
**BASIC
FINANCIAL STATEMENTS**

Statement of Net Position

June 30, 2020

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents.....	\$ 7,917,089	\$ 793,147	\$ 8,710,236	\$ 3,139,550
Investments.....	5,003,038	237,842	5,240,880	1,528,326
Invested securities lending collateral.....	97,821	4,299	102,120	26,338
Receivables, net:				
Accounts.....	516,250	48,925	565,175	470,142
Contributions.....	4,008	—	4,008	147,267
Participants.....	—	350	350	—
Accrued interest.....	58,824	2,217	61,041	16,139
Income taxes.....	1,191,089	—	1,191,089	—
Sales and other taxes.....	781,586	—	781,586	—
Student accounts.....	34	—	34	64,097
Patient accounts.....	18,094	—	18,094	343,878
Loans and notes.....	772,559	—	772,559	63,818
Assessments.....	—	114,792	114,792	—
Due from Federal government and other grantors.....	877,319	200,397	1,077,716	157,561
Internal balances.....	(428,468)	428,468	—	—
Due from component units.....	107,865	—	107,865	—
Due from primary government.....	—	—	—	37,628
Due from fiduciary funds.....	86,519	—	86,519	—
Inventories.....	85,694	1,799	87,493	478,097
Restricted assets:				
Cash and cash equivalents.....	837,747	21	837,768	1,481,000
Investments.....	—	—	—	2,027,353
Accounts receivable.....	31,471	—	31,471	106
Loans receivable.....	—	—	—	831,812
Other.....	71,970	—	71,970	21,482
Prepaid items.....	48,402	518	48,920	118,262
Other assets.....	465	—	465	324,608
Regulatory assets.....	—	—	—	3,748,547
Other regulatory assets.....	—	—	—	427,506
Investment in joint venture.....	—	—	—	7,866
Capital assets-nondepreciable.....	6,186,787	275,087	6,461,874	2,520,063
Capital assets-depreciable, net.....	12,700,341	18,392	12,718,733	10,968,214
Total assets.....	\$ 36,966,504	\$ 2,126,254	\$ 39,092,758	\$ 28,949,660
DEFERRED OUTFLOWS OF RESOURCES.....	\$ 1,132,012	\$ 3,672	\$ 1,135,684	\$ 2,199,361
LIABILITIES				
Accounts payable.....	\$ 960,291	\$ 3,996	\$ 964,287	\$ 424,358
Accrued salaries and related expenses.....	167,002	1,138	168,140	264,202
Accrued interest payable.....	15	100	115	83,120
Retainages payable.....	4,638	32	4,670	19,040
Tax refunds payable.....	872,615	36,729	909,344	—
Payables-aid to individuals/families.....	15,835	—	15,835	—
Prizes payable.....	—	—	—	45,755
Unemployment benefits payable.....	—	212,546	212,546	—
Intergovernmental payables.....	432,922	3,143	436,065	696
Tuition benefits payable.....	—	62,481	62,481	—
Due to component units.....	37,628	—	37,628	—
Due to primary government.....	—	—	—	107,865
Due to fiduciary funds.....	41,860	—	41,860	—
Asset retirement obligation.....	—	—	—	717,813
Unearned revenues.....	1,811,229	33	1,811,262	218,388
Deposits.....	9	300	309	14,485
Amounts held in custody for others.....	—	—	—	31,029
Securities lending collateral.....	97,821	4,299	102,120	26,338
Liabilities payable from restricted assets:				
Accrued interest payable.....	16,302	—	16,302	—
Other.....	—	—	—	20,289
Other liabilities.....	468,486	21	468,507	1,030,547
Long-term liabilities:				
Due within one year.....	892,450	21,694	914,144	443,262
Due in more than one year.....	9,263,380	213,110	9,476,490	21,083,499
Total liabilities.....	\$ 15,082,483	\$ 559,622	\$ 15,642,105	\$ 24,530,686
DEFERRED INFLOWS OF RESOURCES.....	\$ 547,674	\$ 1,531	\$ 549,205	\$ 1,165,687

Exhibit A-1

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
NET POSITION				
Net investment in capital assets.....	\$ 16,904,849	\$ 281,794	\$ 17,186,643	\$ 6,477,837
Restricted:				
Expendable:				
General government.....	4,070,560	—	4,070,560	—
Education.....	253,369	—	253,369	1,050,323
Health.....	1,260,233	—	1,260,233	—
Transportation.....	2,078,667	—	2,078,667	2,495
Capital projects.....	153,123	—	153,123	801,888
Debt service.....	867,776	—	867,776	180,759
Loan programs.....	—	—	—	475,994
Waste management.....	183,531	—	183,531	—
Insurance programs.....	498,618	55,343	553,961	—
Administration of justice.....	20,006	—	20,006	—
Economic development.....	10,389	—	10,389	—
Social programs.....	22,559	—	22,559	—
Unemployment compensation benefits.....	—	1,666,437	1,666,437	—
Other.....	—	—	—	52,230
Nonexpendable:				
Education.....	11,763	—	11,763	1,213,905
Other.....	182,315	—	182,315	—
Unrestricted.....	(4,049,399)	(434,801)	(4,484,200)	(4,802,783)
Total net position.....	\$ 22,468,359	\$ 1,568,773	\$ 24,037,132	\$ 5,452,648

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

Statement of Activities

For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Expenses	Program Revenues		Net Revenues (Expenses)	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions					
Primary government:					
Governmental activities:					
General government.....	\$ 6,950,505	\$ 3,501,970	\$ 1,628,404	\$ 24,714	\$ (1,795,417)
Education.....	5,233,490	44,695	965,543	715	(4,222,537)
Health and environment.....	8,752,266	233,087	5,528,855	7,547	(2,982,777)
Social services.....	1,783,094	12,215	1,451,378	24,107	(295,394)
Administration of justice.....	1,108,837	56,652	19,138	3,110	(1,029,937)
Resources and economic development.....	481,058	74,136	81,692	9,444	(315,786)
Transportation.....	1,761,563	240,246	2,624	836,117	(682,576)
Unallocated interest expense.....	10,888	—	—	—	(10,888)
Total governmental activities.....	26,081,701	4,163,001	9,677,634	905,754	(11,335,312)
Business-type activities:					
Unemployment compensation benefits.....	3,038,557	292,409	2,377,010	—	(369,138)
Second Injury.....	1,484	—	—	—	(1,484)
Other enterprise activities.....	56,490	52,065	350	53,113	49,038
Total business-type activities.....	3,096,531	344,474	2,377,360	53,113	(321,584)
Total primary government.....	\$ 29,178,232	\$ 4,507,475	\$ 12,054,994	\$ 958,867	\$ (11,656,896)
Component units:					
Public Service Authority.....	1,970,595	1,722,676	18,838	—	(229,081)
Medical University of South Carolina.....	3,307,603	2,842,594	205,517	38,062	(221,430)
University of South Carolina.....	1,469,032	1,113,930	136,057	29,107	(189,938)
Clemson University.....	1,193,405	859,724	193,292	26,268	(114,121)
State Ports Authority.....	428,239	292,256	17,243	6,201	(112,539)
Housing Authority.....	218,056	52,936	187,159	—	22,039
Lottery Commission.....	2,109,983	2,110,083	36	—	136
Nonmajor component units.....	2,084,016	1,177,098	528,379	84,599	(293,940)
Total component units.....	\$ 12,780,929	\$ 10,171,297	\$ 1,286,521	\$ 184,237	\$ (1,138,874)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position:				
Net revenues (expenses)	\$ (11,335,312)	\$ (321,584)	\$ (11,656,896)	\$ (1,138,874)
General revenues:				
Taxes:				
Individual income.....	5,045,819	—	5,045,819	—
Retail sales and use.....	5,167,804	—	5,167,804	—
Corporate income.....	362,569	—	362,569	—
Gas and motor vehicle.....	1,263,560	—	1,263,560	—
Insurance.....	215,722	—	215,722	—
Hospital.....	268,702	—	268,702	—
Other.....	760,619	—	760,619	—
Total taxes.....	13,084,795	—	13,084,795	—
Unrestricted grants and contributions.....	40	—	40	—
Unrestricted investment income.....	470,543	55,291	525,834	—
State Appropriations.....	—	—	—	883,266
Tobacco legal settlement.....	71,750	—	71,750	—
Other revenues.....	594,187	3,344	597,531	—
Additions to endowments.....	—	—	—	49,712
Losses on sale of capital assets.....	—	(726)	(726)	—
Transfers—internal activities.....	(472,328)	472,328	—	—
Total general revenues, additions to endowments, and transfers.....	13,748,987	530,237	14,279,224	932,978
Change in net position.....	2,413,675	208,653	2,622,328	(205,896)
Net position at beginning of year, as restated.....	20,054,684	1,360,120	21,414,804	5,658,544
Net position at end of year.....	\$ 22,468,359	\$ 1,568,773	\$ 24,037,132	\$ 5,452,648

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

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2020

(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue
ASSETS				
Cash and cash equivalents.....	\$ 2,962,307	\$ 1,909,714	\$ 208,320	\$ 1,223,367
Investments.....	3,315,585	267,412	397,062	—
Invested securities lending collateral.....	22,414	5,380	18,187	17,735
Receivables, net:				
Accounts.....	78,623	193,621	1,596	1,295
Contributions.....	1,162	2,799	—	—
Accrued interest.....	29,605	2,194	7,032	8,654
Income taxes.....	1,191,089	—	—	—
Sales and other taxes.....	668,209	—	—	6,620
Student accounts.....	34	—	—	—
Patient accounts.....	15,638	2,456	—	—
Loans and notes.....	38,269	363	733,355	572
Due from Federal government and other grantors.....	6,672	764,603	1,179	104,386
Due from other funds.....	428,401	91,299	27,518	89,313
Due from component units.....	54,826	—	—	82
Interfund receivables.....	51,142	1,550	132,927	—
Inventories.....	38,476	37,548	—	6,547
Restricted assets:				
Cash and cash equivalents.....	18,847	—	818,462	438
Accounts receivable, net.....	—	—	31,471	—
Other.....	—	—	37,970	—
Prepaid items.....	11,852	2,779	—	5,866
Other assets.....	120	—	—	203
Total assets.....	\$ 8,933,271	\$ 3,281,718	\$ 2,415,079	\$ 1,465,078
LIABILITIES				
Accounts payable.....	347,026	368,634	13,440	158,752
Accrued salaries and related expenditures.....	108,442	32,086	99	22,712
Retainages payable.....	122	2,115	—	—
Tax refunds payable.....	872,615	—	—	—
Payable—aid to individuals/families.....	1,089	14,746	—	—
Intergovernmental payables.....	59,216	197,734	18,175	—
Due to other funds.....	234,420	248,819	38	18,881
Due to component units.....	10,200	19,045	—	—
Interfund payables.....	1,550	500,000	—	132,927
Unearned revenues.....	23,414	1,407,676	44,509	132,248
Securities lending collateral.....	22,414	5,380	18,187	17,735
Other liabilities.....	247,297	3,818	12,487	—
Total liabilities.....	1,927,805	2,800,053	106,935	483,255
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	3,005	48,158	16,687	5
Deferred nonexchange revenues.....	16,792	—	—	—
Total deferred inflows of resources.....	19,797	48,158	16,687	5
FUND BALANCES				
Nonspendable.....	129,273	40,327	—	12,616
Restricted.....	923,224	2,754,250	2,291,457	600,244
Committed.....	507,269	21,021	—	368,958
Assigned.....	263,888	195,225	—	—
Unassigned.....	5,162,015	(2,577,316)	—	—
Total fund balances.....	6,985,669	433,507	2,291,457	981,818
Total liabilities, deferred inflows and fund balances.....	\$ 8,933,271	\$ 3,281,718	\$ 2,415,079	\$ 1,465,078

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

Exhibit B-1

Nonmajor Governmental Funds	Totals
\$ 610,624	\$ 6,914,332
502,673	4,482,732
11,112	74,828
3,291	278,426
47	4,008
5,247	52,732
—	1,191,089
106,757	781,586
—	34
—	18,094
—	772,559
479	877,319
6,849	643,380
35,359	90,267
—	185,619
—	82,571
—	837,747
—	31,471
34,000	71,970
99	20,596
—	323
\$ 1,316,537	\$ 17,411,683
\$ 68,182	\$ 956,034
299	163,638
2,401	4,638
—	872,615
—	15,835
157,573	432,698
106,962	609,120
8,383	37,628
—	634,477
—	1,607,847
11,112	74,828
—	263,602
354,912	5,672,960
—	67,855
—	16,792
—	84,647
11,862	194,078
584,279	7,153,454
208,912	1,106,160
156,572	615,685
—	2,584,699
961,625	11,654,076
\$ 1,316,537	\$ 17,411,683

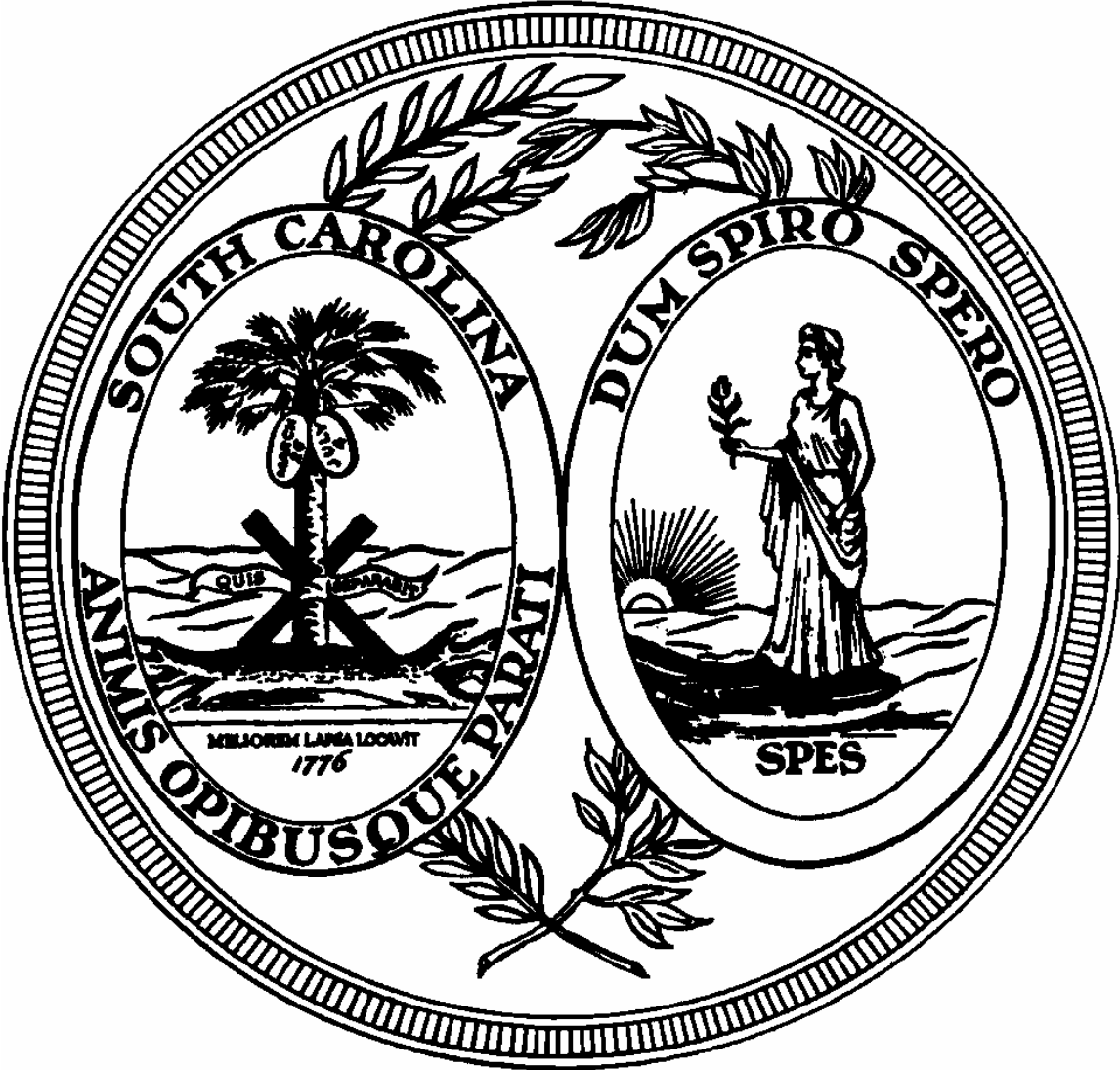
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2020
(Expressed in Thousands)

Total fund balances—governmental funds.....		\$ 11,654,076
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.....	\$ 6,180,448	
Depreciable capital assets.....	19,527,201	
Accumulated depreciation.....	<u>(6,915,957)</u>	
Total capital assets.....		18,791,692
Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Hedging portion of derivative instruments		55,380
Deferred loss on refunding bonds.....		75,632
Pension and OPEB contributions made after the measurement date.....		413,973
Difference between expected and actual retirement plan experience.....		115,483
Net difference between projected and actual earnings on investments.....		41,086
Changes in proportion and differences between contributions and proportionate share of plan contributions.....		116,327
Changes in assumptions.....		300,448
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.....		(132,515)
Difference between projected and actual investment earnings.....		—
Changes in proportion and differences between contributions and proportionate share of plan contributions.....		(200,421)
Changes in assumptions.....		(190,395)
Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows of resources.....		67,855
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.....		885,391
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.....	(1,965,975)	
Notes payable.....	(78,481)	
Accrued interest on bonds.....	(16,302)	
Capital leases.....	(2,239)	
Net pension liability.....	(3,952,414)	
Net OPEB liability.....	(3,074,695)	
Compensated absences.....	(207,657)	
Policy claims.....	(21,696)	
Other.....	<u>(206,194)</u>	
Total long-term liabilities.....		<u>(9,525,653)</u>
Net position of governmental activities.....		<u>\$ 22,468,359</u>

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



Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income.....	\$ 5,018,135	\$ 3,892	\$ 23,792
Retail sales and use.....	4,068,487	3,464	—
Corporate Income.....	362,569	—	—
Gas and motor vehicle.....	—	—	—
Insurance.....	213,291	2,431	—
Hospital.....	268,702	—	—
Other.....	646,597	111,179	—
Licenses, fees, and permits.....	260,398	54,670	135,458
Interest and other investment income.....	208,560	15,269	93,927
Federal.....	68,280	9,042,039	21,251
Local and private grants.....	—	51,967	1,179
Departmental services.....	769,417	92,533	542
Contributions.....	7,228	22,151	55,357
Fines and penalties.....	58,849	5,404	—
Tobacco legal settlement.....	—	—	—
Other.....	203,776	295,561	1,343
Total revenues.....	12,154,289	9,700,560	332,849
Expenditures:			
Current:			
General government.....	1,129,527	146,124	—
Education.....	645,387	186,751	—
Health and environment.....	3,073,535	6,314,475	—
Social services.....	274,257	1,424,316	—
Administration of justice.....	909,993	31,914	—
Resources and economic development.....	207,973	67,750	17,045
Transportation.....	1,975	2,262	2,048
Capital outlay.....	132,815	70,835	—
Debt service:			
Principal retirement.....	63,812	106	57,877
Interest and fiscal charges.....	17,716	10	83,754
Intergovernmental.....	4,271,024	955,874	90,030
Total expenditures.....	10,728,014	9,200,417	250,754
Excess of revenues over (under) expenditures.....	1,426,275	500,143	82,095
Other financing sources (uses):			
Bonds and notes issued.....	8,645	—	—
Refunding bonds issued.....	—	—	179,030
Premiums on bonds issued.....	—	—	43,973
Capital leases.....	1,053	68	—
Payment to refunded bond escrow agent.....	—	—	(224,858)
Transfers in.....	179,296	35,349	6,166
Transfers out.....	(278,670)	(595,468)	—
Total other financing sources (uses).....	(89,676)	(560,051)	4,311
Net change in fund balances.....	1,336,599	(59,908)	86,406
Fund balances at beginning of year.....	5,649,070	493,415	2,205,051
Fund balances at end of year.....	\$ 6,985,669	\$ 433,507	\$ 2,291,457

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

Exhibit B-2

<u>Department of Transportation Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ —	\$ —	\$ 5,045,819
—	1,095,853	5,167,804
—	—	362,569
1,263,560	—	1,263,560
—	—	215,722
—	—	268,702
—	2,843	760,619
—	57,907	508,433
53,203	32,492	403,451
823,229	3,802	9,958,601
—	—	53,146
139,334	30,469	1,032,295
—	492,997	577,733
—	7,045	71,298
—	71,750	71,750
19,360	1,793	521,833
<u>2,298,686</u>	<u>1,796,951</u>	<u>26,283,335</u>
—	60,007	1,335,658
—	489,374	1,321,512
—	78,712	9,466,722
—	—	1,698,573
—	—	941,907
—	222	292,990
1,230,227	—	1,236,512
805,507	169,429	1,178,586
35,323	5	157,123
8,320	—	109,800
102,319	1,132,686	6,551,933
<u>2,181,696</u>	<u>1,930,435</u>	<u>24,291,316</u>
<u>116,990</u>	<u>(133,484)</u>	<u>1,992,019</u>
—	13,488	22,133
—	—	179,030
—	—	43,973
—	1	1,122
—	—	(224,858)
5,912	321,867	548,590
(3,564)	(139,515)	(1,017,217)
<u>2,348</u>	<u>195,841</u>	<u>(447,227)</u>
<u>119,338</u>	<u>62,357</u>	<u>1,544,792</u>
<u>862,480</u>	<u>899,268</u>	<u>10,109,284</u>
<u>\$ 981,818</u>	<u>\$ 961,625</u>	<u>\$ 11,654,076</u>

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, 2020
(Expressed in Thousands)

Net change in fund balances—total governmental funds.....	\$	1,544,792
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.....	\$ 1,178,586	
Depreciation expense.....	<u>(421,325)</u>	
Excess of capital outlay over depreciation expense.....		757,261
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.....		62,212
Loss on disposals of capital assets are reported as an expense in the Statement of Activities.....		(99,931)
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.....		(246,258)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position.....		10,315
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.....	157,123	
Payment to refunded bond escrow agent.....	<u>224,858</u>	
Total long-term debt repayment.....		381,981
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.....		158,783
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.		
Increase in unearned revenues.....		24,837

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 27,920

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.....	\$ 1,812	
Unamortized bond premiums and discounts.....	39,674	
Net pension liability.....	(67,862)	
Net OPEB liability.....	(166,985)	
Compensated absences payable.....	(7,000)	
Policy claims payable.....	774	
Other long-term liabilities.....	(8,650)	
Total additional expenses.....		<u>(208,237)</u>

Change in net position of governmental activities..... **\$ 2,413,675**

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

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2020

(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 718,733	\$ 50,932	\$ 23,482	\$ 793,147	\$ 1,002,757
Investments.....	11,021	196,839	29,982	237,842	2,088
Invested securities lending collateral.....	227	4,055	17	4,299	22,993
Receivables, net:					
Accounts.....	43,178	594	5,152	48,924	237,744
Participants.....	—	—	172	172	—
Accrued interest.....	116	2,093	8	2,217	6,092
Assessments.....	114,792	—	—	114,792	—
Due from Federal government and other grantors.....	200,397	—	—	200,397	—
Due from other funds.....	500,000	—	13	500,013	34,670
Due from component units.....	—	—	—	—	17,598
Inventories.....	—	—	1,799	1,799	3,123
Prepaid items.....	—	—	518	518	27,715
Total current assets.....	<u>1,588,464</u>	<u>254,513</u>	<u>61,143</u>	<u>1,904,120</u>	<u>1,354,780</u>
Long-term assets:					
Investments.....	—	—	—	—	518,218
Receivables, net:					
Accounts.....	—	1	—	1	80
Participants.....	—	—	178	178	—
Restricted assets:					
Cash and cash equivalents.....	—	—	21	21	—
Prepaid items.....	—	—	—	—	91
Other long-term assets.....	—	—	—	—	141
Non-depreciable capital assets.....	—	—	275,087	275,087	6,339
Depreciable capital assets, net.....	—	—	18,392	18,392	89,097
Total long-term assets.....	<u>—</u>	<u>1</u>	<u>293,678</u>	<u>293,679</u>	<u>613,966</u>
Total assets.....	<u>1,588,464</u>	<u>254,514</u>	<u>354,821</u>	<u>2,197,799</u>	<u>1,968,746</u>
DEFERRED OUTFLOWS OF RESOURCES.....	\$ —	\$ —	\$ 3,672	\$ 3,672	\$ 13,683

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable.....	\$ 1,147	\$ —	\$ 2,849	\$ 3,996	\$ 4,257
Accrued salaries and related expenses.....	—	—	1,138	1,138	3,364
Accrued interest payable.....	—	—	100	100	15
Retainages payable.....	—	—	32	32	—
Tax refunds payable.....	36,729	—	—	36,729	—
Unemployment benefits payable.....	212,546	—	—	212,546	—
Intergovernmental payables.....	3,141	—	2	3,143	224
Interfund payables.....	—	—	51,000	51,000	—
Tuition benefits payable.....	—	—	12,139	12,139	—
Policy claims.....	—	21,152	—	21,152	571,967
Due to other funds.....	19,970	—	575	20,545	3,739
Unearned revenues.....	—	—	33	33	203,382
Deposits.....	—	—	300	300	9
Securities lending collateral.....	227	4,055	17	4,299	22,993
Notes payable.....	—	—	—	—	5,660
Revenue bonds payable.....	—	—	195	195	—
Capital leases payable.....	—	—	—	—	28
Compensated absences payable.....	—	—	347	347	2,058
Other current liabilities.....	—	—	21	21	1,568
Total current liabilities.....	273,760	25,207	68,748	367,715	819,264
Long-term liabilities:					
Tuition benefits payable.....	—	—	50,342	50,342	—
Policy claims.....	—	173,964	—	173,964	157,558
Interfund payables.....	—	—	—	—	142
Notes payable.....	—	—	6,500	6,500	5,529
Revenue bonds payable.....	—	—	4,990	4,990	—
Compensated absences payable.....	—	—	209	209	1,611
Other long-term liabilities.....	—	—	—	—	153
Net pension liability.....	—	—	14,974	14,974	57,272
Net OPEB liability.....	—	—	12,473	12,473	47,958
Total long-term liabilities.....	—	173,964	89,488	263,452	270,223
Total liabilities.....	273,760	199,171	158,236	631,167	1,089,487
DEFERRED INFLOWS OF RESOURCES.....	\$ —	\$ —	\$ 1,531	\$ 1,531	\$ 7,551

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, 2020
 (Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
NET POSITION					
Net investment in capital assets.....	\$ —	\$ —	\$ 281,794	\$ 281,794	\$ 84,219
Restricted:					
Expendable:					
Unemployment compensation benefits.....	1,666,437	—	—	1,666,437	—
Insurance programs.....	—	55,343	—	55,343	498,618
Unrestricted.....	(351,733)	—	(83,068)	(434,801)	302,554
Total net position.....	\$ 1,314,704	\$ 55,343	\$ 198,726	\$ 1,568,773	\$ 885,391

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

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Operating revenues:					
Assessments.....	\$ 248,424	\$ —	\$ —	\$ 248,424	\$ —
Charges for services.....	—	—	52,019	52,019	3,131,965
Contributions.....	—	—	350	350	—
Interest and other investment income.....	26,131	11,051	17,834	55,016	—
Licenses, fees, and permits.....	—	—	—	—	15
Federal operating grants and contracts.....	2,377,010	—	—	2,377,010	—
Other operating revenues.....	43,985	—	46	44,031	493,104
Total operating revenues.....	2,695,550	11,051	70,249	2,776,850	3,625,084
Operating expenses:					
General operations and administration.....	—	—	38,257	38,257	565,416
Benefits and claims.....	3,038,557	1,484	4,068	3,044,109	2,944,851
Tuition plan disbursements.....	—	—	12,658	12,658	—
Depreciation and amortization.....	—	—	1,486	1,486	21,014
Other operating expenses.....	—	—	21	21	1,128
Total operating expenses.....	3,038,557	1,484	56,490	3,096,531	3,532,409
Operating income.....	(343,007)	9,567	13,759	(319,681)	92,675
Nonoperating revenues (expenses):					
Interest income.....	—	—	375	375	67,092
Contributions.....	—	—	—	—	40
Federal grants and contracts.....	—	—	4,309	4,309	—
Local/private grants and contracts.....	—	—	—	—	—
Interest expense.....	—	—	(100)	(100)	(262)
Net other nonoperating revenues (expenses).....	—	3	3,341	3,344	3,306
Losses on sale of capital assets.....	—	—	(726)	(726)	(367)
Total nonoperating revenues (expenses).....	—	3	7,199	7,202	69,809
Income before transfers.....	(343,007)	9,570	20,958	(312,479)	162,484
Transfer from South Carolina Medical Malpractice Liability JUA.....	—	—	48,804	48,804	—
Transfers in.....	500,000	—	94	500,094	7,946
Transfers out.....	(22,302)	(225)	(5,239)	(27,766)	(11,647)
Change in net position.....	134,691	9,345	64,617	208,653	158,783
Net position at beginning of year.....	1,180,013	45,998	134,109	1,360,120	726,608
Net position at end of year.....	\$ 1,314,704	\$ 55,343	\$ 198,726	\$ 1,568,773	\$ 885,391

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, 2020
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers.....	\$ 12,652	\$ —	\$ 48,246	\$ 60,898	\$ 2,903,155
Assessments received.....	252,189	—	—	252,189	—
Grants received.....	2,177,391	—	—	2,177,391	—
Tuition plan contributions received.....	—	—	711	711	—
Internal activity—payments from other funds.....	—	—	—	—	232,799
Other operating cash receipts.....	—	—	4,611	4,611	453,085
Claims and benefits paid.....	(3,294,495)	(36,011)	(33,728)	(3,364,234)	(284,536)
Payments to suppliers for goods and services.....	—	—	(29,976)	(29,976)	(3,250,144)
Payments to employees.....	—	—	(7,530)	(7,530)	(50,457)
Other operating cash payments.....	—	(918)	(165)	(1,083)	(2)
Net cash provided by (used in) operating activities.....	(852,263)	(36,929)	(17,831)	(907,023)	3,900
Cash flows from noncapital financing activities:					
Miscellaneous revenue cash receipts	—	16,974	58	17,032	2,256
Other noncapital financing cash payments.....	—	—	(825)	(825)	(2,666)
Transfers in.....	500,000	—	94	500,094	7,946
Transfers out.....	(22,302)	(225)	(5,239)	(27,766)	(11,647)
Net cash used in noncapital financing activities.....	477,698	16,749	(5,912)	488,535	(4,111)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Cash flows from capital and related financing activities:					
Acquisition of capital assets.....	\$ —	\$ —	\$ (10,972)	\$ (10,972)	\$ (9,121)
Proceeds from issuance of capital debt.....	—	—	—	—	547
Principal payments on capital debt.....	—	—	(170)	(170)	(5,961)
Interest payments on capital debt.....	—	—	(97)	(97)	(254)
Capital grants and gifts received.....	—	—	4,287	4,287	—
Transfer to South Carolina Medical Malpractice Liability JUA.....	—	—	3,997	3,997	—
Proceeds from sale or disposal of capital assets.....	—	—	—	—	1,812
Net cash used in capital and related financing activities.....	—	—	(2,955)	(2,955)	(12,977)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments.....	1,216	28,159	10,166	39,541	160,049
Purchase of investments.....	—	—	—	—	(170,155)
Interest and dividends on investments.....	26,122	10,893	18,256	55,271	38,830
Net cash provided by (used in) investing activities.....	27,338	39,052	28,422	94,812	28,724
Net increase (decrease) in cash and cash equivalents.....	(347,227)	18,872	1,724	(326,631)	15,536
Cash and cash equivalents at beginning of year.....	1,065,960	32,060	21,779	1,119,799	987,221
Cash and cash equivalents at end of year.....	\$ 718,733	\$ 50,932	\$ 23,503	\$ 793,168	\$ 1,002,757

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

Continued on Next Page

Statement of Cash Flows

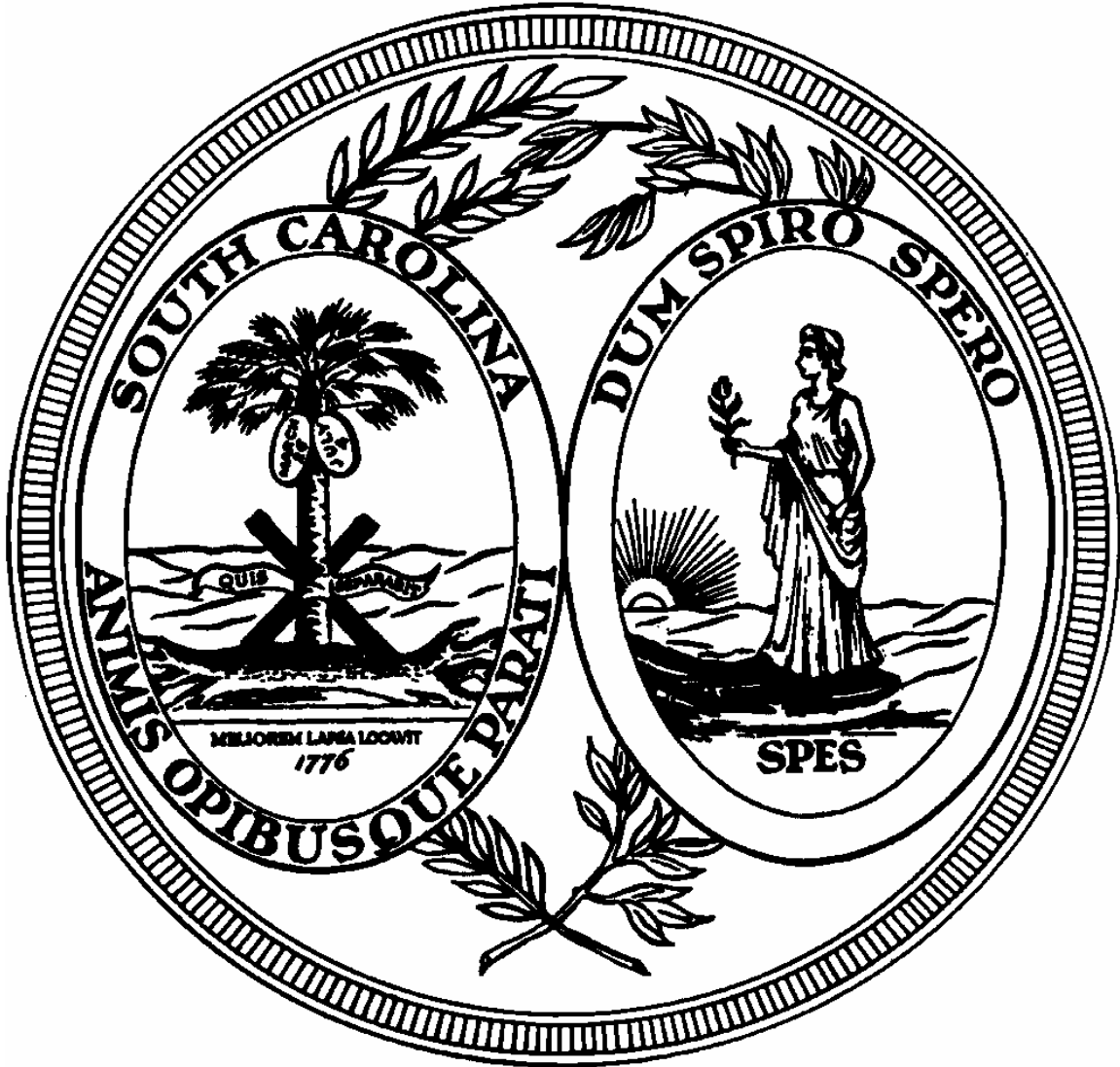
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss).....	\$ (343,007)	\$ 9,567	\$ 13,759	\$ (319,681)	\$ 92,675
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization.....	—	—	1,486	1,486	21,014
Provision for bad debts.....	13,416	—	—	13,416	—
Realized gains (losses) on sale of assets.....	—	—	(726)	(726)	(367)
Interest and dividends on investments and interfund loans.....	(26,122)	(10,893)	(17,834)	(54,849)	—
Other nonoperating revenues.....	—	—	57,290	57,290	64
Other nonoperating expenses.....	—	(16,971)	—	(16,971)	(18)
Effect of changes in operating assets, deferred outflows, liabilities and deferred inflows:					
Accounts receivable, net.....	\$ (31,145)	\$ (594)	\$ (1,895)	\$ (33,634)	\$ (32,652)
Accrued interest.....	(8)	(157)	—	(165)	—
Assessments receivable, net.....	(9,841)	—	—	(9,841)	—
Due from Federal government and other grantors.....	(199,619)	—	—	(199,619)	—
Due from other funds.....	(500,000)	—	—	(500,000)	(31,315)
Inventories.....	—	—	(430)	(430)	(629)
Other assets.....	—	—	1,180	1,180	(5,132)
Deferred outflows.....	—	—	(579)	(579)	178
Accounts payable.....	1,022	(910)	1,435	1,547	(1,727)
Accrued salaries and related expenses.....	—	—	(79)	(79)	(43)
Tax refunds payable.....	16,381	—	—	16,381	—
Unemployment benefits payable.....	211,034	—	—	211,034	—
Tuition benefits payable.....	—	—	(15,789)	(15,789)	—
Policy claims.....	—	(16,971)	(53,032)	(70,003)	(73,457)
Due to other funds.....	15,626	—	380	16,006	3,315
Unearned revenues.....	—	—	(3,254)	(3,254)	28,779
Compensated absences payable.....	—	—	(16)	(16)	232
Other liabilities.....	—	—	156	156	1,553
Deferred inflows.....	—	—	117	117	1,430
Net cash provided by (used in) operating activities.....	\$ (852,263)	\$ (36,929)	\$ (17,831)	\$ (907,023)	\$ 3,900
Noncash capital, investing, and financing activities:					
Disposal of capital assets.....	\$ —	—	\$ —	\$ —	\$ 6,988
Increase in fair value of investments.....	—	—	842	842	28,056
Total noncash capital, investing, and financing activities.....	\$ —	\$ —	\$ 842	\$ 842	\$ 35,044

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



Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2020

(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.....	\$ 3,588,943	\$ 3,280,745	\$ 19,135	\$ 466,660
Receivables, net:				
Accounts.....	—	—	20	12,169
Contributions.....	290,829	—	—	—
Accrued interest.....	49,502	158	3,114	2,955
Unsettled investment sales.....	1,408,633	—	5,000	—
Other investment receivables.....	578	—	—	—
Total receivables.....	<u>1,749,542</u>	<u>158</u>	<u>8,134</u>	<u>15,124</u>
Due from other funds.....	80,426	—	—	—
Due from governmental funds.....	—	—	—	41,860
Investments, at fair value:				
Short term investments.....	551,829	—	—	14,332
Debt-domestic.....	5,160,064	809,948	—	—
Equity-international.....	13,873,769	—	—	—
Alternatives.....	10,639,044	—	—	—
Financial and other.....	176,368	4,401,206	4,340,637	—
Total investments.....	<u>30,401,074</u>	<u>5,211,154</u>	<u>4,340,637</u>	<u>14,332</u>
Invested securities lending collateral.....	28,112	—	90	3,144
Capital assets, net.....	2,156	—	—	—
Prepaid items.....	791	—	—	—
Other assets.....	—	—	4,367	—
Total assets.....	<u>35,851,044</u>	<u>8,492,057</u>	<u>4,372,363</u>	<u>541,120</u>
LIABILITIES				
Accounts payable.....	7,790	—	2,793	110,169
Accounts payable—unsettled investment purchases.....	2,534,634	59,907	5,019	—
Policy claims.....	688	—	—	—
Due to other funds.....	80,426	—	—	86,519
Tax refunds payable.....	—	—	—	4
Intergovernmental payables.....	—	—	—	39,002
Deposits.....	—	—	—	6,977
Amounts held in custody for others.....	—	—	—	295,303
Securities lending collateral.....	72,559	—	90	3,144
Due to participants.....	—	—	—	2
Other liabilities.....	206,781	—	—	—
Total liabilities.....	<u>2,902,878</u>	<u>59,907</u>	<u>7,902</u>	<u>541,120</u>
NET POSITION				
Restricted for pension and other post-employment benefits.....	32,948,166	—	—	—
Held in trust for:				
External investment pool participants.....	—	8,432,150	—	—
Other purposes.....	—	—	4,364,461	—
Total net position.....	<u>\$ 32,948,166</u>	<u>\$ 8,432,150</u>	<u>\$ 4,364,461</u>	<u>\$ —</u>

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, 2020
(Expressed in Thousands)

	Pension and Other Post- Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits.....	\$ —	\$ —	\$ 92
Contributions:			
Employer.....	2,521,706	—	—
Employee.....	1,079,562	—	—
Non-employer.....	237,437	—	—
Deposits from pool participants.....	—	14,961,404	—
Tuition plan deposits.....	—	—	1,416
Other.....	—	—	223,427
Total contributions.....	3,838,705	14,961,404	224,843
Investment income:			
Interest income and net appreciation (depletion) in investments.....	(187,940)	141,829	155,133
Securities lending income.....	2,791	9	—
Total investment income (loss).....	(185,149)	141,838	155,133
Less investment expense:			
Investment expense.....	231,374	—	—
Securities lending expense.....	4	—	—
Net investment income.....	(416,527)	141,838	155,133
Assets moved between pension trust funds.....	1,561	—	—
Total additions.....	3,423,739	15,103,242	380,068
Deductions:			
Regular retirement benefits.....	3,449,017	—	—
Supplemental retirement benefits.....	301	—	—
Deferred retirement benefits.....	456	—	—
Refunds of retirement contributions to members.....	140,534	—	—
Death benefit claims.....	25,324	—	—
Accidental death benefits.....	1,842	—	—
Other post-employment benefits.....	558,082	—	—
Withdrawals, pool participants.....	—	13,923,262	—
Distributions to pool participants.....	—	132,867	—
Depreciation.....	165	—	—
Administrative expense.....	17,767	5,460	15,208
Other expenses.....	—	—	1,067
Assets moved between pension trust funds.....	1,561	—	—
Total deductions.....	4,195,049	14,061,589	16,275
Change in net position.....	(771,310)	1,041,653	363,793
Net position, beginning.....	33,719,476	7,390,497	4,000,668
Net position at end of year.....	\$ 32,948,166	\$ 8,432,150	\$ 4,364,461

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

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2020

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University
ASSETS				
Cash and cash equivalents.....	\$ 311,070	\$ 755,601	\$ 735,457	\$ 396,468
Investments.....	170,309	451,664	473,194	4,417
Invested securities lending collateral.....	—	972	4,925	5,129
Receivables, net:				
Accounts.....	201,037	30,572	7,591	25,566
Contributions.....	—	28,655	43,283	38,824
Accrued interest.....	2,449	1,900	3,504	2,939
Student accounts.....	—	1,781	8,829	7,688
Patient accounts.....	—	343,878	—	—
Loans and notes.....	—	376	4,502	3
Due from Federal government and other grantors.....	—	48,599	33,747	24,062
Due from primary government.....	—	14,848	1,571	8,616
Inventories.....	375,186	74,029	2,864	2,418
Restricted assets:				
Cash and cash equivalents.....	54,678	106,343	241,264	221,786
Investments.....	161,772	390,516	14,552	822,650
Accounts receivable.....	—	—	—	—
Loans receivable.....	—	11,035	11,470	4,958
Other.....	—	6,161	—	7,124
Prepaid items.....	17,933	63,572	2,369	8,834
Other assets.....	169,952	19,961	1,965	2,406
Regulatory asset.....	3,748,547	—	—	—
Other regulatory assets.....	427,506	—	—	—
Investment in joint venture.....	7,866	—	—	—
Capital assets-nondepreciable.....	685,796	172,749	168,813	213,632
Capital assets-depreciable, net.....	4,434,597	1,368,774	1,285,381	1,257,061
Total assets.....	\$ 10,768,698	\$ 3,891,986	\$ 3,045,281	\$ 3,054,581
DEFERRED OUTFLOWS OF RESOURCES.....	\$ 960,866	\$ 401,831	\$ 263,952	\$ 198,212
LIABILITIES				
Accounts payable.....	\$ 145,921	\$ 133,486	\$ 11,910	\$ 17,595
Accrued salaries and related expenses.....	12,458	154,705	22,985	25,172
Accrued interest payable.....	40,401	4,647	4,668	5,608
Retainages payable.....	8,155	43	556	2,858
Prizes payable.....	—	—	—	—
Intergovernmental payables.....	—	—	—	—
Due to primary government.....	—	—	6,486	5,116
Asset retirement obligation.....	717,813	—	—	—
Unearned revenues.....	—	31,566	37,132	47,762
Deposits.....	—	—	3,392	762
Amounts held in custody for others.....	—	—	16,108	773
Securities lending collateral.....	—	972	4,925	5,129
Liabilities payable from restricted assets:				
Other.....	—	—	—	—
Other liabilities.....	616,403	262,736	29,671	96,722
Long-term liabilities:				
Due within one year.....	91,975	141,232	61,860	37,910
Due in more than one year.....	7,433,052	3,474,142	2,540,071	1,963,876
Total liabilities.....	\$ 9,066,178	\$ 4,203,529	\$ 2,739,764	\$ 2,209,283
DEFERRED INFLOWS OF RESOURCES.....	\$ 630,027	\$ 127,362	\$ 113,103	\$ 66,957
NET POSITION				
Net investment in capital assets.....	\$ 2,041,105	\$ 552,431	\$ 870,683	\$ 845,991
Restricted:				
Expendable:				
Education.....	—	216,771	169,197	314,073
Transportation.....	—	—	—	—
Capital projects.....	135	268,896	110,195	155,338
Debt service.....	7,963	4,539	10,810	12,949
Loan programs.....	—	—	—	—
Other.....	—	—	—	—
Nonexpendable:				
Education.....	—	200,912	397,856	386,831
Unrestricted.....	(15,844)	(1,280,623)	(1,102,375)	(738,629)
Total net position (deficit).....	\$ 2,033,359	\$ (37,074)	\$ 456,366	\$ 976,553

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
\$ 256,541	\$ 17,284	\$ 29,304	\$ 637,825	\$ 3,139,550
—	—	—	428,742	1,528,326
9,624	1,566	—	4,122	26,338
46,428	569	63,410	94,969	470,142
—	—	—	36,505	147,267
3,294	40	—	2,013	16,139
—	—	—	45,799	64,097
—	—	—	—	343,878
—	21,726	—	37,211	63,818
—	632	—	50,521	157,561
—	1,493	—	11,100	37,628
9,794	—	4,482	9,324	478,097
417,072	83,268	484	356,105	1,481,000
—	256,109	—	381,754	2,027,353
—	106	—	—	106
—	795,832	—	8,517	831,812
—	4,115	—	4,082	21,482
5,901	—	—	19,653	118,262
—	6,287	7,563	116,474	324,608
—	—	—	—	3,748,547
—	—	—	—	427,506
—	—	—	—	7,866
989,942	—	—	289,131	2,520,063
611,214	1,342	529	2,009,316	10,968,214
<u>\$ 2,349,810</u>	<u>\$ 1,190,369</u>	<u>\$ 105,772</u>	<u>\$ 4,543,163</u>	<u>\$ 28,949,660</u>
<u>\$ 58,474</u>	<u>\$ 3,213</u>	<u>\$ 3,563</u>	<u>\$ 309,250</u>	<u>\$ 2,199,361</u>
\$ 60,467	\$ —	\$ 1,542	\$ 53,437	\$ 424,358
4,144	885	—	43,853	264,202
23,067	—	—	4,729	83,120
6,291	—	—	1,137	19,040
—	—	45,755	—	45,755
—	—	—	696	696
50,000	—	26,991	19,272	107,865
—	—	—	—	717,813
—	6,437	753	94,738	218,388
—	—	—	10,331	14,485
—	—	—	14,148	31,029
9,624	1,566	—	4,122	26,338
—	18,330	—	1,959	20,289
4,595	894	1,661	17,865	1,030,547
17,663	12,351	596	79,675	443,262
1,483,714	651,825	29,418	3,507,401	21,083,499
<u>\$ 1,659,565</u>	<u>\$ 692,288</u>	<u>\$ 106,716</u>	<u>\$ 3,853,363</u>	<u>\$ 24,530,686</u>
<u>\$ 4,757</u>	<u>\$ 21,353</u>	<u>\$ 1,608</u>	<u>\$ 200,520</u>	<u>\$ 1,165,687</u>
\$ 548,444	\$ 1,342	\$ 527	\$ 1,617,314	\$ 6,477,837
—	—	—	350,282	1,050,323
—	—	—	2,495	2,495
—	—	—	267,324	801,888
36,173	48,496	—	59,829	180,759
—	411,944	—	64,050	475,994
—	—	484	51,746	52,230
—	—	—	228,306	1,213,905
159,345	18,159	—	(1,842,816)	(4,802,783)
<u>\$ 743,962</u>	<u>\$ 479,941</u>	<u>\$ 1,011</u>	<u>\$ 798,530</u>	<u>\$ 5,452,648</u>

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2020

(Expressed in Thousands)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Public Service Authority.....	\$ 1,970,595	\$ 1,722,676	\$ 18,838	\$ —
Medical University of South Carolina.....	3,307,603	2,842,594	205,517	38,062
University of South Carolina.....	1,469,032	1,113,930	136,057	29,107
Clemson University.....	1,193,405	859,724	193,292	26,268
State Ports Authority.....	428,239	292,256	17,243	6,201
Housing Authority.....	218,056	52,936	187,159	—
Lottery Commission.....	2,109,983	2,110,083	36	—
Nonmajor component units.....	2,084,016	1,177,098	528,379	84,599
Totals.....	\$ 12,780,929	\$ 10,171,297	\$ 1,286,521	\$ 184,237

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

<u>Net Revenue (Expenses)</u>	<u>Additions to Endowments</u>	<u>State Appropriations</u>	<u>Net Position (Deficit) Beginning (as Restated)</u>	<u>Net Position (Deficit) Ending</u>
\$ (229,081)	\$ —	\$ —	\$ 2,262,440	\$ 2,033,359
(221,430)	22,477	199,476	(37,597)	(37,074)
(189,938)	8,341	201,725	436,238	456,366
(114,121)	15,079	144,251	931,344	976,553
(112,539)	—	—	856,501	743,962
22,039	—	—	457,902	479,941
136	—	—	875	1,011
(293,940)	3,815	337,814	750,841	798,530
<u>\$ (1,138,874)</u>	<u>\$ 49,712</u>	<u>\$ 883,266</u>	<u>\$ 5,658,544</u>	<u>\$ 5,452,648</u>

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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, 2020.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a nonmajor 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 a nonmajor enterprise fund, has a fiscal year ended December 31, 2019. 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>

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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, 2020. 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, 2019. 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.

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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, 2019.

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, 2019. 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 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, 2019. 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 took effect on January 1, 2020. The new combined entity is 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-*

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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 Association
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

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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.

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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 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. 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. 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

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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, 2020.

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 \$3.749 billion regulatory asset. These regulatory assets are also continuously monitored for impairment.

I. 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

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- The Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.
- Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the South Carolina General Assembly, the State's highest level of decision-making authority. The South Carolina General Assembly establishes commitments through state statute or constitutional provision. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- Assigned fund balances are constrained by appropriation actions of the legislature
- 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.

Net position is comprised of the following three components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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, 2020, \$1.020 billion was reported as restricted net position because of restrictions imposed by enabling legislation.

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, 2020, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides governments with sufficient time, in light of the COVID-19 pandemic, to apply the authoritative guidance addressed in this Statement which will help to safeguard the reliability of their financial statements.

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, 2020:

Canteen.....	\$ 326
Tuition Prepayment Program.....	31,547
Prison Industries.....	531
Component units:	
Winthrop University.....	22,574
Central Carolina Technical College.....	3,223
Denmark Technical College.....	8,888
Florence- Darlington Technical College.....	22,252
Greenville Technical College.....	11,799
Technical College of the Lowcountry.....	3,257
Midlands Technical College.....	14,711
Northeastern Technical College.....	3,173
Orangeburg- Calhoun Technical College.....	10,769
Williamsburg Technical College.....	838
Connector 2000.....	91,723
Patriots Point Development Authority.....	557
South Carolina Medical Malpractice Association.....	105,110
South Carolina First Steps to School Readiness Board of Trustees.....	5,142

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. See page 70 for information about the component units listed above.

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.

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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, 2020 was \$804.125 million and the bank balance was \$1.282 billion. As of June 30, 2020, the reported amount of the primary government's deposits outside of the State Treasurer was \$38.681 million and the bank balance was \$37.656 million. Of the \$7.030 million bank balance exposed to custodial credit risk, \$7.030 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-driven 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:

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	At 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments measured at fair value</u>				
U.S. treasuries.....	\$ 7,669,891	\$ 7,004,250	\$ 665,641	\$ —
U.S. agencies.....	1,131,466	238,086	893,380	—
Common stock	33,438	29,720	3,718	—
Other equity securities.....	2,248,921	2,241,398	—	7,523
Corporate bonds.....	3,476,345	1,335	3,475,010	—
Municipal bonds.....	5,494	—	5,494	—
Commercial paper.....	7,577,419	—	7,577,419	—
Money market mutual funds.....	699,278	699,278	—	—
Bond mutual funds.....	1,409,183	1,409,183	—	—
Other.....	74,560	—	74,560	—
	<u>\$ 24,325,995</u>	<u>\$ 11,623,250</u>	<u>\$ 12,695,222</u>	<u>\$ 7,523</u>
<u>Investments measured at amortized cost</u>				
Repurchase agreements.....	2,563,118			
	<u>\$ 26,889,113</u>			

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, 2020 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	Not Rated
U.S. agencies.....	\$ 470,988	\$ 622,775	\$ 36,942	\$ —	\$ —	\$ —	\$ 761
Corporate bonds.....	19,736	448,265	1,368,516	1,578,385	41,343	8,071	12,029
Municipal bonds.....	—	214	5,280	—	—	—	—
Repurchase agreements.....	—	—	—	—	—	—	2,563,118
Commercial paper.....	—	6,125,295	490,917	885,887	—	—	75,320
Money market mutual funds.....	—	—	—	—	—	—	699,278
Bond mutual funds.....	—	—	—	—	—	—	1,409,183
Other.....	207	917	—	435	—	—	73,001
Totals.....	<u>\$ 490,931</u>	<u>\$ 7,197,466</u>	<u>\$ 1,901,655</u>	<u>\$ 2,464,707</u>	<u>\$ 41,343</u>	<u>\$ 8,071</u>	<u>\$ 4,832,690</u>

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, 2020, the State Treasurer had 9.49% of the LGIP investment portfolio in Dreyfus Treasury Obligations Cash Management Fund and 7.77% of its investments invested in United States Treasury securities.

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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, 2020, 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)				
		Does Not Mature	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries.....	\$ 6,980,947	\$ —	\$ 1,712,753	\$ 4,928,807	\$ 320,458	\$ 18,929
U.S. agencies.....	657,665	—	1,082	64,015	53,149	539,419
Common stock	3,719	3,719	—	—	—	—
Corporate bonds.....	3,254,124	—	461,955	2,368,677	373,845	49,647
Municipal bonds.....	5,279	—	5,279	—	—	—
Repurchase agreements.....	1,756,832	—	1,756,832	—	—	—
Commercial paper.....	701,754	—	701,754	—	—	—
Other.....	73,001	—	62,620	10,381	—	—
Totals.....	\$ 13,433,321	\$ 3,719	\$ 4,702,275	\$ 7,371,880	\$ 747,452	\$ 607,995

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, 2020, 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.....	\$ 688,943	\$ 682,969	\$ —	\$ 5,974	\$ —
U.S. agencies.....	469,487	149,950	—	—	319,537
Corporate bonds.....	220,970	—	103,539	117,348	83
Municipal bonds.....	215	—	215	—	—
Repurchase agreements.....	806,286	806,286	—	—	—
Commercial paper.....	6,875,665	6,875,665	—	—	—
Bond mutual funds.....	1,409,183	—	1,394,419	—	14,764
Other.....	1,559	—	1,559	—	—
Totals.....	\$ 10,472,308	\$ 8,514,870	\$ 1,499,732	\$ 123,322	\$ 334,384

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.

State of South Carolina

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, 2020. At June 30, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020:

	<u>Amount</u>
Securities lent for cash collateral:	
U.S. Corporate-fixed income.....	\$ 57,881
Total securities lent for cash collateral.....	<u>\$ 57,881</u>
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income.....	\$ 580
Total securities lent for non-cash collateral....	<u>\$ 580</u>
Cash collateral invested as follows:	
Repurchase agreements.....	\$ 459,407
Total for cash collateral invested.....	<u>\$ 459,407</u>
Securities received as collateral:	
U.S. treasuries.....	\$ 427
Total for securities collateral invested.....	<u>\$ 427</u>

At June 30, 2020, the fair value of securities on loan was \$57.881 million. The fair value of the invested cash collateral was \$459.407 million. Securities lending obligations were \$459.407 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, 2020, the carrying amount of the Systems' deposits was \$56.147 million and the bank balance was \$33.900 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, 2020 (amounts in thousands):

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Investments by Fair Value Level	At 6/30/2020	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).....	\$ 2,915,829	\$ 2,915,829	\$ —	\$ —
Repurchase Agreements.....	32,688	—	32,688	—
Commercial Paper.....	116,649	—	116,649	—
U. S. Government Agency.....	30,020	—	30,020	—
U. S. Treasury Bills.....	229,850	229,850	—	—
Municipals - 1 year or less.....	1,190	—	1,190	—
Corporate Bonds.....	2,750	—	2,750	—
Total Short Term Investments.....	\$ 3,328,976	\$ 3,145,679	\$ 183,297	\$ —
Equity Allocation				
Global Public Equity				
Common Stocks.....	\$ 1,268,663	\$ 1,268,663	\$ —	\$ —
Real Estate Investment Trusts.....	660,750	660,750	—	—
Preferred.....	3,236	—	3,236	—
Total Equity.....	\$ 1,932,649	\$ 1,929,413	\$ 3,236	\$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries.....	\$ 92,914	\$ 92,914	\$ —	\$ —
U.S. Government Agencies.....	267,169	—	267,169	—
Mortgage Backed				
Government National Mortgage Association.....	45,889	—	45,889	—
Federal National Mortgage Association.....	14,420	—	14,420	—
Federal Home Loan Mortgage Association (Multiclass)...	3,608	—	3,608	—
Collateralized Mortgage Obligations.....	1,509	—	1,509	—
Municipals.....	10,593	—	10,593	—
Corporate				
Corporate Bonds.....	1,333,738	21,526	1,159,829	152,383
Convertible Corporate Bonds.....	326	—	326	—
Asset Backed Securities.....	248,261	—	248,261	—
Private Placements.....	859,936	—	859,936	—
Total Fixed Income.....	\$ 2,878,363	\$ 114,440	\$ 2,611,540	\$ 152,383
Total Investments by Fair Value Level.....	\$ 8,139,988	\$ 5,189,532	\$ 2,798,073	\$ 152,383

(continued)

State of South Carolina

Recurring fair value measurements as of June 30, 2020, continued (amounts in thousands):

Investments measured at net asset value (NAV)

Global Equity.....	\$ 11,620,592
Global Tactical Asset Allocation.....	3,845
Other Opportunistic.....	224,194
High Yield/Bank Loans.....	16,685
Emerging Debt.....	915,584
Hedge Funds.....	3,300,578
Private Equity.....	2,261,270
Private Debt.....	2,201,697
Private Real Estate.....	2,529,751
Private Infrastructure.....	345,748
Total investments measured at NAV.....	23,419,944
Total investments measured at fair value.....	\$ 31,559,932

Fair Value Measurements Using

	At 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
Investment derivative instruments				
Equity Investments				
Options - Equity.....	\$ 36,268	\$ 10,188	\$	26,080
Swaps - Equity.....	284,260	—		284,260
Fixed Income Investments.....				
Options - Fixed Income	(15.00)	(6.00)		(9.00)
Futures - Fixed Income.....	437	437		—
Swaps - Fixed Income.....	(282)	(282)		—
Total investment derivative instruments.....	\$ 320,668	\$ 10,337	\$	310,331
Total Invested Assets.....	\$ 31,880,600			

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global Equity.....	11,620,592	-	Daily/Monthly	5 - 30 days
Global Tactical Asset Allocation.....	3,845	-	Monthly	5 - 14 days
Other Opportunistic.....	224,194	33,559	Monthly	5 - 30 days
High Yield/Bank Loans.....	16,685	-	Monthly	5 - 30 days
Emerging Debt.....	915,584	-	Daily/Monthly	10 - 15 days
Hedge Funds.....	3,300,578	-	Monthly/Quarterly	2 - 90 days
Private Equity.....	2,261,270	2,903,289	Illiquid	Illiquid
Private Debt.....	2,201,697	2,016,391	Illiquid	Illiquid
Private Real Estate.....	2,529,751	1,101,802	Illiquid	Illiquid
Private Infrastructure.....	345,748	149,067	Illiquid	Illiquid
Total investments measured at the NAV.....	\$ 23,419,944	\$ 6,204,108		

1 For purposes of this table, amounts are reported in US Dollars. The Private Equity Category includes £75,000,000, €162,943,134 and AUD \$47,849,906 that have been converted to USD. The Private Infrastructure category includes €26,244,224 that has been converted to USD.

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.

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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, 2020, are noted below (amounts in thousands):

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Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
<u>Short Term Investments</u>				
Short Term Investment Funds (U.S. Regulated).....	\$ 2,915,829	\$ —	\$ 2,915,829	0.08
Invested Securities Lending Collateral.....	20,452	20,452	—	
Repurchase Agreements.....	32,688	—	32,688	
Commercial Paper.....	116,649	7,000	109,649	0.39
U. S. Government Agency.....	30,020	—	30,020	0.01
U. S. Treasury Bills.....	229,850	—	229,850	0.28
Municipals - 1 year or less.....	1,190	—	1,190	0.75
Corporate Bonds.....	2,750	—	2,750	0.08
Total Short Term Investments.....	3,349,428	27,452	3,321,976	
<u>Equity Allocation</u>				
Preferred.....	\$ 3,236	\$ 2,323	\$ 913	7.27
Total Equity Investments.....	3,236	2,323	913	
<u>Fixed Income Allocation</u>				
U.S. Government:				
U.S. Government Treasuries.....	92,914	—	92,914	13.90
U.S. Government Agencies.....	267,169	7,174	259,995	1.38
Mortgage Backed:				
Government National Mortgage Association.....	45,889	4,510	41,379	2.84
Federal National Mortgage Association.....	14,420	—	14,420	2.42
Federal Home Loan Mortgage Association (FHLMC Multiclass)	3,608	—	3,608	2.39
Collateralized Mortgage Obligations.....	1,509	—	1,509	2.75
Municipals.....	10,593	718	9,875	3.89
Corporate:				
Corporate Bonds.....	1,333,738	127,121	1,206,617	3.44
High Yield/Bank Loans.....	326	—	326	2.21
Asset Backed Securities.....	16,685	—	16,685	2.00
Private Placements.....	248,261	34,097	214,164	2.04
Yankee Bonds.....	859,936	66,023	793,913	1.31
Emerging Debt.....	915,584	620,727	294,857	8.61
Options - Fixed Income.....	(15)	(9)	(6)	-1366.77
Futures - Fixed Income.....	437	—	437	7.53
Swaps - Fixed Income.....	(282)	—	(282)	29.29
Total Fixed Income.....	3,810,772	860,361	2,950,411	
<u>Mixed Credit Hedge Fund Allocation</u>				
Mixed Credit Hedge Funds.....	21,111	—	21,111	0.02
Total Mixed Credit Hedge Funds.....	21,111	—	21,111	
Total Invested Assets.....	\$ 7,184,547	\$ 890,136	\$ 6,294,411	
Total Portfolio Effective Duration (option adjusted duration)				1.65

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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, 2020 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	TOTAL
Short Term Investments											
Short Term Investment Funds (U.S. Regulated).....	\$ 2,915,829	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,915,829
Repurchase Agreements.....	—	—	—	—	—	—	—	—	—	32,688	32,688
Invested Securities Lending Collateral.....	—	—	—	—	—	—	—	—	—	20,452	20,452
Commercial Paper.....	—	69,231	—	39,543	—	—	—	—	—	7,875	116,649
Municipals.....	1,190	—	—	—	—	—	—	—	—	—	1,190
Corporate Bonds.....	—	—	—	—	—	—	—	—	—	2,750	2,750
Equity Investments											
Preferred.....	—	—	2,317	—	—	—	—	—	—	919	3,236
Fixed Income Allocation²											
Mortgage Backed:											
Federal National Mortgage Association.....	14,420	—	—	—	—	—	—	—	—	—	14,420
Federal Home Loan Mortgage Association (Multiclass).....	3,608	—	—	—	—	—	—	—	—	—	3,608
Collateralized Mortgage Association.....	1,509	—	—	—	—	—	—	—	—	—	1,509
Municipals.....	—	1,897	1,980	—	—	—	—	—	—	6,716	10,593
Corporate:											
Corporate Bonds.....	36,048	63,678	253,742	229,579	195,121	199,866	36,968	16,979	1,026	300,731	1,333,738
Convertible Corporate Bonds.....	—	—	—	—	—	308	—	—	—	—	308
High Yield/Bank Loans.....	—	—	—	—	—	—	—	—	—	18	18
Asset Backed Securities.....	—	—	—	—	—	—	—	—	—	16,685	16,685
Private Placements.....	40,345	6,265	17,365	67,369	46,558	12,650	2,917	13,942	—	40,850	248,261
Yankee Bonds.....	48,164	78,243	95,131	165,834	77,648	70,481	18,788	2,282	—	303,365	859,936
Emerging Debt.....	—	—	—	—	—	—	—	—	—	915,584	915,584
Options - Fixed Income.....	—	—	—	—	—	—	—	—	—	(15)	(15)
Futures - Fixed Income.....	—	—	—	—	—	—	—	—	—	437	437
Swaps - Fixed Income.....	—	—	—	—	—	—	—	—	—	(282)	(282)
Totals.....	\$3,061,113	\$219,314	\$370,535	\$ 502,325	\$319,327	\$283,305	\$ 58,673	\$33,203	\$ 1,026	\$1,648,773	\$6,497,594

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

²U.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, 2020, 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.

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The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2020 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Infrastructure	Fixed Income	Equity	Total
Australian Dollar.....	\$ (356)	\$ 37,451	\$ —	\$ 26,705	\$ —	\$ 1,915	\$ 25,917	\$ 91,632
Canadian Dollar.....	(29)	53,248	—	—	—	—	55,665	108,884
Danish Krone.....	26	—	—	—	—	—	6,641	6,667
Euro Currency.....	16,387	(37,720)	9,285	120,719	106,730	222,486	59,599	497,486
Hong Kong Dollar.....	25	23,154	—	—	—	—	22,101	45,280
Japanese Yen.....	2,296	133,620	—	—	—	(347)	11,547	147,116
Mexican Peso.....	363	—	—	—	—	—	—	363
New Zealand Dollar.....	36	—	—	—	—	—	4,216	4,252
Pound Sterling.....	1,632	68,813	12	—	—	18,667	32,529	121,653
Russian Ruble.....	—	8	—	—	—	—	—	8
Singapore Dollar.....	11	—	—	—	—	—	1,563	1,574
South African Rand.....	1	—	—	—	—	—	—	1
Swedish Krona.....	—	14,670	—	—	—	—	193	14,863
Swiss Franc.....	29	—	—	—	—	—	17	46
Totals.....	\$ 20,421	\$ 293,244	\$ 9,297	\$147,424	\$ 106,730	\$ 242,721	\$ 219,988	\$1,039,825

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 \$197.5 and \$242.1 million, respectively, were held in trust by the clearing brokers on June 30, 2020. 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, 2020 (amounts in thousands):

		Changes in Fair Value	
		Classification	Gain/(Loss)
Futures Contracts.....	Net appreciation		\$ (25,497)
Forward Contracts.....	Net appreciation		(7,476)
Swaps.....	Net appreciation		263,536
Options.....	Net appreciation		(123,231)

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	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents.....	\$ (7,968)	\$ —	\$ —	\$ —
Fixed Income.....	—	437	(15)	(282)
Global Public Equity.....	—	—	120,747	284,260
Totals.....	\$ (7,968)	\$ 437	\$120,732	\$283,978

At June 30, 2020, the Systems had the following exposure via futures contracts (amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*	Fair Value
EURO-BUND Future (EUX).....	September 2020	Long	31	\$ 6,146	\$ 39
EURO-BUXL 30Y BND Future (EUX).....	September 2020	Long	17	4,200	75
LONG GILT Future (ICF).....	September 2020	Short	(31)	(5,272)	12
US LONG BOND Future (CBT).....	September 2020	Long	2,194	391,766	56
US 10YR NOTE Future (CBT).....	September 2020	Long	285	39,664	80
US 10YR NOTE Future (CBT).....	September 2020	Long	2,063	287,112	(15)
US 5YR NOTE Future (CBT).....	September 2020	Long	705	88,648	198
US 5YR NOTE Future (CBT).....	September 2020	Long	2,339	294,111	(8)
US 2YR NOTE Future (CBT).....	September 2020	Long	2,391	528,000	—
Totals				\$ 1,634,375	\$ 437

*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, 2020, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	\$ 2,297	\$ 36	0.24%
Bank of New York Mellon	330,046	(2,527)	34.04%
BNP Paribas Securities Corporation.....	2,092	31	0.22%
Citibank	122,920	(1,164)	12.68%
Citigroup Global Markets	529	10	0.05%
Goldman Sachs Bank USA/New York NY.....	35,111	(43)	3.62%
Goldman Sachs International.....	20,775	996	2.14%
HSBC Bank.....	20,192	1	2.08%
JPMorgan Chase Bank NA.....	148,378	(1,378)	15.30%
Morgan Stanley & Co International Ltd	18,072	(644)	1.86%
Morgan Stanley Capital Services LLC.....	2,049	(84)	0.21%
Royal Bank of Canada.....	111,913	(1,746)	11.54%
Standard Chartered Bank.....	111,772	(1,605)	11.53%
State Street Boston Capital Markets.....	43,477	149	4.49%
Totals.....	\$ 969,623	\$ (7,968)	100.00%

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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, 2020, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

<u>Quality Rating</u>	<u>Forwards</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>
Aa2.....	(3,868)	9	17,884	14,025
Aa3.....	(1,133)	208,922	(24,512)	183,277
A1.....	(1,221)	75,223	42,881	116,883
A2.....	(1,746)	5	—	(1,741)
Total subject to credit risk.....	<u>\$ (7,968)</u>	<u>\$ 284,159</u>	<u>\$ 36,253</u>	<u>\$ 312,444</u>
Centrally cleared:				
Chicago Mercantile Exchange.....	—	511	—	511
Intercontinental Exchange.....	—	(140)	—	(140)
LCH Ltd.....	—	(552)	—	(552)
Total not subject to credit risk.....	<u>\$ —</u>	<u>\$ (181)</u>	<u>\$ —</u>	<u>\$ (181)</u>
Total.....	<u>\$ (7,968)</u>	<u>\$ 283,978</u>	<u>\$ 36,253</u>	<u>\$ 312,263</u>

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At June 30, 2020, the Systems held swaps as shown in the tables below (amounts in thousands):

<u>Counterparty</u>	<u>Total Return Swaps</u>	<u>SCRS Pays</u>	<u>SCRS Receives</u>	<u>Maturity Date</u>	<u>Current Notional</u>	<u>Fair Value*</u>	<u>Gain (Loss) Since Trade</u>
Barclays Bank PLC	Barclays Agg Proxy	Variable Rate	Fixed Rate	6/30/2021	\$ 400,000	\$ 1	\$ —
Barclays Bank PLC	Barclays Agg Proxy	Variable Rate	Fixed Rate	5/28/2021	301,891	1,749	1,738
Barclays Bank PLC	Barclays Agg Proxy	Variable Rate	Fixed Rate	10/30/2020	212,014	1,268	9,889
Barclays Bank PLC	Barclays Agg Proxy	Variable Rate	Fixed Rate	7/31/2020	267,997	1,588	16,898
Barclays Bank PLC	Barclays US Agg Proxy	Variable Rate	Fixed Rate	9/30/2020	560,196	3,315	26,645
Barclays Bank PLC	Barclays Agg Proxy	Variable Rate	Fixed Rate	4/30/2021	151,648	1,575	1,472
BNP Paribas SA	MSCI World Swap Proxy	Variable Rate	Fixed Rate	10/30/2020	553,485	41,861	(6,410)
BNP Paribas SA	MSCI World Swap Proxy	Variable Rate	Fixed Rate	9/30/2020	1,040,701	167,061	238,698
Credit Suisse AG	MSCI World Swap Proxy	Variable Rate	Fixed Rate	9/30/2020	392,092	62,933	91,313
Societe Generale	Barclays US Agg Proxy	Variable Rate	Fixed Rate	9/30/2020	106,326	627	5,068
Societe Generale	Barclays Agg Proxy	Variable Rate	Fixed Rate	10/30/2020	106,007	630	4,952
Societe Generale	Barclays Agg Proxy	Variable Rate	Fixed Rate	4/30/2021	151,648	901	1,502
Societe Generale	Barclays Agg Proxy	Variable Rate	Fixed Rate	6/30/2021	250,000	1	—
Societe Generale	Barclays Agg Proxy	Variable Rate	Fixed Rate	6/30/2021	100,000	1	—
Societe Generale	Barclays Agg Proxy	Variable Rate	Fixed Rate	6/30/2021	200,806	749	745
					\$ 4,794,811	\$ 284,260	\$ 392,510

<u>Counterparty</u>	<u>Fixed Income Swaps</u>	<u>SCRS Pays</u>	<u>SCRS Receives</u>	<u>Maturity Date</u>	<u>Current Notional</u>	<u>Fair Value*</u>
Bank of America	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/2021	\$ 2,000	\$ 9
Goldman Sachs	Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	3,300	(116)
HSBC Securities	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/21	1,200	6
					\$ 6,500	\$ (101)
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	72,100	511
Intercontinental Exchange	Cleared Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	28,921	(140)
LCH.Ltd	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	219,196	(552)
					\$ 320,217	\$ (181)

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

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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, 2020, the Systems had the following option positions (amounts in thousands):

<u>Option Contracts</u>	<u>Underlying Security</u>	<u>Expiration</u>	<u>Quantity</u>	<u>Fair Value</u>
Put Aug 20 171.500 07/24/20	EURO-BUND FUTURE SEP 20	September 2020	(39)	\$ (1)
Put Aug 20 172.500 07/24/20	EURO-BUND FUTURE SEP 20	September 2020	(39)	(3)
Put Aug 20 135.500 07/24/20	US 10YR NOTE FUTURE SEP 20	September 2020	(58)	(2)
Put Aug 20 100.641 080620	COMMITMENT TO PURCHASE FNMA	August 2020	(1,800,000)	(2)
Put Aug 20 102.421875 080620	COMMIT TO PUR FNMA SF MTG OTC	August 2020	(8,000,000)	(6)
Put Aug 20 102.078125 080620	COMMIT TO PUR FNMA SF OTC	August 2020	(2,800,000)	\$ (1)
Total Fixed Income				<u>(15)</u>
Call Mar 21 5760.120 033121	ASX S&P/ASX 200 INDEX (OTC)	March 2021	3,884	\$ 1,319
Call Sept 20 6688.300 093020	ASX S&P/ASX 200 INDEX (OTC)	September 2020	3,971	85
Call Dec 20 6804.900 123020	ASX S&P/ASX 200 INDEX (OTC)	December 2020	3,789	191
Put Mar 21 5760.120 033121	ASX S&P/ASX 200 INDEX (OTC)	March 2021	(2,513)	(828)
Put Sept 20 6688.300 093020	ASX S&P/ASX 200 INDEX (OTC)	September 2020	(2,213)	(1,311)
Put Dec 20 6804.900 123020	ASX S&P/ASX 200 INDEX (OTC)	December 2020	(2,105)	(1,510)
Call Dec 20 416.170 123020	STOXX EUROPE 600 PRICE IND OTC	December 2020	266,900	763
Put Dec 20 416.170 12/30/20	STOXX EUROPE 600 PRICE IND OTC	December 2020	(135,605)	(9,468)
Put Sept 20 3569.450 093020	EURO STOXX 50 P INDEX (OTC)	September 2020	(20,311)	(8,792)
Call Sept 20 3569.450 093020	EURO STOXX 50 P INDEX (OTC)	September 2020	37,576	1,403
Call Mar 21 19429.210 033121	NIKKEI 225 (OTC)	March 2021	246,753	8,147
Call Sept 20 21755.840 093020	NIKKEI 225 (OTC)	September 2020	256,672	3,359
Call Dec 20 23656.620 123020	NIKKEI 225 (OTC)	December 2020	185,071	1,290
Put Mar 21 19429.210 033121	NIKKEI 225 (OTC)	March 2021	(183,279)	(1,641)
Put Sept 20 21755.840 093020	NIKKEI 225 (OTC)	September 2020	(178,625)	(1,527)
Put Dec 20 23656.620 123020	NIKKEI 225 (OTC)	December 2020	(133,250)	(2,862)
Call Mar 21 5926.630 033121	FTSE 100 INDEX (OTC)	March 2021	4,733	3,426
Call Sept 20 7408.210 093020	FTSE 100 INDEX (OTC)	September 2020	5,214	12
Call Dec 20 7587.050 123020	FTSE 100 INDEX (OTC)	December 2020	4,747	65
Put Mar 21 5926.630 033121	FTSE 100 INDEX (OTC)	March 2021	(3,102)	(1,734)
Put Sept 20 7408.210 093020	FTSE 100 INDEX (OTC)	September 2020	(2,744)	(4,358)
Put Dec 20 7587.050 123020	FTSE 100 INDEX (OTC)	December 2020	(2,511)	(4,648)
Call July 22 000.395 072922	2Y-10 CMS CAP	July 2022	1,339,000	411
Call July 22 000.605 072922	2Y-10 CMS CAP	July 2022	87,000	17
Call July 22 000.395 072922	2Y-10 CMS CAP	July 2022	1,122,000	345
Call July 22 000.395 072922	2Y-10 CMS CAP	July 2022	249,000	77
Total Equity				<u>\$ 36,268</u>
Total				<u>\$ 36,253</u>

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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, 2020, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

	Total	Amount	Remaining
	Commitment	Funded	Unfunded
Limited Partnerships USD	To Date	Commitment	
Private Equity.....	\$ 6,115,916	\$ 3,521,243	\$ 3,521,243
Private Debt.....	6,162,802	4,146,411	4,146,411
Private Real Estate.....	4,192,365	3,090,563	3,090,563
Private Infrastructure.....	360,000	240,408	240,408
Other Opportunistic.....	80,237	46,678	46,678
Totals	\$ 16,911,320	\$ 11,045,303	\$ 11,045,303
Limited Partnerships Euros			
Private Equity.....	€ 308,330	€ 145,387	€ 162,943
Private Infrastructure.....	125,000	98,756	26,244
Totals	€ 433,330	€ 244,143	€ 189,187
Limited Partnerships AUD			
Private Equity.....	\$ 100,000	\$ 52,150	\$ 47,850
Totals	\$ 100,000	\$ 52,150	\$ 47,850

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, 2020 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

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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, 2020, the fair value of securities on loan was \$63.370 million. The fair value of the invested cash collateral was \$20.452 million. Securities lending obligations were \$64.822 million with an unrealized loss in invested cash collateral of \$44.370 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 \$44.370 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 \$2.700 million, an increase from \$3.000 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, 2020, 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, 2020:

	<u>SCRS</u>	<u>PORS</u>	<u>GARS</u>	<u>JSRS</u>	<u>SCNG</u>	<u>TOTALS</u>
Securities lent for cash collateral:						
Corporate bonds.....	\$ 18,115	\$ 3,256	\$ 22	\$ 110	\$ 18	\$ 21,521
Global Public Equity.....	35,226	6,331	42	213	36	41,848
Total securities lent for cash collateral.....	\$ 53,341	\$ 9,587	\$ 64	\$ 323	\$ 54	\$ 63,369
Securities lent for non-cash collateral:						
U.S Government Securities.....	\$ 54,489	\$ 9,793	\$ 66	\$ 330	\$ 55	\$ 64,733
Corporate bonds.....	339	61		2		402
Global Public Equity.....	348,802	62,689	419	2,113	355	414,378
Total securities lent for non-cash collateral...	\$ 403,630	\$ 72,543	\$ 485	\$ 2,445	\$ 410	\$ 479,513
Cash collateral invested as follows:						
Repurchase agreements.....	\$ 17,216	\$ 3,094	\$ 21	\$ 104	\$ 17	\$ 20,452
Total cash collateral invested.....	\$ 17,216	\$ 3,094	\$ 21	\$ 104	\$ 17	\$ 20,452
Securities received as collateral:						
U.S. Government securities.....	\$ 103,201	\$ 18,547	\$ 124	\$ 625	\$ 105	\$ 122,602
Global Public Equity.....	322,057	57,882	387	1,951	328	382,605
Global Fixed Income.....	10,386	1,867	13	63	10	12,339
Total securities received as collateral.....	\$ 435,644	\$ 78,296	\$ 524	\$ 2,639	\$ 443	\$ 517,546

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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, 2020, 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, 2020 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments</u>			
U.S. agencies.....	\$ 868,204	\$ 758,928	\$ 109,276
Collateralized mortgage-backed obligations.....	76,402	—	76,402
Repurchase agreements.....	79,547	32,548	46,999
Corporate bonds.....	404,687	—	404,687
Financial paper.....	176,368	—	176,368
Total Investments at Fair Value.....	\$ 1,605,208	\$ 791,476	\$ 813,732

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, 2020, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

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Investment Type and Fair Value	AAA / AA	A / A1 / A2	BAA/BA	B/1/B/2/B/3	Not Rated
U.S. agencies.....	\$ 868,204	\$ —	\$ —	\$ —	\$ —
Collateralized mortgage-backed obligations.....	76,402	—	—	—	—
Corporate Bonds.....	33,978	126,862	236,238	2,576	5,033
Repurchase Agreements.....	—	—	—	79,547	—
Financial Paper.....	7,219	109,969	59,180	—	—
Totals.....	\$ 985,803	\$ 236,831	\$ 295,418	\$ 82,123	\$ 5,033

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, 2020, the maturities of the investments for the Trusts 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.....	868,204	\$ 260	\$ 543,443	\$ 220,905	\$ 103,596
Collateralized mortgage-backed obligations.....	76,402	10	—	1	76,391
Repurchase Agreements.....	79,547	—	—	—	79,547
Corporate bonds.....	404,687	15,137	252,848	117,611	19,091
Financial paper.....	176,368	9,841	83,283	77,224	6,020
Totals.....	\$ 1,605,208	\$ 25,248	\$ 879,574	\$ 415,741	\$ 284,645

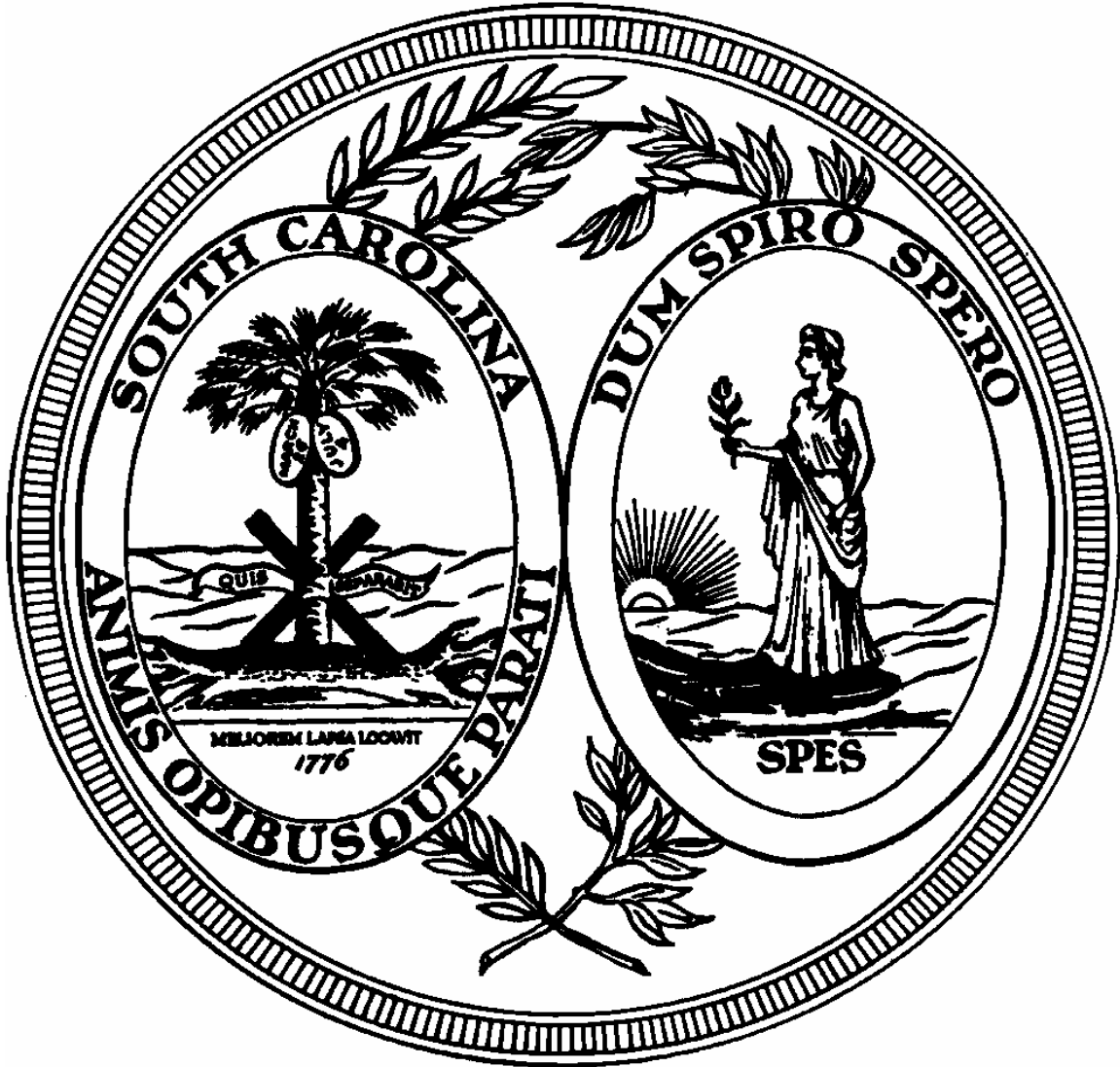
Concentration of Credit Risk

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, 2020, 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, 2020. 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, 2020:

	Amount
Securities lent for cash collateral:	
U.S. Government Securities.....	\$ 1,798
Corporate Bonds.....	5,862
Total securities lent for cash collateral.....	\$ 7,660
Cash collateral invested as follows:	
Repurchase agreements.....	\$ 7,264
U.S. Government Securities.....	592
Total for cash collateral invested.....	\$ 7,856



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, 2020, for the primary government were as follows:

Allowances related to	Governmental Activities					
	Governmental Funds					Total Governmental Activities
	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	
Income taxes.....	\$ 288,458	\$ —	\$ —	\$ —	\$ —	\$ 288,458
Sales and other taxes.....	202,984	—	—	23,262	—	226,246
Patient accounts.....	3,307	—	—	—	—	3,307
Other.....	14,591	10,842	222	—	1	25,656
Total allowances for uncollectibles.....	\$ 509,340	\$ 10,842	\$ 222	\$ 23,262	\$ 1	\$ 543,667

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, 2020 were as follows:

Allowances related to	Business-type Activities (Enterprise Funds) Unemployment Compensation Benefits
Assessments.....	\$ 56,174
Other.....	6,304
Total allowances for uncollectibles.....	\$ 62,478

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2020, were as follows:

Net Long-term Receivables	Governmental Activities					
	Governmental Funds					Total Governmental Activities
	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Internal Service Funds	
Accounts.....	\$ 30,982	\$ 63,374	\$ 25	\$ —	\$ 80	\$ 94,461
Patient accounts.....	3,382	1,957	—	—	—	5,339
Loans and notes.....	34,158	363	687,032	103	—	721,656
Accounts receivable—restricted.....	—	—	31,471	—	—	31,471
Total long-term receivables, net.....	\$ 68,522	\$ 65,694	\$ 718,528	\$ 103	\$ 80	\$ 852,927

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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, 2020, were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total Governmental Funds</u>
Taxes	\$ 3,005	\$ —	\$ 3,005
Federal grants	48,158	1,906,142	1,954,300
Contributions	16,692	176,757	193,449
Departmental services	—	24,948	24,948
Total unearned revenues	<u>\$ 67,855</u>	<u>2,107,847</u>	<u>\$ 2,175,702</u>
Internal service funds		203,382	
Total governmental activities		<u>\$2,311,229</u>	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2020, for the primary government was as follows:

	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 2,153,062	\$ 91,754	\$ (1,820)	\$ 2,242,996
Construction in progress.....	3,438,744	924,207	(421,756)	3,941,195
Works of art and historical treasures.....	5,797	—	(3,220)	2,577
Intangibles.....	11	8	—	19
<i>Total capital assets not being depreciated...</i>	<u>5,597,614</u>	<u>1,015,969</u>	<u>(426,796)</u>	<u>6,186,787</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	116,505	6,216	(992)	121,729
Infrastructure (road and bridge network).....	15,222,500	194,732	(2,886)	15,414,346
Buildings and improvements.....	2,247,504	139,966	(93,055)	2,294,415
Vehicles.....	902,426	78,924	(58,763)	922,587
Machinery and equipment.....	679,691	75,898	(25,588)	730,001
Works of art and historical treasures.....	1,507	—	—	1,507
Intangibles.....	199,741	162,230	(422)	361,549
<i>Total capital assets being depreciated.....</i>	<u>19,369,874</u>	<u>657,966</u>	<u>(181,706)</u>	<u>19,846,134</u>
<i>Less accumulated depreciation for:</i>				
Land improvements.....	(67,527)	(2,701)	—	(70,228)
Infrastructure (road and bridge network).....	(4,264,277)	(221,136)	2,054	(4,483,359)
Buildings and improvements.....	(1,203,899)	(87,420)	4,864	(1,286,455)
Vehicles.....	(660,158)	(70,018)	56,237	(673,939)
Machinery and equipment.....	(478,497)	(48,513)	22,871	(504,139)
Works of art and historical treasures.....	(662)	(60)	—	(722)
Intangibles.....	(114,882)	(12,491)	422	(126,951)
<i>Total accumulated depreciation.....</i>	<u>(6,789,902)</u>	<u>(442,339)</u>	<u>86,448</u>	<u>(7,145,793)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>12,579,972</u>	<u>215,627</u>	<u>(95,258)</u>	<u>12,700,341</u>
Capital assets for governmental activities, net.....	<u>\$ 18,177,586</u>	<u>\$ 1,231,596</u>	<u>\$ (522,054)</u>	<u>\$ 18,887,128</u>

During the fiscal year ended June 30, 2020, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government.....	\$ 33,446	\$ 20,674	\$ 54,120
Education.....	38,027	—	38,027
Health and environment.....	13,533	—	13,533
Social services.....	1,172	—	1,172
Administration of justice.....	56,007	340	56,347
Resources and economic development.....	35,822	—	35,822
Transportation.....	243,318	—	243,318
Total depreciation expense, governmental activities.....	<u>\$ 421,325</u>	<u>\$ 21,014</u>	<u>\$ 442,339</u>

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	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 169,937	\$ 662	\$ —	\$ 170,599
Construction in progress.....	94,110	11,942	(1,564)	104,488
<i>Total capital assets not being depreciated.....</i>	<u>264,047</u>	<u>12,604</u>	<u>(1,564)</u>	<u>275,087</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	1,303	292	—	1,595
Buildings and improvements.....	21,641	169	(1,271)	20,539
Vehicles.....	1,270	33	(17)	1,286
Machinery and equipment.....	8,315	486	(26)	8,775
Intangibles.....	1,274	—	(1,274)	—
<i>Total capital assets being depreciated.....</i>	<u>33,803</u>	<u>980</u>	<u>(2,588)</u>	<u>32,195</u>
<i>Less accumulated depreciation for:</i>				
Land improvements.....	(1,136)	(76)	—	(1,212)
Buildings and improvements.....	(5,614)	(502)	288	(5,828)
Vehicles.....	(945)	(152)	17	(1,080)
Machinery and equipment.....	(4,953)	(756)	26	(5,683)
Intangibles.....	(485)	—	485	—
<i>Total accumulated depreciation.....</i>	<u>(13,133)</u>	<u>(1,486)</u>	<u>816</u>	<u>(13,803)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>20,670</u>	<u>(506)</u>	<u>(1,772)</u>	<u>18,392</u>
Capital assets for business-type activities, net.....	<u>\$ 284,717</u>	<u>\$ 12,098</u>	<u>\$ (3,336)</u>	<u>\$ 293,479</u>

Capital assets for the State's fiduciary funds were comprised of land totaling \$582 thousand, a building totaling \$4.749 million and equipment totaling \$2.223 million with accumulated depreciation of \$5.398 million. Depreciation expense for fiscal year 2020 was \$165 thousand. There were additions of \$89 thousand for equipment during the year.

At June 30, 2020, the primary government had outstanding construction commitments totaling \$89.019 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled \$16.311 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 \$3.776 million at June 30, 2020, 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.

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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, 2020:

	SCRS	PORS	GARS	JSRS	SCNG
Active Contributing Members.....	200,264	27,397	88	160	12,100
Retirees and Beneficiaries Currently Receiving Benefits.....	144,292	19,094	345	218	4,923
Terminated Members Entitled to But Not Yet Receiving Benefits.....	191,113	17,944	36	6	1,823
Total Membership.....	<u>535,669</u>	<u>64,435</u>	<u>469</u>	<u>384</u>	<u>18,846</u>

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, 2020, were as follows:

<u>Plan</u>	<u>Rate</u>
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, 2020, were as follows:

<u>Plan</u>	<u>Rate</u>
SCRS	15.56%
PORS	18.24%
JSRS	62.94%

Contributions to SCRS, PORS, and JSRS from the State were \$207.694 million, \$71.887 million, and \$19.098 million, respectively, for the year ended June 30, 2020. The GARS employer contribution of \$6.329 million was actuarially 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, 2020. Additionally, the State contributed \$88.706 million to SCRS, \$12.470 million to PORS, and \$2.900 million to JSRS 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, 2020, the State reported \$2.911 billion and \$809.373 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, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2019, 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, 2019, the State’s SCRS proportion was 12.75%, which was a decrease of 0.21% from its proportion measured as of June 30, 2018. The State’s PORS proportion of the net pension liability at June 30, 2019 was 28.24%, which was a decrease of 0.93% from its proportion measured as of June 30, 2018.

The State’s JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2018, using membership data as of July 1, 2018, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2020, the State recognized pension expenses of \$332.177 million for SCRS, \$120.238 million for PORS, \$38.611 million for JSRS, \$2.787 million for GARS, and \$4.119 million for SCNG, making the State’s total pension expense \$497.932 million for the fiscal year.

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 \$13.060 billion (or 57.20% of the total net SCRS pension liability) at June

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30, 2020, with related pension expenses of approximately \$1.490 billion for the year ended June 30, 2020. Likewise, the State's effective share of the PORS net pension liability was approximately \$826.535 million at June 30, 2020 (or 28.84% of the total net PORS pension liability), with related pension expenses of approximately \$122.787 million for the year ended June 30, 2020. 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, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>JSRS</u>	<u>GARS</u>	<u>SCNG</u>	<u>Total</u>
Deferred Outflows of Resources						
State Contributions Subsequent to the Measurement Date.....	\$ 207,694	\$ 71,887	\$ 19,098	\$ 6,329	\$ 5,290	\$ 310,298
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions.....	48,353	11,700	—	—	—	60,053
Net Differences Between Projected and Actual Earnings on Pension Plan Investments.....	25,721	10,262	1,260	425	435	38,103
Differences Between Expected and Actual Experience.....	2,001	16,642	60,520	—	329	79,492
Changes in Assumptions.....	58,654	32,095	4,680	—	3,014	98,443
Total.....	\$ 342,423	\$ 142,586	\$ 85,558	\$ 6,754	\$ 9,068	\$ 586,389
Deferred Inflows of Resources						
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions.....	\$ 86,626	\$ 29,848	\$ —	\$ —	\$ —	\$ 116,474
Net differences Between Projected and Actual Earnings on Pension Plan Investments.....	101	—	—	—	—	101
Differences Between Expected and Actual Experience.....	20,911	5,982	2,540	75	3,352	32,860
Total.....	\$ 107,638	\$ 35,830	\$ 2,540	\$ 75	\$ 3,352	\$ 149,435

\$310.298 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, 2021. 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:

<u>Year Ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>JSRS</u>	<u>GARS</u>	<u>SCNG</u>
2021	\$ 32,534	\$ 24,553	\$ 23,152	\$ 307	\$ 355
2022	(10,375)	6,197	20,058	(143)	(19)
2023	841	1,919	20,250	83	136
2024	4,091	2,200	460	103	136
2025	—	—	—	—	48
Thereafter	—	—	—	—	(230)
	\$ 27,091	\$ 34,869	\$ 63,920	\$ 350	\$ 426

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The total pension liabilities in the July 1, 2018 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, 2019.

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, 2019 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 20 year capital market outlook at the end of the third quarter 2018. 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.

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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	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Diversified Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Conservative Fixed Income	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

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)

	<u>JSRS</u>	<u>GARS</u>	<u>SCNG</u>
Total Pension Liability			
Service Cost	\$ 6,645	\$ 440	\$ 786
Interest	21,737	5,149	4,764
Difference Between Actual and Expected Experience	80,801	(1,135)	(1,501)
Benefit Payments	<u>(17,950)</u>	<u>(6,515)</u>	<u>(4,534)</u>
Net Change in Total Pension Liability	91,233	(2,061)	(485)
Total Pension Liability at June 30, 2019	<u>305,472</u>	<u>74,062</u>	<u>67,591</u>
Total Pension Liability at June 30, 2020 (a)	<u>\$ 396,705</u>	<u>\$ 72,001</u>	<u>\$ 67,106</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 11,730	\$ 5,804	\$ 5,290
Contributions - Member	2,840	162	—
Refunds of Contributions to Members	—	(17)	—
Retirement Benefits	(17,947)	(6,480)	(4,534)
Death Benefits	(3)	(18)	—
Net Investment Income (Loss)	9,183	1,887	1,616
Administrative Expense	(92)	(20)	(16)
Other	<u>96</u>	<u>—</u>	<u>—</u>
Net Change in Plan Fiduciary Net Position			
Net Change in Plan Fiduciary Net Position	5,807	1,318	2,356
Plan Fiduciary Net Position at June 30, 2019	<u>160,036</u>	<u>33,394</u>	<u>28,327</u>
Plan Fiduciary Net Position at June 30, 2020 (b)	<u>\$ 165,843</u>	<u>\$ 34,712</u>	<u>\$ 30,683</u>
Net Pension Liability at June 30, 2020 (a) - (b)	<u>\$ 230,862</u>	<u>\$ 37,289</u>	<u>\$ 36,423</u>

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.

<u>Plan</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCRS	\$ 3,666,891	\$ 2,910,713	\$ 2,279,641
PORS	1,096,892	809,373	573,822
JSRS	273,208	230,862	194,256
GARS	43,561	37,289	31,878
SCNG	44,850	36,423	29,513

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e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2020, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions.....	\$ 259,921	\$ 29,406	\$ 15	\$ 1,487	\$ —	\$ 290,829
Accrued interest.....	34,588	6,217	42	210	36	41,093
Unsettled investment sales.....	1,185,716	213,103	1,425	7,182	1,207	1,408,633
Other investment receivables.....	486	87	1	3	1	578
Total receivables.....	\$ 1,480,711	\$ 248,813	\$ 1,483	\$ 8,882	\$ 1,244	\$ 1,741,133
Due from other funds.....	\$ 48	\$ 96	\$ —	\$ —	\$ —	\$ 144
Investments and invested securities lending collateral:						
Short-term securities and opportunistic.....	\$ 464,501	\$ 83,483	\$ 559	\$ 2,814	\$ 472	\$ 551,829
Fixed income.....	3,207,714	576,508	3,856	19,429	3,265	3,810,772
Equity-international.....	11,678,233	2,098,875	14,039	70,734	11,888	13,873,769
Alternatives.....	8,955,407	1,609,513	10,766	54,242	9,116	10,639,044
Invested securities lending collateral.....	17,216	3,094	21	104	17	20,452
Total investments.....	\$ 24,323,071	\$ 4,371,473	\$ 29,241	\$ 147,323	\$ 24,758	\$ 28,895,866

f. Deferred Retirement Option Plans

A deferred retirement option program 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, 2020, there were no participants in this program.

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 (10.41%) 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.....	\$ 1,754,009
Employee contributions to providers.....	157,861
Employer contributions to providers.....	87,700

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

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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, 6.25% of annual covered payroll for fiscal year 2020. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid \$572.238 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2020. 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, 2020.

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) and accumulated PEBA-Insurance Benefits cash reserves (\$130.985 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, 2020, the State reported a liability of \$3.135 billion for its proportionate share of the SCRHITF net OPEB liability and reported a liability of \$365 thousand for its proportionate share of the LTDITF net OPEB liability. The net OPEB liabilities were measured as of June 30, 2019, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the State's proportion of the SCRHITF net OPEB liability was 20.73% and the State's proportion of the LTDITF net OPEB liability was 18.55%, based on its statutory contribution requirements. These proportions decreased by 0.19% and by 3.43%, respectively, from the prior year.

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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 \$11.576 billion (or 76.55% of the total net SCRHITF OPEB liability) at June 30, 2020, with related OPEB expenses of approximately \$701.131 million for the year ended June 30, 2020. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately \$1.295 million at June 30, 2020 (or 65.80% of the total net LTDITF OPEB liability), with related OPEB expenses of approximately \$5.378 million for the year ended June 30, 2020. 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 \$187.569 million for SCRHITF and \$1.516 million for LTDITF, for a total OPEB expense of \$189.085 million for the year ended June 30, 2020. At June 30, 2020, 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):

	<u>SCRHITF</u>	<u>LTDITF</u>	<u>Total</u>
Deferred Outflows of Resources			
State Contributions Subsequent to the Measurement Date.....	\$ 109,409	\$ 1,362	\$ 110,771
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions.....	59,285	2	59,287
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments.....	3,667	10	3,677
Differences Between Expected and Actual Experience.....	36,912	—	36,912
Changes in Assumptions.....	207,431	205	207,636
Total.....	<u>\$ 416,704</u>	<u>\$ 1,579</u>	<u>\$ 418,283</u>
Deferred Inflows of Resources			
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions.....	\$ 86,747	\$ 73	\$ 86,820
Differences Between Expected and Actual Experience.....	101,750	254	102,004
Changes in Assumptions.....	194,121	33	194,154
Total.....	<u>\$ 382,618</u>	<u>\$ 360</u>	<u>\$ 382,978</u>

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\$110.771 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, 2021. Other amounts reported as deferred 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 against expenses as follows (expressed in thousands):

<u>Year Ended June 30,</u>	<u>SCRHITF</u>	<u>LTDITF</u>
2021	\$ (14,825)	\$ (28)
2022	(14,825)	(28)
2023	(14,825)	(28)
2024	(15,441)	(29)
2025	(16,417)	(32)
Thereafter	1,010	2
	<u>\$ (75,323)</u>	<u>\$ (143)</u>

The total OPEB liabilities in the June 30, 2018 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	2.75%, net of OPEB plan expense, including inflation	3.00%, net of OPEB plan expense, including inflation
Healthcare Cost Trend Rates	Initial trend starting at 6.40% 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 SCRHITF is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Allocation- Weighted Long- Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.0%	0.60%	0.48%
Cash	20.0%	0.10%	0.02%
Total	100.0%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

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The target allocation and best estimates of arithmetic real rates of return for LTDITF is 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%	0.95%	0.76%
Cash	20.0%	0.51%	0.10%
Total	100.0%		0.86%
Expected Inflation			2.25%
Total Return			3.11%
Investment Return Assumption			3.00%

The Single Discount Rate used to measure the total SCRHITF liability is 3.13% (updated from 3.62% in the 2019 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 2.75% and a municipal bond rate of 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 LTDITF liability is 3.04% (updated from 3.91% in the 2019 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 3.13% (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 3.04%. 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 2039. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2039, 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 (2.13% for SCRHITF and 2.04% for LTDITF) or 1.00% higher (4.13% for SCRHITF and 4.04% for LTDITF) than the current discount rates:

Plan	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
SCRHITF	\$ 3,716,259	\$ 3,134,761	\$ 2,667,995
Plan	1% Decrease (2.04%)	Current Discount Rate (3.04%)	1% Increase (4.04%)
LTDITF	\$ 628	\$ 365	\$ 104

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 (5.40%) and one percent higher (7.40%):

Plan	1% Decrease (5.40%)	Current Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
SCRHITF	\$ 2,558,278	\$ 3,134,761	\$ 3,885,536

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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, 2020, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	<u>SCRHI</u>	<u>LTDI</u>	<u>Totals</u>
Receivables:			
Accrued interest.....	<u>\$ 8,108</u>	<u>\$ 301</u>	<u>\$ 8,409</u>
Due from other funds.....	<u>\$ 80,282</u>	<u>\$ —</u>	<u>\$ 80,282</u>
Investments and invested securities lending collateral:			
Debt domestic instruments.....	\$ 1,314,168	\$ 35,124	\$ 1,349,292
Financial paper.....	170,364	6,004	176,368
Invested securities lending collateral.....	6,988	672	7,660
Total investments.....	<u>\$1,491,520</u>	<u>\$ 41,800</u>	<u>\$1,533,320</u>

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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, 2020 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.....	\$ 55,380	\$ —	\$ 55,380	\$ —	\$ 55,380	\$ 52,375
Deferred amount on refunding.....	75,632	—	75,632	—	75,632	203,882
Asset retirement obligation.....	—	—	—	—	—	715,791
Pensions:						
State contributions subsequent to the measurement date.....	305,244	4,380	309,624	674	310,298	353,083
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	58,084	1,188	59,272	781	60,053	127,502
Net Differences between projected and actual earnings on pension plan investments.....	37,480	488	37,968	135	38,103	42,089
Differences between expected and actual experience.....	79,285	182	79,467	25	79,492	5,490
Changes in assumptions.....	96,831	1,296	98,127	316	98,443	98,046
OPEB:						
State contributions subsequent to the measurement date.....	108,729	1,768	110,497	274	110,771	162,261
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	58,243	565	58,808	479	59,287	79,231
Net Differences between projected and actual earnings on OPEB plan investments.....	3,606	56	3,662	15	3,677	5,211
Differences between expected and actual experience.....	36,198	567	36,765	147	36,912	47,829
Changes in assumptions.....	203,617	3,193	206,810	826	207,636	306,571
Total.....	\$ 1,118,329	\$ 13,683	\$ 1,132,012	\$ 3,672	\$ 1,135,684	\$ 2,199,361
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,494
Deferred gain on refunding.....	—	—	—	—	—	2,737
Deferred nuclear decommissioning costs.....	—	—	—	—	—	232,494
Deferred service concession arrangement receipts.....	—	—	—	—	—	1,173
Deferred nonexchange revenues.....	16,792	—	16,792	—	16,792	15,573
Toshiba Settlement.....	—	—	—	—	—	366,217
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	114,942	1,370	116,312	162	116,474	57,508
Net differences between projected and actual earnings on pension plan investments.....	—	101	101	—	101	—
Differences between expected and actual experience.....	32,337	415	32,752	108	32,860	35,736
Changes in Assumptions.....	—	—	—	—	—	57
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	85,479	1,259	86,738	82	86,820	57,995
Net differences between projected and actual earnings on pension and OPEB plan investments.....	—	—	—	—	—	10,400
Differences between expected and actual experience.....	100,178	1,420	101,598	406	102,004	132,733
Changes in assumptions.....	190,395	2,986	193,381	773	194,154	250,570
Total.....	\$ 540,123	\$ 7,551	\$ 547,674	\$ 1,531	\$ 549,205	\$ 1,165,687

State of South Carolina

Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2020 are as follows (expressed in thousands):

	<u>Canteen</u>	<u>Palmetto Railways</u>	<u>Other Enterprise</u>	<u>Total</u>
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date.....	\$ 194	\$ 418	\$ 62	\$ 674
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	41	727	13	781
Net Differences between projected and actual earnings on pension plan investments.....	25	102	8	135
Differences between expected and actual experience.....	13	8	4	25
Changes in assumptions.....	63	233	20	316
OPEB:				
State contributions subsequent to the measurement date.....	77	173	24	274
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	41	425	13	479
Net Differences between projected and actual earnings on OPEB plan investments.....	3	11	1	15
Differences between expected and actual experience.....	26	113	8	147
Changes in assumptions.....	144	636	46	826
Total.....	\$ 627	\$ 2,846	\$ 199	\$ 3,672
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	\$ 81	\$ 55	\$ 26	\$ 162
Differences between expected and actual experience.....	19	83	6	108
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	60	3	19	82
Differences between expected and actual experience.....	71	312	23	406
Changes in assumptions.....	135	595	43	773
Total.....	\$ 366	\$ 1,048	\$ 117	\$ 1,531

State of South Carolina

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2020 are as follows (expressed in thousands):

	<u>Insurance Reserve</u>	<u>Employee Insurance Programs</u>	<u>State Accident</u>	<u>General Services</u>
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date.....	\$ 320	\$ 1,116	\$ 493	\$ 1,813
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	213	448	7	384
Net Differences between projected and actual earnings on pension plan investments.....	44	127	—	234
Differences between expected and actual experience.....	3	10	4	122
Changes in assumptions.....	100	290	111	589
OPEB:				
State contributions subsequent to the measurement date.....	137	459	203	717
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	44	—	—	385
Net Differences between projected and actual earnings on OPEB plan investments.....	5	14	5	24
Differences between expected and actual experience.....	49	141	54	239
Changes in assumptions.....	278	791	305	1,345
Total.....	\$ 1,193	\$ 3,396	\$ 1,182	\$ 5,852
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	\$ 185	\$ —	\$ 159	\$ 759
Net differences between projected and actual earnings on pension plan investments.....	—	—	101	—
Differences between expected and actual experience.....	36	103	40	174
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	181	135	180	565
Differences between expected and actual experience.....	136	389	—	662
Changes in assumptions.....	260	741	285	1,258
Total.....	\$ 798	\$ 1,368	\$ 765	\$ 3,418

State of South Carolina

<u>Motor Pool</u>	<u>Prison Industries</u>	<u>Other Internal Service</u>	<u>Total</u>
\$ 149	\$ 463	\$ 26	\$ 4,380
32	98	6	1,188
20	59	4	488
10	31	2	182
48	150	8	1,296
59	183	10	1,768
32	98	6	565
2	6	—	56
20	61	3	567
111	344	19	3,193
<u>\$ 483</u>	<u>\$ 1,493</u>	<u>\$ 84</u>	<u>\$ 13,683</u>

\$ 62	\$ 194	\$ 11	\$ 1,370
—	—	—	101
14	45	3	415
46	144	8	1,259
54	169	10	1,420
103	321	18	2,986
<u>\$ 279</u>	<u>\$ 873</u>	<u>\$ 50</u>	<u>\$ 7,551</u>

State of South Carolina

Details of all discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2020 are as follows (expressed in thousands):

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority	Housing Authority
Deferred Outflows of Resources						
Accumulated increase in fair value of hedging derivatives.....	\$ 52,375	\$ —	\$ —	\$ —	\$ —	\$ —
Deferred amount on refunding.....	124,301	27,083	18,500	4,134	26,765	—
Asset retirement obligation.....	715,791	—	—	—	—	—
Pensions:						
State contributions subsequent to the measurement date.....	9,428	117,520	70,761	49,174	9,185	1,183
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	200	37,215	22,469	29,154	12,600	170
Net Differences between projected and actual earnings on pension plan investments.....	2,631	11,457	8,927	5,989	1,049	129
Differences between expected and actual experience.....	1,202	1,163	1,022	652	86	10
Changes in assumptions.....	6,554	27,068	20,501	13,735	2,390	294
OPEB:						
State contributions subsequent to the measurement date.....	10,145	49,800	33,342	23,281	1,971	475
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	—	32,403	12,595	19,980	—	—
Net Differences between projected and actual earnings on OPEB plan investments.....	—	1,415	1,121	757	586	14
Differences between expected and actual experience.....	—	14,606	11,287	8,564	—	142
Changes in assumptions.....	38,239	82,101	63,427	42,792	3,842	796
Total.....	\$ 960,866	\$ 401,831	\$ 263,952	\$ 198,212	\$ 58,474	\$ 3,213
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives.....	\$ 2,494	\$ —	\$ —	\$ —	\$ —	\$ —
Deferred gain on refunding.....	—	—	—	—	—	2,737
Deferred nuclear decommissioning costs.....	232,494	—	—	—	—	—
Deferred service concession arrangement receipts.....	—	—	—	—	—	—
Deferred nonexchange revenues.....	—	—	—	—	—	15,380
Toshiba Settlement.....	366,217	—	—	—	—	—
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	13,637	631	110	93	4	1,004
Differences between expected and actual experience.....	3,591	9,565	7,195	4,832	850	105
Changes in Assumptions.....	57	—	—	—	—	—
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	—	27	15,284	12	—	991
Net differences between projected and actual earnings on OPEB plan investments.....	315	—	—	—	—	—
Differences between expected and actual experience.....	11,222	40,319	31,157	21,995	—	391
Changes in assumptions.....	—	76,820	59,357	40,025	3,903	745
Total.....	\$ 630,027	\$ 127,362	\$ 113,103	\$ 66,957	\$ 4,757	\$ 21,353

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Lottery Commission	Nonmajor Component Units	Total
\$ —	\$ —	\$ 52,375
—	3,099	203,882
—	—	715,791
1,189	94,643	353,083
188	25,506	127,502
141	11,766	42,089
13	1,342	5,490
321	27,183	98,046
490	42,757	162,261
179	14,074	79,231
16	1,302	5,211
155	13,075	47,829
871	74,503	306,571
<u>\$ 3,563</u>	<u>\$ 309,250</u>	<u>\$ 2,199,361</u>
\$ —	\$ —	\$ 2,494
—	—	2,737
—	—	232,494
—	1,173	1,173
—	193	15,573
—	—	366,217
163	41,866	57,508
114	9,484	35,736
—	—	57
88	41,593	57,995
—	10,085	10,400
428	27,221	132,733
815	68,905	250,570
<u>\$ 1,608</u>	<u>\$ 200,520</u>	<u>\$ 1,165,687</u>

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Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2020 are as follows (expressed in thousands):

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University	South Carolina State University
Deferred Outflows of Resources						
Deferred amount on refunding.....	\$ —	\$ 322	\$ 656	\$ —	\$ —	\$ —
Pensions:						
State contributions subsequent to the measurement date.....	4,026	12,211	13,617	4,438	3,501	4,662
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	2,347	8,323	4,712	297	1,013	2,858
Net Differences between projected and actual earnings on pension plan investments.....	806	1,561	1,607	533	386	489
Differences between expected and actual experience.....	97	216	196	61	55	63
Changes in assumptions.....	1,853	3,606	3,698	1,224	892	1,292
OPEB:						
State contributions subsequent to the measurement date.....	3,145	6,160	5,936	2,068	1,493	1,827
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	1,701	3,781	2,412	—	3	2,129
Net Differences between projected and actual earnings on OPEB plan investments.....	—	—	471	65	104	56
Differences between expected and actual experience.....	98	1,948	2,093	654	461	561
Changes in assumptions.....	5,570	10,954	11,767	3,677	3,180	3,155
Total.....	\$ 19,643	\$ 49,082	\$ 47,165	\$ 13,017	\$ 11,088	\$ 17,092
Deferred Inflows of Resources						
Deferred service concession arrangement receipts.....	\$ —	\$ 30	\$ 1,143	\$ —	\$ —	\$ —
Deferred nonexchange revenues.....	—	172	—	—	—	—
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	163	319	1,395	460	28	4,497
Differences between expected and actual experience.....	649	1,253	1,294	430	309	393
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	2	4	2,712	974	59	919
Net differences between projected and actual earnings on OPEB plan investments.....	1,748	5,193	—	—	—	—
Differences between expected and actual experience.....	—	—	5,787	1,808	1,273	1,552
Changes in assumptions.....	5,210	10,245	11,006	3,439	2,488	2,950
Total.....	\$ 7,772	\$ 17,216	\$ 23,337	\$ 7,111	\$ 4,157	\$ 10,311

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Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College
\$ 1,306	\$ —	\$ —	\$ —
6,453	1,091	2,116	475
964	121	285	—
798	145	256	63
86	11	23	7
1,830	331	584	144
3,071	513	880	205
—	—	220	—
100	17	28	7
1,005	168	279	68
5,655	944	1,566	382
<u>\$ 21,268</u>	<u>\$ 3,341</u>	<u>\$ 6,237</u>	<u>\$ 1,351</u>
\$ —	\$ —	\$ —	\$ —
21	—	—	—
4,936	576	232	2,004
644	118	207	51
8,280	695	291	1,850
—	—	—	—
2,781	464	770	188
5,289	883	1,465	357
<u>\$ 21,951</u>	<u>\$ 2,736</u>	<u>\$ 2,965</u>	<u>\$ 4,450</u>

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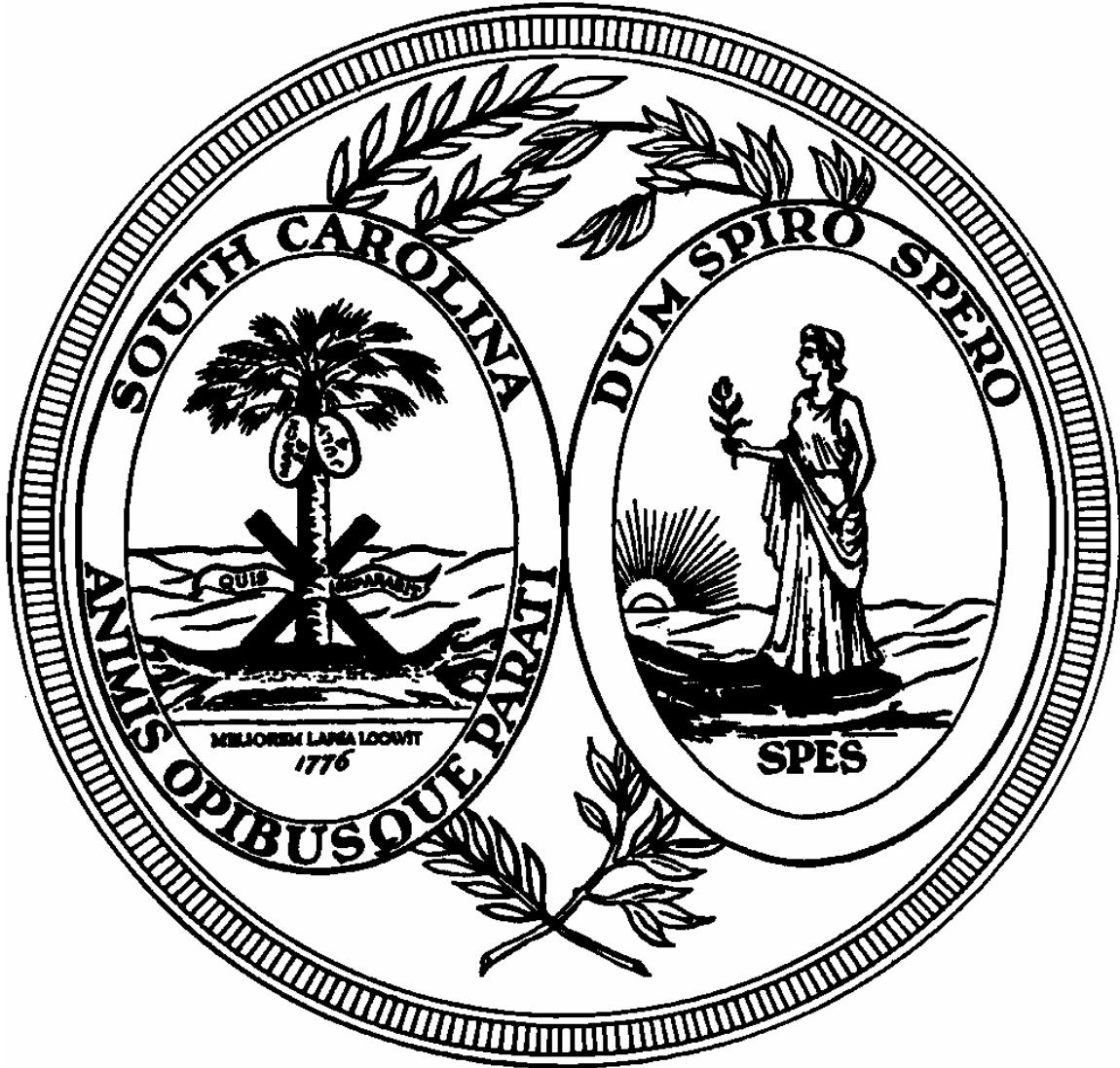
	Florence- Darlington Technical College	Greenville Technical College	Horry- Georgetown Technical College	Technical College of the Lowcountry	Midlands Technical College	Northeastern Technical College
Deferred Outflows of Resources						
Deferred amount on refunding.....	\$ 268	\$ 370	\$ —	\$ —	\$ 177	\$ —
Pensions:						
State contributions subsequent to the measurement date.....	2,394	6,302	3,132	1,346	6,634	675
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	5	50	614	—	391	179
Net Differences between projected and actual earnings on pension plan investments.....	320	768	397	163	816	79
Differences between expected and actual experience.....	25	72	34	13	80	6
Changes in assumptions.....	727	1,754	906	370	1,867	180
OPEB:						
State contributions subsequent to the measurement date.....	1,110	2,561	1,454	568	2,783	285
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	—	—	642	—	—	256
Net Differences between projected and actual earnings on OPEB plan investments.....	36	88	—	18	90	9
Differences between expected and actual experience.....	359	882	455	181	905	87
Changes in assumptions.....	2,020	321	2,559	1,040	5,084	490
Total.....	\$ 7,264	\$ 13,168	\$ 10,193	\$ 3,699	\$ 18,827	\$ 2,246
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.....	3,761	4,337	71	691	5,769	300
Differences between expected and actual experience.....	259	621	322	132	660	64
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	3,969	4,275	1	461	6,166	192
Net differences between projected and actual earnings on OPEB plan investments.....	—	—	1,155	—	—	—
Differences between expected and actual experience.....	993	2,439	58	500	2,497	241
Changes in assumptions.....	1,889	—	2,393	974	4,758	458
Total.....	\$ 10,871	\$ 11,672	\$ 4,000	\$ 2,758	\$ 19,850	\$ 1,255

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Orangeburg- Calhoun Technical College	Piedmont Technical College	Spartanburg Community College	Tri-County Technical College	Trident Technical College
\$ —	\$ —	\$ —	\$ —	\$ —
1,638	2,782	2,995	3,281	6,734
17	533	334	895	—
202	319	355	380	814
26	35	34	46	106
465	732	812	875	1,877
669	1,153	1,199	1,333	2,638
—	793	747	718	—
22	—	—	43	91
217	350	397	433	910
1,220	1,966	2,230	2,436	5,113
<u>\$ 4,476</u>	<u>\$ 8,663</u>	<u>\$ 9,103</u>	<u>\$ 10,440</u>	<u>\$ 18,283</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
1,765	1,133	118	4	4,039
162	257	287	306	655
1,617	689	1	1	3,289
—	931	1,058	—	—
599	—	—	1,198	2,512
1,142	1,840	2,086	2,279	4,785
<u>\$ 5,285</u>	<u>\$ 4,850</u>	<u>\$ 3,550</u>	<u>\$ 3,788</u>	<u>\$ 15,280</u>

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	Williamsburg Technical College	York Technical College	South Carolina Jobs- Economic Development Authority	Patriot's Point Development Authority	South Carolina First Steps to School Readiness Board of Trustees	Total
Deferred Outflows of Resources						
Deferred amount on refunding.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,099
Pensions:						
State contributions subsequent to the measurement date.....	512	2,545	45	614	424	94,643
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	296	394	69	171	638	25,506
Net Differences between projected and actual earnings on pension plan investments.....	65	315	5	75	49	11,766
Differences between expected and actual experience.....	7	33	—	6	4	1,342
Changes in assumptions.....	149	721	12	171	111	27,183
OPEB:						
State contributions subsequent to the measurement date.....	203	1,025	17	291	170	42,757
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	340	135	64	133	—	14,074
Net Differences between projected and actual earnings on OPEB plan investments.....	7	36	1	8	5	1,302
Differences between expected and actual experience.....	70	358	5	82	49	13,075
Changes in assumptions.....	392	2,015	31	460	276	74,503
Total.....	\$ 2,041	\$ 7,577	\$ 249	\$ 2,011	\$ 1,726	\$ 309,250
Deferred Inflows of Resources						
Deferred service concession arrangement receipts.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,173
Deferred nonexchange revenues.....	—	—	—	—	—	193
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	62	1,821	17	205	3,163	41,866
Differences between expected and actual experience.....	52	254	4	61	40	9,484
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions.....	—	1,670	14	242	3,220	41,593
Net differences between projected and actual earnings on OPEB plan investments.....	—	—	—	—	—	10,085
Differences between expected and actual experience.....	193	991	15	226	136	27,221
Changes in assumptions.....	367	1,885	29	430	258	68,905
Total.....	\$ 674	\$ 6,621	\$ 79	\$ 1,164	\$ 6,817	\$ 200,520



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
2020	\$ 320,641	\$ 116,986	\$ (102,857)	\$ 334,770
2019	292,050	121,560	(92,969)	320,641

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, 2020 the IRF had no reinsurance recoverable receivables, but had expenses of \$46.764 million in reinsurance premiums for the 2020 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

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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
2020	\$ 271,350	\$ 2,785,395	\$ (2,864,758)	\$ 191,987
2019	246,713	2,650,592	(2,625,955)	271,350

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
2020	\$ 210,990	\$ 43,603	\$ (51,825)	\$ 202,768
2019	251,990	9,377	(50,377)	210,990

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, 2020 the Fund had a balance of \$356 thousand in reinsurance recoverable receivables and had expenses of \$2.610 million in reinsurance premiums for the 2020 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.

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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
2020	\$ 22,470	\$ 4,052	\$ (4,826)	\$ 21,696
2019	34,207	-	(11,737)	22,470

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 \$300 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	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020	\$ 53,032	\$ -	\$ (53,032)	\$ -
2019	48,824	13,309	(9,101)	53,032

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.

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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
2020	\$ 212,086	\$ 1,477	\$ (18,447)	\$ 195,116
2019	222,937	12,080	(22,931)	212,086

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, 2020 for the primary government were as follows (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2021	\$ 1,323
2022	587
2023	350
2024	134
2025	20
Total minimum payments.....	2,414
Less: interest and executory costs.....	(147)
Net minimum payments.....	\$ 2,267

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2020, were as follows (expressed in thousands):

<u>Assets Acquired Under Capital Leases</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 12,739
Assets acquired under capital leases before accumulated amortization.....	12,739
Less: accumulated amortization.....	(10,231)
Assets acquired under capital leases, net.....	\$ 2,508

b. Operating Leases

For the primary government’s fiscal year ended June 30, 2020, minimum rental payments under operating leases were \$54.479 million and contingent rental payments were \$8.052 million. The State’s contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2020, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
2021	\$ 29,578	\$ 32	\$ 29,610
2022	25,286	—	25,286
2023	19,662	—	19,662
2024	11,628	—	11,628
2025	11,064	—	11,064
2026-2030	14,933	—	14,933
2031-2035	737	—	737
2036-2040	—	—	—
Net minimum payments.....	\$ 112,888	\$ 32	\$ 112,920

c. Facilities and Equipment Leased to Others

At June 30, 2020, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately \$91.331 million and related accumulated depreciation of \$29.393 million. Future minimum rental payments to be received at June 30, 2020, under these operating leases were as follows (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2021	\$ 8,692
2022	7,809
2023	6,879
2024	5,157
2025	5,288
2026-2030	27,743
2031-2035	30,696
2036-2040	31,507
Total.....	\$ 123,771

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, 2020, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:	
State highway bonds, 4.00% to 5.00%, maturing serially through 2023.....	\$ 69,852
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028.....	27,649
State economic development bonds, 2.00% to 5.00%, maturing serially through 2029.....	206,967
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029.....	44,538
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025.....	19,741
Totals—primary government.....	<u>\$ 368,747</u>

At June 30, 2020, \$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, 2020, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 91,690	\$ 12,230
2022	64,975	8,206
2023	46,080	5,314
2024	57,255	3,532
2025	36,265	1,993
2026-2029	30,640	2,485
Total debt service requirements.....	326,905	<u>\$ 33,760</u>
Unamortized premiums.....	41,842	
Total principal outstanding.....	<u>\$ 368,747</u>	

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, 2020, was \$75.597 million for highway bonds, \$485.168 million for general obligation bonds excluding institution and highway bonds, \$39.734 million for economic development bonds, and \$26.689 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.

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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, 2020, were (net of unamortized premiums/discounts, expressed in thousands):

	<u>Bonds</u>	<u>Notes</u>
Primary Government:		
<i>Governmental Activities:</i>		
Infrastructure Bank bonds, 0.40% to 5.25%, maturing serially through 2041.....	\$ 1,558,524	\$ —
Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038.....	38,704	—
Department of Transportation note, 3.04%, maturing through 2032.....	—	4,337
Department of Administration notes, 1.66% to 2.80%, maturing through 2023.....	—	10,643
Department of Education notes, 0.87% to 1.72%, maturing through 2025.....	—	21,001
Judicial Department note, 2.02%, maturing through 2021.....	—	1,018
Department of Corrections notes, 2.62% to 5.25%, maturing through 2024.....	—	546
Department of Probation, Parole and Pardon note, 1.81%, maturing through 2022.....	—	393
Department of Public Safety note, 1.87%, maturing through 2030.....	—	8,645
Department of Social Services note, 2.94%, maturing through 2024.....	—	5,587
InvestSC, Inc. notes, 7.25%, maturing through 2023.....	—	37,500
Totals—governmental activities.....	<u>1,597,228</u>	<u>89,670</u>
<i>Business-Type Activities:</i>		
Nonmajor enterprise fund bonds, 0.43%, maturing through 2038.....	\$ 5,185	\$ —
Palmetto Railways note, 4.28%, maturing through 2047.....	—	6,500
Totals—business-type activities.....	<u>5,185</u>	<u>6,500</u>
Totals—primary government.....	<u>\$ 1,602,413</u>	<u>\$ 96,170</u>

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, 2020, the Bank made variable bond interest payments of \$5.449 million and fixed rate payments on the exchange agreement of \$13.563 million. The Bank received variable swap payments on the exchange agreement of \$3.907 million. The June 30, 2020 mark to market value of this swap was negative \$1.541 million, representing a decrease in fair value of \$107 thousand from the 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:

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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	\$228.500 million
General purpose for the debt	Provide financial assistance for major transportation projects for DOT
Term of commitment	FY 2041
% of revenue stream pledged	69.70%
Pledged revenue recognized	\$213.270 million
Principal & interest paid	\$141.630 million

Debt Service Requirements

At June 30, 2020, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

<u>Year Ending June 30</u>	Primary Government			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 107,386	\$ 64,982	\$ 195	\$ 8
2022	108,841	59,304	205	7
2023	80,496	54,664	215	7
2024	66,876	50,631	225	7
2025	68,836	47,396	235	7
2026-2030	417,835	186,335	1,325	27
2031-2035	455,682	91,077	1,630	16
2036-2040	184,205	32,668	1,155	4
2041-2045	41,654	1,040	—	—
2046-2047	—	—	6,500	5,163
Total debt service requirements.....	1,531,811	\$ 588,097	11,685	\$ 5,246
Net unamortized premiums.....	155,087		—	
Total principal outstanding.....	\$ 1,686,898		\$ 11,685	

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.

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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, 2020, in governmental functions for these entities as follows (expressed in thousands):

	<u>Amount</u>
Transportation.....	\$ 65,539
Total allocated interest expense.....	<u>\$ 65,539</u>

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, 2020, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	<u>Governmental Activities</u>
Economic Development bonds.....	\$ 44,270
Tobacco Authority bonds.....	<u>72,833</u>
Totals.....	<u>\$ 117,103</u>

On August 7, 2019, the Local Government Infrastructure Fund issued \$179.030 million in revenue bonds with interest rates of 5.00% and at a premium of \$43.973 million. The proceeds were used to defease \$143.025 of Series 2012A revenue bonds and \$62.525 million of Series 2012B revenue bonds on July 8, 2019. On that date, the Bank deposited \$224.858 million of existing resources into an escrow account that purchased U.S. Treasury notes with maturity dates that coincide with future maturities of the defeased bonds. The refunding reduced the Local Government Infrastructure Fund's total debt service payments by \$42.491 million. This in-substance defeasance transaction resulted in a net present value savings of \$35.391 million, or 17%.

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, 2020, there was no arbitrage rebate liability associated with the State's General Obligation Debt and a \$319 thousand arbitrage rebate liability associated 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, 2020, the outstanding balance of bonds issued was \$183.113 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2020, were (expressed in thousands):

	<u>Balances at July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Primary Government:					
<i>Governmental Activities</i>					
Policy claims.....	\$ 825,451	\$ 2,950,036	\$ (3,024,266)	\$ 751,221	\$ 576,824
Notes payable.....	94,384	22,807	(27,521)	89,670	28,546
General obligation bonds payable.....	405,495	—	(78,590)	326,905	91,690
Unamortized discounts and premiums.....	52,060	—	(10,218)	41,842	—
Total general obligation bonds payable.....	<u>457,555</u>	<u>—</u>	<u>(88,808)</u>	<u>368,747</u>	<u>91,690</u>
Infrastructure Bank bonds payable.....	1,509,291	179,030	(280,140)	1,408,181	77,635
Unamortized discounts and premiums.....	135,716	43,973	(29,346)	150,343	—
Total Infrastructure Bank bonds.....	<u>1,645,007</u>	<u>223,003</u>	<u>(309,486)</u>	<u>1,558,524</u>	<u>77,635</u>
Revenue bonds payable.....	35,110	—	(1,150)	33,960	1,205
Unamortized discounts and premiums.....	4,854	—	(110)	4,744	—
Total revenue bonds payable.....	<u>39,964</u>	<u>—</u>	<u>(1,260)</u>	<u>38,704</u>	<u>1,205</u>
Capital leases payable.....	2,488	1,122	(1,343)	2,267	1,226
Compensated absences payable.....	204,096	130,808	(123,578)	211,326	112,611
Net pension liability.....	3,941,973	67,713	—	4,009,686	—
Net other post-employment benefit liability....	2,953,257	169,396	—	3,122,653	—
Judgments and contingencies payable.....	1,523	2,713	(1,523)	2,713	2,713
Arbitrage payable.....	—	319	—	319	—
Total long-term liabilities.....	<u>\$ 10,165,698</u>	<u>\$ 3,567,917</u>	<u>\$ (3,577,785)</u>	<u>\$ 10,155,830</u>	<u>\$ 892,450</u>

For compensated absences, the General Fund normally liquidates approximately 66%, Departmental Program Services approximately 18%, and the Department of Transportation Special Revenue approximately 14%. The remaining 2% is liquidated by other governmental funds and the internal service funds. The entire claims liability is reported in the internal service funds (See Note 10) and will be liquidated by those funds. The net and total pension and OPEB liabilities will be liquidated primarily from the General Fund, approximately 69%, with the remaining amounts from the Departmental Program Services Fund, Local Government Infrastructure Fund, Department of Transportation Special Revenue Fund, and internal service funds.

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	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020	Amounts Due Within One Year
Primary Government:					
<i>Business-type Activities</i>					
Policy claims.....	\$ 265,118	\$ 1,477	\$ (71,479)	\$ 195,116	\$ 21,152
Notes payable.....	6,500	—	—	6,500	—
Revenue bonds payable.....	5,375	—	(190)	5,185	195
Compensated absences payable.....	573	419	(436)	556	347
Net pension liability.....	15,033	—	(59)	14,974	—
Net other post-employment benefit liability....	11,995	479	(1)	12,473	—
Total long-term liabilities.....	<u>\$ 304,594</u>	<u>\$ 2,375</u>	<u>\$ (72,165)</u>	<u>\$ 234,804</u>	<u>\$ 21,694</u>

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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, 2020, the amounts constrained within the fund balance in governmental funds (expressed in thousands) were as follows:

	General Fund	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.....	38,476	37,548	—	6,547	—	82,571
Prepaid items.....	11,852	2,779	—	5,866	99	20,596
Other assets.....	120	—	—	203	—	323
Long-term loans and notes receivable	27,683	—	—	—	—	27,683
Endowments	—	—	—	—	11,763	11,763
Total Non-spendable	129,273	40,327	—	12,616	11,862	194,078
Restricted:						
Primary and Secondary Education.....	60,226	15,689	—	—	157,014	232,929
Health, Human Services and Environment.....	328,060	509,013	—	—	86,238	923,311
Transportation.....	—	9,524	1,423,681	600,244	—	2,033,449
Debt Service.....	—	—	867,776	—	—	867,776
Waste management.....	—	—	—	—	183,531	183,531
General Government.....	534,938	2,220,024	—	—	157,496	2,912,458
Total Restricted	923,224	2,754,250	2,291,457	600,244	584,279	7,153,454
Committed:						
General Government.....	442,965	20,997	—	368,958	205,633	1,038,553
Primary and Secondary Education.....	7,969	—	—	—	—	7,969
Health, Human Services and Environment.....	56,335	24	—	—	3,279	59,638
Total Committed	507,269	21,021	—	368,958	208,912	1,106,160
Assigned:						
Capital projects fund.....	—	—	—	—	153,123	153,123
Primary and Secondary Education.....	12,416	55	—	—	—	12,471
Health, Human Services and Environment.....	93,274	184,010	—	—	—	277,284
General Government.....	110,211	5,889	—	—	3,449	119,549
Administration of Justice.....	15,663	4,343	—	—	—	20,006
Economic Development.....	9,461	928	—	—	—	10,389
Transportation.....	304	—	—	—	—	304
Social Programs	22,559	—	—	—	—	22,559
Total Assigned	263,888	195,225	—	—	156,572	615,685
Unassigned	5,162,015	(2,577,316)	—	—	—	2,584,699
Total Fund Balances.....	\$ 6,985,669	\$ 433,507	\$ 2,291,457	\$ 981,818	\$ 961,625	\$ 11,654,076

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

State of South Carolina

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.

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.

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 use 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

Capital Projects

The fund balance reported in this category arises primarily from budgetary proviso actions and from contracts between the State and vendors for services and construction provided. The resources will be expended over the life of the construction.

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

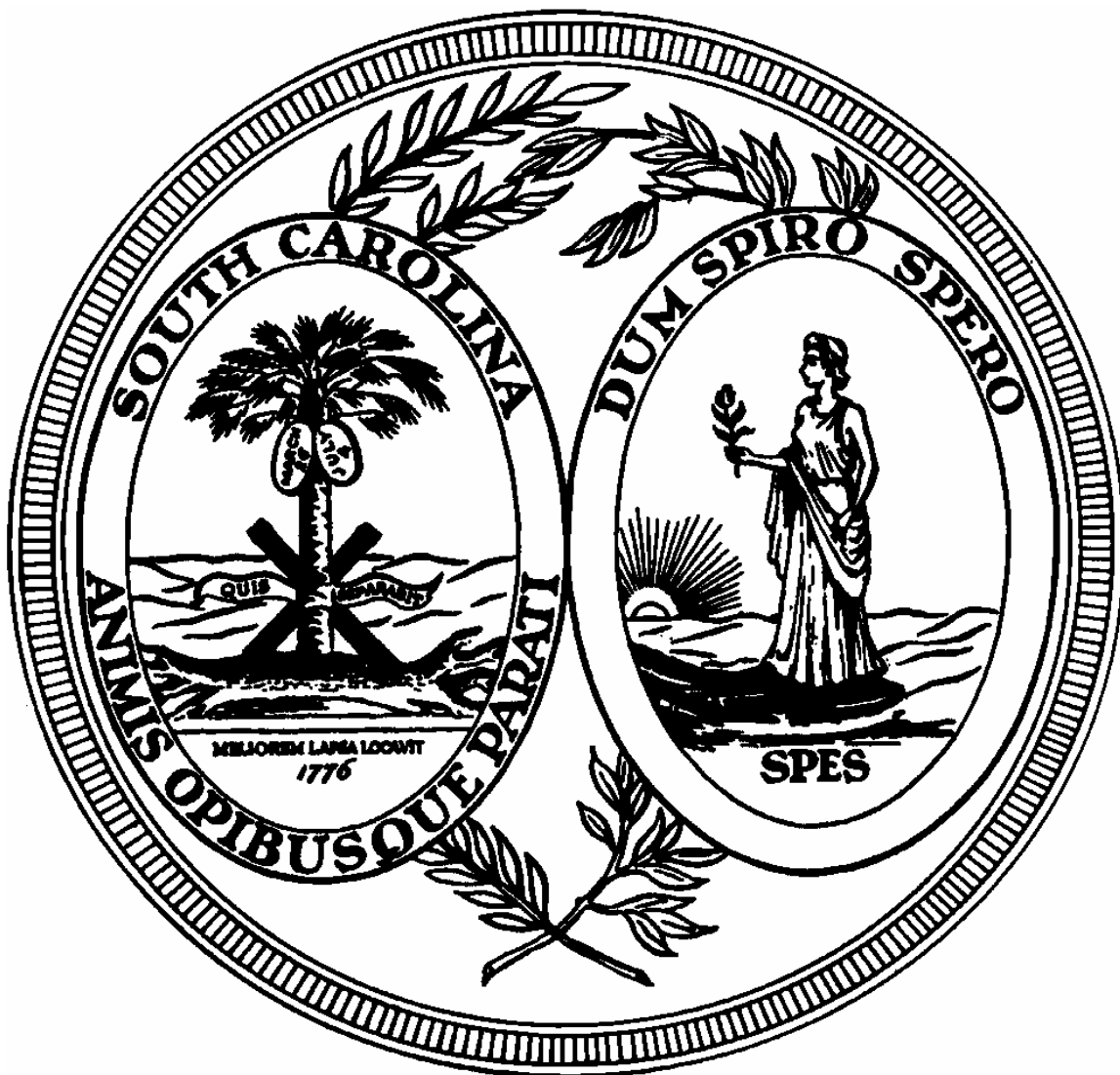
Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

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 which aids in preventing year-end deficits in the Budgetary General Fund.

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 of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

The Reserve is fully funded when it equals 5 percent of the Budgetary General Fund's revenue of the previous fiscal year. At June 30, 2020, 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):

	7/1/2019 Fund Equity as Previously Reported	Adjustments	7/1/2019 Fund Equity as Restated
Primary Government			
<u>Governmental Funds:</u>			
General Fund	\$ 5,649,070	\$ —	\$ 5,649,070
Departmental Program Services	493,415	—	493,415
Local Government Infrastructure	2,205,051	—	2,205,051
Department of Transportation Special Revenue	862,480	—	862,480
Other Nonmajor Governmental Funds	899,268	—	899,268
Total Governmental Funds	10,109,284	—	10,109,284
Internal Service Funds	726,608	—	726,608
<u>Government-wide:</u>			
Capital assets	18,072,151	—	18,072,151
Net deferred outflows and inflows	599,781	—	599,781
Long-term liabilities	(9,453,140)	—	(9,453,140)
Total Government-wide	9,218,792	—	9,218,792
Total Governmental Activities	20,054,684	—	20,054,684
<u>Business-type Activities - Enterprise Funds:</u>			
Unemployment Compensation Fund	1,180,013	—	1,180,013
Second Injury Fund	45,998	—	45,998
Other nonmajor enterprise funds	134,109	—	134,109
Total Business-type Activities - Enterprise Funds	1,360,120	—	1,360,120
Total Primary Government	\$ 21,414,804	\$ —	\$ 21,414,804
Component Units			
Public Service Authority	\$ 2,262,440	\$ —	\$ 2,262,440
MUSC	(37,597)	—	(37,597)
USC	436,238	—	436,238
Clemson University	931,344	—	931,344
State Ports Authority	856,501	—	856,501
Housing Authority	457,902	—	457,902
Lottery Commission	875	—	875
Nonmajor component units	754,863	(4,022)	750,841
Total Component Units	\$ 5,662,566	\$ (4,022)	\$ 5,658,544

During the year ended June 30, 2020, the management of the South Carolina Medical Malpractice Liability Insurance Joint Underwriting Fund (a nonmajor discretely presented component unit) 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, 2020 (expressed in thousands):

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
Departmental Program Services.....	\$ 242,614	\$ 83,056
Local Government Infrastructure.....	38	25,374
Department of Transportation Special Revenue Fund.....	2,798	89,313
Nonmajor governmental funds.....	81,093	5,230
Internal service.....	2,339	30,065
Unemployment Compensation.....	19,970	—
Nonmajor enterprise funds.....	574	6
Fiduciary.....	78,975	1,376
	<u>428,401</u>	<u>234,420</u>
Departmental Program Services		
General Fund.....	83,056	242,614
Nonmajor governmental funds.....	—	1,152
Internal service.....	864	3,959
Unemployment Compensation.....	—	500,000
Nonmajor enterprise funds.....	—	7
Fiduciary.....	7,379	1,087
	<u>91,299</u>	<u>748,819</u>
Local Government Infrastructure		
General Fund.....	25,374	38
Department of Transportation Special Revenue Fund.....	2,144	—
	<u>27,518</u>	<u>38</u>
Department of Transportation Special Revenue Fund		
General Fund.....	89,313	2,798
Local Government Infrastructure.....	—	2,144
Fiduciary.....	—	13,939
	<u>89,313</u>	<u>18,881</u>
Nonmajor Governmental Funds		
General Fund.....	5,230	81,093
Departmental Program Services.....	1,152	—
Internal service.....	302	413
Fiduciary.....	165	25,456
	<u>6,849</u>	<u>106,962</u>
Internal Service		
General Fund.....	30,065	2,339
Departmental Program Services.....	3,959	864
Nonmajor governmental funds.....	413	302
Internal service.....	232	232
Nonmajor enterprise funds.....	1	—
Fiduciary.....	—	2
	<u>34,670</u>	<u>3,739</u>
Unemployment Compensation		
General Fund.....	—	19,970
Departmental Program Services.....	500,000	—
	<u>500,000</u>	<u>19,970</u>
Nonmajor Enterprise Funds		
General Fund.....	6	574
Departmental Program Services.....	7	—
Internal service.....	—	1
	<u>13</u>	<u>575</u>
Fiduciary		
General Fund.....	1,376	78,975
Department of Transportation Special Revenue.....	1,087	7,379
Department of Transportation Special Revenue Fund.....	13,939	—
Nonmajor governmental funds.....	25,456	165
Internal service.....	2	—
Fiduciary.....	80,426	80,426
	<u>122,286</u>	<u>166,945</u>
Totals.....	<u>\$ 1,300,349</u>	<u>\$ 1,300,349</u>

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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.

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Receivables Long-term Portion</u>
General Fund			
Departmental Program Services	\$ —	\$ 1,550	\$ —
Nonmajor enterprise funds	51,000	—	—
Internal service	142	—	142
	<u>51,142</u>	<u>1,550</u>	<u>142</u>
Departmental Program Services			
General Fund	<u>1,550</u>	<u>—</u>	<u>1,550</u>
Local Government Infrastructure			
Department of Transportation Special Revenue	<u>132,927</u>	<u>—</u>	<u>132,907</u>
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	<u>—</u>	<u>132,927</u>	<u>—</u>
Nonmajor Enterprise Funds			
General Fund	<u>—</u>	<u>51,000</u>	<u>—</u>
Internal Service			
General Fund	<u>—</u>	<u>142</u>	<u>—</u>
Totals	<u>\$ 185,619</u>	<u>\$ 185,619</u>	<u>\$ 134,599</u>

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:

- \$132.927 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 will mature on June 30, 2021.

State of South Carolina

The following table summarizes interfund transfers during the fiscal year ended June 30, 2020 (expressed in thousands):

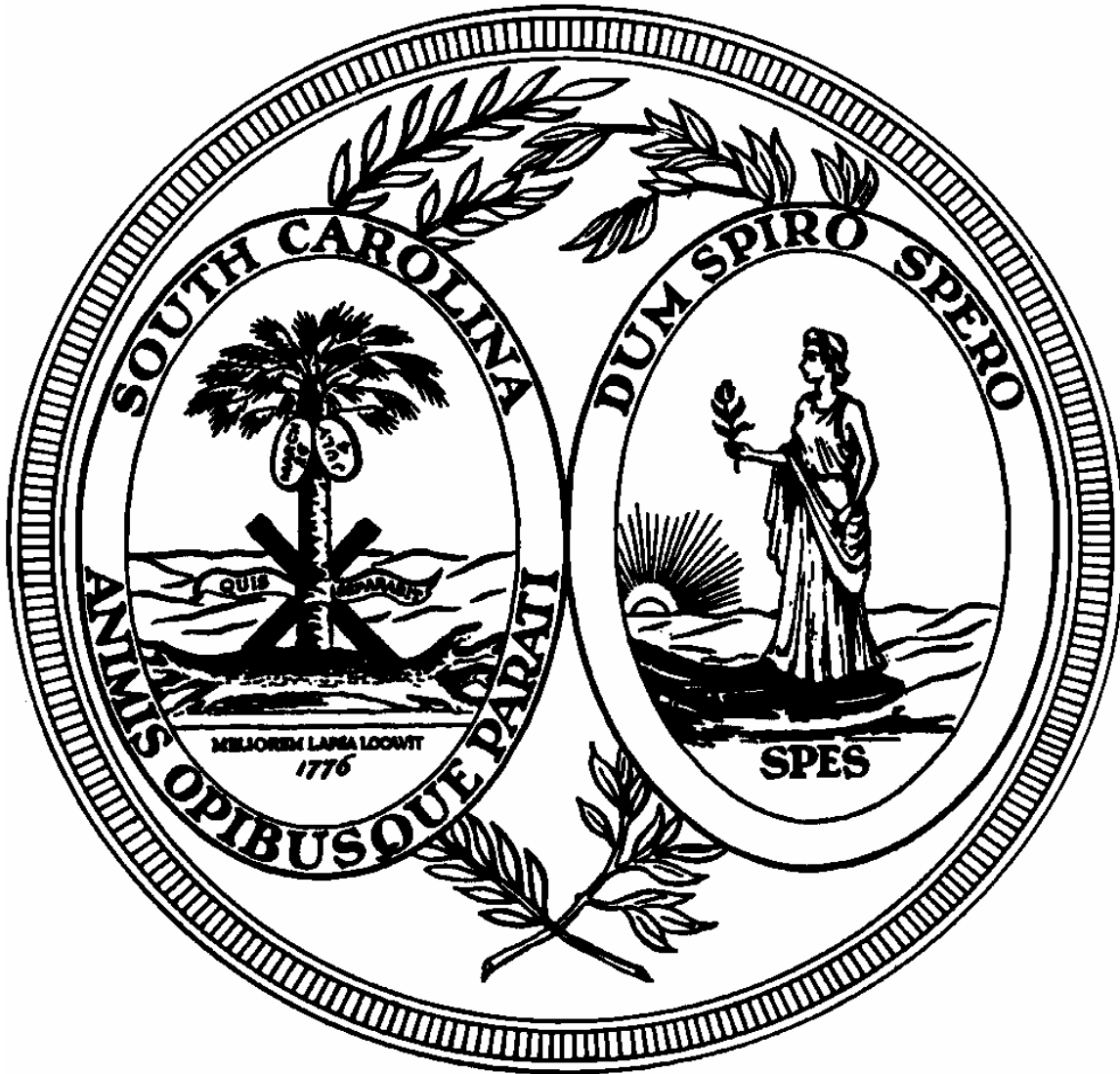
Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services.....	\$ 92,723	\$ 19,791
Local Government Infrastructure.....	—	6,166
Department of Transportation.....	3,564	5,912
Nonmajor governmental funds.....	55,883	242,532
Unemployment Compensation Benefits.....	22,302	—
Nonmajor enterprise funds.....	3,539	67
Internal service.....	1,285	4,202
	<u>179,296</u>	<u>278,670</u>
Departmental Program Services		
General Fund.....	19,791	92,723
Nonmajor governmental funds.....	8,869	2,000
Unemployment Compensation Benefits.....	—	500,000
Second Injury.....	225	—
Internal service.....	6,464	745
	<u>35,349</u>	<u>595,468</u>
Local Government Infrastructure		
General Fund.....	6,166	—
	<u>6,166</u>	<u>—</u>
Department of Transportation		
General Fund.....	5,912	3,564
	<u>5,912</u>	<u>3,564</u>
Nonmajor Governmental Funds		
General Fund.....	242,532	55,883
Departmental Program Services.....	2,000	8,869
Nonmajor governmental funds.....	74,018	74,018
Nonmajor enterprise funds.....	1,700	27
Internal Service.....	1,617	718
	<u>321,867</u>	<u>139,515</u>
Unemployment Compensation Benefits		
General Fund.....	—	22,302
Departmental Program Services.....	500,000	—
	<u>500,000</u>	<u>22,302</u>
Second Injury Fund		
Departmental Program Services.....	—	225
	<u>—</u>	<u>225</u>
Nonmajor Enterprise Funds		
General Fund.....	67	3,539
Nonmajor governmental funds.....	27	1,700
	<u>94</u>	<u>5,239</u>
Internal Service		
General Fund.....	4,202	1,285
Department Program Services.....	745	6,464
Nonmajor governmental funds.....	718	1,617
Internal Service.....	2,281	2,281
	<u>7,946</u>	<u>11,647</u>
Totals.....	<u>\$ 1,056,630</u>	<u>\$ 1,056,630</u>

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.

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The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2020 (expressed in thousands):

Funds	Due From	Due To
General Fund		
USC.....	\$ —	\$ 37
Clemson University.....	—	7,967
Housing Authority.....	—	1,493
Ports Authority.....	50,000	—
Nonmajor discretely presented component units.....	4,826	703
	<u>54,826</u>	<u>10,200</u>
Departmental Program Services		
MUSC.....	—	14,848
USC.....	—	1,534
Clemson University.....	—	649
Nonmajor discretely presented component units.....	—	2,014
	<u>—</u>	<u>19,045</u>
Department of Transportation Special Revenue Fund		
Nonmajor discretely presented component units.....	<u>82</u>	<u>—</u>
Nonmajor Governmental Funds		
Lottery Commission.....	26,991	—
Nonmajor discretely presented component units.....	8,368	8,383
	<u>35,359</u>	<u>8,383</u>
Internal Service		
USC.....	6,486	—
Clemson University.....	5,116	—
Nonmajor discretely presented component units.....	5,996	—
	<u>17,598</u>	<u>—</u>
Governmental activities total.....	<u>107,865</u>	<u>37,628</u>
MUSC		
Departmental Program Services.....	<u>14,848</u>	<u>—</u>
USC		
General Fund.....	37	—
Departmental Program Services.....	1,534	—
Nonmajor governmental funds.....	—	—
Internal service.....	—	6,486
	<u>1,571</u>	<u>6,486</u>
Clemson University		
General Fund.....	7,967	—
Departmental Program Services.....	649	—
Internal service.....	—	5,116
	<u>8,616</u>	<u>5,116</u>
Housing Authority		
General Fund.....	<u>1,493</u>	<u>—</u>
Ports Authority		
General Fund.....	<u>—</u>	<u>50,000</u>
Lottery Commission		
Departmental Program Services.....	<u>—</u>	<u>26,991</u>
Nonmajor Discretely Presented Component Units		
General Fund.....	703	4,826
Departmental Program Services.....	2,014	—
Department of Transportation Special Revenue Fund.....	—	82
Nonmajor governmental funds.....	8,383	8,368
Internal service.....	—	5,996
	<u>11,100</u>	<u>19,272</u>
Discretely presented component units total.....	<u>37,628</u>	<u>107,865</u>
Totals.....	<u>\$ 145,493</u>	<u>\$ 145,493</u>



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, 2020, the Educational Television Endowment of South Carolina, Inc., disbursed \$7.177 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 \$184 thousand at June 30, 2020.

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, 2020, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC \$72.500 million; program revenue from SLC \$1.809 million; reimbursements to SLC for administrative costs \$362 thousand; and payable to SLC \$599 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 subsequently ruled in favor of Kiawah and OCRM appealed. 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 \$20.1 million and \$16.9 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, 2020, or earlier years will not have a material impact on the State's financial statements.

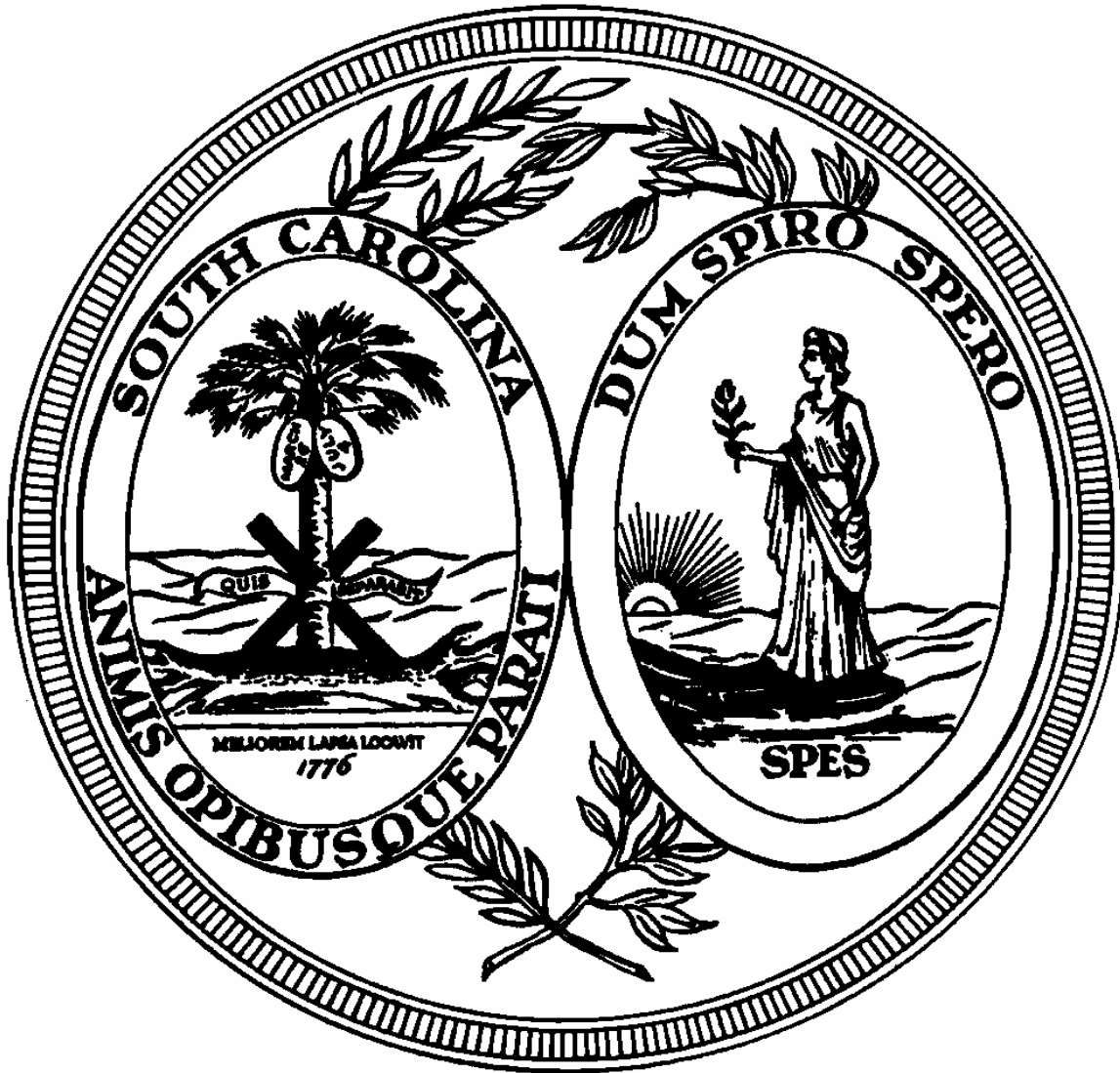
c. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2020, 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 \$881.000 million remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has \$194.110 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, \$34.341 million will be funded by federal grants.
- The Office of Regulatory Staff has \$3.287 million for energy efficiency improvement projects. Federal grants will fund \$3.287 million of this commitment.
- The Division of Aeronautics has \$4.951 million for grants made to municipal and county airports for capital improvements.
- The State Board for Technical and Comprehensive Education has \$20.685 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has \$5.923 million for pass-through grants to various local governments and not-for-profit entities, of which \$5.923 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has \$3.568 million for grant program activities and pass-through grants to subrecipients, of which \$3.568 million will be funded by federal grants.
- The South Carolina Judicial Department has \$4.609 million outstanding commitments related to vendor service contracts.
- The South Carolina Attorney General's Office has \$20.413 million for pass-through grants to subrecipients, of which \$20.273 million will be funded by federal grants.
- The South Carolina Department of Revenue has \$15.231 million outstanding commitments for vendor contracts related to services for paper check and return processing.
- The Rural Infrastructure Authority has \$306.646 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 \$27.801 million will be funded by federal grants.
- The Department of Health and Environmental Control has \$3.419 million in outstanding commitments for interim remediation and site cleanup of which \$410 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 2021 in maintaining these sites is \$8.274 million. The Pinewood Site is \$3.981 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 2020, the budgeted \$3.981 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2020 were \$3.448 million for capital improvements and \$3.445 million for operating expenditures.



NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2020, the reported amount of the major discretely presented component units' deposits was \$882.901 million and the bank balance was \$904.705 million. Of the \$795.362 million bank balance exposed to custodial credit risk, \$193.723 million was uninsured and uncollateralized, \$81.502 million was uninsured and collateralized with securities held by the pledging financial institution, and \$520.137 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-driven 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 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.

State of South Carolina

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2020 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries.....	\$ 88,908	\$ 51,922	\$ 36,986
U.S. agencies.....	608,432	8,402	600,030
Mortgage backed obligations.....	17,663	17,663	—
Common stock.....	495,789	495,789	—
Other equity securities.....	475,750	126,721	349,029
Corporate bonds.....	89,977	38,378	51,599
Repurchase agreements.....	100,000	—	100,000
Municipal bonds.....	—	—	—
Asset backed securities.....	—	—	—
Commercial paper.....	26,410	—	26,410
Money market mutual funds.....	98,890	98,890	—
Bond mutual funds.....	183,734	107,262	76,472
Guaranteed investment contracts.....	—	—	—
Other.....	637,012	341,418	12,406
Total Investments at Fair Value.....	\$ 2,822,565	\$ 1,286,445	\$ 1,252,932

Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1).....	\$ 80,243	\$ 59,870	N/A	N/A
Private partnership - real assets (1).....	17,842	27,417	N/A	N/A
Hedge funds (1).....	119,934	—	Monthly to Annually	33-95 days
Hedge funds (2).....	35,944	—	Monthly to Annually	30-90 days
Private Equity Partnerships (3).....	—	—	—	—
Equity long/short hedge funds (4).....	6,721	—	Quarterly	5 days
Multi-strategy hedge funds (5).....	10,316	—	Monthly	30 days
Partnerships (6).....	88,264	24,400	Monthly - No Liquidity	7 days
Hedge Funds (7).....	188,959	600	Monthly - No Liquidity	3 days
Total investments measured at the NAV.....	\$ 548,223	\$ 112,287		
Total investments measured at fair value.....	\$ 3,370,788	\$ 1,398,732		

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.....	(8,870)	—	(8,870)
Total investment derivative instruments.....	\$ (8,870)	\$ —	\$ (8,870)

Total Invested Assets.....	\$ 3,461,918
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State of South Carolina

(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 of 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, 2020, as follows:

Investment Type	Category		Reported Amount
	A	B	
U.S. treasuries.....	\$ 11,499	\$ —	\$ 88,908
U.S. agencies.....	—	125,714	608,432
Mortgage backed obligations.....	—	575	17,663
Common stock.....	—	51,945	495,789
Other equity securities.....	17,636	1,962	475,750
Corporate bonds.....	—	41,708	89,977
Repurchase agreements.....	—	—	—
Asset backed securities.....	—	—	—
Commercial paper.....	—	—	26,410
Money market mutual funds.....	29,980	4,553	98,890
Bond mutual funds.....	43,205	29,132	183,734
Other.....	8,487	270,421	637,012
Totals.....	\$110,807	\$526,010	\$ 2,822,565

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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	Alternative					Not Rated
	AAA	AA	A	BBB	Rating	
U.S. agencies.....	\$ 600,030	\$ —	\$ —	\$ —	\$ —	\$ 8,402
Mortgage backed obligations.....	—	—	—	—	—	17,663
Corporate bonds.....	21,030	14,596	21,667	10,065	—	22,619
Repurchase agreements.....	100,000	—	—	—	—	—
Commercial paper.....	—	—	26,410	—	—	—
Money market mutual funds.....	4,996	—	—	—	—	93,894
Mutual bond funds.....	—	835	—	—	—	—
Bond mutual funds.....	—	—	—	—	—	182,899
Other.....	—	—	—	—	1,284	573,448
Totals.....	\$ 726,056	\$ 15,431	\$ 48,077	\$ 10,065	\$ 1,284	\$ 898,925

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, 2020, 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 Type	Fair Value	Investment Maturities (in years)				
		Does Not	Less than 1	1 - 5	6 - 10	More than 10
		Mature				
U.S. treasuries.....	\$ 88,908	\$ —	\$ 26,593	\$ 40,423	\$ —	\$ 21,892
U.S. agencies.....	608,432	—	122,436	248,980	36,140	200,876
Mortgage backed obligations.....	17,663	—	—	17,117	—	546
Common Stock.....	495,789	495,789	—	—	—	—
Other equity securities.....	475,750	474,913	—	—	689	148
Corporate bonds.....	89,977	—	9,113	57,933	20,917	2,014
Repurchase agreements.....	100,000	—	100,000	—	—	—
Asset backed securities.....	—	—	—	—	—	—
Commercial paper.....	26,410	—	26,410	—	—	—
Money market mutual funds.....	98,890	86,843	12,047	—	—	—
Bond mutual funds.....	183,734	182,899	835	—	—	—
Other.....	637,012	345,727	218,020	73,265	—	—
Totals.....	\$ 2,822,565	\$ 1,586,171	\$ 515,454	\$ 437,718	\$ 57,746	\$ 225,476

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, 2020, 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.

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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, 2020. At June 30, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020:

	<u>Amount</u>
Securities lent for cash collateral:	
U.S. Corporate-fixed income.....	\$ 3,318
Total securities lent for cash collateral.....	<u>\$ 3,318</u>
 Cash collateral invested as follows:	
Repurchase agreements.....	\$ 26,338
Total for cash collateral invested.....	<u>\$ 26,338</u>
 Securities received as collateral:	
U.S. treasuries.....	\$ 26,338
Total for securities collateral invested.....	<u>\$ 26,338</u>

At June 30, 2020, the fair value of securities on loan was \$3.318 million. The fair value of the invested cash collateral was \$26.338 million. Securities lending obligations were \$26.338 million.

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b. Capital Assets

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

	Beginning Balances			Ending Balances
	January 1, 2019	Increases	Decreases	December 31, 2019
Public Service Authority:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 183,776	\$ 1,266	\$ (1,897)	\$ 183,145
Construction in progress.....	1,017,170	240,510	(755,029)	502,651
<i>Total capital assets not being depreciated....</i>	<u>1,200,946</u>	<u>241,776</u>	<u>(756,926)</u>	<u>685,796</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements (utility plant).....	7,590,678	736,366	(42,226)	8,284,818
Vehicles.....	69,671	8,377	(5,270)	72,778
Machinery and equipment.....	50,443	5,965	(1,942)	54,466
Intangibles.....	83,941	519	(255)	84,205
<i>Total capital assets being depreciated.....</i>	<u>7,794,733</u>	<u>751,227</u>	<u>(49,693)</u>	<u>8,496,267</u>
Less accumulated depreciation for:				
Buildings and improvements (utility plant).....	(3,796,067)	(137,217)	16,572	(3,916,712)
Vehicles.....	(34,537)	(4,390)	5,322	(33,605)
Machinery and equipment.....	(31,593)	(6,175)	4,484	(33,284)
Intangibles.....	(76,598)	(1,471)	—	(78,069)
<i>Total accumulated depreciation.....</i>	<u>(3,938,795)</u>	<u>(149,253)</u>	<u>26,378</u>	<u>(4,061,670)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>3,855,938</u>	<u>601,974</u>	<u>(23,315)</u>	<u>4,434,597</u>
Public Service Authority, net.....	\$ 5,056,884	\$ 843,750	\$ (780,241)	\$ 5,120,393

	Beginning Balances			Ending Balances
	July 1, 2019	Increases	Decreases	June 30, 2020
State Ports Authority:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 374,214	\$ 5,622	\$ (5,495)	\$ 374,341
Construction in progress.....	520,588	280,434	(185,421)	615,601
<i>Total capital assets not being depreciated....</i>	<u>894,802</u>	<u>286,056</u>	<u>(190,916)</u>	<u>989,942</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	421,651	41,826	—	463,477
Buildings and improvements.....	449,776	55,417	(7,059)	498,134
Machinery and equipment.....	222,058	75,708	(1,081)	296,685
Intangibles.....	52	2,163	(25)	2,190
<i>Total capital assets being depreciated.....</i>	<u>1,093,537</u>	<u>175,114</u>	<u>(8,165)</u>	<u>1,260,486</u>
Less accumulated depreciation for:				
Land improvements.....	(238,271)	(23,279)	—	(261,550)
Buildings and improvements.....	(211,947)	(15,789)	5,409	(222,327)
Machinery and equipment.....	(149,880)	(15,746)	1,080	(164,546)
Intangibles.....	(219)	(630)	—	(849)
<i>Total accumulated depreciation.....</i>	<u>(600,317)</u>	<u>(55,444)</u>	<u>6,489</u>	<u>(649,272)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>493,220</u>	<u>119,670</u>	<u>(1,676)</u>	<u>611,214</u>
State Ports Authority, net.....	\$ 1,388,022	\$ 405,726	\$ (192,592)	\$ 1,601,156

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	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Clemson University:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 43,344	\$ 370	\$ (380)	\$ 43,334
Construction in progress.....	109,127	104,581	(43,410)	170,298
<i>Total capital assets not being depreciated...</i>	<u>152,471</u>	<u>104,951</u>	<u>(43,790)</u>	<u>213,632</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements.....	1,523,220	38,595	(851)	1,560,964
Vehicles.....	19,764	1,848	(876)	20,736
Machinery and equipment.....	456,559	26,579	(9,803)	473,335
Intangibles.....	24,283	—	—	24,283
Total capital assets being depreciated	<u>2,023,826</u>	<u>67,022</u>	<u>(11,530)</u>	<u>2,079,318</u>
Less accumulated depreciation for:				
Buildings and improvements.....	(464,915)	(36,910)	660	(501,165)
Vehicles.....	(14,201)	(1,767)	877	(15,091)
Machinery and equipment.....	(262,060)	(27,996)	8,339	(281,717)
Intangibles.....	(24,272)	(12)	—	(24,284)
Total accumulated depreciation.....	<u>(765,448)</u>	<u>(66,685)</u>	<u>9,876</u>	<u>(822,257)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>1,258,378</u>	<u>337</u>	<u>(1,654)</u>	<u>1,257,061</u>
Clemson University, net.....	<u>\$ 1,410,849</u>	<u>\$ 105,288</u>	<u>\$ (45,444)</u>	<u>\$ 1,470,693</u>

	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Medical University of South Carolina:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 115,001	\$ 16,280	\$ (3,275)	\$ 128,006
Construction in progress.....	383,645	154,989	(495,621)	43,013
Works of art and historical treasures.....	1,730	—	—	1,730
<i>Total capital assets not being depreciated...</i>	<u>500,376</u>	<u>171,269</u>	<u>(498,896)</u>	<u>172,749</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	13,331	—	—	13,331
Buildings and improvements.....	1,769,326	377,010	—	2,146,336
Vehicles.....	6,514	1,389	(138)	7,765
Machinery and equipment.....	476,999	83,824	(10,680)	550,143
Intangibles.....	70,500	18,878	—	89,378
Total capital assets being depreciated	<u>2,336,670</u>	<u>481,101</u>	<u>(10,818)</u>	<u>2,806,953</u>
Less accumulated depreciation for:				
Land improvements.....	(9,009)	(405)	—	(9,414)
Buildings and improvements.....	(924,848)	(81,121)	2,498	(1,003,471)
Vehicles.....	(3,437)	(861)	138	(4,160)
Machinery and equipment.....	(321,405)	(45,868)	16,018	(351,255)
Intangibles.....	(63,737)	(6,142)	—	(69,879)
Total accumulated depreciation.....	<u>(1,322,436)</u>	<u>(134,397)</u>	<u>18,654</u>	<u>(1,438,179)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>1,014,234</u>	<u>346,704</u>	<u>7,836</u>	<u>1,368,774</u>
MUSC, net.....	<u>\$ 1,514,610</u>	<u>\$ 517,973</u>	<u>\$ (491,060)</u>	<u>\$ 1,541,523</u>

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	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
University of South Carolina:				
<i>Capital assets not being depreciated:</i>				
Land and improvements.....	\$ 94,045	\$ —	\$ —	\$ 94,045
Construction in progress.....	40,932	47,257	(61,729)	26,460
Works of art and historical treasures.....	46,624	1,684	—	48,308
<i>Total capital assets not being depreciated...</i>	<u>181,601</u>	<u>48,941</u>	<u>(61,729)</u>	<u>168,813</u>
<i>Capital assets being depreciated:</i>				
Land improvements.....	110,488	—	—	110,488
Buildings and improvements.....	1,903,061	64,534	—	1,967,595
Vehicles.....	15,770	740	(676)	15,834
Machinery and equipment.....	210,455	16,128	(3,850)	222,733
Intangibles.....	90,900	1,350	(116)	92,134
Total capital assets being depreciated	<u>2,330,674</u>	<u>82,752</u>	<u>(4,642)</u>	<u>2,408,784</u>
Less accumulated depreciation for:				
Land improvements.....	(48,384)	(4,172)	—	(52,556)
Buildings and improvements.....	(803,113)	(47,356)	—	(850,469)
Vehicles.....	(11,903)	(1,218)	675	(12,446)
Machinery and equipment.....	(148,488)	(13,846)	3,009	(159,325)
Intangibles.....	(37,331)	(11,278)	2	(48,607)
Total accumulated depreciation.....	<u>(1,049,219)</u>	<u>(77,870)</u>	<u>3,686</u>	<u>(1,123,403)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>1,281,455</u>	<u>4,882</u>	<u>(956)</u>	<u>1,285,381</u>
USC, net.....	<u>\$ 1,463,056</u>	<u>\$ 53,823</u>	<u>\$ (62,685)</u>	<u>\$ 1,454,194</u>

	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Lottery Commission:				
<i>Capital assets being depreciated:</i>				
Buildings and improvements.....	\$ 1,316	\$ —	\$ —	\$ 1,316
Vehicles.....	411	29	—	440
Machinery and equipment.....	3,498	408	—	3,906
Intangibles.....	556	—	—	556
Total capital assets being depreciated	<u>5,781</u>	<u>437</u>	<u>—</u>	<u>6,218</u>
Less accumulated depreciation for:				
Buildings and improvements.....	(1,301)	—	—	(1,301)
Vehicles.....	(244)	(26)	—	(270)
Machinery and equipment.....	(3,348)	(214)	—	(3,562)
Intangibles.....	(505)	(51)	—	(556)
Total accumulated depreciation.....	<u>(5,398)</u>	<u>(291)</u>	<u>—</u>	<u>(5,689)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>383</u>	<u>146</u>	<u>—</u>	<u>529</u>
Lottery Commission, net.....	<u>\$ 383</u>	<u>\$ 146</u>	<u>\$ —</u>	<u>\$ 529</u>

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	Beginning Balances July 1, 2019	Increases	Decreases	Ending Balances June 30, 2020
Housing Authority:				
<i>Capital assets being depreciated:</i>				
Machinery and equipment.....	\$ 1,801	\$ 935	\$ —	\$ 2,736
Total capital assets being depreciated	<u>1,801</u>	<u>935</u>	<u>—</u>	<u>2,736</u>
<i>Less accumulated depreciation for:</i>				
Machinery and equipment.....	(1,177)	(217)	—	(1,394)
Total accumulated depreciation.....	<u>(1,177)</u>	<u>(217)</u>	<u>—</u>	<u>(1,394)</u>
<i>Total capital assets being depreciated, net.....</i>	<u>624</u>	<u>718</u>	<u>—</u>	<u>1,342</u>
Housing Authority, net.....	<u>\$ 624</u>	<u>\$ 718</u>	<u>\$ —</u>	<u>\$ 1,342</u>

During the fiscal year ended June 30, 2020, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

	Depreciation Expense
Public Service Authority.....	\$ 149,253
State Ports Authority.....	55,444
MUSC.....	134,397
USC.....	77,870
Clemson University.....	66,685
Lottery Commission.....	291
Housing Authority.....	217

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

	Outstanding Construction Commitments
Public Service Authority.....	\$ 85,239
State Ports Authority.....	268,100
MUSC.....	27,818
USC.....	152,875
Clemson University.....	41,525

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
USC.....	\$ 7,367
Clemson University.....	5,452

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.

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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 appropriate modifiers of 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
2019	\$ 56,923	\$ 15,427	\$ (12,409)	\$ 59,941
2018	59,246	9,888	(12,211)	56,923

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 2019. 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 \$50.000 million. Also a \$1.400 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2019, 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, 2019. There have been no third-party claims for environmental damages for 2019.

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 \$13.936 billion by the Price-Anderson Indemnification Act. The \$13.936 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 \$7.600 million for the primary policy, \$3.700 million for the excess policy and \$1.900 million for the accidental outage policy.

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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, 2019.

The State reports all 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
2019	\$ 1,075	\$ 5,486	\$ (3,871)	\$ 2,690
2018	1,680	1,796	(2,401)	1,075

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, 2020 for the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Clemson		
	University	MUSC	USC
2021	\$ 1,004	\$ 12,013	\$ 440
2022	988	10,819	430
2023	781	10,287	393
2024	663	10,143	256
2025	574	6,948	72
2026-2030	2,872	32,888	—
2031-2035	2,872	20,869	—
2036-2040	1,554	14,348	—
2041	—	—	—
Total minimum payments.....	11,308	118,315	1,591
Less: interest and executory costs....	(165)	(42,083)	(197)
Net minimum payments.....	\$ 11,143	\$ 76,232	\$ 1,394

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2020, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Clemson		
	University	MUSC	USC
Land and non-depreciable improvements.....	\$ —	\$ —	\$ —
Buildings and improvements.....	14,300	57,265	—
Machinery and equipment.....	1,761	46,516	1,917
Assets acquired under capital leases before accumulated amortization.....	16,061	103,781	1,917
Less: accumulated amortization.....	(4,647)	(24,630)	(564)
Assets acquired under capital leases, net.....	\$ 11,414	\$ 79,151	\$ 1,353

Operating Leases

The State Ports Authority had minimum rental payments under operating leases which totaled \$2.379 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled \$98 thousand. The Lottery Commission had minimum rental payments under operating leases for the fiscal year which totaled

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\$610 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 \$19.493 million. USC had minimum rental payments under operating leases for the fiscal year which totaled \$11.906 million.

At June 30, 2020, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

<u>Fiscal Year Ending December 31</u>	Public Service				
	<u>Authority</u>				
2020	\$ 103				
Net minimum payments.....	\$ 103				

<u>Fiscal Year Ending June 30</u>	<u>Housing</u> <u>Authority</u>	<u>Clemson</u> <u>University</u>	<u>MUSC</u>	<u>USC</u>	<u>Lottery</u> <u>Commission</u>
2021	\$ 360	\$ 3,663	\$ 32,066	\$ 10,746	\$ 582
2022	370	2,201	27,819	10,553	593
2023	378	1,404	23,293	9,980	605
2024	127	650	18,549	9,785	616
2025	—	194	14,304	2,829	—
2026-2030	—	1	39,068	11,529	—
2031-2035	—	—	13,989	8,251	—
2036-2040	—	—	634	159	—
Net minimum payments.....	\$ 1,235	\$ 8,113	\$ 169,722	\$ 63,832	\$ 2,396

Facilities and Equipment Leased to Others

At June 30, 2020, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately \$50.055 million and related accumulated depreciation of \$29.610 million. Also, at June 30, 2020, MUSC had leased to non-State parties certain land and facilities having a cost of approximately \$1.371 million and related accumulated depreciation of \$910 thousand. Future minimum rental payments to be received at June 30, 2020, under these operating leases were as follows (expressed in thousands):

<u>Fiscal Year Ending June 30</u>	<u>State Ports</u> <u>Authority</u>	<u>MUSC</u>
2021	\$ 2,548	\$ 9
2022	2,484	—
2023	1,337	—
2024	1,234	—
2025	1,217	—
2026-2030	5,905	—
2031-2035	5,507	—
2036-2040	5,629	—
2041-2045	5,937	—
Thereafter	1,782	—
Total.....	\$ 33,580	\$ 9

State of South Carolina

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, 2020, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2039.....	\$ 220,541
University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2037.....	156,749
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036.....	37,176

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):

Year Ending June 30	Clemson University		Medical University of South Carolina	
	Principal	Interest	Principal	Interest
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	1,210
2024	11,875	6,245	2,835	1,090
2025	12,470	5,651	2,095	969
2026-2030	70,995	19,309	12,075	3,265
2031-2035	56,410	7,066	8,675	979
2036-2039	15,080	672	1,595	48
Total debt service requirements.....	\$ 199,360	\$ 60,944	\$ 35,095	\$ 10,365
Unamortized premiums.....	21,181		2,081	
Total principal outstanding.....	\$ 220,541		\$ 37,176	

Year Ending June 30	University of South Carolina	
	Principal	Interest
2021	\$ 12,335	\$ 6,122
2022	12,940	5,505
2023	11,165	4,858
2024	10,540	4,333
2025	10,610	3,818
2026-2030	43,485	12,094
2031-2035	36,550	4,220
2036-2038	5,395	243
Total debt service requirements.....	\$ 143,020	\$ 41,193
Unamortized premiums.....	13,729	
Total principal outstanding.....	\$ 156,749	

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

State of South Carolina

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 \$456.280 million were outstanding at June 30, 2020.

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, 2020 and December 31, 2019 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	<u>Bonds</u>	<u>Notes</u>
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.30% to 6.54%, maturing serially through 2056.....	\$ 6,990,415	\$ —
Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046.....	420,020	—
University of South Carolina bonds and notes, 1.00% to 5.00%, maturing serially through 2047.....	446,742	1,344
Medical University of South Carolina bonds and notes, 2.25% to 5.29%, maturing serially through 2037.....	852,598	79,496
State Ports Authority bonds and notes, 2.06% to 5.25%, maturing serially through 2056.....	1,108,834	211,359
State Housing Authority bonds, 0.85% to 5.50%, maturing serially through 2048.....	636,747	—

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, 2020 is \$56.885 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, 2020 was 0.12%. The fair value of this swap, estimated using the zero-coupon method, was negative \$8.870 million as of June 30, 2020. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position. The increase in the fair value of the cash flow hedge swap from June 30, 2019 of \$4.522 million is recognized as an investment loss in these financial statements.

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As of June 30, 2020, 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 June 30	Variable Rate Debt		Interest Rate	Totals
	Principal	Interest	Swaps, Net	
2021	\$ 2,925	\$ 332	\$ 1,068	\$ 4,325
2022	2,525	317	1,018	3,860
2023	2,600	300	967	3,867
2024	2,635	284	915	3,834
2025	2,745	267	860	3,872
2026-2030	14,905	1,066	3,432	19,403
2031-2035	17,100	568	1,829	19,497
2036-2040	11,450	72	231	11,753
Totals.....	\$ 56,885	\$ 3,206	\$ 10,320	\$ 70,411

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, 2020 were \$36.558 million and \$15.668 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered 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, 2020.

As of June 30, 2020, the swaps had a fair value of \$0. The unrealized loss related to these swap agreements recorded at June 30, 2020 is \$301.287 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, 2019, the carrying value of the Public Service Authority's debt was \$6.543 billion while the fair value was approximately \$7.500 billion. At June 30, 2020, the carrying value of the State Ports Authority debt was \$1.296 million while the fair value was approximately \$1.270 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.

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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):

<u>Year Ending December 31</u>	<u>Public Service Authority</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 89,285	\$ 323,216
2021	186,555	319,612
2022	109,516	310,750
2023	297,976	305,789
2024	127,761	296,317
2025-2029	627,429	1,401,823
2030-2034	760,353	1,250,948
2035-2039	899,090	1,044,823
2040-2044	902,021	836,776
2045-2049	1,332,191	543,563
2050-2054	1,141,505	213,966
2055-2056	158,415	9,904
Total debt service requirements.....	\$ 6,632,097	\$ 6,857,487
Unamortized discounts and premiums...	358,318	
Total principal outstanding.....	\$ 6,990,415	

<u>Year Ending June 30</u>	<u>State Ports Authority</u>		<u>State Housing Authority</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 15,625	\$ 49,549	\$ 11,690	\$ 19,979
2022	15,149	49,136	20,455	20,215
2023	35,383	48,263	21,265	19,629
2024	18,776	47,296	21,940	18,993
2025	78,634	46,449	22,190	18,311
2026-2030	63,458	218,672	93,560	82,627
2031-2035	189,014	191,992	91,695	68,013
2036-2040	127,646	157,482	79,650	53,579
2041-2045	156,214	125,845	67,400	40,742
2046-2050	191,610	89,723	141,570	29,055
2051-2055	233,935	47,409	43,000	860
2056-2060	117,095	9,360	—	—
Total debt service requirements.....	\$ 1,242,539	\$ 1,081,176	\$ 614,415	\$ 372,003
Unamortized premiums and discounts.	77,654		22,332	
Total principal outstanding.....	\$ 1,320,193		\$ 636,747	

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<u>Year Ending June 30</u>	<u>Clemson University</u>		<u>University of South Carolina</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,040	\$ 15,956	\$ 16,692	\$ 18,398
2022	11,675	15,447	16,532	17,622
2023	12,210	14,946	17,338	16,809
2024	12,880	14,385	17,824	15,953
2025	13,500	13,761	18,704	15,072
2026-2030	61,150	60,026	96,849	61,581
2031-2035	72,010	47,151	103,805	37,628
2036-2040	85,835	33,335	70,985	15,754
2041-2045	104,015	15,137	26,575	4,065
2046-2047	12,640	515	4,845	292
Total debt service requirements	\$ 396,955	\$ 230,659	\$ 390,149	\$ 203,174
Unamortized discounts and premiums	23,065		57,937	
Total principal outstanding.....	\$ 420,020		\$ 448,086	

<u>Year Ending June 30</u>	<u>Medical University of South Carolina</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 42,961	\$ 29,439
2022	44,806	29,077
2023	46,943	26,478
2024	79,978	24,247
2025	70,603	22,864
2026-2030	230,146	86,533
2031-2035	192,163	50,365
2036-2040	117,908	27,753
2041-2044	105,246	7,899
Total debt service requirements	\$ 930,754	\$ 304,655
Unamortized discounts and premiums	1,340	
Total principal outstanding.....	\$ 932,094	

Bond Anticipation Notes

At June 30, 2020, 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, 2019, \$248.957 million of bonds associated with the Public Service Authority were considered defeased. Also, at June 30, 2020, \$50.610 million of bonds associated with Clemson University 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, 2020, the outstanding balance of bonds issued was \$248.250 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

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generally are secured by an irrevocable letter of credit. At June 30, 2020, the outstanding balance of bonds issued after June 30, 1995, was \$4.430 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, 2020 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a \$142.351 million liability for commercial paper notes at its fiscal year ended December 31, 2019. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an \$250.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2019.

The Medical University Hospital Authority (MUHA), a discretely presented component unit of MUSC, renewed its revenue anticipation notes (RANs) A, B, and C totaling \$120.000 million on April 1, 2020 at an interest rate of 3.36% with maturity dates of October 23, 2020. RANs B and C were renewed in anticipation of lost revenues due to the COVID-19 Pandemic.

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, 2020, the University of South Carolina Educational Foundation has an outstanding balance of \$2.780 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.

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f. Changes in Liabilities

	Balances at January 1, 2019	Increases	Decreases	Balances at December 31, 2019	Amounts Due Within One Year
Public Service Authority					
Policy claims.....	\$ 1,075	\$ 5,486	\$ (3,871)	\$ 2,690	\$ 2,690
Revenue bonds payable.....	7,032,130	191,460	(591,493)	6,632,097	89,285
Unamortized discounts and premiums.....	386,877	—	(28,559)	358,318	—
Total revenue bonds payable.....	7,419,007	191,460	(620,052)	6,990,415	89,285
Compensated absences payable.....	17,941	3,681	(2,713)	18,909	—
Net pension liability.....	338,128	—	(11,829)	326,299	—
Net OPEB liability.....	172,774	13,940	—	186,714	—
Total long-term liabilities.....	\$ 7,948,925	\$ 214,567	\$ (638,465)	\$ 7,525,027	\$ 91,975

	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020	Amounts Due Within One Year
State Ports Authority					
Notes payable.....	\$ 217,980	\$ 82,933	\$ (89,554)	\$ 211,359	\$ 9,300
Revenue bonds payable.....	619,025	656,910	(244,755)	1,031,180	6,325
Unamortized discounts and premiums.....	57,845	41,469	(21,660)	77,654	—
Total revenue bonds payable.....	676,870	698,379	(266,415)	1,108,834	6,325
Compensated absences payable.....	1,986	95	(43)	2,038	2,038
Net pension liability.....	105,681	12,648	—	118,329	—
Net OPEB liability.....	54,530	—	6,287	60,817	—
Total long-term liabilities.....	\$ 1,057,047	\$ 794,055	\$ (349,725)	\$ 1,501,377	\$ 17,663

	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable.....	\$ 386,420	\$ 299,750	\$ (71,755)	\$ 614,415	\$ 11,690
Unamortized discounts and premiums.....	11,970	12,069	(1,707)	22,332	—
Total revenue bonds payable.....	398,390	311,819	(73,462)	636,747	11,690
Compensated absences payable.....	725	945	(841)	829	661
Net pension liability.....	15,308	—	(734)	14,574	—
Net OPEB liability.....	12,061	—	(35)	12,026	—
Total long-term liabilities.....	\$ 426,484	\$ 312,764	\$ (75,072)	\$ 664,176	\$ 12,351

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	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020	Amounts Due Within One Year
Clemson University					
General obligation bonds payable.....	\$ 209,600	\$ —	\$ (10,240)	\$ 199,360	\$ 10,450
Unamortized discounts and premiums.....	22,662	—	(1,481)	21,181	—
Total general obligation bonds payable.....	232,262	—	(11,721)	220,541	10,450
Revenue bonds payable.....	408,200	—	(11,245)	396,955	11,040
Unamortized discounts and premiums.....	24,234	—	(1,169)	23,065	—
Total revenue bonds.....	432,434	—	(12,414)	420,020	11,040
Capital leases payable.....	11,688	370	(915)	11,143	933
Compensated absences payable.....	28,356	14,670	(11,583)	31,443	15,487
Net pension liability.....	638,845	33,469	—	672,314	—
Net OPEB liability.....	588,163	58,162	—	646,325	—
Total long-term liabilities.....	\$ 1,931,748	\$ 106,671	\$ (36,633)	\$ 2,001,786	\$ 37,910
Medical University of South Carolina					
Notes payable.....	\$ 212,392	\$ 882	\$ (133,778)	\$ 79,496	\$ 3,823
General obligation bonds payable.....	39,340	—	(4,245)	35,095	2,485
Unamortized discounts and premiums.....	2,441	—	(360)	2,081	—
Total general obligation bonds payable.....	41,781	—	(4,605)	37,176	2,485
Revenue bonds payable.....	671,230	215,816	(35,788)	851,258	39,138
Unamortized discounts and premiums.....	1,599	—	(259)	1,340	—
Total revenue bonds.....	672,829	215,816	(36,047)	852,598	39,138
Capital leases payable.....	75,549	11,446	(10,763)	76,232	75,869
Compensated absences payable.....	33,730	26,154	(23,598)	36,286	19,917
Net pension liability.....	1,277,564	53,555	—	1,331,119	—
Net OPEB liability.....	1,131,966	70,501	—	1,202,467	—
Total long-term liabilities.....	\$ 3,445,811	\$ 378,354	\$ (208,791)	\$ 3,615,374	\$ 141,232
Lottery Commission					
Compensated absences payable.....	\$ 827	\$ 666	\$ (490)	\$ 1,003	\$ 596
Net pension liability.....	15,287	—	558	15,845	—
Net OPEB liability.....	12,142	1,024	—	13,166	—
Total long-term liabilities.....	\$ 28,256	\$ 1,690	\$ 68	\$ 30,014	\$ 596

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	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020	Amounts Due Within One Year
<i>University of South Carolina</i>					
Notes payable.....	\$ 2,314	\$ —	\$ (970)	\$ 1,344	\$ 982
General obligation bonds payable.....	154,920	—	(11,900)	143,020	12,335
Unamortized discounts and premiums.....	15,290	—	(1,561)	13,729	—
Total general obligation bonds payable.....	170,210	—	(13,461)	156,749	12,335
Revenue bonds payable.....	405,750	—	(16,945)	388,805	15,710
Unamortized discounts and premiums.....	61,122	—	(3,185)	57,937	—
Total revenue bonds.....	466,872	—	(20,130)	446,742	15,710
Capital leases payable.....	975	766	(347)	1,394	355
Compensated absences payable.....	32,815	33,577	(30,305)	36,087	32,478
Net pension liability.....	977,324	23,762	—	1,001,086	—
Net OPEB liability.....	914,954	43,575	—	958,529	—
Total long-term liabilities.....	\$ 2,565,464	\$ 101,680	\$ (65,213)	\$ 2,601,931	\$ 61,860

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, 2020 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, 2019	Increases	Decreases	Balances at December 31, 2019
<i>Public Service Authority</i>				
Commercial paper notes.....	\$ 173,898	\$ 19,774	\$ (51,321)	\$ 142,351
	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020
<i>Medical University of South Carolina</i>				
Revenue anticipation notes.....	\$ 120,000	\$ 65,000	\$ (65,000)	\$ 120,000
	Balances at July 1, 2019	Increases	Decreases	Balances at June 30, 2020
<i>University of South Carolina</i>				
Line of credit.....	\$ 6,713	\$ 2,780	\$ (6,713)	\$ 2,780

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, 2019, the trade guarantees are an amount not to exceed approximately \$72.400 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 2016 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 \$415.100 million in 2016 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 projects. 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 \$17.500 million during the Authority's fiscal year ended December 31, 2019.

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, 2020.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled \$296 thousand and \$34.861 million for the fiscal year ended June 30, 2020.

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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, 2019, as follows (expressed in thousands):

<u>Customer</u>	<u>Revenue</u>	<u>Revenue</u>
Central Electric Power Cooperative, Inc	\$ 994,000	59%

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

State Ports Authority

During the fiscal year ended June 30, 2020, of the State Ports Authority's total revenues, three customers accounted for approximately 18%, 12%, and 11% 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 were held on February 19, 2020. The Ports Authority filed a reconsideration, which was denied, and the case has been remitted back to the ALC for a merit hearing. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

Purchase Commitments – Public Service Authority

At December 31, 2019, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling \$280.053 million for coal. In addition, at December 31, 2019, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of \$124.400 million over the next fourteen years.

The Authority amended a service agreement to an approximate amount of \$64.900 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 2028.

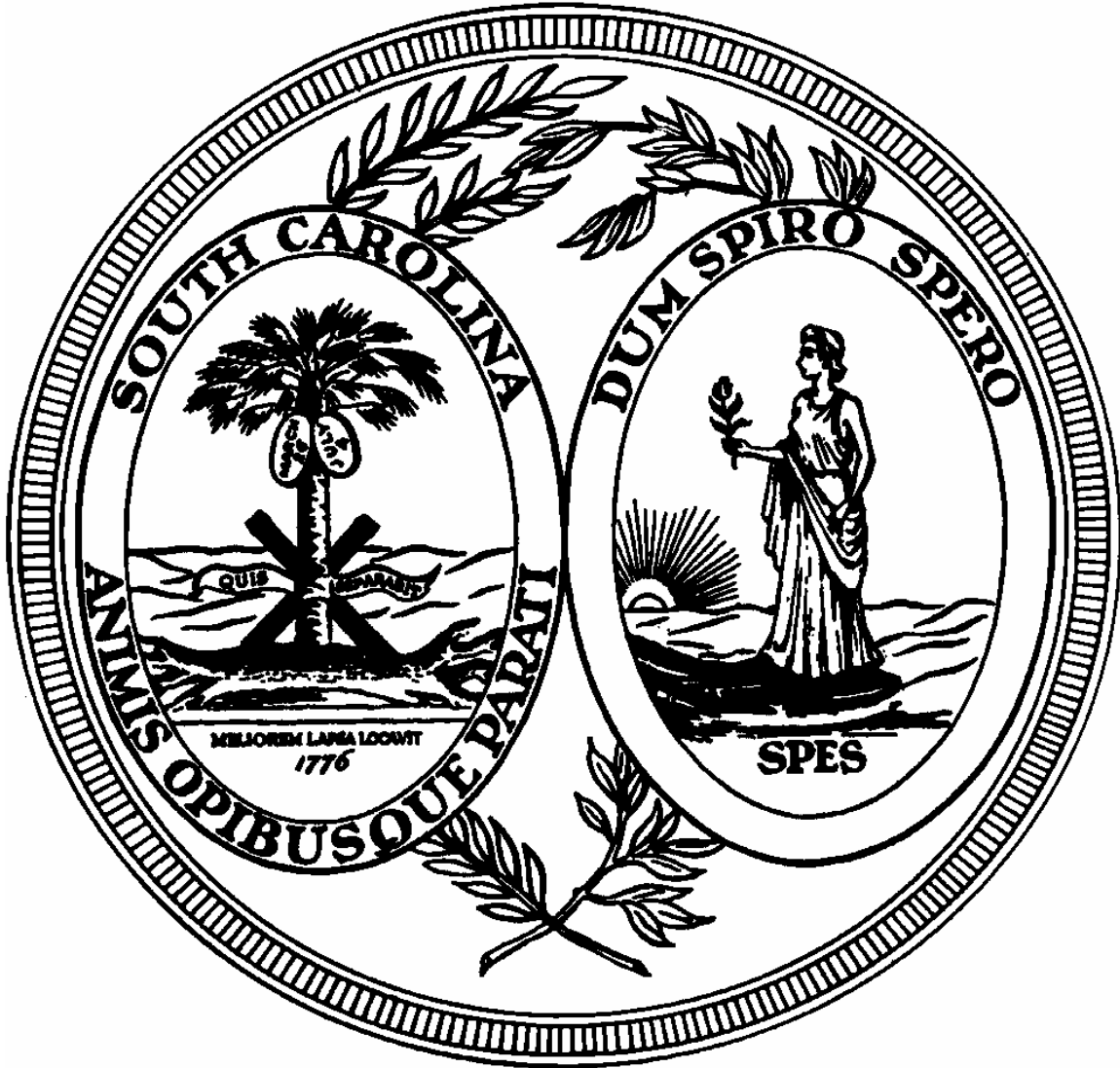
Purchase Commitments – Ports Authority

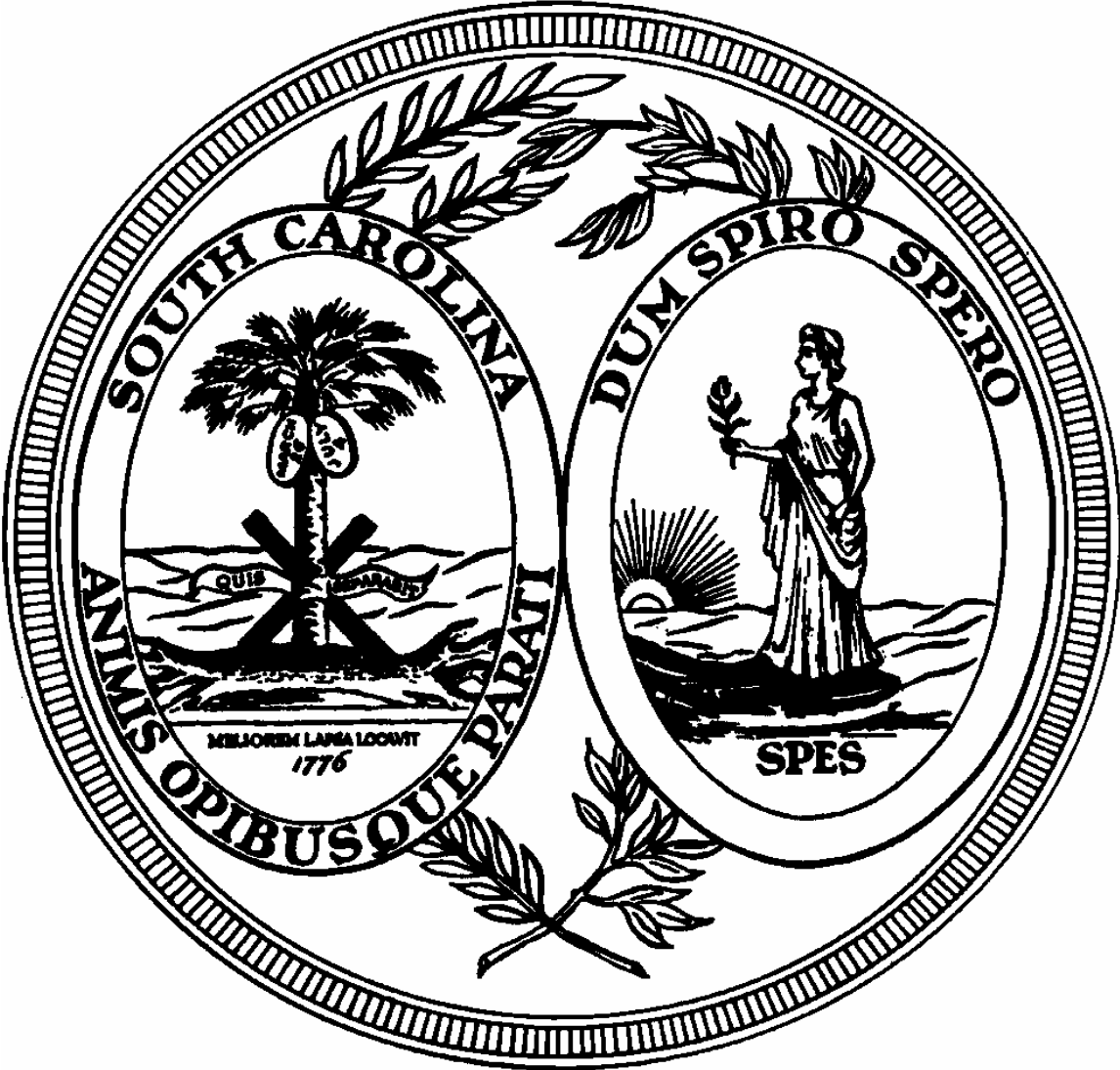
At June 30, 2020, the Ports Authority had construction commitments of approximately \$268.100 million and non-construction commitments for property, plant and equipment of approximately \$604 thousand. The Ports Authority recorded a liability of approximately \$3.900 million equal to the final project costs on the 52 foot Charleston Harbor deepening project.

State of South Carolina

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 \$3.096 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2020.





NOTE 20: COVID-19 PANDEMIC

The 2019 Novel Coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The extent of the impact of the outbreak on the State’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, severity of the impact on the State’s economy, and governmental, regulatory, and private sector responses. The full extent of the economic uncertainty caused by COVID-19 on the State’s financial statements in future periods is not yet determinable.

To respond to this pandemic, the State has kept its State budget at fiscal year 2020 spending levels and will continually monitor its fiscal year 2021 budget to ensure that the State’s expenditures do not outpace its revenues. Furthermore, the State received \$1.905 billion in federal funding related to fighting the COVID-19 Pandemic during fiscal year 2020. Of the \$1.905 billion received, \$663.970 million was recognized with corresponding expenditures in the fiscal year ended June 30, 2020 and the remaining \$1.241 billion was classified as unearned revenue. The State plans to expend the remaining \$1.241 billion in its fiscal year ended June 30, 2021.

In addition, for the period from July 1, 2020 through November 11, 2020, the State’s Unemployment Compensation Fund processed \$1.841 billion of unemployment related benefits of which \$1.425 billion were funded federally by the programs for Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Assistance, Extended Benefits, and Lost Wage Assistance. The claims not funded by these programs were funded with the cash held by the Unemployment Compensation Fund. Additionally, in fiscal year 2020, the State of South Carolina awarded the Agency a Coronavirus Relief Fund Grant of \$500.000 million to supplement the Unemployment Compensation Fund cash balances.

NOTE 21: SUBSEQUENT EVENTS

a. Debt Issuances

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

- On September 23, 2020, the Housing Authority, a major discretely presented component unit, issued \$123.280 million in mortgage revenue bonds, Series 2020B.
- On November 5, 2020, the Public Service Authority, a major discretely presented component unit, issued \$338.480 million in 2020 Tax-Exempt Refunding and Improvement Series A revenue bonds and \$299.725 million in 2020 Taxable Refunding Series B revenue bonds. The \$638.205 million in revenue bonds will be used to refund \$569.600 million in revenue bonds to lower their interest rates and average life of the bonds and to use \$100.000 million of the issuance for various capital projects.

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

On January 28, 2019, the Public Service Authority (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. On July 20, 2020, a state circuit court judge on Monday approved a \$520 million settlement to end a legal action alleging deceptive business practices against Santee Cooper. Dominion Energy, which acquired SCANA, Santee Cooper’s former partner on the V.C. Summer Units 2 and 3 project, will pay \$320 million of the \$520 million. Santee Cooper will pay the remaining \$200 million under the settlement agreement. 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.