the State's financial statements, it uses financial information from the December 31 year ends of these entities. Both entities properly implemented GASB 75 during their fiscal years ended December 31, 2018, which occurred during the State's 2019 fiscal year. To provide accounting and reporting consistency in the State's financial statements, the impact of implementing GASB 75 by the blended component unit is shown as a restatement of July 1, 2018 fund equity, while the discretely presented component unit chose to implement GASB 75 through regulatory accounting.

During fiscal year 2019, the following prior year restatements occurred: (1) During the year ended June 30, 2019, the management of the South Carolina Medical Malpractice Patient's Compensation Fund decided no longer to discount claims. This caused a change in accounting principle.

NOTE 16: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2019 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 62,174	$ 6,317
Department of Transportation Special Revenue	1,905	104,029
Local Government Infrastructure	36	22,470
Nonmajor governmental funds	89	—
Internal service	643	13,979
Unemployment Compensation	2,525	—
Nonmajor enterprise funds	83	—
	67,455	146,795
Departmental Program Services		
General Fund	6,317	62,174
Department of Transportation Special Revenue	127	—
Internal service	—	78
	6,444	62,252
Department of Transportation Special Revenue Fund		
General Fund	104,029	1,905
Departmental Program Services	—	127
Local Government Infrastructure	—	1,494
Fiduciary	—	14,448
	104,029	17,974
Local Government Infrastructure		
General Fund	22,470	36
Department of Transportation Special Revenue Fund	1,494	—
	23,964	36
Nonmajor Governmental Funds		
General Fund	—	89
Internal Service		
General Fund	13,979	643
Departmental Program Services	78	—
	14,057	643
Unemployment Compensation		
General Fund	—	2,525
Nonmajor Enterprise Funds		
General Fund	—	83
Fiduciary		
Department of Transportation Special Revenue	14,448	—
Fiduciary	74,020	74,020
	88,468	74,020
Totals	**$ 304,417**	**$ 304,417**

Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30.

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General Fund			
Departmental Program Services	$ —	$ 1,550	$ —
Nonmajor enterprise funds	51,000	—	—
Internal service	142	—	142
	51,142	1,550	142
Departmental Program Services			
General Fund	1,550	—	—
Local Government Infrastructure			
Department of Transportation Special Revenue	152,057	—	132,927
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	152,057	—
Nonmajor Enterprise Funds			
General Fund	—	51,000	—
Internal Service			
General Fund	—	142	—
Totals	**$ 204,749**	**$ 204,749**	**$ 133,069**

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- $152.057 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $51.000 million owed by the Palmetto Railways Fund, a nonmajor enterprise fund, to the General Fund. The $51.000 million is an interest free loan from the Department of Commerce to the Palmetto Railways Fund that matured on October 31, 2019.

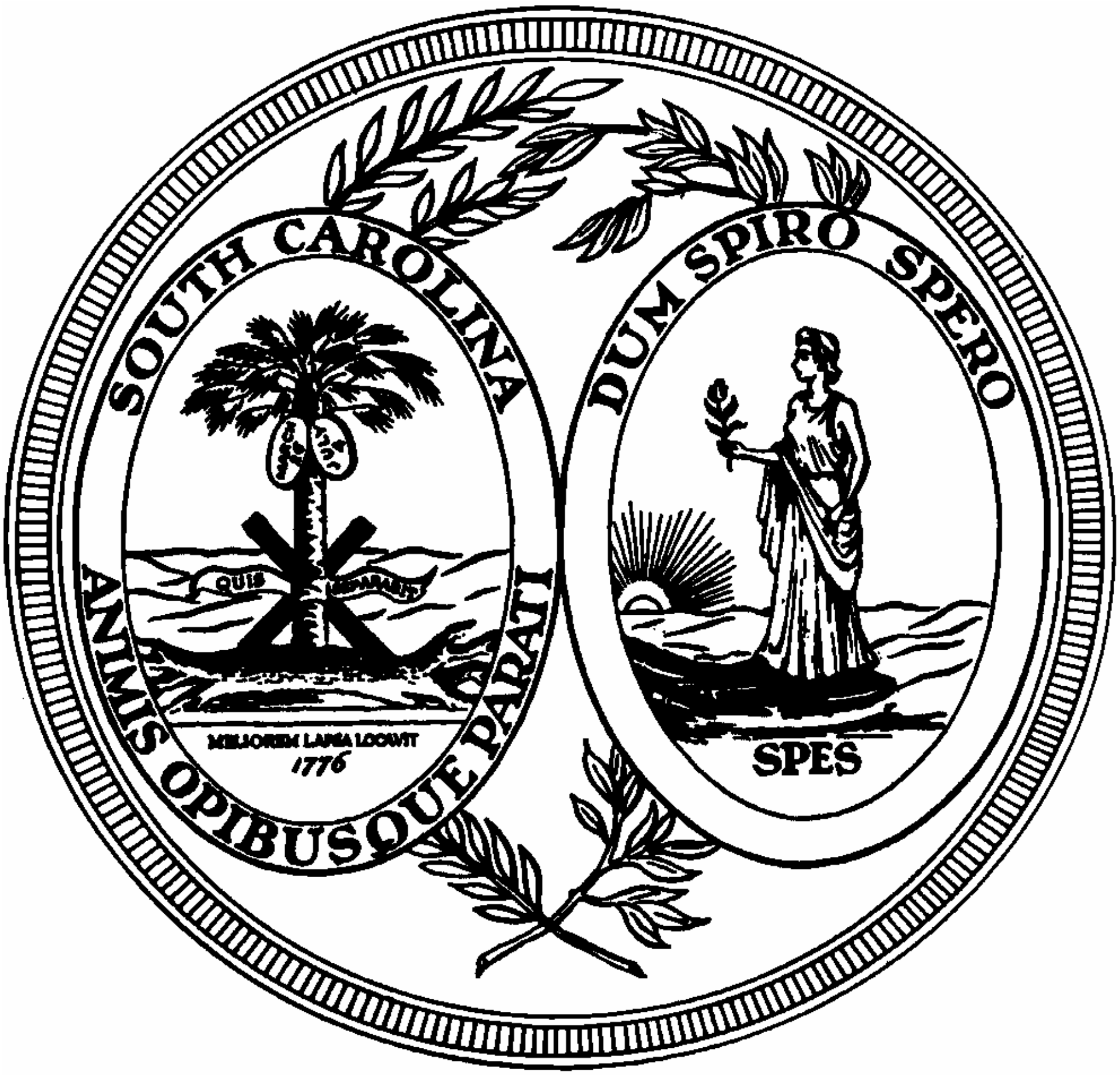
The following table summarizes interfund transfers during the fiscal year ended June 30, 2019 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ 12,377	$ 4,481
Local Government Infrastructure	—	4,642
Department of Transportation	3,564	57
Nonmajor governmental funds	9,370	33,932
Unemployment Compensation Benefits	18,219	609
Nonmajor enterprise funds	579	—
Internal service	512	459
	44,621	44,180
Departmental Program Services		
General Fund	4,481	12,377
Second Injury	343	—
Nonmajor governmental funds	200	179
Internal service	10,151	—
	15,175	12,556
Local Government Infrastructure		
General Fund	4,642	—
	4,642	—
Department of Transportation		
Local Government Infrastructure	57	3,564
	57	3,564
Nonmajor Governmental Funds		
General Fund	33,932	9,370
Departmental Program Services	179	200
Nonmajor governmental funds	76,920	76,920
Nonmajor enterprise funds	2,484	—
Internal Service	106	71
	113,621	86,561
Unemployment Compensation Benefits		
General Fund	609	18,219
Second Injury Fund		
General Fund	—	343
Nonmajor Enterprise Funds		
General Fund	—	579
Nonmajor governmental funds	—	2,484
	—	3,063
Internal Service		
General Fund	459	512
Department Program Services	—	10,151
Nonmajor governmental funds	71	106
	530	10,769
Totals	**$ 179,255**	**$ 179,255**

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

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2019 (expressed in thousands):

Funds	Due From	Due To
General Fund		
MUSC	$ —	$ 3,370
USC	49	1,094
Clemson University	—	6,615
Housing Authority	—	111
Ports Authority	50,000	—
Nonmajor discretely presented component units	7,147	7,601
	57,196	18,791
Departmental Program Services		
MUSC	4,677	13,045
USC	—	4,604
Clemson University	—	4,350
Nonmajor discretely presented component units	—	2,541
	4,677	24,540
Department of Transportation Special Revenue Fund		
Nonmajor discretely presented component units	45	—
Nonmajor Governmental Funds		
MUSC	—	18
USC	—	98
Lottery Commission	14,404	—
Nonmajor discretely presented component units	8,332	7,422
	22,736	7,538
Internal Service		
MUSC	—	91
USC	5,624	14
Clemson University	4,656	108
Nonmajor discretely presented component units	6,120	2
	16,400	215
Governmental activities total	**101,054**	**51,084**
MUSC		
General Fund	3,370	—
Departmental Program Services	13,045	4,677
Nonmajor governmental funds	18	—
Internal service	91	—
	16,524	4,677
USC		
General Fund	1,094	49
Departmental Program Services	4,604	—
Nonmajor governmental funds	98	—
Internal service	14	5,624
	5,810	5,673
Clemson University		
General Fund	6,615	—
Departmental Program Services	4,350	—
Internal service	108	4,656
	11,073	4,656
Housing Authority		
General Fund	111	—
Ports Authority		
General Fund	—	50,000
Lottery Commission		
Departmental Program Services	—	14,404
Nonmajor Discretely Presented Component Units		
General Fund	7,601	7,147
Departmental Program Services	2,541	—
Department of Transportation Special Revenue Fund	—	45
Nonmajor governmental funds	7,422	8,332
Internal service	2	6,120
	17,566	21,644
Discretely presented component units total	**51,084**	**101,054**
Totals	**$ 152,138**	**$ 152,138**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS
SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
DUM SPIRO SPERO
SPES

NOTE 17: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2019, the Educational Television Endowment of South Carolina, Inc., disbursed \$6.265 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of \$435 thousand at June 30, 2019.

The Education Assistance Authority, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2019, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC \$81.824 million; program revenue from SLC \$2.701 million; reimbursements to SLC for administrative costs \$421 thousand; and payable to SLC \$608 thousand.

NOTE 18: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include **Kiawah Development Partners II vs SCDHEC-OCRM (Office of Ocean and Coastal Resource Management) and State**, which alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. The plaintiff claims that the taking is due to the SCDHEC-OCRM's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than \$100 million in damages. The parties agreed to a stay of this suit while the Administrative Law Court (ALC) determined Kiawah's appeal of the permitting decision. The ALC ruled in favor of Kiawah and OCRM appealed. On December 10, 2014, the State Supreme Court reversed the ALC decision and remanded the case to that court for further consideration. The ALC issued rulings on remand in March and April of 2016, which were appealed. In April 2018, the Supreme Court affirmed the decision of the ALC as modified, the effect of which was to eliminate the ALC's approval of an erosion control structure for over 2,400 feet of shoreline. At the end of 2018, the ALC decided on an appeal of a Stormwater permit including an in-ground steel sheet pile wall. A final decision regarding that permit may have a significant bearing on the issues in this case. The takings suit remains under a stay that will last until 30 days after the final disposition of the stormwater permit appeal. Assessing the likelihood of a loss and the amount of any loss is somewhat speculative in that the permit proceeding must be resolved before the underlying takings action proceeds. Therefore, no determination has yet been made as to a risk of loss.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately \$21.1 million and \$101.5 million in lost future revenues. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 10a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2019, or earlier years will not have a material impact on the State's financial statements.

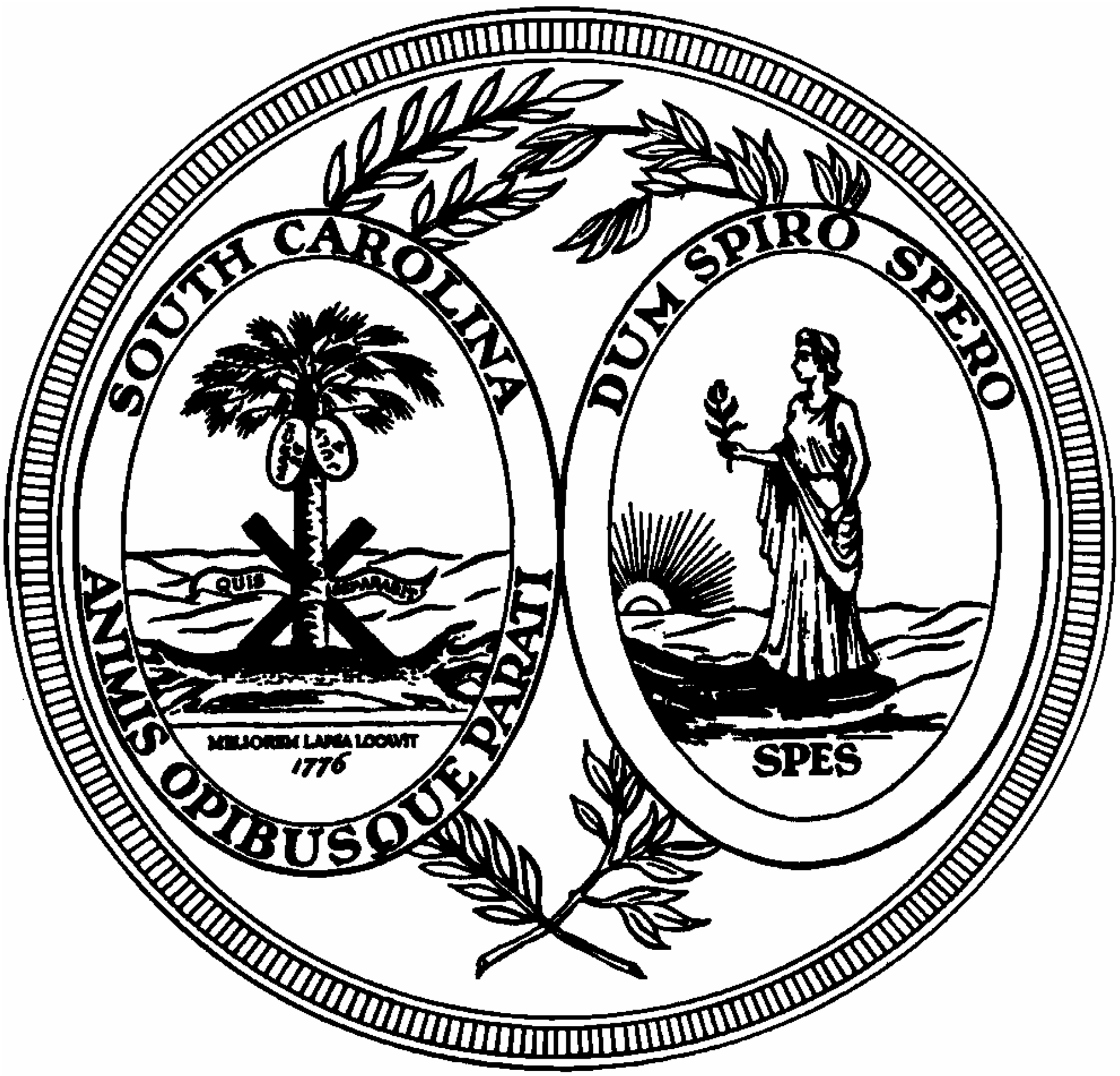
c. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2019, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $953.000 million remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $241.959 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, $40.347 million will be funded by federal grants.
- The Office of Regulatory Staff has $3.853 million for energy efficiency improvement projects. Federal grants will fund $3.853 million of this commitment.
- The Division of Aeronautics has $2.859 million for grants made to municipal and county airports for capital improvements.
- The State Board for Technical and Comprehensive Education has $21.945 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has $23.065 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $23.065 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $9.321 million for grant program activities and pass-through grants to subrecipients, of which $9.321 million will be funded by federal grants.
- The South Carolina Judicial Department has $5.051 million outstanding commitments related to vendor service contracts.
- The South Carolina Attorney General's Office has $5.136 million for pass-through grants to subrecipients, of which $5.085 million will be funded by federal grants.
- The South Carolina Department of Revenue has $17.491 million outstanding commitments for vendor contracts related to services for the new tax reporting and processing software.
- The Rural Infrastructure Authority has $240.241 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities, of which $25.876 million will be funded by federal grants.
- The Department of Health and Environmental Control has $2.636 million in outstanding commitments for interim remediation at the Brewer Gold Mine Site of which $452 thousand will be funded by a federal credit.

d. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2020 in maintaining these sites is $7.993 million. The Pinewood Site is $3.910 million of this total. This estimated loss is based upon the current budgetary request of the department and the annual operating costs less capital expenditures for the Pinewood Site. On September 13, 2016 the court approved the establishment of Pinewood Trustee, Inc. to be the new trustee for the Pinewood Site. During fiscal year 2017, $5.200 million in capital budgeted funds were deposited with the trustee to continue site improvements that will result in lower operating costs once they are completed. In fiscal year 2019, the budgeted $3.910 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2019 were $3.558 million for capital improvements and $2.928 million for operating expenditures.


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS
1776
DUM SPIRO SPERO
SPES

NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2019, the reported amount of the major discretely presented component units' deposits was $946.661 million and the bank balance was $953.826 million. Of the $854.438 million bank balance exposed to custodial credit risk, $70.682 million was uninsured and uncollateralized, $58.925 million was uninsured and collateralized with securities held by the pledging financial institution, and $724.831 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

Investments

The major discretely presented component units categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs that are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-drivel valuations.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, each major discretely presented component unit performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Investments classified according to the fair value hierarchy are valued according to pricing policy established by each major discretely presented component units custodian bank. Pricing is based primarily on prices from third-party vendors or other specified alternative sources which are considered to be reliable. Where available, the custodian bank uses more than one vendor for securities of each asset type, class or issue. The price received from a primary source is used in valuation unless a tolerance check, or price challenge, results in the use of a price from a secondary vendor. Each major discretely presented component unit may override prices provided by the custodian bank if it is deemed necessary or appropriate.

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2019 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 148,002	$ —	$ 148,002
U.S. agencies	1,077,182	—	1,077,182
Mortgage backed obligations	15,553	15,553	
Common stock	137,776	137,776	
Other equity securities	794,998	794,998	—
Corporate bonds	57,561	—	57,561
Asset backed securities	15,772	15,772	
Commercial paper	29,889	29,889	
Money market mutual funds	74,166	74,166	
Bond mutual funds	225,669	225,669	—
Other	37,458	37,458	—
Total Investments at Fair Value	$ 2,614,026	$ 1,331,281	$ 1,282,745

Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1)	$ 72,722	$ 50,904	N/A	N/A
Private partnership - real assets (1)	15,994	19,185	N/A	N/A
Hedge funds (1)	117,376	0	Monthly to Annually	33-95 days
Hedge funds (2)	44,353	0	Monthly to Annually	30-90 days
Private Equity Partnerships (3)	6,716	2,807	0	0
Equity long/short hedge funds (4)	3,803	0	Quarterly	5 days
Multi-strategy hedge funds (5)	27,869	0	Monthly	30 days
Partnerships (6)	110,411	21,600	Monthly - No Liquidity	7 days
Hedge Funds (7)	97,966	600	Monthly - No Liquidity	3 days
Total investments measured at the NAV	$ 497,210	$ 95,096		
Total investments measured at fair value	$ 3,111,236	$ 1,426,377		

Investments measured at amortized cost			
Repurchase agreements	100,000		
Total investments measured at amortized cost	$ 100,000		
Investment derivative instruments			
Alternative Investments			
Interest rate swaps	(4,348)	—	(4,348)
Total investment derivative instruments	$ (4,348)	$ —	$ (4,348)
Total Invested Assets	$ 3,206,888		

(1) Private partnership – equity, Private partnership - real assets and Hedge Funds. This category includes investments in private equity, buyout, real assets, and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using the NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.

(2) Hedge funds. The USC Foundation holds ownership shares in several hedge funds with investment strategies including fund to fund long/short equity managers. Management believes that the investment strategies employed and availability of other USC Foundation resources allow the USC Foundation to be unaffected by the liquidity restrictions.

(3) Private Equity Partnerships. The USC Foundation holds ownership positions in four partnerships with investment strategies of investing in private equity (distressed companies) and private energy funds. The USC Foundation cannot redeem its investment in these funds until the final liquidation of the partnerships.

(4) Equity long/short hedge funds. This hedge fund is a multiple-manager investment fund that specializes primarily in classic long/short hedged equity strategies. The hedge fund invests globally, with a majority of the exposure in liquid, developed markets, and invests primarily in private investment partnerships or limited liability companies and in separately managed accounts, each of which are managed by independent managers.

(5) Multi-strategy hedge funds. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in US index funds.

(6) Partnerships. The MUSC Foundation holds ownership positions in several partnerships with investment strategies including private equity partnerships, energy and natural resources, fund of fund hedge funds investing primarily in equity and fixed income securities, real estate and real estate related securities. For the majority of these partnerships, the MUSC Foundation is subject to redemption restrictions and cannot redeem from its investment in the fund. The manager has discretion on the timing of distributing the capital.

(7) Hedge Funds. The MUSC Foundation holds ownership shares in several hedge funds with investment strategies including fund of fund long/short equity managers. Management believes that the investment strategies employed and availability of other MUSC Foundation resources allow the MUSC Foundation to be unaffected by lock-ups.

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2019, as follows:

Investment Type	Reported Amount
U.S. treasuries	$ 148,002
U.S. agencies	1,077,182
Mortgage backed obligations	15,553
Common stock	137,776
Other equity securities	867,720
Corporate bonds	57,561
Repurchase agreements	100,000
Asset backed securities	15,772
Commercial paper	29,889
Money market mutual funds	74,166
Bond mutual funds	257,340
Other	430,274
Totals	**$ 3,211,235**

At fiscal year end, Clemson University, the Medical University of South Carolina, the State Ports Authority, and the Public Service Authority, all major discretely presented component units, held investments in U.S. Government securities which do not require disclosure of credit quality. In addition to U.S. Government securities, Clemson University, the State Housing Authority, the Medical University of South Carolina, the State Ports Authority, Public Service Authority, and the University of South Carolina held investments as listed below with Standard and Poor's rating scale (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BBB	Alternative Rating	Not Rated
U.S. agencies	$ 1,044,359	$ 30,539	$ —	$ —	$ —	$ 2,284
Mortgage backed obligations	—	—	—	—	—	15,553
Corporate bonds	—	562	28,918	9,900	—	18,181
Repurchase agreements	100,000	—	—	—	—	—
Asset backed securities	—	—	—	—	—	15,772
Commercial paper	—	—	29,889	—	—	—
Money market mutual funds	3,480	—	—	—	—	70,544
Bond mutual funds	—	811	—	—	445	256,226
Other	—	899	—	—	266	367,840
Totals	**$ 1,147,839**	**$ 32,811**	**$ 58,807**	**$ 9,900**	**$ 711**	**$ 746,400**

The State's major discretely presented component units may have interest rate risk policies that differ from that of the State Treasurer. At June 30, 2019, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 148,002	$ 76,185	$ 48,213	$ —	$ 23,604
U.S. agencies	1,077,182	713,070	173,477	69,207	121,428
Mortgage backed obligations	15,554	—	14,827	73	654
Corporate bonds	57,561	3,514	42,968	1,179	9,900
Repurchase agreements	100,000	100,000	—	—	—
Asset backed securities	15,772	—	15,772	—	—
Commercial paper	29,889	29,889	—	—	—
Money market mutual funds	19,211	19,211	—	—	—
Bond mutual funds	1,399	811	—	434	154
Other	157,313	—	157,313	—	—
Totals	**$ 1,621,883**	**$ 942,680**	**$ 452,570**	**$ 70,893**	**$ 155,740**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a component unit's investments in a single issuer. As of June 30, 2019, the Medical University Hospital Authority has 28.3% of the Authority's investments were in notes issued by the Federal Farm Credit Bank. The CHS Development Company of MUSC has 100% of debt securities with Santander UK PLC. The Public Service Authority has 88.38% of the US Agencies investments with two issuers. 53.43% of the investments are with the Federal Home Loan Bank, and 34.95% are with the Federal Farm Credit Bank.

Securities Lending Program

The following securities lending disclosures apply to the State's discretely presented component units. By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2019. At June 30, 2019, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2019, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2019, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2019, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2019:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 21,212
Total securities lent for cash collateral	**$ 21,212**
Cash collateral invested as follows:	
Repurchase agreements	$ 26,956
Total for cash collateral invested	**$ 26,956**

At June 30, 2019, the fair value of securities on loan was $21.212 million. The fair value of the invested cash collateral was $26.956 million. Securities lending obligations were $26.956 million.

b. Capital Assets

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

	Beginning Balances January 1, 2018	Increases	Decreases	Ending Balances December 31, 2018
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 182,787	$ 2,743	$ (1,754)	$ 183,776
Construction in progress	763,490	415,667	(161,987)	1,017,170
Total capital assets not being depreciated	946,277	418,410	(163,741)	1,200,946
Capital assets being depreciated:				
Buildings and improvements (utility plant)	7,470,867	139,224	(19,413)	7,590,678
Vehicles	65,139	4,532	—	69,671
Machinery and equipment	46,919	3,733	(209)	50,443
Intangibles	81,699	2,242	—	83,941
Total capital assets being depreciated	7,664,624	149,731	(19,622)	7,794,733
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(3,647,394)	(175,475)	26,802	(3,796,067)
Vehicles	(30,495)	(4,042)	—	(34,537)
Machinery and equipment	(26,684)	(5,077)	168	(31,593)
Intangibles	(74,306)	(2,356)	64	(76,598)
Total accumulated depreciation	(3,778,879)	(186,950)	27,034	(3,938,795)
Total capital assets being depreciated, net	3,885,745	(37,219)	7,412	3,855,938
Public Service Authority, net	**$ 4,832,022**	**$ 381,191**	**$ (156,329)**	**$ 5,056,884**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 352,532	$ 26,212	$ (4,530)	$ 374,214
Construction in progress	404,047	215,661	(99,120)	520,588
Total capital assets not being depreciated	756,579	241,873	(103,650)	894,802
Capital assets being depreciated:				
Land improvements	427,897	17,128	(23,374)	421,651
Buildings and improvements	413,221	68,031	(31,476)	449,776
Machinery and equipment	226,403	10,753	(15,098)	222,058
Intangibles	2,190	—	(2,138)	52
Total capital assets being depreciated	1,069,711	95,912	(72,086)	1,093,537
Less accumulated depreciation for:				
Land improvements	(241,480)	(20,384)	23,593	(238,271)
Buildings and improvements	(229,435)	(13,988)	31,476	(211,947)
Machinery and equipment	(151,718)	(12,928)	14,766	(149,880)
Intangibles	(219)	—	—	(219)
Total accumulated depreciation	(622,852)	(47,300)	69,835	(600,317)
Total capital assets being depreciated, net	446,859	48,612	(2,251)	493,220
State Ports Authority, net	**$ 1,203,438**	**$ 290,485**	**$ (105,901)**	**$ 1,388,022**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 43,248	$ 111	$ (15)	$ 43,344
Construction in progress	279,696	81,087	(251,656)	109,127
Total capital assets not being depreciated	322,944	81,198	(251,671)	152,471
Capital assets being depreciated:				
Buildings and improvements	1,282,532	241,475	(787)	1,523,220
Vehicles	18,990	1,231	(457)	19,764
Machinery and equipment	411,447	55,098	(9,986)	456,559
Intangibles	24,283	—	—	24,283
Total capital assets being depreciated	1,737,252	297,804	(11,230)	2,023,826
Less accumulated depreciation for:				
Buildings and improvements	(433,840)	(31,431)	356	(464,915)
Vehicles	(13,041)	(1,617)	457	(14,201)
Machinery and equipment	(245,818)	(25,140)	8,898	(262,060)
Intangibles	(23,077)	(1,195)	—	(24,272)
Total accumulated depreciation	(715,776)	(59,383)	9,711	(765,448)
Total capital assets being depreciated, net	1,021,476	238,421	(1,519)	1,258,378
Clemson University, net	**$ 1,344,420**	**$ 319,619**	**$ (253,190)**	**$ 1,410,849**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 93,468	$ 25,838	$ (4,305)	$ 115,001
Construction in progress	248,199	165,579	(30,133)	383,645
Works of art and historical treasures	1,730	—	—	1,730
Total capital assets not being depreciated	343,397	191,417	(34,438)	500,376
Capital assets being depreciated:				
Land improvements	14,429	—	(1,098)	13,331
Buildings and improvements	1,627,696	159,377	(17,747)	1,769,326
Vehicles	6,628	1,824	(1,938)	6,514
Machinery and equipment	431,476	62,961	(17,438)	476,999
Intangibles	69,159	1,341	—	70,500
Total capital assets being depreciated	2,149,388	225,503	(38,221)	2,336,670
Less accumulated depreciation for:				
Land improvements	(9,343)	(506)	840	(9,009)
Buildings and improvements	(877,307)	(64,080)	16,539	(924,848)
Vehicles	(4,708)	(512)	1,783	(3,437)
Machinery and equipment	(301,543)	(36,154)	16,292	(321,405)
Intangibles	(53,515)	(10,222)	—	(63,737)
Total accumulated depreciation	(1,246,416)	(111,474)	35,454	(1,322,436)
Total capital assets being depreciated, net	902,972	114,029	(2,767)	1,014,234
MUSC, net	**$ 1,246,369**	**$ 305,446**	**$ (37,205)**	**$ 1,514,610**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 94,045	$ —	$ —	$ 94,045
Construction in progress	96,002	96,538	(151,608)	40,932
Works of art and historical treasures	40,303	6,331	(10)	46,624
Total capital assets not being depreciated	230,350	102,869	(151,618)	181,601
Capital assets being depreciated:				
Land improvements	110,478	10	—	110,488
Buildings and improvements	1,784,632	118,429	—	1,903,061
Vehicles	18,320	1,489	(4,039)	15,770
Machinery and equipment	205,564	23,569	(18,678)	210,455
Intangibles	57,660	33,254	(14)	90,900
Total capital assets being depreciated	2,176,654	176,751	(22,731)	2,330,674
Less accumulated depreciation for:				
Land improvements	(44,211)	(4,173)	—	(48,384)
Buildings and improvements	(758,378)	(44,735)	—	(803,113)
Vehicles	(12,339)	(1,227)	1,663	(11,903)
Machinery and equipment	(151,883)	(14,642)	18,037	(148,488)
Intangibles	(30,162)	(7,183)	14	(37,331)
Total accumulated depreciation	(996,973)	(71,960)	19,714	(1,049,219)
Total capital assets being depreciated, net	1,179,681	104,791	(3,017)	1,281,455
USC, net	**$ 1,410,031**	**$ 207,660**	**$ (154,635)**	**$ 1,463,056**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Lottery Commission:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,316	$ —	$ —	$ 1,316
Vehicles	411	—	—	411
Machinery and equipment	3,328	170	—	3,498
Intangibles	556	—	—	556
Total capital assets being depreciated	5,611	170	—	5,781
Less accumulated depreciation for:				
Buildings and improvements	(1,301)	—	—	(1,301)
Vehicles	(212)	(32)	—	(244)
Machinery and equipment	(3,195)	(153)	—	(3,348)
Intangibles	(429)	(76)	—	(505)
Total accumulated depreciation	(5,137)	(261)	—	(5,398)
Total capital assets being depreciated, net	474	(91)	—	383
Lottery Commission, net	**$ 474**	**$ (91)**	**$ —**	**$ 383**

	Beginning Balances July 1, 2018	Increases	Decreases	Ending Balances June 30, 2019
Housing Authority:				
Capital assets being depreciated:				
Machinery and equipment	$ 2,097	$ 373	$ (669)	$ 1,801
Total capital assets being depreciated	2,097	373	(669)	1,801
Less accumulated depreciation for:				
Machinery and equipment	(1,749)	(97)	669	(1,177)
Total accumulated depreciation	(1,749)	(97)	669	(1,177)
Total capital assets being depreciated, net	348	276	—	624
Housing Authority, net	**$ 348**	**$ 276**	**$ —**	**$ 624**

During the fiscal year ended June 30, 2019, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

	Depreciation Expense
Public Service Authority	$ 186,950
State Ports Authority	47,300
MUSC	111,474
USC	71,960
Clemson University	59,383
Lottery Commission	261
Housing Authority	97

Outstanding construction commitments (expressed in thousands) for the State's major discretely presented component units were as follows:

	Outstanding Construction Commitments
Public Service Authority	$ 188,597
State Ports Authority	193,900
MUSC	33,194
USC	114,288
Clemson University	66,149

Interest costs included as part of the cost of capital assets under construction (expressed in thousands) for the State's major discretely presented component units were as follows:

	Capitalized Interest Costs
State Ports Authority	$ 26,964
USC	9,000
Clemson University	8,066

c. Insurance Activities

Medical Malpractice Liability Insurance Joint Underwriting Association

The South Carolina Medical Malpractice Liability Insurance Joint Underwriting Association (JUA) was created by State law. The JUA is a nonmajor discretely presented component unit of the State and the State accounts for the JUA as an insurance enterprise because it primarily covers non-governmental entities. Accordingly, the JUA follows the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to $200 thousand per incident or $600 thousand in the aggregate for one year.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the JUA includes a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

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

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 59,246	$ 9,888	$ (12,211)	$ 56,923
2017	66,565	6,589	(13,908)	59,246

Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2018. Policies are subject to deductibles ranging from $500 to $2.000 million, with the exception of named storm losses which carry deductibles from $2.000 million up to $5.000 million. Also a $1.400 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2018, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.000 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2018. There have been no third-party claims for environmental damages for 2018.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at $14.073 billion by the Price-Anderson Indemnification Act. The $14.073 billion would be covered by nuclear liability insurance of $450.000 million per reactor unit, with potential retrospective assessments of up to $137.600 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $20.500 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $45.900 million, not to exceed approximately $6.800 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.500 billion primary and $1.250 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.400 million for the primary policy, $3.500 million for the excess policy and $1.800 million for the accidental outage policy.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2018.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. The State reports the Authority's claims expenses and liabilities when it is probable that a loss has occurred and the amount of the loss is reasonably estimable.

Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 1,680	$ 1,796	$ (2,401)	$ 1,075
2017	2,019	2,572	(2,911)	1,680

d. Leases

Capital Leases

The State's discretely presented component units lease land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2019 for the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Clemson University	MUSC	USC
2020	$ 919	$ 10,945	$ 327
2021	914	9,696	258
2022	898	9,098	248
2023	691	8,955	211
2024	574	8,927	73
2025-2029	2,872	33,174	—
2030-2034	2,872	23,529	—
2035-2039	2,129	16,879	—
2040	—	845	—
Total minimum payments....................	**11,869**	**122,048**	**1,117**
Less: interest and executory costs....	(181)	(46,499)	(142)
Net minimum payments.......................	**$ 11,688**	**$ 75,549**	**$ 975**

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2019, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Clemson University	MUSC	USC
Land and non-depreciable improvements..........	$ —	$ —	$ 245
Buildings and improvements...............................	14,300	57,265	394
Machinery and equipment..................................	1,391	36,245	1,698
Assets acquired under capital leases before accumulated amortization.................................	**15,691**	**93,510**	**2,337**
Less: accumulated amortization.........................	(3,759)	(14,214)	(713)
Assets acquired under capital leases, net.........	**$ 11,932**	**$ 79,296**	**$ 1,624**

Operating Leases

The State Ports Authority had minimum rental payments under operating leases which totaled $3.538 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled $107 thousand. The Lottery Commission had minimum rental payments under operating leases for the fiscal year which totaled

$687 thousand. For Clemson University, minimum rental payments under operating leases for the fiscal year totaled $121 thousand. MUSC had minimum rental payments under operating leases for the fiscal year which totaled $13.355 million. USC had minimum rental payments under operating leases for the fiscal year which totaled $11.751 million.

At June 30, 2019, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending December 31	Public Service Authority	
2019	$	103
2020		—
Net minimum payments..................	**$**	**103**

Fiscal Year Ending June 30	Housing Authority		Clemson University		MUSC		USC		Lottery Commission	
2020	$	351	$	3,497	$	24,013	$	10,032	$	571
2021		361		2,978		19,469		9,819		582
2022		369		1,589		14,864		9,815		593
2023		378		1,303		11,394		9,621		605
2024		127		659		9,329		9,494		616
2025-2029		—		195		37,462		11,833		—
2030-2034		—		—		7,810		8,951		—
2035-2039		—		—		420		1,610		—
2040-2043		—		—		735		—		—
Net minimum payments..................	**$**	**1,586**	**$**	**10,221**	**$**	**125,496**	**$**	**71,175**	**$**	**2,967**

Facilities and Equipment Leased to Others

At June 30, 2019, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately $38.138 million and related accumulated depreciation of $26.503 million. Also, at June 30, 2019, MUSC had leased to non-State parties certain land and facilities having a cost of approximately $1.371 million and related accumulated depreciation of $897 thousand. Future minimum rental payments to be received at June 30, 2019, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	State Ports Authority		MUSC	
2020	$	2,711	$	111
2021		2,402		9
2022		2,314		—
2023		1,098		—
2024		995		—
2025-2029		5,149		—
2030-2034		5,294		—
2035-2039		5,479		—
2040-2044		5,912		—
Thereafter		3,548		—
Total..	**$**	**34,902**	**$**	**120**

e. Bonds and Notes Payable

General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2019, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2037	$	232,262
University of South Carolina institution bonds, 2.00% to 5.00%, maturing serially through 2037		170,210
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036		41,781

As of the last reporting date of the component units, future debt service requirements for general obligation bonds of the State's major discretely presented component units were as follows (expressed in thousands):

	Clemson University		Medical University of South Carolina	
Year Ending June 30	Principal	Interest	Principal	Interest
2020	$ 10,240	$ 8,307	$ 4,245	$ 1,677
2021	10,450	7,841	2,485	1,464
2022	10,770	7,349	2,610	1,340
2023	11,310	6,811	2,725	1,209
2024	11,875	6,245	2,835	1,089
2025-2029	68,510	22,098	11,540	3,794
2030-2034	62,550	9,216	9,755	1,325
2035-2037	23,895	1,385	3,145	142
Total debt service requirements	**$ 209,600**	**$ 69,252**	**$ 39,340**	**$ 12,040**
Unamortized premiums	22,662		2,441	
Total principal outstanding	**$ 232,262**		**$ 41,781**	

	University of South Carolina	
Year Ending June 30	Principal	Interest
2020	$ 11,900	$ 6,588
2021	12,335	6,122
2022	12,940	5,505
2023	11,165	4,858
2024	10,540	4,333
2025-2029	45,905	14,243
2030-2034	38,205	5,517
2035-2037	11,930	616
Total debt service requirements	**$ 154,920**	**$ 47,782**
Unamortized premiums	15,290	
Total principal outstanding	**$ 170,210**	

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90% of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds of $525.765 million were outstanding at June 30, 2019.

Revenue and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue and other bonds and notes outstanding at June 30, 2019 and December 31, 2018 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.30% to 6.54%, maturing serially through 2056	$ 7,419,007	$ —
Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046	432,434	—
University of South Carolina bonds and notes, 1.00% to 5.00%, maturing serially through 2047	466,872	2,314
Medical University of South Carolina bonds and notes, 2.25% to 5.29%, maturing serially through 2037	672,829	212,392
State Ports Authority bonds and notes, 2.06% to 5.25%, maturing serially through 2056	676,870	217,980
State Housing Authority bonds, 0.85% to 5.50%, maturing serially through 2048	398,390	—

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 2.70% plus 13.00% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2019 is $60.385 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.00% of the one-month LIBOR rate. The variable rate in effect at June 30, 2019 was 1.61%. The fair value of this swap, estimated using the zero-coupon method, was negative $4.348 million as of June 30, 2019. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2018 of $3.122 million is recognized as investment income in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to an annual fixed rate. The swap agreement related to the term loan matures August 18, 2021. The notional amount as of June 30, 2019 was $60.385 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 13.00% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2019 was 1.61%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $4.348 thousand as of June 30, 2019. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2018 of $3.122 thousand is recognized as investment income in these financial statements.

As of June 30, 2019, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending	Variable Rate Debt		Interest Rate	
June 30	Principal	Interest	Swaps, Net	Totals
2020	$ 3,500	$ 1,452	$ 279	$ 5,231
2021	2,925	1,377	265	4,567
2022	2,525	1,313	253	4,091
2023	2,600	1,246	240	4,086
2024	2,635	1,179	227	4,041
2025-2029	14,505	4,803	925	20,233
2030-2034	16,645	2,793	538	19,976
2035-2038	15,050	590	113	15,753
Totals............	**$ 60,385**	**$ 14,753**	**$ 2,840**	**$ 77,978**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.00% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2019 were $36.558 million and $15.668 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $52.225 million at June 30, 2019.

As of June 30, 2019, the swaps had a negative fair value of approximately $301.287 million. The unrealized loss related to these agreements recorded at June 30, 2019 is $250.713 million and is included in interest expense on the Statement of Activities.

Debt Service Requirements

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, the State Ports Authority, and the State Housing Authority ends June 30. At December 31, 2018, the carrying value of the Public Service Authority's debt was $6.969 billion while the fair value was approximately $7.400 billion. At June 30, 2019, the carrying value of the State Ports Authority debt was $891.002 million while the fair value was approximately $619.000 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

As of the last reporting date of the component units, future debt service requirements for bonds and notes of the State's major discretely presented component units were as follows (expressed in thousands):

Year Ending December 31	Public Service Authority Principal	Public Service Authority Interest
2019	$ 45,905	$ 341,922
2020	128,916	337,870
2021	178,106	331,957
2022	131,137	323,422
2023	465,205	318,657
2024-2028	693,635	1,463,829
2029-2033	777,288	1,306,270
2034-2038	937,746	1,095,382
2039-2043	856,215	880,085
2044-2048	1,264,237	611,354
2049-2053	1,199,040	276,580
2054-2057	354,700	28,134
Total debt service requirements	**$ 7,032,130**	**$ 7,315,462**
Unamortized discounts and premiums	386,877	
Total principal outstanding	**$ 7,419,007**	

Year Ending June 30	State Ports Authority Principal	State Ports Authority Interest	State Housing Authority Principal	State Housing Authority Interest
2020	$ 12,650	$ 37,892	$ 10,555	$ 13,801
2021	14,423	36,367	15,890	13,366
2022	15,002	35,779	16,400	12,845
2023	33,262	34,935	17,045	12,280
2024	14,845	34,091	17,555	11,669
2025-2029	95,272	160,094	75,270	49,519
2030-2034	136,006	140,745	78,300	36,410
2035-2039	96,722	113,475	65,220	22,500
2040-2044	89,943	93,416	60,230	11,000
2045-2049	113,415	69,001	29,955	2,990
2050-2054	146,020	36,393	—	—
2055-2056	69,445	3,520	—	—
Total debt service requirements	**$ 837,005**	**$ 795,708**	**$ 386,420**	**$ 186,380**
Unamortized premiums and discounts	57,845		11,970	
Total principal outstanding	**$ 894,850**		**$ 398,390**	

Year Ending June 30	Clemson University Principal	Clemson University Interest	University of South Carolina Principal	University of South Carolina Interest
2020	$ 11,245	$ 16,486	$ 17,611	$ 19,214
2021	11,040	15,956	15,840	18,439
2022	11,675	15,448	16,625	17,660
2023	12,210	14,945	17,435	16,842
2024	12,880	14,385	17,925	15,981
2025-2029	61,715	62,881	96,173	66,218
2030-2034	69,550	49,619	104,065	42,547
2035-2039	82,730	36,438	79,845	19,503
2040-2044	100,065	19,090	33,225	5,512
2045-2047	35,090	1,897	9,320	666
Total debt service requirements	**$ 408,200**	**$ 247,145**	**$ 408,064**	**$ 222,582**
Unamortized discounts and premiums	24,234		61,122	
Total principal outstanding............	**$ 432,434**		**$ 469,186**	

Year Ending June 30	Medical University of South Carolina Principal	Medical University of South Carolina Interest
2020	$ 167,462	$ 27,959
2021	39,211	25,509
2022	41,010	25,262
2023	43,031	22,776
2024	75,952	20,669
2025-2029	229,098	78,935
2030-2034	193,221	44,480
2035-2038	88,155	23,442
2039-2044	6,482	1,169
Total debt service requirements	**$ 883,622**	**$ 270,201**
Unamortized discounts and premiums	1,599	
Total principal outstanding............	**$ 885,221**	

Bond Anticipation Notes

At June 30, 2019, all short-term general obligation bond anticipation notes that were outstanding at the prior fiscal year's end at MUSC were fully defeased.

Defeased Bonds

At December 31, 2018, $720.465 million of bonds associated with the Public Service Authority were considered defeased. Also, at June 30, 2019, $51.476 million of bonds associated with Clemson University and $75.286 million of bonds associated with the University of South Carolina were considered defeased.

Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Housing Authority issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2019, the outstanding balance of bonds issued was $249.606 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2019, the outstanding balance of bonds issued after June 30, 1995, was $4.298 billion. The original amount of bonds issued prior to that date is not available.

Commercial Paper Notes and Lines of Credit

The Public Service Authority and the University of South Carolina present their outstanding amounts as commercial paper notes and line of credit, respectively, but all other amounts outstanding on lines of credit at June 30, 2019 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a $173.898 million liability for commercial paper notes at its fiscal year ended December 31, 2018. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an $350.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2018.

The Medical University Hospital Authority (MUHA), a discretely presented component unit of MUSC, had a bridge loan of $129.000 million as of June 30, 2019. The loan bears an interest rate of 3.21%. The entire balance of $129.000 million is due and payable on the maturity date of February 24, 2020.

The University of South Carolina Educational Foundation, a discretely presented component unit of USC, has a line of credit with a maximum borrowing limit of $20.000 million, on which it could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.20%. As of June 30, 2019, the University of South Carolina Educational Foundation has an outstanding balance of $6.713 million on this line of credit. Interest only payments on this line of credit were due beginning in August 2015 and the entire principal balance and any outstanding interest are due on June 25, 2021.

f. Changes in Liabilities

	Balances at January 1, 2018 (as restated)	Increases	Decreases	Balances at December 31, 2018	Amounts Due Within One Year
Public Service Authority					
Policy claims	$ 1,680	$ 1,796	$ (2,401)	$ 1,075	$ 1,075
Revenue bonds payable	7,514,514	2,715	(485,099)	7,032,130	45,905
Unamortized discounts and premiums	431,174	—	(44,297)	386,877	—
Total revenue bonds payable	7,945,688	2,715	(529,396)	7,419,007	45,905
Compensated absences payable	21,172	2,997	(6,228)	17,941	—
Net pension liability	338,783	—	(655)	338,128	—
Net OPEB liability	153,235	19,539	—	172,774	—
Total long-term liabilities	$ 8,460,558	$ 27,047	$ (538,680)	$ 7,948,925	$ 46,980

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
State Ports Authority					
Notes payable	$ 161,658	$ 60,000	$ (3,678)	$ 217,980	$ 6,620
Revenue bonds payable	619,025	—	—	619,025	6,030
Unamortized discounts and premiums	59,587	—	(1,742)	57,845	—
Total revenue bonds payable	678,612	—	(1,742)	676,870	6,030
Compensated absences payable	2,567	2,074	(2,655)	1,986	1,986
Net pension liability	98,579	7,102	—	105,681	—
Net OPEB liability	52,907	—	1,623	54,530	—
Total long-term liabilities	$ 994,323	$ 69,176	$ (6,452)	$ 1,057,047	$ 14,636

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable	$ 410,220	$ 70,000	$ (93,800)	$ 386,420	$ 10,555
Unamortized discounts and premiums	11,798	2,062	(1,890)	11,970	—
Total revenue bonds payable	422,018	72,062	(95,690)	398,390	10,555
Compensated absences payable	711	724	(710)	725	452
Net pension liability	15,960	—	(652)	15,308	—
Net OPEB liability	11,867	194	—	12,061	—
Total long-term liabilities	$ 450,556	$ 72,980	$ (97,052)	$ 426,484	$ 11,007

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Clemson University					
General obligation bonds payable	$ 213,380	$ 5,635	$ (9,415)	$ 209,600	$ 10,240
Unamortized discounts and premiums	23,357	749	(1,444)	22,662	—
Total general obligation bonds payable	236,737	6,384	(10,859)	232,262	10,240
Revenue bonds payable	418,950	—	(10,750)	408,200	11,245
Unamortized discounts and premiums	25,404	—	(1,170)	24,234	—
Total revenue bonds	444,354	—	(11,920)	432,434	11,245
Capital leases payable	11,991	606	(909)	11,688	850
Compensated absences payable	26,129	15,169	(12,942)	28,356	14,562
Net pension liability	617,272	21,573	—	638,845	—
Net OPEB liability	557,176	30,987	—	588,163	—
Total long-term liabilities	$ 1,893,659	$ 74,719	$ (36,630)	$ 1,931,748	$ 36,897

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Medical University of South Carolina					
Notes payable	$ 22,860	$ 195,462	$ (5,930)	$ 212,392	$ 133,122
General obligation bonds payable	43,430	—	(4,090)	39,340	4,245
Unamortized discounts and premiums	2,863	—	(422)	2,441	—
Total general obligation bonds payable	46,293	—	(4,512)	41,781	4,245
Revenue bonds payable	608,821	86,962	(24,553)	671,230	34,340
Unamortized discounts and premiums	1,877	—	(278)	1,599	—
Total revenue bonds	610,698	86,962	(24,831)	672,829	34,340
Capital leases payable	13,832	69,173	(7,456)	75,549	6,030
Compensated absences payable	31,540	26,432	(24,242)	33,730	19,790
Net pension liability	1,252,186	25,378	—	1,277,564	—
Net OPEB liability	1,076,283	55,683	—	1,131,966	—
Total long-term liabilities	$ 3,053,692	$ 459,090	$ (66,971)	$ 3,445,811	$ 197,527

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
Lottery Commission					
Compensated absences payable	$ 834	$ 589	$ (596)	$ 827	$ 581
Net pension liability	15,535	—	(248)	15,287	—
Net OPEB liability	11,717	425	—	12,142	—
Total long-term liabilities	$ 28,086	$ 1,014	$ (844)	$ 28,256	$ 581

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019	Amounts Due Within One Year
University of South Carolina					
Notes payable	$ 4,000	$ 2,314	$ (4,000)	$ 2,314	$ 1,911
General obligation bonds payable	166,955	4,290	(16,325)	154,920	11,900
Unamortized discounts and premiums	16,013	762	(1,485)	15,290	—
Total general obligation bonds payable	182,968	5,052	(17,810)	170,210	11,900
Revenue bonds payable	420,740	—	(14,990)	405,750	15,700
Unamortized discounts and premiums	63,921	—	(2,799)	61,122	—
Total revenue bonds	484,661	—	(17,789)	466,872	15,700
Capital leases payable	744	588	(357)	975	268
Compensated absences payable	31,951	30,325	(29,461)	32,815	27,564
Net pension liability	953,145	24,179	—	977,324	—
Net OPEB liability	858,692	56,262	—	914,954	—
Total long-term liabilities	$ 2,516,161	$ 118,720	$ (69,417)	$ 2,565,464	$ 57,343

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2019 included: a line of credit for USC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

	Balances at January 1, 2018	Increases	Decreases	Balances at December 31, 2018
Public Service Authority				
Commercial paper notes	$ 144,484	$ 108,518	$ (79,104)	$ 173,898

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019
Medical University of South Carolina				
Commercial paper notes	$ —	$ 120,000	$ —	$ 120,000

	Balances at July 1, 2018	Increases	Decreases	Balances at June 30, 2019
University of South Carolina				
Line of credit	$ 5,933	$ 780	$ —	$ 6,713

g. Joint Ventures

Joint Ventures

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2018, the trade guarantees are an amount not to exceed approximately $84.600 million.

Interested parties may obtain a copy of TEA's financial statements by writing to:

The Energy Authority
301 West Bay Street, Suite 2600
Jacksonville, Florida 32202
http://teainc.org

The Authority and South Carolina Electric and Gas (became Dominion Energy on January 1, 2019), or SCE&G, are parties to a joint ownership agreement providing that the Authority and SCE&G own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33.33% of the net electricity generated. In 2004, the Nuclear Regulatory Commission (NRC) granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042. Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel; however as of May 2015, the Department of Energy suspended the collection of spent fuel disposal fees. Fuel amortization and disposal fees (through April 2014) are included in fuel expense and recovered through the Authority's rates.

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $209.100 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G were constructing two additional nuclear generating units (Summer Units 2 and 3) at the V.C. Summer Nuclear Station. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provided for a 45.00% ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G. On July 31, 2017 the Authority, along with SCE&G, halted the V.C. Summer Units 2 and 3 project. The Authority reclassified the construction in progress related to the Summer Units 2 and 3 to a regulatory asset to be amortized over the remaining life of the revenue bonds related to the halted project.

h. Significant Transactions of Major Component Units with the Primary Government

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $17.400 million during the Authority's fiscal year ended December 31, 2018.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of $45.000 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of $1.000 million during the fiscal year ended June 30, 2019.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $450 thousand and $31.698 million for the fiscal year ended June 30, 2019.

i. Concentrations of Customer Credit Risk

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority's sales for its fiscal year ended December 31, 2018, as follows (expressed in thousands):

Customer		Revenue	Revenue
Central Electric Power Cooperative, Inc	$	1,034,000	58%

No other customer accounted for more than 10% of the Authority's sales.

State Ports Authority

During the fiscal year ended June 30, 2019, of the State Ports Authority's total revenues, three customers accounted for approximately 19%, 12%, and 12% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

j. Contingencies and Commitments

Litigation – State Ports Authority

In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the U.S. Army Corps of Engineers (The "Corps"), to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the cruise terminal. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. The permit application is under review by the Corps of Engineers on remand. The Ports Authority intends to continue pursuing the federal permit and to continue any legal actions necessary to perfect the final permit.

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. On October 18, 2017, the Court of Appeals issued a unanimous opinion affirming the South Carolina Administrative Law Court. This was appealed to the South Carolina Supreme Court, and the Supreme Court accepted a petition for certiorari on August 21, 2018. Briefing and argument have not been scheduled at this time. The Ports Authority intends to vigorously defend the permits. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible party to determine recovery of the additional construction costs caused by design and project management issues and to seek resolution by agreement. The matter has been resolved against one contractor through a settlement agreement. In fiscal year 2019, a verdict was delivered in favor of the contractor and the case was closed.

Purchase Commitments – Public Service Authority

At December 31, 2018, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $430.479 million for coal. In addition, at December 31, 2018, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $136.500 million over the next sixteen years.

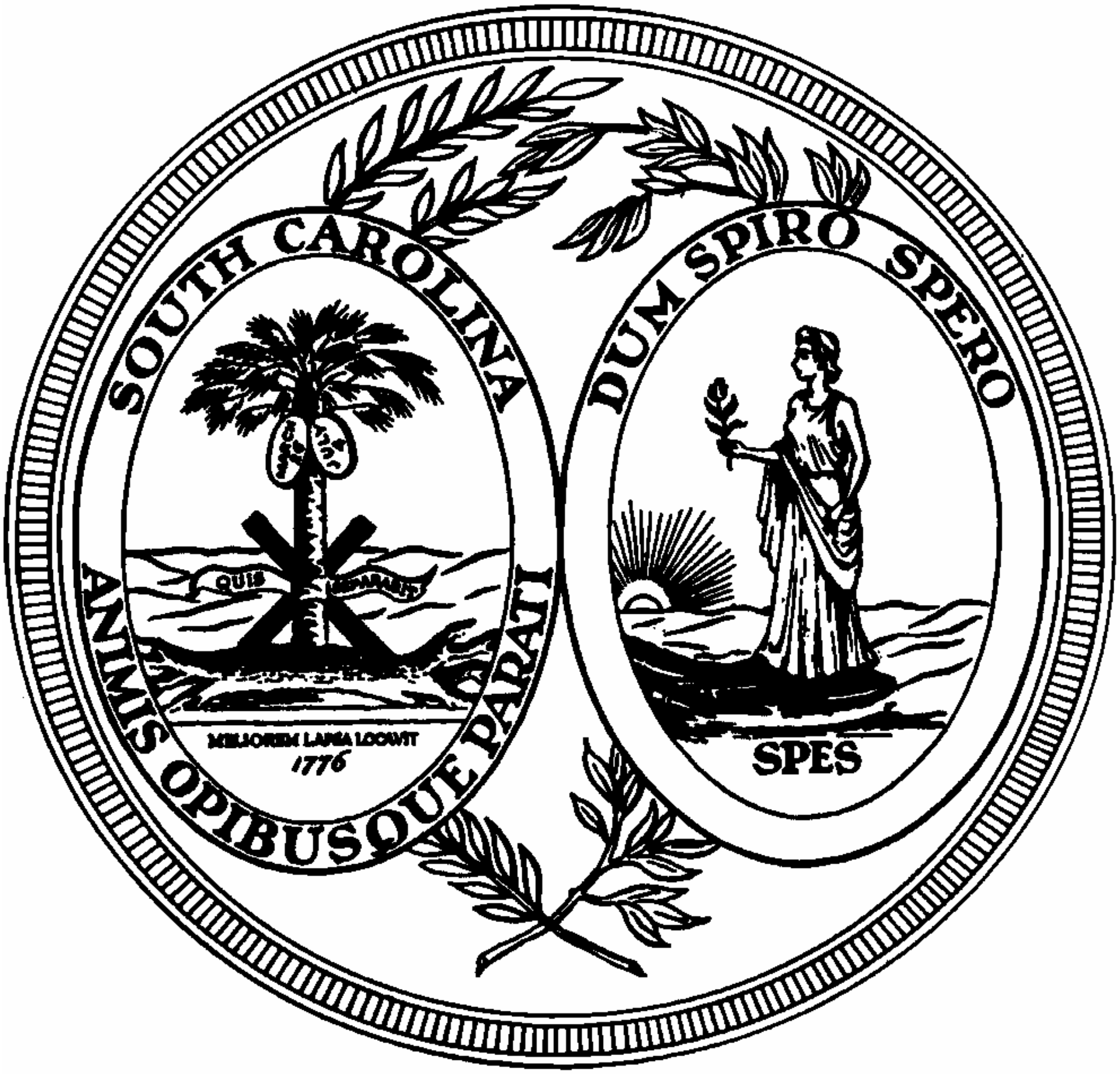
The Authority amended a service agreement to an approximate amount of $99.200 million. The agreement provides unplanned maintenance coverage, rotor replacement and auxiliary parts replacement in addition to a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators and combustion tuning for the gas turbines. The contract term extends through 2027.

Purchase Commitments – Ports Authority

At June 30, 2019, the Ports Authority had construction commitments of approximately $193.900 million and non-construction commitments for property, plant and equipment of approximately $34.000 million. The Ports Authority recorded a liability of approximately $4.000 million equal to the final project costs on the 52 foot Charleston Harbor deepening project.

Commitments to Provide Grants and Other Financial Assistance – The State Housing Finance and Development Authority

The State Housing Finance and Development Authority, a major discretely presented component unit, had commitments of $12.545 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2019.


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
QUIS
SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
DUM SPIRO SPERO
SPES

NOTE 20: SUBSEQUENT EVENTS

a. Debt Issuances

Subsequent to the fiscal year end, the State of South Carolina issued the following debt:

- On July 2, 2019, the Housing Authority, a major discretely presented component unit, issued $74.000 million in mortgage revenue bonds, Series 2019A.
- On July 8, 2019, the State Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), defeased $224.858 million in selected maturities of its 2012A and 2012B Revenue Bonds.
- On August 22, 2019, the State Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), issued $179.030 million in revenue bonds, Series 2019A.
- On September 17, 2019, Coastal Carolina University, a non-major discretely presented component unit, defeased $34.220 million of its State Institution General Obligation Bonds, Series 2010A.
- On September 25, 2019, the Ports Authority, a major discretely presented component unit, issued $505.330 million in revenue bonds, Series 2019A, Series 2019B, and Series 2019C.
- On October 11, 2019, the Public Service Authority, a major discretely presented component unit, drew $64.000 million on its Barclays revolving credit agreement.
- On October 16, 2019, the Public Service Authority, a major discretely presented component unit, defeased $360.056 million in the following revenue bonds: $63.680 million for 2009 Taxable Series C, $2.285 million for 2009 Tax-Exempt Series E, $10.181 million for 2010 Series M2, $19.403 million for 2011 Series M1, $31.775 million for 2012 Tax-Exempt Series D, $32.370 million for 2012 Taxable Series E, $15.088 million for 2012 Series M1, $13.230 million for 2012 Series M2, $3.048 million for 2013 Series M1, $10.400 million for 2015 Series M1, $147.670 million for 2016 Taxable Series D, and $10.926 million for 2016 Series M1.
- On November 14, 2019, the Housing Authority, a major discretely presented component unit, issued $111.800 million in mortgage revenue bonds, Series 2019B.

b. South Carolina State University Loans

On January 31, 2014, South Carolina State University, a non-major discretely presented component unit, notified the State that revenue collections had not met revenue estimates because student enrollment has lagged behind university projections. As a result, the University requested $13 million to pay current bills, and the former State Budget and Control Board, currently known as State Fiscal Accountability Authority, approved and the General Assembly committed an emergency $6.000 million loan to the University on April 30, 2014. The $6.000 million loan also has a stipulation that up to $500 thousand of the $6.000 million must be used to hire consultants to assess the University's financial needs and operations. The loan was due in full on June 30, 2015, although the University received a four-year extension on December 3, 2014. In fiscal year 2015, a Blue Ribbon Committee, appointed by the South Carolina State Legislature, awarded the University a $12.000 million loan to be provided to the University over three years in annual installments of $6.000 million, $4.000 million and $2.000 million, in fiscal 2015, 2016 and 2017, respectively. The South Carolina State Legislature passed a Joint Resolution, 2016 Act 286 (S. 1166) that provided for forgiveness of the Blue Ribbon Committee's 6-4-2 Loan over a period of three years effective fiscal year 2017. $8.000 million and $2.000 million of the loan was forgiven in fiscal years 2017 and 2018, respectively, and the final $2.000 million was forgiven in July 2019 (fiscal year 2020).

c. Natural Disasters

During early October 2015, South Carolina received prolonged torrential rains spawned by Hurricane Joaquin that produced catastrophic statewide flooding. The extent and severity of flooding was extensive causing damage to roads and bridges and to private property, polluted water systems, compromised dams, and power outages. The recovery from this storm remains primarily related to roads, bridges and other transportation infrastructure. Total damages on the State Highway System are estimated to be $137 million and many costs are eligible for federal assistance from Federal Highway Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $49 million. During the 2015-2016 Legislative Session, funding in the amount of $49 million was provided to the Department of Transportation, a major governmental fund, to assist in the recovery and repair process and provide required federal assistance matching funds. The Department of Transportation has incurred costs through June 30, 2019 of $123.3 million of which $80.6 million has been received in federal assistance. Additional federal assistance is expected up to $12 million and will be based upon total costs and their federal assistance eligibility.

During October 2016, South Carolina received another devastating storm, Hurricane Matthew, which caused significant damage to state parks, roads, electrical infrastructure and other property. On October 4, 2016 the Governor issued an executive order declaring a state of emergency for the State of South Carolina. On or about October 7, 2016 the President declared the State of South Carolina a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery. This storm carried heavy rains which caused flooding and high winds resulting in down trees and debris. Again, the primary impact of this storm was with roads, bridges and infrastructure. The Department of Transportation conducted thorough inspections of all bridges and roads and began recovery of the State Highway System. The Department has incurred costs through June 30, 2019, of $74.9 million of which $51.3 million has been received in Federal assistance and $8.8 received from funds approved by the General Assembly for Federal Emergency Management matching funds. Additional federal assistance based upon eligibility is expected to be approximately $6 million along with $1 million state funds approved by the General Assembly for Federal Emergency Management matching funds.

During September 2017, South Carolina experienced inclement weather as Hurricane Irma impacted the southern United States. This event caused wind, surge damage and flooding along the coast. The Department of Transportatin incurred costs through June 30, 2019 of $4.9 million of which $1.1 million has been received in federal assistance $383 thousand in state funds approved by the General Assembly for Federal Emergency Management matching funds. Additional federal assistance based upon eligibility is expected to be approximately $516 thousand along with $172 thousand of state funds.

During September 2018, South Carolina experienced widespread flooding in the northeast portion of the state as a result of Hurricane Florence. This event brought heavy rainfall resulting in overflowing rivers, over 200 road and bridges closures and damaged roadways. The Department of Transportation conducted thorough inspections of all impacted roads and bridges and began recovery of the State Highway System. The Department of Transportation has incurred costs through June 30, 2019, of $32.8 million of which $10.2 million has been received in federal assistance. Additional federal assistance based upon eligibility is expected to be approximately $8.6 million as well as $2.3 million of state funds approved by the General Assembly for Federal Emergency Management matching funds. Public Service Authority, a major discretely presented component unit, was also impacted by Hurricane Florence incurring $11.7 million in capital and maintenance costs. A receivable of $8.8 million was recorded as of December 31, 2018, in anticipation for federal reimbursement in 2019. No additional costs for the event are anticipated in 2019.

On September 4, 2019, Dorian, a category 3 hurricane, brought heavy rains, winds and storm surge to the coast of South Carolina. The Department of Transportation prepared for and responded to the impacts of Hurricane Dorian by assisting in lane reversals to support evacuations of South Carolina coastal areas. Response and recovery activities occurred primarily in Charleston and Georgetown Counties associated with debris clean-up and removal. To date, the Department of Transportation has incurred costs of $3.6 million and federal assistance based upon eligibility is expected. Additional federal assistance is expected to be approximately $2.0 million along with $650 thousand in state funds for Federal Emergency Management matching funds. The Public Service Authority, a major discretely presented component unit, was also impacted by Hurricane Dorian, initial estimates are $9.6 million with $7.6 million eligible for Federal assistance. Again, the State of South Carolina is in the early stages of recovery and costs have not yet been fully determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available.

d. Public Service Authority Ceases the Joint Construction Project (V.C. Summer Units 2 and 3)

On January 28, 2019, the Santee Cooper Board approved a resolution authorizing the Interim President and CEO to consent to SCE&G's request to terminate the Summer Nuclear Units 2 & 3 combined construction and operating licenses. That consent was conveyed to the Nuclear Regulatory Commission in a letter dated January 29, 2019. The State is currently evaluating options that include selling the Authority or selling the related construction in progress to another entity to finish the project, yet it has made no decision at this time.

e. DHEC Remedial Activities at the Able Site

On August 11, 2019, DHEC initiated a removal action which includes firefighting and disposal activities at the Able Contracting, Inc. site. Due to continuing smoke and flareups onsite, DHEC determined that a complete site cleanup is warranted. Estimated cleanup costs will total to $4.5 million and last for 75 to 96 work days assuming the site does not reignite. Safety crew and associated equipment available to respond to smoke or flames and to manage water is estimated to cost between $5 and $7 thousand per day.