BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2022
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 9,064,439	$ 1,540,437	$ 10,604,876	$ 4,162,034
Investments	9,818,061	246,113	10,064,174	2,529,574
Invested securities lending collateral	459,354	9,034	468,388	86,797
Receivables, net:				
Accounts	692,885	43,998	736,883	619,986
Contributions	1,555	—	1,555	159,790
Participants	—	51	51	—
Accrued interest	72,921	5,268	78,189	14,166
Income taxes	1,086,493	—	1,086,493	—
Sales and other taxes	1,046,463	—	1,046,463	—
Student accounts	152	—	152	74,084
Patient accounts	17,625	—	17,625	448,354
Loans and notes	783,350	—	783,350	45,271
Assessments	—	143,796	143,796	—
Leases	9,891	841	10,732	140,990
Due from Federal government and other grantors	1,755,528	312	1,755,840	167,670
Internal balances	54,627	(54,627)	—	—
Due from component units	100,958	—	100,958	—
Due from primary government	—	—	—	72,601
Due from fiduciary funds	91,258	—	91,258	—
Inventories	87,106	2,149	89,255	342,634
Restricted assets:				
Cash and cash equivalents	809,318	12	809,330	2,095,334
Investments	—	—	—	2,271,861
Accounts receivable	13,000	—	13,000	106
Loans receivable	—	—	—	1,013,470
Other	44,519	—	44,519	251,489
Prepaid items	64,951	482	65,433	51,203
Other assets	357	—	357	336,625
Regulatory assets	—	—	—	3,734,186
Other regulatory assets	—	—	—	375,483
Investment in joint venture	—	—	—	21,956
Leased assets-nonamortizable	2,602	—	2,602	—
Leased assets-amortizable, net	119,817	—	119,817	313,266
Capital assets-nondepreciable	6,562,707	298,982	6,861,689	2,295,140
Capital assets-depreciable, net	13,185,117	20,131	13,205,248	11,437,930
Total assets	$ 45,945,054	$ 2,256,979	$ 48,202,033	$ 33,062,000
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	$ —	$ —	$ —	$ 11,264
Deferred amount on refunding	28,445	—	28,445	140,465
Asset retirement obligation	—	—	—	672,804
Pension related	705,072	5,260	710,332	925,152
Other post-employment benefits related	1,149,323	10,314	1,159,637	1,754,419
Total deferred outflows	$ 1,882,840	$ 15,574	$ 1,898,414	$ 3,504,104
LIABILITIES				
Accounts payable	$ 1,085,905	$ 5,223	$ 1,091,128	$ 545,081
Accrued salaries and related expenses	175,200	2,484	177,684	351,304
Accrued interest payable	8	42	50	76,892
Retainages payable	2,510	151	2,661	11,841
Tax refunds payable	1,074,702	59,885	1,134,587	—
Payables-aid to individuals/families	15,637	—	15,637	—
Prizes payable	—	—	—	48,832
Unemployment benefits payable	—	556	556	—
Intergovernmental payables	896,106	42,550	938,656	658
Tuition benefits payable	—	36,032	36,032	—
Due to component units	72,601	—	72,601	—
Due to primary government	—	—	—	100,958
Due to fiduciary funds	32,667	—	32,667	—
Asset retirement obligation	—	—	—	669,419
Unearned revenues	3,101,117	—	3,101,117	585,771
Deposits	4,064	300	4,364	17,945
Amounts held in custody for others	—	—	—	30,634
Securities lending collateral	459,354	9,034	468,388	86,797
Liabilities payable from restricted assets:				
Accrued interest payable	12,662	—	12,662	—
Other	—	—	—	22,682
Other liabilities	665,051	12	665,063	821,508
Long-term liabilities:				
Due within one year	937,261	19,145	956,406	490,379
Due in more than one year	9,821,370	229,126	10,050,496	23,706,202
Total liabilities	$ 18,356,215	$ 404,540	$ 18,760,755	$ 27,566,903

Exhibit A-1

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ 118,208
Deferred gain on refunding	—	—	—	2,403
Deferred nuclear decommissioning costs	—	—	—	245,933
Deferred service concession arrangement receipts	—	—	—	120
Deferred nonexchange revenues	11,390	—	11,390	32
Toshiba settlement	—	—	—	251,089
Pension related	730,366	6,314	736,680	796,111
Other post-employment benefits related	406,750	3,664	410,414	456,882
Lease related	9,175	914	10,089	133,330
Total deferred inflows	$ 1,157,681	$ 10,892	$ 1,168,573	$ 2,004,108
NET POSITION				
Net investment in capital assets	$ 18,048,684	$ 307,828	$ 18,356,512	$ 6,377,828
Restricted:				
Expendable:				
General government	5,454,472	—	5,454,472	—
Education	439,584	—	439,584	1,411,648
Health	1,532,210	—	1,532,210	—
Transportation	2,061,515	—	2,061,515	2,781
Capital projects	—	—	—	1,252,725
Debt service	808,768	—	808,768	203,615
Loan programs	—	—	—	469,652
Insurance programs	372,159	46,917	419,076	—
Administration of justice	95,928	—	95,928	—
Economic development	69,218	—	69,218	—
Social programs	3,187	—	3,187	—
Unemployment compensation benefits	—	1,541,293	1,541,293	—
Other	—	—	—	20,715
Nonexpendable:				
Education	11,642	—	11,642	1,349,338
Other	205,378	—	205,378	—
Unrestricted	(788,747)	(38,917)	(827,664)	(4,093,209)
Total net position	**$ 28,313,998**	**$ 1,857,121**	**$ 30,171,119**	**$ 6,995,093**

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

Statement of Activities

For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses)
Functions					
Primary government:					
Governmental activities:					
General government	$ 8,029,072	$ 3,874,192	$ 1,565,077	$ 40,175	$ (2,549,628)
Education	8,413,741	41,174	2,172,907	—	(6,199,660)
Health and environment	9,775,171	143,586	7,260,392	2,954	(2,368,239)
Social services	3,416,209	5,268	2,970,529	37,212	(403,200)
Administration of justice	1,124,187	60,363	30,133	142	(1,033,549)
Resources and economic development	618,983	103,740	105,855	6,275	(403,113)
Transportation	1,467,938	215,318	259	854,525	(397,836)
Unallocated interest expense	8,423	—	—	—	(8,423)
Total governmental activities	**32,853,724**	**4,443,641**	**14,105,152**	**941,283**	**(13,363,648)**
Business-type activities:					
Unemployment compensation benefits	69,049	307,371	25,425	—	263,747
Second Injury	13,915	—	13,913	—	(2)
Other enterprise activities	51,553	69,367	101	36,159	54,074
Total business-type activities	**134,517**	**376,738**	**39,439**	**36,159**	**317,819**
Total primary government	**$ 32,988,241**	**$ 4,820,379**	**$ 14,144,591**	**$ 977,442**	**$ (13,045,829)**
Component units:					
Public Service Authority	1,727,173	1,765,785	(1,373)	—	37,239
Medical University of South Carolina	4,460,156	3,943,487	283,053	30,760	(202,856)
University of South Carolina	1,607,254	1,162,879	98,639	153,785	(191,951)
Clemson University	1,231,283	972,291	112,156	66,149	(80,687)
State Ports Authority	414,055	443,102	6,210	3,855	39,112
Housing Authority	480,841	95,427	410,909	—	25,495
Lottery Commission	2,257,447	2,257,202	(8)	—	(253)
Nonmajor component units	2,182,636	1,292,358	609,528	152,896	(127,854)
Total component units	**$ 14,360,845**	**$ 11,932,531**	**$ 1,519,114**	**$ 407,445**	**$ (501,755)**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (13,363,648)	$ 317,819	$ (13,045,829)	$ (501,755)
General revenues:				
Taxes:				
Individual income	6,932,111	—	6,932,111	—
Retail sales and use	7,092,123	—	7,092,123	—
Corporate income	1,048,315	—	1,048,315	—
Gas and motor vehicle	1,427,195	—	1,427,195	—
Insurance	236,704	—	236,704	—
Hospital	266,581	—	266,581	—
Other	923,472	—	923,472	—
Total taxes	17,926,501	—	17,926,501	—
Unrestricted investment income	(573,226)	10,944	(562,282)	—
State Appropriations	—	—	—	939,918
Tobacco legal settlement	88,544	—	88,544	—
Other revenues	751,363	775	752,138	—
Additions to endowments	—	—	—	32,784
Transfers–internal activities	32,272	(32,272)	—	—
Total general revenues, additions to endowments, and transfers	**18,225,454**	**(20,553)**	**18,204,901**	**972,702**
Change in net position	**4,861,806**	**297,266**	**5,159,072**	**470,947**
Net position at beginning of year, as restated	**23,452,192**	**1,559,855**	**25,012,047**	**6,524,146**
Net position at end of year	**$ 28,313,998**	**$ 1,857,121**	**$ 30,171,119**	**$ 6,995,093**

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

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2022
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue
ASSETS				
Cash and cash equivalents	$ 3,037,311	$ 2,407,998	$ 138,168	$ 2,004,589
Investments	7,643,876	271,368	538,638	—
Invested securities lending collateral	263,818	11,480	57,275	72,008
Receivables, net:				
Accounts	109,741	239,855	2,807	7,754
Contributions	485	1,070	—	—
Accrued interest	43,507	1,779	7,482	10,307
Income taxes	1,086,493	—	—	—
Sales and other taxes	896,529	1,968	—	5,312
Student accounts	152	—	—	—
Patient accounts	14,589	3,036	—	—
Loans and notes	38,898	489	737,488	6,475
Leases	8,370	1,484	—	—
Due from Federal government and other grantors	19,048	1,612,129	5,800	117,127
Due from other funds	198,522	210,855	31,583	165,809
Due from component units	53,625	—	—	173
Interfund receivables	51,157	2,050	98,119	—
Inventories	34,667	45,125	—	4,347
Restricted assets:				
Cash and cash equivalents	5,762	—	803,416	140
Accounts receivable, net	—	—	13,000	—
Other	—	—	4,519	—
Prepaid items	24,822	3,294	—	5,580
Other assets	31	—	—	203
Total assets	**$ 13,531,403**	**$ 4,813,980**	**$ 2,438,295**	**$ 2,399,824**
LIABILITIES				
Accounts payable	387,616	490,568	4,699	150,141
Accrued salaries and related expenditures	115,267	33,765	136	21,977
Retainages payable	249	454	—	—
Tax refunds payable	1,074,699	1	—	—
Payable–aid to individuals/families	2,271	13,366	—	—
Intergovernmental payables	91,776	497,405	11,145	—
Due to other funds	470,803	104,233	65	3,827
Due to component units	12,781	28,561	—	1,024
Interfund payables	2,050	249	—	98,119
Unearned revenues	20,953	2,726,452	29,142	121,662
Deposits	1,343	—	—	2,712
Securities lending collateral	263,818	11,480	57,275	72,008
Other liabilities	430,315	12,105	5,311	—
Total liabilities	**2,873,941**	**3,918,639**	**107,773**	**471,470**
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	3,837	48,367	18,000	3
Deferred nonexchange revenues	11,390	—	—	—
Lease related	8,156	982	—	—
Total deferred inflows of resources	**23,383**	**49,349**	**18,000**	**3**
FUND BALANCES				
Nonspendable	146,639	48,419	—	10,130
Restricted	1,619,684	1,101,606	2,312,522	1,918,221
Committed	826,611	34,475	—	—
Assigned	540,030	139,275	—	—
Unassigned	7,501,115	(477,783)	—	—
Total fund balances	**10,634,079**	**845,992**	**2,312,522**	**1,928,351**
Total liabilities, deferred inflows and fund balances	**$ 13,531,403**	**$ 4,813,980**	**$ 2,438,295**	**$ 2,399,824**

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

Exhibit B-1

Nonmajor Governmental Funds	Totals
$ 588,083	$ 8,176,149
806,246	9,260,128
34,714	439,295
42,024	402,181
—	1,555
5,180	68,255
—	1,086,493
142,654	1,046,463
—	152
—	17,625
—	783,350
—	9,854
1,424	1,755,528
48,605	655,374
29,247	83,045
—	151,326
—	84,139
—	809,318
—	13,000
40,000	44,519
190	33,886
—	234
$ 1,738,367	**$ 24,921,869**
44,113	1,077,137
349	171,494
1,807	2,510
2	1,074,702
—	15,637
295,765	896,091
35,592	614,520
30,235	72,601
—	100,418
—	2,898,209
—	4,055
34,714	439,295
309	448,040
442,886	**7,814,709**
497	70,704
—	11,390
—	9,138
497	**91,232**
11,832	217,020
1,663,449	8,615,482
55,583	916,669
253,426	932,731
(689,306)	6,334,026
1,294,984	**17,015,928**
$ 1,738,367	**$ 24,921,869**

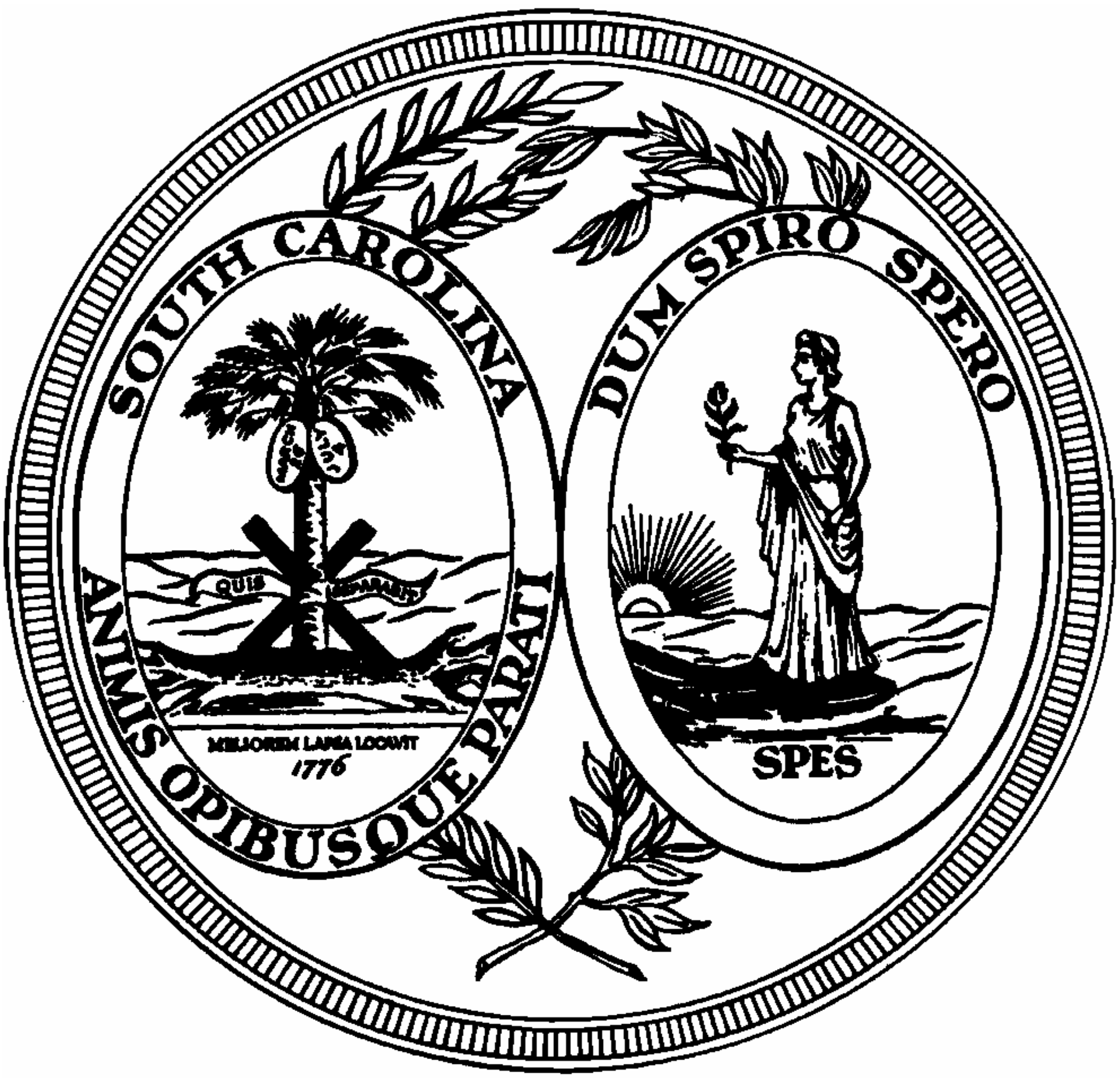
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2022
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 17,015,928**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and leased assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets	$ 6,556,368	
Depreciable capital assets	20,815,627	
Accumulated depreciation	(7,701,992)	
Total capital assets		19,670,003
Non-amortizable leased assets	2,602	
Amortizable leased assets	142,438	
Accumulated amortization	(28,078)	
Total Leased assets		116,962
Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Deferred loss on refunding bonds		28,445
Pension and OPEB contributions made after the measurement date		442,210
Difference between expected and actual retirement plan experience		174,911
Changes in proportion and differences between contributions and proportionate share of plan contributions		171,547
Changes in assumptions		1,037,500
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		(114,554)
Difference between projected and actual investment earnings		(559,635)
Changes in proportion and differences between contributions and proportionate share of plan contributions		(349,819)
Changes in assumptions		(98,236)
Certain State revenues will be collected after year-end but are not available soon enough to pay for the the current period's expenditures, and therefore are considered deferred inflows of resources		70,704
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		686,530
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	(1,671,695)	
Notes payable	(62,700)	
Accrued interest on bonds	(12,662)	
Leases	(108,477)	
Net pension liability	(3,590,593)	
Net OPEB liability	(4,079,539)	
Compensated absences	(210,068)	
Policy claims	(25,847)	
Other	(216,917)	
Total long-term liabilities		(9,978,498)
Net position of governmental activities		**$ 28,313,998**

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


SOUTH CAROLINA
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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	General Fund	Departmental Program Services
Revenues:		
Taxes:		
Individual income	$ 6,908,580	$ —
Retail sales and use	5,579,590	6,467
Corporate income	1,048,315	—
Gas and motor vehicle	—	—
Insurance	236,187	517
Hospital	266,581	—
Other	826,124	92,790
Licenses, fees, and permits	305,833	68,649
Interest and other investment income	(319,349)	(13,979)
Federal	80,711	13,306,730
Local and private grants	19,014	62,180
Departmental services	701,884	123,185
Contributions	11,394	23,361
Fines and penalties	67,722	7,326
Tobacco legal settlement	—	—
Other	237,608	417,068
Total revenues	**15,970,194**	**14,094,294**
Expenditures:		
Current:		
General government	1,149,501	518,831
Education	1,727,179	280,996
Health and environment	2,997,937	7,535,274
Social services	301,796	2,952,684
Administration of justice	953,864	26,296
Resources and economic development	237,163	76,193
Transportation	53,828	1,912
Capital outlay	45,472	23,652
Debt service:		
Principal retirement	90,793	7,891
Interest and fiscal charges	28,651	187
Intergovernmental	4,759,073	2,268,153
Total expenditures	**12,345,257**	**13,692,069**
Excess of revenues over (under) expenditures	**3,624,937**	**402,225**
Other financing sources (uses):		
Bonds and notes issued	13,337	—
Refunding bonds issued	—	—
Premiums on bonds issued	—	—
Leases issued	14,362	5,666
Payment to refunded bond escrow agent	—	—
Transfers in	293,056	84,892
Transfers out	(412,173)	(77,094)
Total other financing sources (uses)	**(91,418)**	**13,464**
Net change in fund balances	**3,533,519**	**415,689**
Fund balances at beginning of year, as restated	**7,100,560**	**430,303**
Fund balances at end of year	**$ 10,634,079**	**$ 845,992**

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

Exhibit B-2

Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 22,881	$ —	$ 650	$ 6,932,111
—	—	1,506,066	7,092,123
—	—	—	1,048,315
—	1,427,195	—	1,427,195
—	—	—	236,704
—	—	—	266,581
—	—	4,558	923,472
147,597	—	73,673	595,752
(57,936)	(84,748)	(41,724)	(517,736)
35,925	885,167	98,320	14,406,853
—	—	—	81,194
282	92,952	42,604	960,907
55,160	—	564,112	654,027
—	—	8,153	83,201
—	—	88,544	88,544
3,122	8,157	2,627	668,582
207,031	**2,328,723**	**2,347,583**	**34,947,825**
14	—	84,823	1,753,169
—	—	474,882	2,483,057
—	—	43,883	10,577,094
—	—	243	3,254,723
—	—	—	980,160
—	—	261	313,617
4,151	1,172,376	—	1,232,267
12	734,876	120,319	924,331
84,602	13,351	173	196,810
53,298	3,356	84	85,576
49,972	—	1,536,007	8,613,205
192,049	**1,923,959**	**2,260,675**	**30,414,009**
14,982	**404,764**	**86,908**	**4,533,816**
—	—	12,523	25,860
370,445	—	—	370,445
103,641	—	—	103,641
12	—	483	20,523
(407,480)	—	—	(407,480)
12,166	58,326	378,768	827,208
—	(3,564)	(283,724)	(776,555)
78,784	**54,762**	**108,050**	**163,642**
93,766	**459,526**	**194,958**	**4,697,458**
2,218,756	**1,468,825**	**1,100,026**	**12,318,470**
$ 2,312,522	**$ 1,928,351**	**$ 1,294,984**	**$ 17,015,928**

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, 2022
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 4,697,458**
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 and leases are allocated over their estimated useful lives and reported as depreciation and amortization expense. In the current period these amounts are:		
Capital outlay	$ 924,331	
Depreciation expense	(483,173)	
Excess of capital outlay over depreciation expense		441,158
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		25,543
Loss on disposals of capital assets are reported as an expense in the Statement of Activities		(28,113)
Bond, note, and 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 leases issued	(390,968)	
Bond premiums net of discounts	(103,641)	
Leases issued	(25,860)	
Bonds, notes, and leases issued		(520,469)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position		(8,877)
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 lease retirement	196,810	
Payment to refunded bond escrow agent	407,480	
Total long-term debt repayment		604,290
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		(203,782)
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		(26,262)

Exhibit B-2a

Decrease in general operating expense due to the increase in pension expense for the amortization of deferred outflows and inflows of resources related to the net pension liability		(382,717)
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	$ 1,624	
Unamortized bond premiums and discounts	24,577	
Net pension liability	739,252	
Net OPEB liability	(504,332)	
Compensated absences payable	(6,373)	
Policy claims payable	2,860	
Other long-term liabilities	5,969	
Total additional expenses		263,577
Change in net position of governmental activities		**$ 4,861,806**

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

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2022
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,456,088	$ 10,933	$ 73,416	$ 1,540,437	$ 888,290
Investments	11,499	196,913	37,701	246,113	2,474
Invested securities lending collateral	496	8,498	40	9,034	20,059
Receivables, net:					
Accounts	36,632	219	7,147	43,998	290,644
Participants	—	—	49	49	—
Accrued interest	162	5,100	6	5,268	4,666
Assessments	143,796	—	—	143,796	—
Leases	—	—	408	408	9
Due from Federal government and other grantors	312	—	—	312	—
Due from other funds	—	—	401	401	24,240
Due from component units	—	—	—	—	17,913
Inventories	—	—	2,149	2,149	2,967
Restricted assets:					
Prepaid items	—	—	482	482	30,678
Total current assets	1,648,985	221,663	121,799	1,992,447	1,281,940
Long-term assets:					
Investments	—	—	—	—	555,459
Receivables, net:					
Accounts	—	—	—	—	60
Participants	—	—	2	2	—
Leases	—	—	433	433	28
Restricted assets:					
Cash and cash equivalents	—	—	12	12	—
Prepaid items	—	—	—	—	387
Other long-term assets	—	—	—	—	122
Leased assets-amortizable, net	—	—	—	—	5,457
Non-depreciable capital assets	—	—	298,982	298,982	6,339
Depreciable capital assets, net	—	—	20,131	20,131	71,482
Total long-term assets	—	—	319,560	319,560	639,334
Total assets	**1,648,985**	**221,663**	**441,359**	**2,312,007**	**1,921,274**
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	—	—	5,260	5,260	10,653
Other post-employment benefits related	—	—	10,314	10,314	17,574
Total deferred outflows of resources	**$ —**	**$ —**	**$ 15,574**	**$ 15,574**	**$ 28,227**

Exhibit B-3

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable	$ 806	$ 5	$ 4,412	$ 5,223	$ 8,768
Accrued salaries and related expenses	—	—	2,484	2,484	3,706
Accrued interest payable	—	—	42	42	8
Tax refunds payable	59,885	—	—	59,885	—
Unemployment benefits payable	556	—	—	556	—
Intergovernmental payables	42,549	—	1	42,550	15
Interfund payables	—	—	51,000	51,000	—
Tuition benefits payable	—	—	9,819	9,819	—
Policy claims	—	17,752	—	17,752	653,711
Due to other funds	3,400	—	628	4,028	2,642
Unearned revenues	—	—	—	—	202,908
Deposits	—	—	300	300	9
Securities lending collateral	496	8,498	40	9,034	20,059
Liabilities payable from restricted assets:					
Notes payable	—	—	—	—	1,477
Revenue bonds payable	—	—	215	215	—
Leases payable	—	—	—	—	1,188
Compensated absences payable	—	—	1,178	1,178	2,300
Other current liabilities	—	—	12	12	2,873
Total current liabilities	107,692	26,255	70,131	204,078	899,664
Long-term liabilities:					
Retainages payable	—	—	151	151	—
Tuition benefits payable	—	—	26,213	26,213	—
Policy claims	—	148,491	—	148,491	230,497
Interfund payables	—	—	—	—	142
Notes payable	—	—	6,500	6,500	142
Revenue bonds payable	—	—	4,570	4,570	—
Leases payable	—	—	—	—	4,325
Compensated absences payable	—	—	770	770	1,328
Other long-term liabilities	—	—	—	—	146
Net pension liability	—	—	30,892	30,892	50,314
Net OPEB liability	—	—	37,903	37,903	61,504
Total long-term liabilities	—	148,491	106,999	255,490	348,398
Total liabilities	**107,692**	**174,746**	**177,130**	**459,568**	**1,248,062**
DEFERRED INFLOWS OF RESOURCES					
Pension related	—	—	6,314	6,314	9,237
Other post-employment benefits related	—	—	3,664	3,664	5,635
Lease related	—	—	914	914	37
Total deferred inflows of resources	**$ —**	**$ —**	**$ 10,892**	**$ 10,892**	**$ 14,909**

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, 2022
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
NET POSITION					
Net investment in capital assets	$ —	$ —	$ 307,828	$ 307,828	$ 76,146
Restricted:					
Expendable:					
Unemployment compensation benefits	1,541,293	—	—	1,541,293	—
Insurance programs	—	46,917	—	46,917	372,159
Unrestricted	—	—	(38,917)	(38,917)	238,225
Total net position	**$ 1,541,293**	**$ 46,917**	**$ 268,911**	**$ 1,857,121**	**$ 686,530**

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

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	**Second Injury**	**Nonmajor Enterprise**	**Totals**	**INTERNAL SERVICE FUNDS**
Operating revenues:					
Assessments	$ 303,978	$ —	$ —	$ 303,978	$ —
Charges for services	—	—	50,948	50,948	3,205,354
Contributions	—	13,913	101	14,014	—
Licenses, fees, and permits	—	—	18,358	18,358	88
Federal operating grants and contracts	25,425	—	—	25,425	—
Other operating revenues	3,393	—	61	3,454	606,361
Total operating revenues	**332,796**	**13,913**	**69,468**	**416,177**	**3,811,803**
Operating expenses:					
General operations and administration	—	—	52,221	52,221	456,613
Benefits and claims	69,049	13,915	—	82,964	3,485,474
Tuition plan disbursements	—	—	9,529	9,529	—
Depreciation and amortization	—	—	1,841	1,841	19,738
Other operating expenses	—	—	84	84	309
Total operating expenses	**69,049**	**13,915**	**63,675**	**146,639**	**3,962,134**
Operating income (loss)	**263,747**	**(2)**	**5,793**	**269,538**	**(150,331)**
Nonoperating revenues (expenses):					
Interest income	19,516	(18,190)	9,660	10,986	(55,490)
Interest expense	—	—	(42)	(42)	(130)
Net other nonoperating revenues	—	—	775	775	9,450
Gains (Losses) on sale of capital assets	—	—	12,122	12,122	(1,591)
Total nonoperating revenues, net	**19,516**	**(18,190)**	**22,515**	**23,841**	**(47,761)**
Income (losses) before transfers	**283,263**	**(18,192)**	**28,308**	**293,379**	**(198,092)**
Transfers and contributions:					
Federal capital grants and contracts	—	—	4,259	4,259	2
State capital grants and contracts	—	—	31,900	31,900	—
Transfers in	—	—	167	167	7,332
Transfers out	(28,635)	(275)	(3,529)	(32,439)	(13,024)
Change in net position	**254,628**	**(18,467)**	**61,105**	**297,266**	**(203,782)**
Net position at beginning of year	1,286,665	65,384	207,806	1,559,855	890,312
Net position at end of year	**$ 1,541,293**	**$ 46,917**	**$ 268,911**	**$ 1,857,121**	**$ 686,530**

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, 2022
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers	$ 81,680	$ —	$ 66,703	$ 148,383	$ 3,642,011
Assessments received	168,382	226	—	168,608	—
Grants received	50,410	—	—	50,410	—
Tuition plan contributions received	—	—	55	55	—
Internal activity–payments from other funds	—	—	—	—	251,620
Other operating cash receipts	—	13,916	1,008	14,924	11,883
Claims and benefits paid	(68,254)	(27,829)	(22,416)	(118,499)	(162,860)
Payments to suppliers for goods and services	—	—	(27,908)	(27,908)	(3,648,231)
Payments to employees	—	—	(23,727)	(23,727)	(53,859)
Capital grants and gifts received	—	—	4,259	4,259	—
Other operating cash payments	—	(574)	(722)	(1,296)	(6,753)
Net cash provided by (used in) operating activities	**232,218**	**(14,261)**	**(2,748)**	**215,209**	**33,811**
Cash flows from noncapital financing activities:					
State grants for other than capital purposes	—	—	31,900	31,900	—
Rental income cash receipts	—	—	4,760	4,760	—
Local and private grants and contracts	—	—	—	—	(314)
Industrial development costs	—	—	(801)	(801)	—
Transfers in	—	—	167	167	7,332
Transfers out	(28,635)	(275)	(3,529)	(32,439)	(13,024)
Net cash provided by (used in) noncapital financing activities	**(28,635)**	**(275)**	**32,497**	**3,587**	**(6,006)**

Exhibit B-5

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (6,855)	$ (6,855)	$ (16,281)
Principal payments on capital debt	—	—	(108)	(108)	(1,340)
Interest payments on capital debt	—	—	(255)	(255)	(102)
Proceeds from sale or disposal of capital assets	—	—	18,719	18,719	5,874
Net cash provided by capital and related financing activities	**—**	**—**	**11,501**	**11,501**	**(11,849)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	250	24,108	(21,033)	3,325	183,178
Purchase of investments	—	—	(5)	(5)	(210,997)
Interest and dividends on investments	19,438	(19,512)	9,661	9,587	16,427
Realized loss on investments	—	—	—	—	(32,663)
Net cash provided by (used in) investing activities	**19,688**	**4,596**	**(11,377)**	**12,907**	**(44,055)**
Net increase (decrease) in cash and cash equivalents	**223,271**	**(9,940)**	**29,873**	**243,204**	**(28,099)**
Cash and cash equivalents at beginning of year	**1,232,817**	**20,873**	**43,543**	**1,297,233**	**916,389**
Cash and cash equivalents at end of year	**$ 1,456,088**	**$ 10,933**	**$ 73,416**	**$ 1,540,437**	**$ 888,290**

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

Continued on Next Page

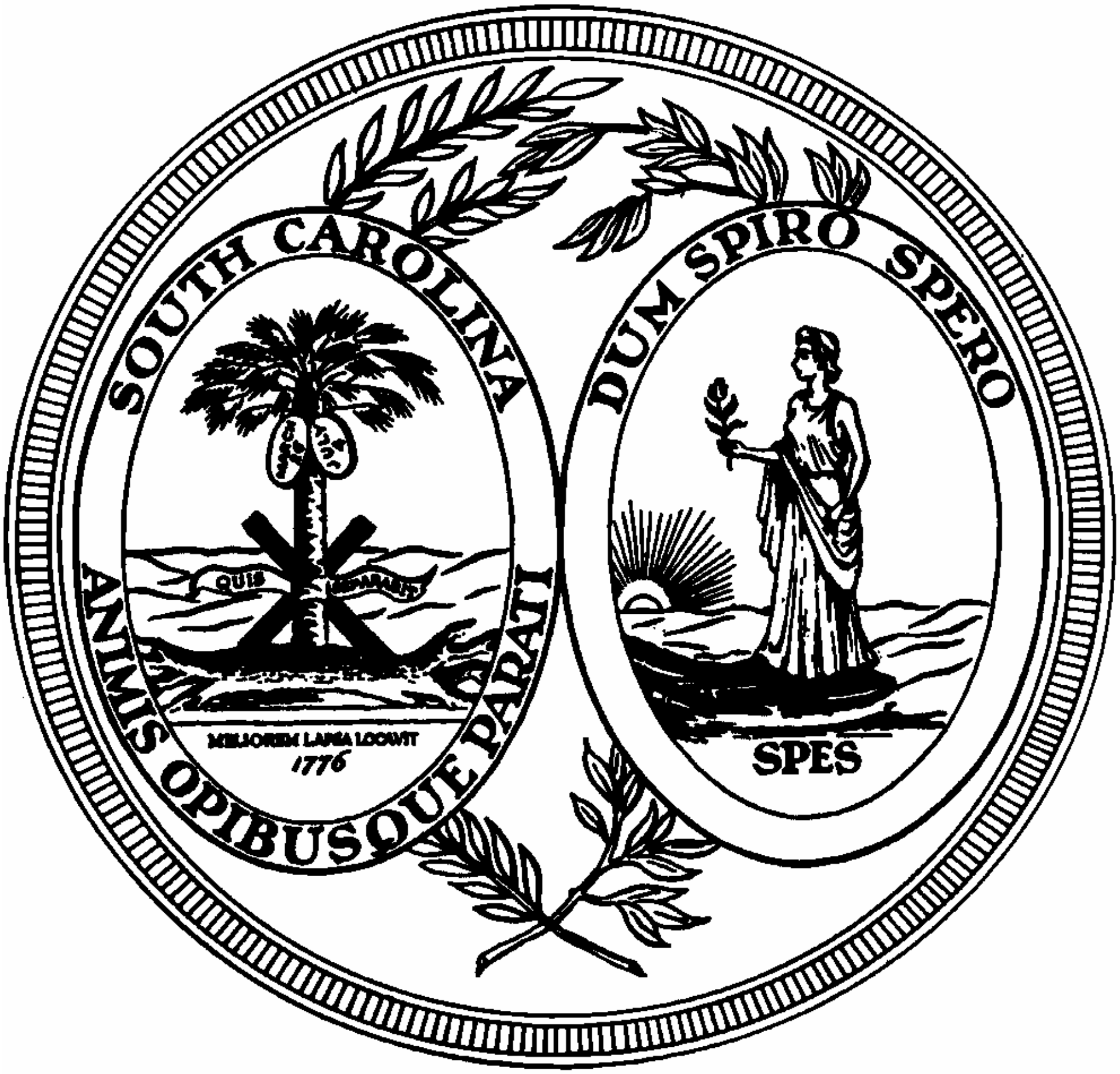
Statement of Cash Flows — Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	**Second Injury**	**Nonmajor Enterprise**	**Totals**	**INTERNAL SERVICE FUNDS**
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 263,747	$ (2)	$ 5,793	$ 269,538	$ (150,331)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,841	1,841	19,738
Provision for bad debts	117,544	—	—	117,544	—
Realized gains (losses) on sale of assets	—	—	(21)	(21)	(1,591)
Interest and dividends on investments and interfund loans	—	—	40	40	—
Other nonoperating revenues	—	—	4,774	4,774	5,130
Effect of changes in operating assets, deferred outflows, liabilities and deferred inflows:					
Accounts receivable, net	$ (94,725)	$ 226	$ (2,748)	$ (97,247)	$ 84,175
Assessments receivable, net	(80,128)	—	—	(80,128)	—
Due from Federal government and other grantors	24,985	—	—	24,985	—
Due from other funds	—	—	3	3	(179)
Inventories	—	—	(605)	(605)	279
Other assets	—	—	(61)	(61)	(2,721)
Deferred outflows	—	—	(2,190)	(2,190)	(4,800)
Accounts payable	(12,419)	(570)	1,967	(11,022)	359
Accrued salaries and related expenses	—	—	384	384	16
Tax refunds payable	3,650	—	—	3,650	—
Unemployment benefits payable	(30,817)	—	—	(30,817)	—
Tuition benefits payable	—	—	(12,888)	(12,888)	—
Policy claims	—	(13,915)	—	(13,915)	82,160
Due to other funds	40,381	—	44	40,425	(640)
Unearned revenues	—	—	(33)	(33)	1,878
Compensated absences payable	—	—	(45)	(45)	(137)
Other liabilities	—	—	(4,917)	(4,917)	(8,478)
Deferred inflows	—	—	5,914	5,914	8,953
Net cash provided by (used in) operating activities	**$ 232,218**	**$ (14,261)**	**$ (2,748)**	**$ 215,209**	**$ 33,811**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	—	$ —	$ —	$ (4,337)
Decrease in fair value of investments	—	—	(1,454)	(1,454)	(38,541)
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ (1,454)**	**$ (1,454)**	**$ (42,878)**

The Notes to the Financial Statements are an integral part of this statement.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Statement of Fiduciary Net Position — Exhibit B-6

FIDUCIARY FUNDS

June 30, 2022
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Custodial Funds
ASSETS				
Cash and cash equivalents	$ 1,719,898	$ 6,099,665	$ 2,077	$ 236,415
Receivables, net:				
Accounts	—	—	4	9,215
Contributions	341,101	—	—	—
Accrued interest	30,239	2,238	3,781	—
Unsettled investment sales	279,787	—	4,542	—
Total receivables	651,127	2,238	8,327	9,215
Due from other funds	90,632	—	—	32,433
Investments, at fair value:				
Short term investments	74,608	—	—	8,995
Debt-domestic	3,433,315	3,168,229	—	—
Equity-international	15,211,080	—	—	—
Alternatives	19,462,435	—	—	—
Financial and other	201,064	763,458	5,164,747	—
Total investments	38,382,502	3,931,687	5,164,747	8,995
Invested securities lending collateral	43,663	—	172	388
Interfund receivables	—	—	—	234
Capital assets, net	1,907	—	—	—
Prepaid items	484	—	—	—
Other assets	—	—	4,273	—
Total assets	**40,890,213**	**10,033,590**	**5,179,596**	**287,680**
LIABILITIES				
Accounts payable	3,172	—	2,123	88,569
Accounts payable–unsettled investment purchases	584,238	—	3,950	—
Policy claims	695	—	—	—
Due to other funds	90,632	—	—	91,258
Intergovernmental payables	—	—	—	32,179
Deposits	—	—	—	2,227
Amounts held in custody for others	—	—	—	16,220
Securities lending collateral	88,560	—	172	388
Due to participants	—	—	—	2
Other liabilities	24,377	—	—	—
Total liabilities	**791,674**	**—**	**6,245**	**230,843**
NET POSITION				
Restricted for:				
Pension benefits	38,440,052	—	—	—
Other post-employment benefits	1,658,487	—	—	—
External investment pool participants	—	10,033,590	—	—
Individuals, organizations, and other governments	—	—	5,173,351	56,837
Total net position	**$ 40,098,539**	**$ 10,033,590**	**$ 5,173,351**	**$ 56,837**

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, 2022
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Custodial Funds
Additions:				
Licenses, fees, and permits	$ —	$ —	$ 43	$ 4,026
Contributions:				
Employer	2,774,162	—	—	—
Employee	1,150,248	—	—	—
Non-employer	106,451	—	—	—
Deposits from pool participants	—	17,298,324	—	—
Tuition plan deposits	—	—	1,560	—
Other	—	—	266,910	11,170
Total contributions	4,030,861	17,298,324	268,470	11,170
Taxes:				
Retail sales and use	—	—	—	351,774
Other	—	—	—	14
Total taxes	—	—	—	351,788
Investment income:				
Interest income and net appreciation (depletion) in investments	(403,914)	29,737	(645,642)	79
Securities lending income	1,597	6	—	—
Total investment income (loss)	(402,317)	29,743	(645,642)	79
Less investment expense:				
Investment expense	706,343	—	—	—
Securities lending expense	9	—	—	—
Net investment income (loss)	(1,108,669)	29,743	(645,642)	79
Assets moved between pension trust funds	3,193	—	—	—
Transfers in	—	—	—	—
Total additions	**2,925,385**	**17,328,067**	**(377,129)**	**367,063**
Deductions:				
Regular retirement benefits	3,674,219	—	—	—
Supplemental retirement benefits	243	—	—	—
Refunds of retirement contributions to members	193,258	—	—	—
Death benefit claims	34,066	—	—	—
Accidental death benefits	2,015	—	—	—
Other post-employment benefits	520,285	—	—	—
Withdrawals, pool participants	—	16,056,596	—	—
Distributions to pool participants	—	33,573	—	—
Depreciation	177	—	—	—
Administrative expense	22,109	5,311	16,595	972
Other expenses	—	—	1,059	364,616
Assets moved between pension trust funds	3,193	—	—	—
Transfers out	—	—	—	12,689
Total deductions	**4,449,565**	**16,095,480**	**17,654**	**378,277**
Change in net position	**(1,524,180)**	**1,232,587**	**(394,783)**	**(11,214)**
Net position, beginning	**41,622,719**	**8,801,003**	**5,568,134**	**68,051**
Net position at end of year	**$ 40,098,539**	**$ 10,033,590**	**$ 5,173,351**	**$ 56,837**

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

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2022

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority
ASSETS					
Cash and cash equivalents	$ 299,487	$ 931,113	$ 960,319	$ 624,560	$ 380,288
Investments	303,625	1,190,537	533,965	4,603	2,950
Invested securities lending collateral	—	2,560	18,319	21,631	15,947
Receivables, net:					
Accounts	169,344	56,246	80,143	61,991	72,798
Contributions	—	29,024	34,063	76,258	—
Accrued interest	1,344	1,713	3,712	3,103	2,333
Student accounts	—	2,911	18,221	—	—
Patient accounts	—	448,354	—	—	—
Loans and notes	—	51	10,923	—	—
Leases	6,466	27,507	33,005	585	12,176
Due from Federal government and other grantors	—	17,875	39,391	38,856	—
Due from primary government	—	15,200	8,245	24,002	1,024
Inventories	312,708	—	3,430	2,617	10,637
Restricted assets:					
Cash and cash equivalents	36,899	154,409	450,496	411,020	136,171
Investments	334,597	34,994	15,860	1,048,349	—
Accounts receivable	—	—	—	—	—
Loans receivable	—	11,348	7,586	2,591	—
Other	—	233,858	—	9,731	—
Prepaid items	5,909	6,506	2,873	11,389	6,978
Other assets	204,097	—	2,687	1,467	—
Regulatory asset	3,734,186	—	—	—	—
Other regulatory assets	375,483	—	—	—	—
Investment in joint venture	21,956	—	—	—	—
Leased assets-amortizable, net	—	237,102	31,325	19,270	—
Capital assets-nondepreciable	513,602	267,835	274,271	118,629	792,036
Capital assets-depreciable, net	4,489,598	1,260,366	1,222,782	1,364,214	1,113,782
Total assets	**$ 10,809,301**	**$ 4,929,509**	**$ 3,751,616**	**$ 3,844,866**	**$ 2,547,120**
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	$ 11,264	$ —	$ —	$ —	$ —
Unamortized loss on refunded and defeased debt	86,398	19,657	4,938	3,232	24,652
Asset retirement obligation	672,804	—	—	—	—
Pension related	32,229	401,004	147,173	113,865	30,883
Other post-employment benefits related	49,090	706,247	328,067	241,501	20,681
Total deferred outflows of resources	**$ 851,785**	**$ 1,126,908**	**$ 480,178**	**$ 358,598**	**$ 76,216**
LIABILITIES					
Accounts payable	$ 177,713	$ 232,308	$ 19,515	$ 23,932	$ 21,608
Accrued salaries and related expenses	10,266	221,073	28,841	28,517	13,402
Accrued interest payable	38,324	1,175	5,430	4,405	22,835
Retainages payable	2,286	2,209	1,722	1,566	973
Prizes payable	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—
Due to primary government	—	179	7,019	5,511	50,000
Asset retirement obligation	669,419	—	—	—	—
Unearned revenues	—	31,101	49,878	62,915	1,254
Deposits	—	—	2,072	7,536	—
Amounts held in custody for others	—	—	20,976	588	—
Securities lending collateral	—	2,560	18,319	21,631	15,947
Liabilities payable from restricted assets:					
Other	—	—	—	—	—
Other liabilities	397,022	224,859	15,687	119,023	42,935
Long-term liabilities:					
Due within one year	112,591	124,832	73,555	47,036	28,246
Due in more than one year	7,466,756	4,721,205	2,963,502	2,321,155	1,639,734
Total liabilities	**$ 8,874,377**	**$ 5,561,501**	**$ 3,206,516**	**$ 2,643,815**	**$ 1,836,934**
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	$ 118,208	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—
Deferred nuclear decommissioning costs	245,933	—	—	—	—
Deferred service concession arrangement receipts	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—
Toshiba settlement	251,089	—	—	—	—
Pension related	54,744	225,570	155,461	96,369	17,585
Other post-employment benefits related	9,388	109,750	104,731	49,802	2,119
Lease related	—	28,870	32,203	841	11,944
Total deferred inflows of resources	**$ 679,362**	**$ 364,190**	**$ 292,395**	**$ 147,012**	**$ 31,648**
NET POSITION					
Net investment in capital assets	$ 2,010,384	$ 493,236	$ 855,095	$ 871,525	$ 488,248
Restricted:					
Expendable:					
Education	—	277,707	201,763	469,396	—
Transportation	—	—	—	—	—
Capital projects	—	392,760	237,157	230,428	—
Debt service	9,214	3,219	7,591	9,054	37,795
Loan programs	—	—	—	—	—
Other	—	—	—	—	—
Nonexpendable:					
Education	—	206,822	428,762	433,553	—
Unrestricted	87,749	(1,243,018)	(997,485)	(601,319)	228,711
Total net position	**$ 2,107,347**	**$ 130,726**	**$ 732,883**	**$ 1,412,637**	**$ 754,754**

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

Exhibit C-1

Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ 16,866	$ 39,901	$ 909,500	$ 4,162,034
—	—	493,894	2,529,574
8,771	—	19,569	86,797
31	51,652	127,781	619,986
—	—	20,445	159,790
114	—	1,847	14,166
—	—	52,952	74,084
—	—	—	448,354
11,204	—	23,093	45,271
—	—	61,251	140,990
1,780	—	69,768	167,670
2,915	—	21,215	72,601
—	5,135	8,107	342,634
360,827	453	545,059	2,095,334
278,505	—	559,556	2,271,861
106	—	—	106
989,658	—	2,287	1,013,470
3,406	—	4,494	251,489
—	—	17,548	51,203
9,836	8,234	110,304	336,625
—	—	—	3,734,186
—	—	—	375,483
—	—	—	21,956
450	1,183	23,936	313,266
—	—	328,767	2,295,140
1,102	869	1,985,217	11,437,930
$ 1,685,571	$ 107,427	$ 5,386,590	$ 33,062,000
$ —	$ —	$ —	$ 11,264
—	—	1,588	140,465
—	—	—	672,804
2,377	2,806	194,815	925,152
4,225	4,888	399,720	1,754,419
$ 6,602	$ 7,694	$ 596,123	$ 3,504,104
$ —	$ 2,254	$ 67,751	$ 545,081
1,057	—	48,148	351,304
—	—	4,723	76,892
—	—	3,085	11,841
—	48,832	—	48,832
—	—	658	658
—	21,589	16,660	100,958
—	—	—	669,419
283,745	908	155,970	585,771
—	—	8,337	17,945
—	—	9,070	30,634
8,771	—	19,569	86,797
21,121	—	1,561	22,682
5,378	1,942	14,662	821,508
15,587	1,233	87,299	490,379
820,952	34,248	3,738,650	23,706,202
$ 1,156,611	$ 111,006	$ 4,176,143	$ 27,566,903
$ —	$ —	$ —	$ 118,208
2,403	—	—	2,403
—	—	—	245,933
—	—	120	120
—	—	32	32
—	—	—	251,089
2,377	2,358	241,647	796,111
1,593	1,181	178,318	456,882
—	—	59,472	133,330
$ 6,373	$ 3,539	$ 479,589	$ 2,004,108
$ 1,107	$ 123	$ 1,658,110	$ 6,377,828
—	—	462,782	1,411,648
—	—	2,781	2,781
—	—	392,380	1,252,725
87,572	—	49,170	203,615
403,139	—	66,513	469,652
—	453	20,262	20,715
—	—	280,201	1,349,338
37,371	—	(1,605,218)	(4,093,209)
$ 529,189	**$ 576**	**$ 1,326,981**	**$ 6,995,093**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Service Authority	$ 1,727,173	$ 1,765,785	$ (1,373)	$ —
Medical University of South Carolina	4,460,156	3,943,487	283,053	30,760
University of South Carolina	1,607,254	1,162,879	98,639	153,785
Clemson University	1,231,283	972,291	112,156	66,149
State Ports Authority	414,055	443,102	6,210	3,855
Housing Authority	480,841	95,427	410,909	—
Lottery Commission	2,257,447	2,257,202	(8)	—
Nonmajor component units	2,182,636	1,292,358	609,528	152,896
Totals	**$ 14,360,845**	**$ 11,932,531**	**$ 1,519,114**	**$ 407,445**

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

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	State Appropriations	Net Position (Deficit) Beginning (as Restated)	Net Position Ending
$ 37,239	$ —	$ —	$ 2,070,108	$ 2,107,347
(202,856)	1,287	185,032	147,263	130,726
(191,951)	424	224,645	699,765	732,883
(80,687)	28,304	156,830	1,308,190	1,412,637
39,112	—	—	715,642	754,754
25,495	—	—	503,694	529,189
(253)	—	—	829	576
(127,854)	2,769	373,411	1,078,655	1,326,981
$ (501,755)	**$ 32,784**	**$ 939,918**	**$ 6,524,146**	**$ 6,995,093**

Notes to the Financial Statements—Contents

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements—Contents (Continued)

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

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

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

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

Primary Government

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

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

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2022.

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, 2021. The Palmetto Railways Division is governed by the Secretary of the Department of Commerce which operates as a cabinet agency under the Governor and is subject to state laws and regulations as well maintaining operational responsibility for the blended component unit.

Obtaining More Information about Blended Component Units

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

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

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

Major Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2022. 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, 2021. 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 seven 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, who serve ex-officio. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

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

South Carolina Lottery Commission

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

Clemson University

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

Medical University of South Carolina

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

University of South Carolina

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

Nonmajor Discretely Presented Component Units

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

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2021.

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, 2021. 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, 2021.

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

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

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College,* and *York Technical College*. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

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

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

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

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

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

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

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

Children's Trust Fund of South Carolina
1330 Lady Street, Suite 310
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
636 Rosewood Drive
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://scmma.net

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*, and accordingly, would not be included in the State's government-wide financial statements. The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities, so it does not include them in the State's government-wide financial statements.

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, so the State does not include it in the State's government-wide financial statements.

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, such as donations and grants, 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 below for more information about fund types.)

Statement of Activities and Eliminations

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

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

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

Enterprise Funds

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

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

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

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

Other Fund Types

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

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

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

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

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

Custodial funds account for assets that the State holds in a fiduciary capacity. 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 financial statements using the *economic resources* 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 ensure 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 used 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 Retirement System Investment Commission (RSIC) with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The RSIC 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, if necessary, 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, except for intangible right-to-use assets, which are discussed in section o. Donated capital assets are recorded at estimated acquisition value on the donation date. Infrastructure assets acquired prior to fiscal year ended June 30, 1980, are reported at cost beginning with fiscal year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress.

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, 2022.

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

The 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 $3.734 billion regulatory asset. These regulatory assets are also continuously monitored for impairment.

l. Tax Refunds Payable

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

m. Unearned Revenue

Unearned revenue are monies received by the State in advance of goods or services provided by it to other external entities. These monies are recognized as a liability until those services or goods are provided. Most of the State's unearned revenues are federal grant monies received prior to the State providing the goods or services required by the respective grants.

n. 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.

o. Leases

Lessee: The State is a lessee for multiple noncancelable leases of land, buildings and equipment. The State recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for each of these transactions. The State recognizes lease liabilities with an initial, individual value of $5 thousand or more.

At the commencement of each lease, the State initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liabilities are reduced by the principal portions of lease payments made. The lease assets are initially measured as the initial amount of the individual lease liabilities, adjusted for lease payments made at or before the lease commencement dates, plus certain initial direct costs. Subsequently, the lease assets are amortized on a straight-line basis over their useful lives.

Key estimates and judgments related to leases include how the State determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The State uses the interest rate charged by the lessor as the discount rate. When an interest rate charged by the lessor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancelable period of the leases and option years that the State is reasonably certain to exercise. Lease payments included in the measurement of the lease liabilities are composed of fixed payments and purchase option prices that the State is reasonably certain to exercise.

The State monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The State is a lessor for noncancelable leases of buildings and equipment. The State recognizes lease receivables and deferred inflows of resources in the government-wide, enterprise and governmental fund financial statements.

At the commencement of the leases, the State initially measures lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivables are reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amounts of the lease receivables, adjusted for lease payments received at or before the lease commencement dates. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease terms.

Key estimates and judgments include how the State determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The State uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancelable periods of the leases. Lease receipts included in the measurement of the lease receivables are composed of fixed payments from the lessees.

The State monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amounts of the lease receivables.

p. 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.

q. 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, 2022, $1.574 billion was reported as restricted net position because of restrictions imposed by enabling legislation.

r. 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.

s. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that applies to future reporting periods. 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, lease related deferred inflows offsetting noncurrent lease receivables, pension and other post-employment benefit (OPEB) contributions subsequent to the measurement date, difference between actual and expected experience, net difference between projected and actual earnings on pension and OPEB plan investments, changes in proportion and differences between contributions and proportionate share of contributions, and changes in assumptions. See Note 9, Deferred Outflows of Resources and Deferred Inflows of Resources, on page 120 for further detail.

t. 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, 2022, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

Statement No. 92, *Omnibus 2020,* is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Statement No. 99, *Omnibus 2022,* is intended to extend of the use of LIBOR, improve accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, and clarify certain provisions in Statement No. 34, as amended, and improve terminology updates related to Statement Nos. 53 and 63. The remaining portions of Statement No. 99, which relate to public-private partnerships, subscription-based information technology agreements, and the classification and reporting of derivative instruments will be implemented in future years, as stipulated by the GASB.

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, 2022:

Other Enterprise	$ (18,232)
Prison Industries	(910)
Component units:	
Lander University	(3,692)
Denmark Technical College	(8,252)
Florence- Darlington Technical College	(9,815)
Northeastern Technical College	(4,318)
Orangeburg- Calhoun Technical College	(10,192)
Williamsburg Technical College	(391)
Connector 2000	(111,920)
South Carolina Medical Malpractice Association	(85,190)

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 obtaining more 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.

The following schedule reconciles the amounts reported in the Statements of Net Position (expressed in thousands) to the notes.

Statements		Notes				
Current Assets			Note 4	Note 19	Non-Major DCU's	Total
Cash and Cash Equivalents	$ 22,824,965	Cash On Hand	$ 265	$ 544	$ —	$ 809
Investments	59,526,220	Carrying Value of Cash	3,495,387	1,110,699	338,368	4,944,454
Securities Lending	599,408	Securities Lending and Investments	78,829,820	3,707,162	1,200,332	83,737,314
Long Term Investments	555,459					
Restricted Asset						
Cash and Cash Equivalents	2,904,664					
Investments	2,271,861					
	$ 88,682,577		$ 82,325,472	$ 4,818,405	$ 1,538,700	$ 88,682,577

**Non-Major DCU's (Discrete Component Units) are not required to be disclosed*

a. Deposits

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

Deposit Policy

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2022 was $2.795 billion and the bank balance was $2.977 billion. As of June 30, 2022, the reported amount of the primary government's deposits outside of the State Treasurer was $371.398 million and the bank balance was $373.317 million. The entire $373.317 million bank balance was exposed to custodial credit risk, but was collateralized with securities held by the counterparty's trust department or agent but not in the State's name. As of June 30, 2022 cash on hand was $265 thousand.

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:

	At 6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value				
U.S. treasuries	$ 14,499,065	$ 14,498,886	$ 179	$ —
U.S. agencies	303,549	—	303,549	—
Common stock	37,734	37,734	—	—
Other equity securities	2,753,970	2,745,203	—	8,767
Corporate bonds	5,929,118	—	5,929,118	—
Municipal bonds	1,237	—	1,237	—
Commercial paper	11,084,347	—	11,084,347	—
Money market mutual funds	754,197	754,197	—	—
Bond mutual funds	1,662,046	1,661,330	716	—
Other	315,575	—	315,575	—
	$ 37,340,838	$ 19,697,350	$ 17,634,721	$ 8,767
Investments measured at amortized cost				
Repurchase agreements	1,679,077			
	$ 39,019,915			

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, 2022 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	Not Rated	Total
U.S. agencies	$ —	$ 253,556	$ 49,993	$ —	$ —	$ —	$ 303,549
Corporate bonds	7,108	433,342	2,489,975	2,965,629	32,005	1,059	5,929,118
Municipal bonds	32	1,163	42	—	—	—	1,237
Repurchase agreements	—	—	—	—	—	1,679,077	1,679,077
Commercial paper	—	7,392,993	2,555,803	730,438	—	405,113	11,084,347
Money market mutual funds	—	—	—	—	—	754,197	754,197
Bond mutual funds	516	89	—	—	—	1,661,441	1,662,046
Other	—	285,062	252	452	—	29,809	315,575
Totals	**$ 7,656**	**$ 8,366,205**	**$ 5,096,065**	**$ 3,696,519**	**$ 32,005**	**$ 4,530,696**	**$21,729,146**

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, 2022, the State Treasurer had 10.18% of the LGIP investment portfolio in repurchase agreements; no other single issuer exceeded the 5% threshold.

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, 2022, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 14,487,893	$ 3,867,652	$ 10,473,244	$ 123,104	$ 23,893
U.S. agencies	303,549	50,328	18,089	28,088	207,044
Corporate bonds	5,895,317	1,144,343	4,476,053	238,782	36,139
Repurchase agreements	109,751	109,751	—	—	—
Commercial paper	2,595,744	2,595,744	—	—	—
Money market funds	4	4	—	—	—
Other	29,809	25,000	4,809	—	—
Totals	**$ 23,422,067**	**$ 7,792,822**	**$14,972,195**	**$ 389,974**	**$ 267,076**

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, 2022, 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 Maturities (in years)		
Investment Type	**Fair Value**	**Does Not Mature**	**Less than 1**	**1 - 5**	**6 - 10**
U.S. treasuries	$ 11,172	$ —	$ 5,761	$ 5,411	$ —
Common stock	37,734	37,734	—	—	—
Other equity securities	2,753,970	2,753,970	—	—	—
Corporate bonds	33,801	3,716	—	30,085	—
Municipal bonds	1,237	—	—	—	1,237
Repurchase agreements	1,569,326	—	1,569,326	—	—
Commercial paper	8,488,603	—	8,488,603	—	—
Money market funds	754,193	754,193	—	—	—
Bond mutual funds	1,662,046	716	—	1,661,330	—
Other	285,766	—	284,834	932	—
Totals	**$ 15,597,848**	**$ 3,550,329**	**$10,348,524**	**$1,697,758**	**$ 1,237**

Market Risk

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

c. Securities Lending Program

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

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2022. At June 30, 2022, 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, 2022, 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 fair value of the required collateral must meet or exceed 102.0% of the fair value of the securities loaned, providing a margin against a decline in the fair value of the collateral.

During the fiscal year ended June 30, 2022, 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, 2022, 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, 2022:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 78,030
Total securities lent for cash collateral	**$ 78,030**
Cash collateral invested as follows:	
Repurchase agreements	$ 468,948
Total for cash collateral invested	**$ 468,948**

At June 30, 2022, the fair value of securities on loan was $78.030 million. The fair value of the invested cash collateral was $468.948 million. Securities lending obligations were $468.948 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; however, amounts in excess of $250,000 are uninsured and uncollateralized.

As of June 30, 2022, the carrying amount of the Systems' deposits was $329.249 million and the bank balance was $285.100 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 as outlined by Section 9-1-1310(B) of the South Carolina Code of Laws.

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, 2022 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2022	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short Term Investments				
Short Term Investment Funds (U. S. Regulated)	$ 1,184,660	$ 1,184,660	$ —	$ —
Repurchase Agreements	109,300	—	109,300	—
Commercial Paper	10,397	—	10,397	—
Certificates of Deposit	23,394	—	23,394	—
U. S. Treasury Bills	43,909	43,909	—	—
Municipals - 1 year or less	298	—	298	—
Private Placements - 1 year or less	1,554	—	1,554	—
Total Short Term Investments	$ 1,373,512	$ 1,228,569	$ 144,943	$ —
Equity Allocation				
Global Public Equity				
Common Stocks	$ 1,074,678	$ 1,074,678	$ —	—
Real Estate Investment Trusts	511,951	511,951	—	—
Preferred	20,231	5,968	14,263	—
Total Global Public Equity	$ 1,606,860	$ 1,592,597	$ 14,263	$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	$ 98,219	$ 98,219	$ —	$ —
U.S. Government Agencies	176,422	—	176,422	—
Mortgage Backed				
Government National Mortgage Association	16,750	—	16,750	—
Federal National Mortgage Association	12,948	—	12,948	—
Federal Home Loan Mortgage Association (Multiclass)	1,695	—	1,695	—
Collateralized Mortgage Obligations	848	—	848	—
Municipals	23,960	—	23,960	—
Corporate				
Corporate Bonds	693,084	6,436	396,208	290,440
Asset Backed Securities	146,351	—	146,351	—
Private Placements	792,631	—	792,631	—
Total Fixed Income	$ 1,962,908	$ 104,655	$ 1,567,813	$ 290,440
Total Investments by Fair Value Level	$ 4,943,280	$ 2,925,821	$ 1,727,019	$ 290,440

(continued)

Recurring fair value measurements as of June 30, 2022, continued (amounts in thousands):

Investments measured at net asset value (NAV)	
Global Equity Common Stocks	$ 13,680,611
Investment Grade Bonds	170,631
Emerging Debt	51,663
Hedge Funds	5,129,270
Private Equity	5,581,113
Private Debt	3,594,909
Private Real Estate	4,117,735
Private Infrastructure	1,039,408
Total investments measured at NAV	33,365,340
Total investments measured at fair value	$ 38,308,620

		Fair Value Measurements Using	
Investment derivative instruments	**At 6/30/2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Cash Equivalents			
Options - Cash Equivalents	$ (137)	$ —	$ (137)
Equity Investments			
Options - Equity	1,061	3	1,058
Swaps - Equity	(77,452)	—	(77,452)
Fixed Income Investments			
Options - Fixed Income	(1,748)	—	(1,748)
Futures - Fixed Income	(24,645)	(24,645)	—
Swaps - Fixed Income	594	—	594
Total investment derivative instruments	$ (102,327)	$ (24,642)	$ (77,685)
Total Invested Assets	$ 38,206,293		

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 Common Stocks	$ 13,680,611	$ —	Daily/Monthly	5 - 30 days
Investment Grade Bonds	170,631	—	1 year	1 day
Emerging Debt	51,663	—	Daily/Monthly	10 - 15 days
Hedge Funds	5,129,270	—	Monthly/Quarterly	2 - 90 days
Private Equity	5,581,113	3,160,615	Illiquid	Illiquid
Private Debt	3,594,909	2,370,900	Illiquid	Illiquid
Private Real Estate	4,117,735	906,405	Illiquid	Illiquid
Private Infrastructure	1,039,408	147,316	Illiquid	Illiquid
Total investments measured at the NAV	$ 33,365,340	$ 6,585,236		

1 For purposes of this table, amounts are reported in US Dollars. The Private Equity Category includes £67,961,947, €266,409,675 and AUD $38,747,590 that have been converted to USD.

Global Equity Funds. This investment type includes 7 passive index funds that invest primarily in global developed and emerging equity public markets instruments. The fair values of the investments in this asset type have been determined using NAV per share of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

Emerging Debt Funds. This investment type includes two 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 fund 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.

Investment Grade Bond Funds. This investment type includes one fund that generally invests in mortgage- related securities. The fair value of the investment in this asset type has been determined using NAV per share of the fund or percent ownership of the NAV of the fund and reported by the Investment Manager. A redemption can be initiated at any time and assets are self-liquidating within 1 year. There is no redemption fee charged.

Hedge Funds. This investment type includes 32 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 26 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 131 funds that consist of 68 investments in limited partnerships, 46 investments in co-investment funds, 4 manager co-investment platforms, and 13 funds within strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. Manager co-investment platforms consist of underlying investments in more than one co-investment fund. The private equity investments span the venture capital, growth equity, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this asset type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Private Debt Funds. This investment type includes 53 funds that consist of 38 investments in limited partnerships, 13 funds within strategic partnership investments, and two co-investment funds. 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, and opportunistic 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 31 funds that consist of 25 investments in limited partnerships, two investments in co-investment funds, 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, 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 14 funds that consist of investments in limited partnerships or co-investments. Common types of infrastructure investments are in transportation, energy, telecommunications, and utilities. 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 (RSIC) 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, 2022, are noted below (amounts in thousands):

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 1,184,660	$ —	$ 1,184,660	0.08
Repurchase Agreements	109,300	—	109,300	0.01
Invested Securities Lending Collateral	9,336	9,336	—	
Commercial Paper	10,397	—	10,397	0.19
Certificates of Deposit	23,394	—	23,394	0.34
U. S. Treasury Bills	43,909	—	43,909	0.25
Municipals - 1 year or less	298	—	298	0.58
Private Placements - 1 year or less	1,554	—	1,554	
Option - Cash Equivalents	(137)	(137)	—	
Total Short Term Investments	1,382,711	9,199	1,373,512	
Global Public Equity				
Preferred	$ 20,231	$ —	$ 20,231	12.22
Total Equity Investments	20,231	—	20,231	
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	98,219	—	98,219	12.46
U.S. Government Agencies	176,422	76,554	99,868	1.69
Mortgage Backed:				
Government National Mortgage Association	16,750	3,771	12,979	4.37
Federal National Mortgage Association	12,948	—	12,948	6.93
Federal Home Loan Mortgage Association (Multiclass)	1,695	—	1,695	2.39
Collateralized Mortgage Obligations	848	—	848	2.26
Municipals	23,960	275	23,685	2.52
Corporate:				
Corporate Bonds	693,084	238,022	455,062	2.57
Asset Backed Securities	146,351	28,222	118,129	0.64
Private Placements	792,631	135,213	657,418	1.01
Investment Grade Bonds	170,631	—	170,631	1.72
Emerging Debt	51,663	—	51,663	2.48
Options - Fixed Income	(1,748)	(187)	(1,561)	5.89
Futures - Fixed Income	(24,645)	—	(24,645)	11.56
Swaps - Fixed Income	594	(360)	954	101.27
Total Fixed Income	2,159,403	481,510	1,677,893	
Mixed Credit Hedge Fund Allocation				
Mixed Credit Hedge Funds	9,706	—	9,706	0.01
Total Mixed Credit Hedge Funds	9,706	—	9,706	
Total Invested Assets	**$ 3,572,051**	**$ 490,709**	**$ 3,081,342**	
Total Portfolio Effective Duration (option adjusted duration)				**1.33**

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, 2022 were rated by Moody's and are presented below (expressed in thousands):

Investment Type	AAA	AA	A	BAA	BA	B	CAA	CA	C	NR[1]	TOTAL
Short Term Investments											
Short Term Investment Funds (U. S. Regulated)	$ 1,184,660	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 1,184,660
Repurchase Agreements	–	–	–	–	–	–	–	–	–	109,300	109,300
Invested Securities Lending Collateral	–	–	–	–	–	–	–	–	–	9,336	9,336
Commercial Paper	–	7,952	–	2,445	–	–	–	–	–	–	10,397
Certificates of Deposit	–	16,420	3,997	–	–	–	–	–	–	2,977	23,394
Municipals - 1 year or less	–	–	–	–	–	–	–	–	–	298	298
Private Placements - 1 year or less	–	–	–	–	–	–	–	–	–	1,554	1,554
Options - Cash Equivalents	–	–	–	–	–	–	–	–	–	(137)	(137)
Global Public Equity											
Preferred	–	–	–	15,989	2,693	–	–	–	–	1,549	20,231
Fixed Income Allocation[2]											
Mortgage Backed:											
Federal National Mortgage Association	12,948	–	–	–	–	–	–	–	–	–	12,948
Federal Home Loan Mortgage Association (Multiclass)	1,695	–	–	–	–	–	–	–	–	–	1,695
Collateralized Mortgage Obligations	848	–	–	–	–	–	–	–	–	–	848
Municipals	–	16,621	589	–	–	–	–	–	–	6,750	23,960
Corporate:											
Corporate Bonds	16,092	3,854	80,503	124,363	55,004	101,553	13,364	2,631	952	294,768	693,084
Asset Backed Securities	10,905	8,224	12,379	44,724	28,179	6,424	783	6,633	1,499	26,601	146,351
Private Placements	63,711	45,940	74,713	83,615	96,821	63,597	10,112	2,723	62	351,337	792,631
Investment Grade Bonds	–	–	–	–	–	–	–	–	–	170,631	170,631
Emerging Debt	–	–	–	–	–	–	–	–	–	51,663	51,663
Options - Fixed Income	–	–	–	–	–	–	–	–	–	(1,748)	(1,748)
Futures - Fixed Income	–	–	–	–	–	–	–	–	–	(24,645)	(24,645)
Swaps - Fixed Income	–	–	–	–	–	–	–	–	–	594	594
Totals	**$ 1,290,859**	**$ 99,011**	**$ 172,181**	**$ 271,136**	**$ 182,697**	**$ 171,574**	**$ 24,259**	**$ 11,987**	**$ 2,513**	**$ 1,000,828**	**$ 3,227,045**

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

[2]*U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of $227.5 million 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 Systems' 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, 2022, there is no single issuer exposure within the portfolio that comprises 5.0% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

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

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2022 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Debt	Preferred Infrastructure	Fixed Income	Equity	Total
Australian Dollar	$ (522)	$ (33,357)	$ —	$ 27,743	$ —	$ 27,777	$ 1,203	$ 11,098	$ 33,942
Brazil Real	—	—	—	—	—	—	(169)	—	(169)
Canadian Dollar	(276)	(4,512)	—	—	—	—	4,205	38,022	37,439
Chilean Peso	—	13	—	—	—	—	—	—	13
Chinese Yuan Renminbi	—	(8,869)	—	—	—	—	—	—	(8,869)
Danish Krone	22	—	—	—	—	—	—	3,211	3,233
Euro Currency	1,622	(174,510)	(348)	277,280	8,580	126,872	154,794	31,043	425,333
Hong Kong Dollar	434	—	—	—	—	—	—	11,297	11,731
Israeli Shekel	9,905	(10,114)	—	—	—	—	—	—	(209)
Japanese Yen	(383)	(555)	19	—	—	—	1,219	4,804	5,104
Mexican Peso	320	—	—	—	—	—	—	—	320
New Zealand Dollar	56	(1,124)	—	—	—	—	—	—	(1,068)
Norwegian Krone	1	172	—	—	—	—	—	—	173
Peruvian Sol	—	(3,130)	—	—	—	—	2,570	—	(560)
Pound Sterling	(2,919)	(71,170)	—	33,559	8,501	—	28,398	12,287	8,656
South African Rand	1	—	—	—	—	—	—	—	1
Swiss Franc	11	—	—	—	—	—	—	—	11
Totals	**$ 8,272**	**$ (307,156)**	**$ (329)**	**$ 338,582**	**$ 17,081**	**$ 154,649**	**$ 192,220**	**$ 111,762**	**$ 515,081**

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 $33.5 million and $40.5 million, respectively, were held in trust by the clearing brokers on June 30, 2022. 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 RSIC are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. Derivatives are utilized for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the RSIC 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, 2022 (amounts in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net depreciation	$ (77,165)
Forward Contracts	Net depreciation	(3,737)
Swaps	Net depreciation	(93,024)
Options	Net depreciation	(655)

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ 7,326	$ —	$ (137)	$ —
Fixed Income	—	(24,645)	(1,748)	594
Global Public Equity	—	—	1,061	(77,452)
Totals	**$ 7,326**	**$ (24,645)**	**$ (824)**	**$ (76,858)**

At June 30, 2022, 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 2022	Short	(146)	$ (22,709)	$ 498
EURO-BUXL 30Y BND FUTURE (EUX)	September 2022	Short	(6)	(1,026)	44
EURO-BTP FUTURE (EUX)	September 2022	Short	(110)	(14,159)	(815)
EURO-OAT FUTURE (EUX)	September 2022	Short	(28)	(4,055)	(75)
JPN 10Y BOND FUTURE (OSE)	September 2022	Short	(5)	(5,469)	18
US 10YR ULTRA FUTURE (CBT)	September 2022	Long	69	8,789	(139)
US LONG BOND FUTURE (CBT)	September 2022	Long	5,004	693,679	(6,632)
US 10YR NOTE FUTURE (CBT)	September 2022	Long	575	68,155	(294)
US 10YR NOTE FUTURE (CBT)	September 2022	Long	5,513	653,463	(4,390)
US 5YR NOTE FUTURE (CBT)	September 2022	Long	450	50,513	48
US 5YR NOTE FUTURE (CBT)	September 2022	Long	6,820	765,545	(3,964)
US ULTRA BOND (CBT)	September 2022	Long	36	5,556	(58)
US ULTRA BOND (CBT)	September 2022	Long	5,532	853,830	(8,886)
Totals				**$ 3,052,112**	**$ (24,645)**

**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, 2022, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Banco Santander SA/New York	$ 40,906	$ (880)	8.91%
Bank of America NA	14,283	(182)	3.11%
Bank of New York Mellon/ London	146,027	2,729	31.81%
Barclays Bank PLC	26,675	(32)	5.81%
BNP Paribas Securities Corporation	6,259	13	1.36%
Citibank NA	15,295	171	3.33%
Credit Agricole SA	2,564	(45)	0.56%
Deutsche Bank AG/London	34,153	411	7.44%
Goldman Sachs Bank USA/New York NY	3,399	25	0.74%
Goldman Sachs International	11,990	455	2.61%
HSBC Bank PLC	18,563	95	4.04%
HSBC Bank PLC London	4,641	(56)	1.01%
HSBC Bank USA NA/New York NY	28,554	1,434	6.22%
JPMorgan Chase Bank NA	73,598	1,853	16.03%
Morgan Stanley & Co International PLC	554	(7)	0.12%
Morgan Stanley Capital Services LLC	1,991	54	0.43%
NatWest Markets PLC	1,366	(6)	0.30%
Royal Bank of Canada	15,517	1,028	3.38%
Standard Chartered Bank	4,897	3	1.07%
State Street Corp	150	—	0.03%
USB AG/Stamford CT	7,751	263	1.69%
Totals	**$ 459,133**	**$ 7,326**	**100.00%**

Swaps

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

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

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

The table below reflects the counterparty credit ratings at June 30, 2022, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aa2	5,835	(44,912)	(70)	(39,147)
Aa3	449	(87)	(316)	46
A1	1,517	(32,832)	(1,508)	(32,823)
A2	(475)	—	(4)	(479)
A3	—	—	16	16
Total subject to credit risk	$ 7,326	$ (77,831)	$ (1,882)	$ (72,387)
Centrally cleared:				
Chicago Board Options Exchange	—	—	1,058	1,058
Chicago Mercantile Exchange	—	3,281	—	3,281
Intercontinental Exchange	—	(698)	—	(698)
LCH Ltd	—	(1,610)	—	(1,610)
Total not subject to credit risk	$ —	$ 973	$ 1,058	$ 2,031
Total	**$ 7,326**	**$ (76,858)**	**$ (824)**	**$ (70,356)**

At June 30, 2022, the Systems held swaps as shown in the tables below (amounts in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*	Gain (Loss) Since Trade
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	12/30/2022	$ 107,109	$ (1,792)	$ (12,801)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	9/30/2022	500,865	(8,372)	(60,146)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	3/31/2023	405,504	(6,675)	(20,784)
Barclays Bank PLC	Barclays Agg Proxy	Variable	Fixed	12/30/2022	445,660	(7,454)	(53,167)
JP Morgan Chase Bank NA	MSCI ACWI Proxy	Variable	Fixed	5/31/2023	521,822	(44,642)	(22,657)
Merrill Lynch International	MSCI ACWI Proxy	Variable	Fixed	6/30/2023	900,000	—	—
Societe Generale SA	Barclays Agg Proxy	Variable	Fixed	3/31/2023	230,893	(3,801)	(11,877)
Societe Generale SA	Barclays Agg Proxy	Variable	Fixed	9/30/2022	192,810	(3,223)	(23,153)
Societe Generale SA	Barclays Agg Proxy	Variable	Fixed	12/30/2022	89,257	(1,493)	(10,674)
					$ 3,393,920	**$ (77,452)**	**$ (215,259)**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America	Credit Default Swaps	Variable	Fixed	12/20/2026	$ 3,400	$ (270)
Citigroup Global Markets	Cleared Credit Default Swaps	Fixed	Variable	6/20/2027	34,600	16
Goldman Sachs International	Credit Default Swaps	Variable	Fixed	6/20/2024	1,700	(38)
Morgan Stanley Capital Services	Credit Default Swaps	Variable	Fixed	12/20/2026	1,100	(87)
					$ 40,800	**$ (379)**
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed	Variable	Various	$ 22,600	$ 2,593
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Variable	Fixed	Various	215,900	697
Chicago Mercantile Exchange	Cleared Zero Coupon Swaps	Variable	Fixed	Various	19,142	(169)
Chicago Mercantile Exchange	Cleared Zero Coupon Swaps	Fixed	Variable	3/11/2032	1,900	160
Intercontinentel Exchange Holdings	Cleared Credit Default Swaps	Variable	Fixed	Various	28,541	(787)
Intercontinentel Exchange Holdings	Cleared Credit Default Swaps	Fixed	Variable	6/20/2027	2,970	89
LCH Ltd	Cleared Interest Rate Swaps	Fixed	Variable	Various	78,244	4,373
LCH Ltd	Cleared Interest Rate Swaps	Variable	Fixed	Various	75,572	(5,983)
					$ 444,869	**$ 973**

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

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. As of June 30, 2022, the Systems had the following option positions (amounts in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Call Jul 22 005.555 ED 070822	BRL/USD SPOT OPTION 2022	July 2022	(6,060,000)	$ (4)
Put Jul 22 009.245 ED 071322	NOK/USD SPOT OPTION 2022	July 2022	(4,200,000)	(1)
Put Jul 22 009.390 ED 071422	NOK/USD SPOT OPTION 2022	July 2022	(2,400,000)	(1)
Call Aug 22 000.738 ED 081122	USD/AUD SPOT OPTION 2022	August 2022	(1,400,000)	(1)
Call Aug 22 005.720 ED 081222	BRL/USD SPOT OPTION 2022	August 2022	(600,000)	(3)
Call Aug 22 005.615 ED 080922	BRL/USD SPOT OPTION 2022	August 2022	(1,800,000)	(13)
Call Aug 22 005.2875 ED 082922	BRL/USD SPOT OPTION 2022	August 2022	(3,400,000)	(114)
Total Cash Equivalents				(137)
Put Jul 22 099.15625 ED 070722	COMMIT TO PUR FNMA (OTC)	July 2022	(1,475,000)	(9)
Put Jul 22 099.14062 07/07/22	COMMIT TO PUR FNMA (OTC)	July 2022	(825,000)	(5)
Put Jul 22 096.000 ED 070722	COMMITMENT TO PURCHASE (OTC)	July 2022	(2,700,000)	(6)
Put Aug 22 092.65625 ED 080422	COMMIT TO PUR FNMA (OTC)	August 2022	(5,500,000)	(35)
Put Aug 22 097.859 ED 080422	COMMITMENT TO PURCHASE (OTC)	August 2022	(2,200,000)	(9)
Put Aug 22 093.098 ED 080422	COMMITMENT TO PURCHASE (OTC)	August 2022	(4,900,000)	(41)
Put Aug 22 099.750 ED 080422	COMMITMENT TO PURCHASE OTC	August 2022	(3,000,000)	(11)
Put Aug 22 097.625 ED 080422	COMMIT TO PUR FNMA (OTC)	August 2022	(4,900,000)	(16)
Put Aug 22 097.69531 ED 080422	COMMIT TO PUR FNMA (OTC)	August 2022	(4,100,000)	(15)
Put Aug 22 098.34375 ED 080422	COMMIT TO PUR FNMA (OTC)	August 2022	(2,100,000)	(13)
Put Aug 22 099.773 ED 080422	COMMITMENT TO PURCHASE FNMA SI	August 2022	(5,500,000)	(20)
Put Aug 22 099.828 ED 080422	COMMITMENT TO PURCHASE FNMA SI	August 2022	(2,700,000)	(10)
Put Aug 22 002.851 ED 080422	CCP OIS R SOFR P 2.851% LCH	August 2022	1,500,000	16
Put Sep 22 099.15625 ED 090722	COMMIT TO PUR FNMA (OTC)	September 2022	(1,400,000)	(6)
Put Sep 22 098.51562 ED 090722	COMMIT TO PUR FNMA (OTC)	September 2022	(2,000,000)	(6)
Put Sep 22 097.750 ED 090722	COMMITMENT TO PURCHASE FNMA SI	September 2022	(2,700,000)	(4)
Call Sep 22 091.35937 ED 090722	COMMIT TO PUR FNMA SF MTG OTC	September 2022	(2,700,000)	(16)
Put Nov 23 003.750 ED 111723	CCP OIS R SOFR P 3.75000%	November 2023	(41,000,000)	(149)
Call Nov 23 002.250 ED 111723	CCP OIS R SOFR P 2.25000%	November 2023	(41,000,000)	(149)
Put Dec 23 003.750 ED 120723	CCP OIS R SOFT P 3.75%	December 2023	(5,700,000)	(18)
Call Dec 23 002.250 ED 120723	CCP OIS R SOFR P 2.25%	December 2023	(5,700,000)	(18)
Put Apr 24 002.688 ED 040224	CCP IRS R SOFR P 2.68750%	April 2024	(34,500,000)	(272)
Put Apr 24 002.690 ED 040224	CCP IRS R SOFR P 2.69000%	April 2024	(5,400,000)	(42)
Put Apr 24 002.697 ED 040224	CCP IRS R SOFR P 2.69700%	April 2024	(5,700,000)	(45)
Call Apr 24 002.688 ED 040224	CCP IRS R SOFR P 2.68750%	April 2024	(34,500,000)	(234)
Call Apr 24 002.690 ED 040224	CCP IRS R SOFR P 2.69000%	April 2024	(5,400,000)	(42)
Call Apr 24 002.697 ED 040224	CCP IRS R SOFR P 2.69700%	April 2024	(5,700,000)	(39)
Put Apr 24 002.781 ED 040524	CCP OIS R SOFR P 2.781%	April 2024	(34,600,000)	(267)
Call Apr 24 002.781 ED 040524	CCP OIS R SOFR P 2.781%	April 2024	(34,600,000)	(267)
Total Fixed Income				(1,748)
Call Jul 22 000.395 ED 072922	2Y-10 CMS CAP	July 2022	968,000	1
Call Jul 22 000.395 ED 072922	2Y-10 CMS CAP	July 2022	1,046,000	2
Put Apr 23 4000.000 ED 042123	S&P 500 INDEX SPX	April 2023	26	1,058
Total Equity				1,061
Total				**$ (824)**

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 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 deal flow, 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 RSIC'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 RSIC, 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, 2022, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

Limited Partnerships USD	Total Commitment	Amount Funded To Date	Remaining Unfunded Commitment
Private Equity	$ 8,174,666	$ 5,401,769	$ 2,772,897
Private Debt	6,766,949	4,396,050	2,370,899
Private Real Estate	4,865,392	3,958,987	906,405
Private Infrastructure	950,000	802,684	147,316
Totals	$ 20,757,007	$ 14,559,490	$ 6,197,517
Limited Partnerships EUR			
Private Equity	€ 533,580	€ 267,170	€ 266,410
Private Debt	8,000	8,000	—
Private Infrastructure	125,000	125,000	—
Totals	€ 666,580	€ 400,170	€ 266,410
Limited Partnerships AUD			
Private Equity	$ 100,000	$ 61,252	$ 38,748
Private Infrastructure	40,000	40,000	—
Totals	$ 140,000	$ 101,252	$ 38,748
Limited Partnerships GBP			
Private Equity	£ 75,000	£ 7,038	£ 67,962
Private Debt	7,000	7,000	—
Private Infrastructure	22,000	22,000	—
Totals	£ 104,000	£ 36,038	£ 67,962

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 fair value of the required 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 fair 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 fair value of the assets by the cost of those assets.

The RSIC's policy requires that the maximum amount of securities that may be on loan is 65 percent of eligible securities. Conservative investment guidelines continue to be maintained within the Securities Lending Program. The reinvestment 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, 2022, 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 BNYM provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan.

Indemnification is also provided if the investment of cash collateral results in investment loss. 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, 2022, the fair value of securities on loan was $51.310 million. The fair value of the invested cash collateral was $9.340 million. Securities lending obligations were $53.530 million with an unrealized loss in invested cash collateral of $44.190 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 $44.190 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 $1.500 million, a decrease from $1.800 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, 2022, 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, 2022:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
Corporate bonds	$ 11,608	$ 2,147	$ 14	$ 73	$ 12	$ 13,854
Global Public Equity	31,380	5,803	39	197	33	37,452
Total securities lent for cash collateral	**$ 42,988**	**$ 7,950**	**$ 53**	**$ 270**	**$ 45**	**$ 51,306**
Securities lent for non-cash collateral:						
U.S Government Securities	$ 34,242	$ 6,333	$ 43	$ 214	$ 36	$ 40,868
Global Public Equity	199,965	36,981	248	1,253	210	238,657
Total securities lent for non-cash collateral	**$ 234,207**	**$ 43,314**	**$ 291**	**$ 1,467**	**$ 246**	**$ 279,525**
Cash collateral invested as follows:						
Repurchase agreements	$ 7,822	$ 1,447	$ 10	$ 49	$ 8	$ 9,336
Total cash collateral invested	**$ 7,822**	**$ 1,447**	**$ 10**	**$ 49**	**$ 8**	**$ 9,336**
Securities received as collateral:						
U.S. Government securities	$ 20,410	$ 3,774	$ 25	$ 128	$ 22	$ 24,359
Global Public Equity	168,030	31,075	209	1,052	177	200,543
Global Fixed Income	67,308	12,448	84	422	70	80,332
Total securities received as collateral	**$ 255,748**	**$ 47,297**	**$ 318**	**$ 1,602**	**$ 269**	**$ 305,234**

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, 2022, 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, 2022 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. agencies	$ 915,004	$ 892,827	$ 22,177
Collateralized mortgage-backed obligations	22,860	—	22,860
Repurchase agreements	84,982	—	84,982
Corporate bonds	336,049	—	336,049
Financial paper	201,063	—	201,063
Total Investments at Fair Value	$ 1,559,958	$ 892,827	$ 667,131

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, 2022, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

Investment Type	AAA / AA	A/A2/A3	BAA/BA	P-1/P-2	Not Rated
U.S. agencies	$ 915,004	$ —	$ —	$ —	$ —
Collateralized mortgage-backed obligations	22,860	—	—	—	—
Corporate Bonds	21,411	72,823	237,903	—	3,912
Repurchase Agreements	—	—	—	84,982	—
Financial Paper	—	133,659	67,404	—	—
Totals	**$ 959,275**	**$ 206,482**	**$ 305,307**	**$ 84,982**	**$ 3,912**

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, 2022, the maturities of the investments for the Trusts that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. agencies	915,004	37,551	593,217	257,471	26,765
Collateralized mortgage-backed obligations	22,860	—	1	7	22,852
Repurchase Agreements	84,982	84,982	—	—	—
Corporate bonds	336,049	22,082	166,613	141,025	6,329
Financial paper	201,063	8,085	117,314	68,021	7,643
Totals	**$ 1,559,958**	**$ 152,700**	**$ 877,145**	**$ 466,524**	**$ 63,589**

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% of the OPEB plan's fiduciary net position, except for United States Treasury and agency 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, 2022. 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, 2022:

	Amount
Securities lent for cash collateral:	
U.S. Government Securities	$ 29,726
Corporate Bonds	4,601
Total securities lent for cash collateral	**$ 34,327**
Cash collateral invested as follows:	
Repurchase agreements	$ 30,307
Corporate Bonds	4,710
Total for cash collateral invested	**$ 35,017**

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, 2022, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
Allowances related to	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Activities
Income taxes	$ 150,218	$ —	$ —	$ —	$ —	$ 150,218
Sales and other taxes	117,376	—	—	17	9,271	126,664
Patient accounts	3,424	379	—	—	—	3,803
Student accounts	—	—	—	—	—	—
Loans and notes receivable	—	25	—	—	—	25
Other	16,202	11,437	249	467	27	28,382
Total allowances for uncollectibles	**$ 287,220**	**$ 11,841**	**$ 249**	**$ 484**	**$ 9,298**	**$ 309,092**

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, 2022 were as follows:

	Business-type Activities (Enterprise Funds)	
Allowances related to	Unemployment Compensation Benefits	Second Injury
Assessments	$ 77,665	$ —
Other	230,161	883
Total allowances for uncollectibles	**$ 307,826**	**$ 883**

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2022, were as follows:

	Governmental Activities					
	Governmental Funds					
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Internal Service Funds	Total Governmental Activities
Accounts	$ 49,449	$ 59,975	$ 1,474	$ —	$ 60	$ 110,958
Patient accounts	1,401	2,709	—	—	—	4,110
Loans and notes	35,963	489	694,707	84	—	731,243
Leases	7,616	—	—	—	28	7,644
Accounts receivable—restricted	—	—	13,000	—	—	13,000
Total long-term receivables, net	**$ 94,429**	**$ 63,173**	**$ 709,181**	**$ 84**	**$ 88**	**$ 866,955**

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, 2022, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ 3,837	$ —	$ 3,837
Federal grants	48,367	2,727,923	2,776,290
Contributions	18,500	150,803	169,303
Departmental services	—	19,483	19,483
Total unearned revenues	$ 70,704	2,898,209	$ 2,968,913
Internal service funds		202,908	
Total governmental activities		$3,101,117	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2022, for the primary government was as follows:

	Beginning Balances June 30, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 2,287,816	$ 111,285	$ (1,165)	$ 2,397,936
Construction in progress	3,883,574	708,843	(430,265)	4,162,152
Works of art and historical treasures	2,572	—	—	2,572
Intangibles	58	—	(11)	47
Total capital assets not being depreciated	6,174,020	820,128	(431,441)	6,562,707
Capital assets being depreciated:				
Land improvements	121,723	882	(187)	122,418
Infrastructure (road and bridge network)	16,196,265	389,901	(4,138)	16,582,028
Buildings and improvements	2,303,503	18,371	(13,842)	2,308,032
Vehicles	962,319	80,890	(38,132)	1,005,077
Machinery and equipment	734,051	55,749	(33,244)	756,556
Works of art and historical treasures	1,507	—	—	1,507
Intangibles	367,568	721	(26,996)	341,293
Total capital assets being depreciated	20,686,936	546,514	(116,539)	21,116,911
Less accumulated depreciation for:				
Land improvements	(72,934)	(2,645)	36	(75,543)
Infrastructure (road and bridge network)	(4,705,316)	(233,006)	2,782	(4,935,540)
Buildings and improvements	(1,340,529)	(58,666)	5,737	(1,393,458)
Vehicles	(692,552)	(66,166)	34,964	(723,754)
Machinery and equipment	(506,828)	(58,357)	28,128	(537,057)
Works of art and historical treasures	(783)	(60)	—	(843)
Intangibles	(224,819)	(55,185)	14,405	(265,599)
Total accumulated depreciation	(7,543,761)	(474,085)	86,052	(7,931,794)
Total capital assets being depreciated, net	13,143,175	72,429	(30,487)	13,185,117
Capital assets for governmental activities, net	**$ 19,317,195**	**$ 892,557**	**$ (461,928)**	**$ 19,747,824**

During the fiscal year ended June 30, 2022, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 24,139	$ 16,758	$ 40,897
Education	44,322	—	44,322
Health and environment	13,330	—	13,330
Social services	54,374	—	54,374
Administration of justice	30,475	521	30,996
Resources and economic development	33,737	—	33,737
Transportation	256,429	—	256,429
Total depreciation expense, governmental activities	**$ 456,806**	**$ 17,279**	**$ 474,085**

Leased asset activity (expressed in thousands) for the fiscal year ended June 30, 2022, for the primary government was as follows:

	Beginning Balances June 30, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets not being amortized:				
Land and improvements	$ 2,559	$ 43	$ —	$ 2,602
Total leased assets not being amortized	2,559	43	—	2,602
Leased assets being amortized:				
Land improvements	2	—	—	2
Buildings and improvements	106,605	30,245	(1,294)	135,556
Machinery and equipment	13,282	1,919	(4)	15,197
Total leased assets being depreciated	119,889	32,164	(1,298)	150,755
Less accumulated amortization for:				
Land improvements	—	(1)	—	(1)
Buildings and improvements	—	(26,066)	320	(25,746)
Machinery and equipment	(2,453)	(2,759)	21	(5,191)
Total accumulated amortization	(2,453)	(28,826)	341	(30,938)
Total leased assets being amortized, net	117,436	3,338	(957)	119,817
Leased assets for governmental activities, net	**$ 119,995**	**$ 3,381**	**$ (957)**	**$ 122,419**

During the fiscal year ended June 30, 2022, amortization expense for leased assets was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 10,581	$ 2,459	$ 13,040
Education	3,117	—	3,117
Health and environment	6,924	—	6,924
Social services	2,564	—	2,564
Administration of justice	2,423	—	2,423
Resources and economic development	758	—	758
Total amortization expense, governmental activities	**$ 26,367**	**$ 2,459**	**$ 28,826**

Changes in business-type activities capital assets for the fiscal year ended June 30, 2022 are as follows (expressed in thousands):

	Beginning Balances June 30, 2021	Increases	Decreases	Ending Balances June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 185,461	$ 2,748	$ (6,589)	$ 181,620
Construction in progress	114,082	5,132	(1,852)	117,362
Total capital assets not being depreciated	299,543	7,880	(8,441)	298,982
Capital assets being depreciated:				
Land improvements	7,031	3	—	7,034
Buildings and improvements	20,639	214	(4,161)	16,692
Vehicles	1,787	—	(46)	1,741
Machinery and equipment	11,437	610	(178)	11,869
Total capital assets being depreciated	40,894	827	(4,385)	37,336
Less accumulated depreciation for:				
Land improvements	(1,308)	(286)	—	(1,594)
Buildings and improvements	(6,412)	(568)	812	(6,168)
Vehicles	(1,154)	(136)	46	(1,244)
Machinery and equipment	(7,470)	(851)	122	(8,199)
Total accumulated depreciation	(16,344)	(1,841)	980	(17,205)
Total capital assets being depreciated, net	24,550	(1,014)	(3,405)	20,131
Capital assets for business-type activities, net	**$ 324,093**	**$ 6,866**	**$ (11,846)**	**$ 319,113**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $1.697 million with accumulated depreciation of $5.121 million. Depreciation expense for fiscal year 2022 was $177 thousand. There were dispositions of $623 thousand for equipment during the year.

At June 30, 2022, the primary government had outstanding construction commitments totaling $86.906 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $61.390 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 $19.043 million at June 30, 2022, 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 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, 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)

AFC is based on the highest 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)

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 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 five 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)

AFC is based on the highest 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 eight 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 General Assembly. However, persons elected to the General Assembly in November 2012 or after must elect membership in SCRS, the State Optional Retirement Program (State ORP), or may elect non-membership. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

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

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

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

The retirement benefit is 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 National Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays National 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 National Guard members receive from the federal government. Members who retire at age sixty with 20 years of military service, including at least 15 years of South Carolina National Guard duty, 10 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 20 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, or SCNG without a legislative change in the South Carolina 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, 2022:

	SCRS	PORS	GARS	JSRS	SCNG
Active Contributing Members	199,162	26,555	73	160	12,146
Retirees and Beneficiaries Currently Receiving Benefits	148,008	20,181	341	229	5,027
Terminated Members Entitled to But Not Yet Receiving Benefits	207,341	20,589	37	5	1,635
Total Membership	554,511	67,325	451	394	18,808

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 SCRS, PORS, GARS, JSRS, and 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; 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, 2022, were as follows:

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

Actuarially-determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2022, were as follows:

Plan	Rate
SCRS	16.56%
PORS	19.24%
JSRS	62.94%

Contributions to SCRS, PORS, and JSRS from the State were $227.385 million, $73.378 million, and $19.577 million, respectively, for the year ended June 30, 2022. The GARS employer contribution of $6.279 million was actuarily determined and included incidental death benefits. The State contributed $5.290 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2022. 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, 2022, the State reported $2.699 billion and $683.623 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, 2020 actuarial valuations, using membership data as of July 1, 2020, projected forward to June 30, 2021, and financial information of the pension trust funds as of June 30, 2021, 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, 2021, the State's SCRS proportion was 12.47%, which was a decrease of 0.07% from its proportion measured as of June 30, 2020. The State's PORS proportion of the net pension liability at June 30, 2021 was 26.57%, which was a decrease of 0.89% from its proportion measured as of June 30, 2020.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2020, using membership data as of July 1, 2020, projected forward to June 30, 2021, and financial information of the pension trust funds as of June 30, 2021, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2022, the State recognized pension expenses of $197.107 million for SCRS, $74.789 million for PORS, $44.647 million for JSRS, $3.524 million for GARS, and $2.494 million for SCNG, making the State's total pension expense $322.561 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 $12.299 billion (or 56.83% of the total net SCRS pension liability) at June 30, 2022, with related pension expenses of approximately $898.084 million for the year ended June 30, 2022. Likewise, the State's effective share of the PORS net pension liability was approximately $698.050 million at June 30, 2022 (or 27.13% of the total net PORS pension liability), with related pension expenses of approximately $76.367 million for the year ended June 30, 2022. 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, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

	SCRS	PORS	JSRS	GARS	SCNG	Total
Deferred Outflows of Resources						
State Contributions Subsequent to the Measurement Date…………………..….	$ 227,385	$ 73,378	$ 19,577	$ 6,279	$ 5,290	$ 331,909
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………...	66,522	5,591	—	—	—	72,113
Differences Between Expected and Actual Experience………………………	45,981	23,256	24,463	—	216	93,916
Changes in Assumptions……………...	147,750	48,759	12,749	—	3,136	212,394
Total…………………………………...	$ 487,638	$ 150,984	$ 56,789	$ 6,279	$ 8,642	$ 710,332
Deferred Inflows of Resources						
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions…………………………...	$ 113,560	$ 42,470	$ —	$ —	$ —	$ 156,030
Net differences Between Projected and Actual Earnings on Pension Plan Investments…………………………….	392,110	153,265	19,128	3,598	2,825	570,926
Differences Between Expected and Actual Experience………………………	3,642	2,129	—	—	3,953	9,724
Total…………………………………...	$ 509,312	$ 197,864	$ 19,128	$ 3,598	$ 6,778	$ 736,680

$331.909 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, 2023. Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions (expressed in thousands) will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	JSRS	GARS	SCNG	Total
2023	$ (17,784)	$ (11,633)	$ 22,608	$ (715)	$ (579)	$ (8,103)
2024	(8,551)	(11,055)	2,720	(695)	(450)	(18,031)
2025	(41,840)	(19,368)	(107)	(797)	(450)	(62,562)
2026	(180,884)	(78,202)	(7,137)	(1,391)	(522)	(268,136)
2027	—	—	—	—	(947)	(947)
Thereafter	—	—	—	—	(478)	(478)
	$ (249,059)	$ (120,258)	$ 18,084	$ (3,598)	$ (3,426)	$ (358,257)

The total pension liabilities in the July 1, 2020 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 Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:					
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%	7.00%
Projected Salary Increases	3.0% to 11.0% (Varies by Service)	3.5% to 10.5% (Varies by Service)	None	2.70%	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	3.00%	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, 2020.

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, 2021 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety, Firefighters and Members of the South Carolina National Guard	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market outlook. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% 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	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure (Private)	3.0%	5.08%	0.15%
Total Expected Real Return	**100.0%**		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			**7.43%**

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)

	JSRS	GARS	SCNG
Total Pension Liability			
Service Cost	$ 8,718	$ 364	$ 696
Interest	29,199	4,937	4,754
Difference Between Actual and Expected Experience	4,000	379	(960)
Assumption Changes	17,439	1,386	971
Benefit Payments	(25,941)	(6,315)	(4,574)
Net Change in Total Pension Liability	33,415	751	887
Total Pension Liability at June 30, 2021	411,367	71,074	67,501
Total Pension Liability at June 30, 2022 (a)	$ 444,782	$ 71,825	$ 68,388
Plan Fiduciary Net Position			
Contributions - Employer	$ 19,100	$ 5,956	$ 5,290
Contributions - Nonemployer	2,900	—	—
Contributions - Member	3,587	184	—
Refunds of Contributions to Members	—	(77)	—
Retirement Benefits	(25,746)	(6,222)	(4,574)
Death Benefits	(195)	(16)	—
Net Investment Income (Loss)	47,659	9,444	7,996
Administrative Expense	(109)	(23)	(20)
Other	237	(45)	—
Net Change in Plan Fiduciary Net Position	47,433	9,201	8,692
Plan Fiduciary Net Position at June 30, 2021	165,250	34,454	31,092
Plan Fiduciary Net Position at June 30, 2022 (b)	$ 212,683	$ 43,655	$ 39,784
Net Pension Liability at June 30, 2022 (a) - (b)	$ 232,099	$ 28,170	$ 28,604

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 7.00%, 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 (6.00%) or 1.00% higher (8.00%) than the current rate.

Plan	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SCRS	$ 3,535,754	$ 2,699,303	$ 2,004,044
PORS	991,850	683,623	431,138
JSRS	282,713	232,099	189,557
GARS	34,454	28,170	22,753
SCNG	37,176	28,604	21,586

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2022, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 305,290	$ 34,727	$ —	$ 1,080	$ 4	$ 341,101
Accrued interest	18,760	3,459	26	123	25	22,393
Unsettled investment sales	234,427	43,354	291	1,468	247	279,787
Total receivables	**$ 558,477**	**$ 81,540**	**$ 317**	**$ 2,671**	**$ 276**	**$ 643,281**
Due from other funds	**$ —**	**$ 1,103**	**$ —**	**$ 27**	**$ —**	**$ 1,130**
Investments and invested securities lending collateral:						
Short-term securities and opportunistic	$ 62,513	$ 11,560	$ 77	$ 392	$ 66	$ 74,608
Fixed income	1,809,306	334,608	2,250	11,334	1,905	2,159,403
Equity-international	12,744,967	2,357,015	15,846	79,835	13,417	15,211,080
Alternatives	16,307,066	3,015,778	20,275	102,149	17,167	19,462,435
Invested securities lending collateral	7,822	1,447	10	49	8	9,336
Total investments	**$ 30,931,674**	**$ 5,720,408**	**$ 38,458**	**$ 193,759**	**$ 32,563**	**$ 36,916,862**

f. Deferred Retirement Option Plans

A deferred retirement option program exists 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 JSRS 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, 2022, $205 thousand was in the JSRS trust fund.

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 ORP. 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 (11.41%) and a death benefit contribution (0.15%), which is retained by the SCRS. The activity for the State ORP for the year ended June 30, 2022 is as follows (expressed in thousands):

Covered payroll	$ 1,903,664
Employee contributions to providers	171,330
Employer contributions to providers	95,183

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

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

b. Funding Policies

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

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the Executive Budget, 6.25% of annual covered payroll for fiscal year 2022. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $558.629 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2022. 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, 2022.

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). 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, 2022, the State reported a liability of $4.178 billion for its proportionate share of the SCRHITF net OPEB liability and reported a liability of $562 thousand for its proportionate share of the LTDITF net OPEB liability. The net OPEB liabilities were measured as of June 30, 2021, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2020. At June 30, 2022, the State's proportion of the SCRHITF net OPEB liability was 20.07% and the State's proportion of the LTDITF net OPEB liability was 17.68%, based on its statutory contribution requirements. These proportions decreased by 0.24% and by 0.23%, respectively, from the prior year.

As with SCRS and PORS, the State is responsible for contributing the OPEB employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRHITF and LTDITF, but remitted instead to each school district and technical college for their contribution payments, GASB 75 requires that the school districts and technical colleges recognize the portions of the SCRHITF and LTDITF net OPEB liabilities that relate to their respective employees. As the State is actually responsible for these net OPEB liabilities, the State's effective share of the SCRHITF net OPEB liability was approximately $15.779 billion (or 75.77% of the total net SCRHITF OPEB liability) at June 30, 2022, with related OPEB expenses of approximately $1.323 billion for the year ended June 30, 2022. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately $2.059 million at June 30, 2022 (or 64.79% of the total net LTDITF OPEB liability), with related OPEB expenses of approximately $5.545 million for the year ended June 30, 2022. 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 $336.908 million for SCRHITF and $1.511 million for LTDITF, for a total OPEB expense of $338.419 million for the year ended June 30, 2022. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to SCRHITF and LTDITF (expressed in thousands):

	SCRHITF	LTDITF	Total
Deferred Outflows of Resources			
State Contributions Subsequent to the Measurement Date………………...….	$ 118,415	$ 1,265	$ 119,680
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions………………………...	105,440	10	105,450
Differences Between Expected and Actual Experience……………………….	84,558	—	84,558
Changes in Assumptions……………...	849,485	464	849,949
Total…………………………………...	$ 1,157,898	$ 1,739	$ 1,159,637
Deferred Inflows of Resources			
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions………………………...	$ 200,892	$ 76	$ 200,968
Net differences Between Projected and Actual Earnings on OPEB Plan Investments…………………………..	1,129	172	1,301
Differences Between Expected and Actual Experience……………………….	107,098	414	107,512
Changes in Assumptions……………...	100,610	23	100,633
Total…………………………………...	$ 409,729	$ 685	$ 410,414

$119.680 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, 2023. 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):

Year Ended June 30,	SCRHITF	LTDITF
2023	$ 94,159	$ (32)
2024	92,289	(31)
2025	124,732	(42)
2026	137,113	(46)
2027	122,912	(41)
Thereafter	58,549	(19)
	$ 629,754	$ (211)

The total OPEB liabilities in the June 30, 2020 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 6.00% and gradually decreasing to an ultimate rate of 4.00% over 15 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, 2020.

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:

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%	0.60%	0.48%
Cash	20.0%	0.35%	0.07%
Total	**100.0%**		0.55%
Expected Inflation			2.25%
Total Return			**2.80%**
Investment Return Assumption			**2.75%**

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%	0.35%	0.07%
Total	**100.0%**		0.83%
Expected Inflation			2.25%
Total Return			**3.08%**
Investment Return Assumption			**3.00%**

The Single Discount Rate used to measure the total SCRHITF liability is 1.92% (updated from 2.45% in the 2021 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 1.92% (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 2.48% (updated from 2.83% in the 2021 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 1.92% (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 2.48%. 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 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, 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 (0.92% for SCRHITF and 1.48% for LTDITF) or 1.00% higher (2.92% for SCRHITF and 3.48% for LTDITF) than the current discount rates:

Plan	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
SCRHITF	$ 5,035,788	$ 4,178,384	$ 3,502,321

Plan	1% Decrease (1.48%)	Current Discount Rate (2.48%)	1% Increase (3.48%)
LTDITF	$ 818	$ 562	$ 304

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 (5.00%) and one percent higher (7.00%):

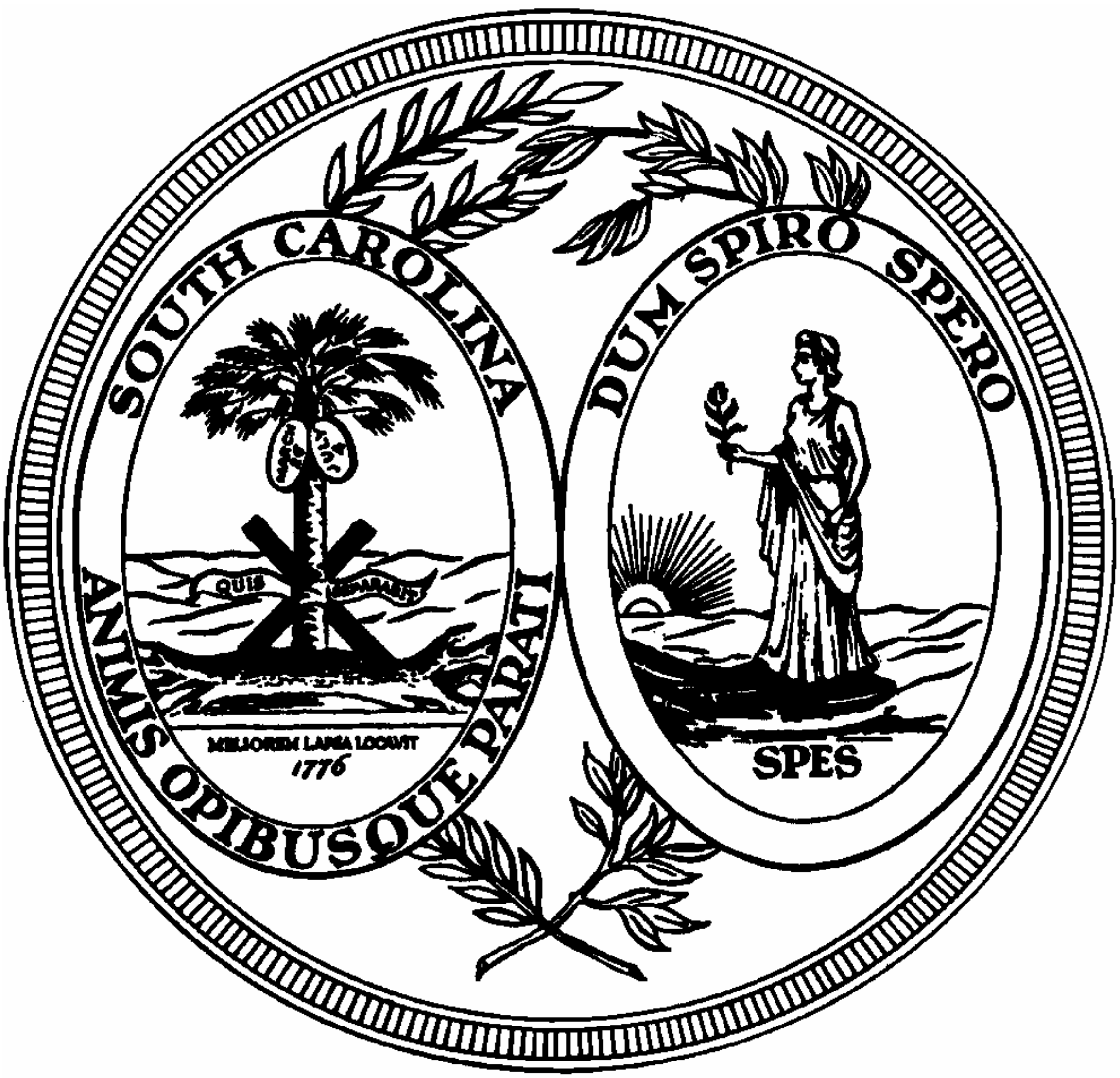
Plan	1% Decrease (5.00%)	Current Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
SCRHITF	$ 3,352,317	$ 4,178,384	$ 5,279,388

Complete financial statements for the OPEB plans and the trust funds may be obtained by contacting:
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, 2022, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 7,610**	**$ 236**	**$ 7,846**
Due from other funds	**$ 89,502**	**$ —**	**$ 89,502**
Investments and invested securities lending collateral:			
Domestic debt instruments	$ 1,244,940	$ 28,972	$ 1,273,912
Financial paper	196,159	4,905	201,064
Invested securities lending collateral	30,880	3,447	34,327
Total investments	**$ 1,471,979**	**$ 37,324**	**$ 1,509,303**


SOUTH CAROLINA
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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, 2022 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	$ —	$ —	$ —	$ —	$ —	$ 11,264
Deferred amount on refunding	28,445	—	28,445	—	28,445	140,465
Asset retirement obligation	—	—	—	—	—	672,804
Pensions:						
State contributions subsequent to the measurement date	325,176	4,443	329,619	2,290	331,909	408,911
Change in proportion and differences between employer contributions and proportionate share of plan contributions	69,088	2,414	71,502	611	72,113	179,048
Differences between expected and actual experience	92,367	951	93,318	598	93,916	80,521
Changes in assumptions	207,788	2,845	210,633	1,761	212,394	256,672
OPEB:						
State contributions subsequent to the measurement date	117,034	1,738	118,772	908	119,680	184,687
Change in proportion and differences between employer contributions and proportionate share of plan contributions	102,459	2,060	104,519	931	105,450	233,696
Net differences between projected and actual earnings on OPEB plan investments	—	—	—	—	—	5,125
Differences between expected and actual experience	82,544	1,247	83,791	767	84,558	121,916
Changes in assumptions	829,712	12,529	842,241	7,708	849,949	1,208,995
Total	$ 1,854,613	$ 28,227	$ 1,882,840	$ 15,574	$ 1,898,414	$ 3,504,104
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —	$ 118,208
Deferred gain on refunding	—	—	—	—	—	2,403
Deferred nuclear decommissioning costs	—	—	—	—	—	245,933
Deferred service concession arrangement receipts	—	—	—	—	—	120
Deferred nonexchange revenues	11,390	—	11,390	—	11,390	32
Toshiba Settlement	—	—	—	—	—	251,089
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	153,169	1,418	154,587	1,443	156,030	105,583
Net differences between projected and actual earnings on pension plan investments	558,362	7,742	566,104	4,822	570,926	683,751
Differences between expected and actual experience	9,598	77	9,675	49	9,724	6,774
Changes in Assumptions	—	—	—	—	—	3
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	196,650	2,552	199,202	1,766	200,968	159,705
Net differences between projected and actual earnings on OPEB plan investments	1,273	17	1,290	11	1,301	2,553
Differences between expected and actual experience	104,956	1,582	106,538	974	107,512	153,071
Changes in assumptions	98,236	1,484	99,720	913	100,633	141,553
Lease related	9,138	37	9,175	914	10,089	133,330
Total	$ 1,142,772	$ 14,909	$ 1,157,681	$ 10,892	$ 1,168,573	$ 2,004,108

Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2022 are as follows (expressed in thousands):

	Canteen	Palmetto Railways	Other Enterprise	Total
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date	$ 209	$ 442	$ 1,639	$ 2,290
Change in proportion and differences between employer contributions and proportionate share of plan contributions	49	177	385	611
Differences between expected and actual experience	48	173	377	598
Changes in assumptions	136	555	1,070	1,761
OPEB:				
State contributions subsequent to the measurement date	83	173	652	908
Change in proportion and differences between employer contributions and proportionate share of plan contributions	73	287	571	931
Differences between expected and actual experience	59	248	460	767
Changes in assumptions	589	2,494	4,625	7,708
Total	$ 1,246	$ 4,549	$ 9,779	$ 15,574
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ 109	$ 480	$ 854	$ 1,443
Net differences between projected and actual earnings on pension plan investments	378	1,474	2,970	4,822
Differences between expected and actual experience	4	14	31	49
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	140	530	1,096	1,766
Net differences between projected and actual earnings on OPEB plan investments	1	3	7	11
Differences between expected and actual experience	75	314	585	974
Changes in assumptions	70	295	548	913
Lease related	—	—	914	914
Total	$ 777	$ 3,110	$ 7,005	$ 10,892

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2022 are as follows (expressed in thousands):

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Deferred Outflows of Resources				
Pensions:				
State contributions subsequent to the measurement date	$ 359	$ 1,202	$ 502	$ 1,729
Change in proportion and differences between employer contributions and proportionate share of plan contributions	2	1,206	647	406
Differences between expected and actual experience	76	221	106	398
Changes in assumptions	243	710	339	1,128
OPEB:				
State contributions subsequent to the measurement date	137	458	196	688
Change in proportion and differences between employer contributions and proportionate share of plan contributions	37	—	1,194	602
Differences between expected and actual experience	110	317	152	485
Changes in assumptions	1,102	3,180	1,531	4,878
Total	$ 2,066	$ 7,294	$ 4,667	$ 10,314
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ 155	$ —	$ 22	$ 901
Net differences between projected and actual earnings on pension plan investments	644	1,884	901	3,133
Differences between expected and actual experience	6	18	8	33
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	247	382	331	1,156
Net differences between projected and actual earnings on OPEB plan investments	1	4	2	7
Differences between expected and actual experience	139	401	193	617
Changes in assumptions	131	377	181	578
Lease related	—	—	—	—
Total	$ 1,323	$ 3,066	$ 1,638	$ 6,425

Motor Pool	Prison Industries	Other Internal Service	Total
$ 157	$ 494	$ —	$ 4,443
37	116	—	2,414
36	114	—	951
102	323	—	2,845
62	197	—	1,738
55	172	—	2,060
44	139	—	1,247
443	1,395	—	12,529
$ 936	$ 2,950	$ —	$ 28,227
$ 82	$ 258	$ —	$ 1,418
285	895	—	7,742
3	9	—	77
105	331	—	2,552
1	2	—	17
56	176	—	1,582
52	165	—	1,484
—	—	37	37
$ 584	$ 1,836	$ 37	$ 14,909

Details of all discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2022 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	$ 11,264	$ —	$ —	$ —	$ —	$ —
Deferred amount on refunding	86,398	19,657	4,938	3,232	24,652	—
Asset retirement obligation	672,804	—	—	—	—	—
Pensions:						
State contributions subsequent to the measurement date	10,919	145,310	78,889	56,309	14,101	1,404
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1,204	147,369	1,770	10,864	8,179	—
Differences between expected and actual experience	4,799	25,808	15,902	11,168	2,044	231
Changes in assumptions	15,307	82,517	50,612	35,524	6,559	742
OPEB:						
State contributions subsequent to the measurement date	11,264	62,594	37,061	26,565	2,120	530
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	197,414	7,754	16,354	—	32
Net differences between projected and actual earnings on OPEB plan investments	2,242	—	—	—	2,484	—
Differences between expected and actual experience	6,751	40,382	25,642	17,971	—	332
Changes in assumptions	28,833	405,857	257,610	180,611	16,077	3,331
Total	$ 851,785	$ 1,126,908	$ 480,178	$ 358,598	$ 76,216	$ 6,602
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ 118,208	$ —	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—	2,403
Deferred nuclear decommissioning costs	245,933	—	—	—	—	—
Deferred service concession arrangement receipts	—	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—	—
Toshiba Settlement	251,089	—	—	—	—	—
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	12,586	4,152	19,432	870	8	390
Net differences between projected and actual earnings on pension plan investments	41,402	219,369	134,764	94,610	17,415	1,969
Differences between expected and actual experience	753	2,049	1,265	889	162	18
Changes in assumptions	3	—	—	—	—	—
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	9,934	41,400	5,331	—	774
Net differences between projected and actual earnings on OPEB plan investments	—	464	343	264	—	4
Differences between expected and actual experience	7,450	51,295	32,478	22,821	—	420
Changes in assumptions	1,938	48,057	30,510	21,386	2,119	395
Lease related	—	28,870	32,203	841	11,944	—
Total	$ 679,362	$ 364,190	$ 292,395	$ 147,012	$ 31,648	$ 6,373

Lottery Commission	Nonmajor Component Units	Total
$ —	$ —	$ 11,264
—	1,588	140,465
—	—	672,804
1,336	100,643	408,911
378	9,284	179,048
260	20,309	80,521
832	64,579	256,672
514	44,039	184,687
340	11,802	233,696
—	399	5,125
365	30,473	121,916
3,669	313,007	1,208,995
$ 7,694	$ 596,123	$ 3,504,104
$ —	$ —	$ 118,208
—	—	2,403
—	—	245,933
—	120	120
—	32	32
—	—	251,089
126	68,019	105,583
2,211	172,011	683,751
21	1,617	6,774
—	—	3
279	101,987	159,705
5	1,473	2,553
463	38,144	153,071
434	36,714	141,553
—	59,472	133,330
$ 3,539	$ 479,589	$ 2,004,108

Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2022 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	$ —	$ 168	$ 286	$ —	$ —	$ —
Pensions:						
State contributions subsequent to the measurement date	4,614	12,987	13,165	4,700	4,367	5,192
Change in proportion and differences between employer contributions and proportionate share of plan contributions	237	1,205	1,257	26	2,687	177
Differences between expected and actual experience	1,415	2,505	2,760	922	782	890
Changes in assumptions	4,484	7,912	8,749	2,936	2,468	2,825
OPEB:						
State contributions subsequent to the measurement date	3,188	6,090	6,422	2,042	1,870	1,436
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1,067	2,470	1,625	—	—	1,311
Net Differences between projected and actual earnings on OPEB plan investments	—	—	—	—	—	—
Differences between expected and actual experience	2,235	3,868	4,567	1,455	1,209	1,314
Changes in assumptions	22,462	38,880	45,903	14,624	15,680	13,208
Total	$ 39,702	$ 76,085	$ 84,734	$ 26,705	$ 29,063	$ 26,353
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	—	120	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—	—
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	2,815	16,395	8,826	2,212	18	1,591
Net differences between projected and actual earnings on pension plan investments	11,959	21,125	23,328	7,818	6,590	7,529
Differences between expected and actual experience	113	200	220	73	62	71
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3,194	23,248	13,492	3,327	5	1,042
Net differences between projected and actual earnings on OPEB plan investments	33	58	68	22	13	20
Differences between expected and actual experience	2,838	4,915	5,801	1,849	1,523	1,670
Changes in assumptions	2,660	4,604	5,435	1,732	1,472	1,564
Lease related	—	—	2,882	—	548	—
Total	$ 23,612	$ 70,665	$ 60,052	$ 17,033	$ 10,231	$ 13,487

Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College
$ 794	$ —	$ —	$ —
6,631	1,264	2,132	564
602	—	55	39
1,442	249	420	109
4,606	799	1,347	344
3,151	540	840	239
115	56	148	—
—	—	—	—
2,202	377	596	156
22,133	3,784	5,988	1,566
$ 41,676	$ 7,069	$ 11,526	$ 3,017
—	—	—	—
32	—	—	—
3,105	642	1,945	619
12,249	2,120	3,578	919
115	20	33	9
11,335	1,033	2,110	1,324
33	5	9	2
2,798	477	757	197
2,621	448	709	186
—	—	—	—
$ 32,288	$ 4,745	$ 9,141	$ 3,256

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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................	$ 214	$ —	$ —	$ —	$ 126	$ —
Pensions:						
State contributions subsequent to the measurement date....................	2,260	6,824	3,529	1,482	6,778	830
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	10	324	168	—	5	451
Differences between expected and actual experience........................	496	1,350	705	272	1,346	152
Changes in assumptions......................	1,594	4,300	2,262	873	4,298	487
OPEB:						
State contributions subsequent to the measurement date....................	982	2,821	1,526	599	2,671	347
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	—	138	427	—	—	755
Net Differences between projected and actual earnings on OPEB plan investments...............................	—	—	—	399	—	—
Differences between expected and actual experience........................	724	2,003	1,054	—	1,943	225
Changes in assumptions......................	7,272	20,127	10,589	4,050	19,523	2,257
Total...	$ 13,552	$ 37,887	$ 20,260	$ 7,675	$ 36,690	$ 5,504
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................	4,424	3,407	646	1,193	7,118	32
Net differences between projected and actual earnings on pension plan investments...............................	4,231	11,448	6,007	2,318	11,431	1,293
Differences between expected and actual experience........................	39	107	56	22	107	12
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	6,381	5,203	621	1,190	9,782	118
Net differences between projected and actual earnings on OPEB plan investments...............................	11	30	16	5	26	3
Differences between expected and actual experience........................	919	2,544	1,338	506	2,461	285
Changes in assumptions......................	861	2,383	1,254	515	2,312	267
Lease related..	12	8,373	—	—	—	—
Total...	$ 16,878	$ 33,495	$ 9,938	$ 5,749	$ 33,237	$ 2,010

Orangeburg-Calhoun Technical College	Piedmont Technical College	Spartanburg Community College	Tri-County Technical College	Trident Technical College
$ —	$ —	$ —	$ —	$ —
1,836	3,038	3,576	3,664	6,629
30	589	35	348	—
346	580	640	709	1,328
1,096	1,846	2,046	2,245	4,221
703	1,176	1,440	1,493	2,640
—	936	661	830	—
—	—	—	—	—
481	821	936	1,038	1,918
4,828	8,244	9,411	10,436	19,271
$ 9,320	$ 17,230	$ 18,745	$ 20,763	$ 36,007
—	—	—	—	—
—	—	—	—	—
1,238	893	332	10	7,098
2,922	4,916	5,441	5,987	11,244
28	46	51	56	106
1,970	1,171	221	1	9,249
6	1,039	14	16	26
609	11	1,190	1,320	2,430
572	976	1,114	1,236	2,282
—	—	14	—	—
$ 7,345	$ 9,052	$ 8,377	$ 8,626	$ 32,435

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	Williamsburg Technical College	York Technical College	South Carolina Jobs-Economic Development Authority	South Carolina Research Authority	Patriot's Point Development Authority
Deferred Outflows of Resources					
Deferred amount on refunding................	$ —	$ —	$ —	$ —	$ —
Pensions:					
State contributions subsequent to the measurement date....................	582	2,747	46	—	545
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	91	99	48	—	38
Differences between expected and actual experience........................	115	548	10	—	111
Changes in assumptions.......................	365	1,742	33	—	357
OPEB:					
State contributions subsequent to the measurement date....................	234	1,102	17	—	220
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	224	83	86	—	90
Net Differences between projected and actual earnings on OPEB plan investments................................	—	—	—	—	—
Differences between expected and actual experience........................	158	879	14	—	158
Changes in assumptions.......................	1,592	8,026	144	—	1,587
Total...	$ 3,361	$ 15,226	$ 398	$ —	$ 3,106
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................	169	1,636	6	—	1,170
Net differences between projected and actual earnings on pension plan investments................................	971	4,639	88	—	948
Differences between expected and actual experience........................	9	44	1	—	9
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions................	189	2,460	10	—	1,282
Net differences between projected and actual earnings on OPEB plan investments................................	2	12	—	—	2
Differences between expected and actual experience........................	201	1,108	18	—	200
Changes in assumptions.......................	188	950	17	—	188
Lease related..	—	624	—	17,761	29,258
Total...	$ 1,729	$ 11,473	$ 140	$ 17,761	$ 33,057

South Carolina First Steps to School Readiness Board of Trustees	Total
$ —	$ 1,588
661	100,643
763	9,284
107	20,309
344	64,579
250	44,039
780	11,802
—	399
142	30,473
1,422	313,007
$ 4,469	$ 596,123
—	$ 120
—	32
479	68,019
912	172,011
8	1,617
2,029	101,987
2	1,473
179	38,144
168	36,714
—	59,472
$ 3,777	$ 479,589

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
2022	$ 333,664	$ 109,682	$ (112,116)	$ 331,230
2021	334,770	89,111	(90,217)	333,664

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, 2022 the IRF had no reinsurance recoverable receivables, but had expenses of $54.318 million in reinsurance premiums for the 2022 fiscal year.

b. Employee Insurance Programs Fund

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

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

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, use, 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
2022	$ 244,966	$ 3,266,758	$ (3,240,452)	$ 271,272
2021	191,987	3,130,466	(3,077,487)	244,966

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
2022	$ 223,419	$ 108,982	$ (50,695)	$ 281,706
2021	202,768	72,939	(52,288)	223,419

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, 2022 the Fund had a balance of $656 thousand in reinsurance recoverable receivables and had expenses of $3.051 million in reinsurance premiums for the 2022 fiscal year.

d. Uninsured Employers' Fund

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

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022	$ 28,680	$ 2,038	$ (4,871)	$ 25,847
2021	21,696	15,228	(8,244)	28,680

e. Second Injury Fund

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022	$ 180,158	$ -	$ (13,915)	$ 166,243
2021	195,116	756	(15,714)	180,158

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

a. Lease Receivables

The State leases buildings and equipment to third parties with various terms and interest rates. As of June 30, 2022, the State's governmental activities receivables for lease payments totaled $9.891 million and its business-type activities receivables for lease payments totaled $841 thousand. Governmental activities lease receivables are held primarily by the General Fund and the Departmental Program Services Fund and business-type lease receivables are held entirely within the State's Other Enterprise Fund. The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the governmental activities deferred inflow of resources was $9.175 million and the balance of the State's business-type activities deferred inflow of resources was $914 thousand.

The following are schedules of future minimum payments to be received by year and by type of asset leased to third parties by the State as of June 30, 2022 (expressed in thousands):

	Governmental Activities		Business-Type Activities	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 2,247	$ 305	$ 408	$ 4
2024	642	282	178	2
2025	621	260	179	1
2026	562	238	76	—
2027	565	218	—	—
2028-2032	2,944	779	—	—
2033-2037	2,001	243	—	—
2038-2039	309	10	—	—
Total lease receivable.......................................	**$ 9,891**	**$ 2,335**	**$ 841**	**$ 7**

	Governmental Activities		Business-Type Activities	
Asset Type	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Land	$ 1,563	$ 441	$ —	$ —
Land Improvements (Depreciable)	5	7	—	—
Buildings and Improvements	104	493	408	433
Equipment	575	6,703	—	—
	$ 2,247	**$ 7,644**	**$ 408**	**$ 433**

For the fiscal year ended June 30, 2022, the State's governmental activities recognized $3.119 million in lease revenue and $326 thousand in related interest income and the State's business-type activities recognized $544 thousand in lease revenue and $5 thousand in related interest income.

b. Lease Payable

The primary government routinely lease various land, facilities, and equipment instead of purchasing assets. These lease contracts, at times, included variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended, June 30, 2022, the State recognized expense for the lease variable payments related to index changes and payments based on performance of $4.227 million. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2022.

The following is a schedule by fiscal year of principal and interest payments due for lease payments as of June 30, 2022 (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2023	$ 30,417	$ 1,419
2024	22,484	1,021
2025	18,843	710
2026	14,467	486
2027	10,167	303
2028-2032	17,287	407
2033-2037	325	3
Total lease liabilities	**$ 113,990**	**$ 4,349**

Annual payments (not rounded to thousands) and interest rates on the leases are as follows:

Fiscal Year Ending June 30	Governmental Activities Annual Payment	Governmental Activities Interest Rate
Land	$ 1,174 - $ 600,000	0.53% - 10.42%
Buildings and Improvements	520 - 2,283,490	0.17% - 5.04%
Equipment	193 - 785,556	0.52% - 7.51%

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, 2022, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:		
State highway bonds, 5.00%, maturing serially through 2023	$	12,419
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028		21,245
State economic development bonds, 3.00% to 5.00%, maturing serially through 2029		126,833
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029		21,087
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025		12,385
Totals—primary government	**$**	**193,969**

At June 30, 2022, $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, 2022, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities			
Year Ending June 30	**Principal**		**Interest**	
2023	$	43,455	$	6,747
2024		54,990		4,768
2025		34,785		2,442
2026		7,985		1,050
2027		8,345		740
2028-2029		13,090		621
Total debt service requirements		**162,650**	**$**	**16,368**
Unamortized premiums		31,319		
Total principal outstanding	**$**	**193,969**		

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, 2022, was $111.650 million for highway bonds, $597.058 million for general obligation bonds excluding institution and highway bonds, $48.009 million for economic development bonds, and $47.437 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170.000 million 2010 issue, an $85.000 million 2013 issue, and an $18.110 million 2015 issue of economic development bonds and a $50.000 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

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

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2022, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.40% to 5.25%, maturing serially through 2041	$ 1,441,839	$ —
Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038	35,887	—
Department of Transportation note, 3.04%, maturing through 2032	—	3,744
Department of Administration notes, 1.71%, maturing through 2023	—	1,339
Department of Education notes, 0.72% to 0.87%, maturing through 2027	—	28,726
Judicial Department note, 0.89%, maturing through 2026	—	3,634
Department of Corrections notes, 2.62%, maturing through 2024	—	280
Department of Probation, Parole and Pardon note, 0.94% to 1.81%, maturing through 2026	—	2,672
Department of Public Safety note, 1.87%, maturing through 2030	—	7,042
Department of Social Services note, 1.71% to 2.94%, maturing through 2024	—	2,736
Department of Parks, Recreation and Tourism, 0.94% to 1.45%, maturing through 2026	—	1,646
InvestSC, Inc. notes, 7.25%, maturing through 2023	—	12,500
Totals—governmental activities	**1,477,726**	**64,319**
Business-Type Activities:		
Nonmajor enterprise fund bonds, 0.43%, maturing through 2038	$ 4,785	$ —
Palmetto Railways note, 4.28%, maturing through 2047	—	6,500
Totals—business-type activities	**4,785**	**6,500**
Totals—primary government	**$ 1,482,511**	**$ 70,819**

Pledged Revenues for Payment of Debt

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

Primary Government:

Governmental Activities:

	Infrastructure Bank Bonds
Specific revenue pledged	Truck and vehicle registration fees; One-cent motor fuel user fee; contributions receivable and intergovernmental loans
Approximate amount of pledge	$146.359 million
General purpose for the debt	Provide financial assistance for major transportation projects for DOT
Term of commitment	FY 2041
% of revenue stream pledged	130.83%
Pledged revenue recognized	$379.760 million
Principal & interest paid	$108.190 million

Debt Service Requirements

At June 30, 2022, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 78,440	$ 55,568	$ 215	$ 7
2024	70,885	51,703	225	7
2025	72,719	48,508	235	7
2026	81,765	45,080	245	6
2027	83,953	41,477	255	6
2028-2032	444,136	151,611	1,435	23
2033-2037	319,506	60,190	1,775	11
2038-2042	156,130	15,851	400	1
2043-2047	—	—	6,500	5,163
Total debt service requirements....................................	**1,307,534**	**$ 469,988**	**11,285**	**$ 5,231**
Net unamortized premiums...............	234,511		—	
Total principal outstanding.............	**$ 1,542,045**		**$ 11,285**	

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

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

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

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

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2022, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation...................................	$ 53,456
Total allocated interest expense.....	**$ 53,456**

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, 2022, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds.................	$ 23,320
Tobacco Authority bonds.......................	64,890
Totals...	**$ 88,210**

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, 2022, there was an arbitrage rebate liability associated with the State's Local Government Infrastructure Fund (a major governmental fund) $1.715 million.

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, 2022, the outstanding balance of bonds issued was $131.341 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2022, were (expressed in thousands):

	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 830,756	$ 3,487,460	$ (3,408,161)	$ 910,055	$ 659,403
Notes payable	64,678	25,860	(26,219)	64,319	25,065
General obligation bonds payable	224,830	—	(62,180)	162,650	43,455
Unamortized discounts and premiums	40,399	—	(9,080)	31,319	—
Total general obligation bonds payable	265,229	—	(71,260)	193,969	43,455
Infrastructure Bank bonds payable	1,330,545	370,445	(489,260)	1,211,730	52,040
Unamortized discounts and premiums	141,774	103,641	(15,306)	230,109	—
Total Infrastructure Bank bonds	1,472,319	474,086	(504,566)	1,441,839	52,040
Revenue bonds payable	32,755	—	(1,270)	31,485	1,335
Unamortized discounts and premiums	4,593	—	(191)	4,402	—
Total revenue bonds payable	37,348	—	(1,461)	35,887	1,335
Leases payable	120,969	23,468	(30,447)	113,990	30,417
Compensated absences payable	207,460	141,998	(135,762)	213,696	124,335
Net pension liability	4,393,826	—	(752,919)	3,640,907	—
Net other post-employment benefit liability	3,630,894	504,336	5,813	4,141,043	—
Judgments and contingencies payable	1,000	211	—	1,211	1,211
Arbitrage payable	1,757	—	(42)	1,715	—
Total long-term liabilities	$ 11,026,236	$ 4,657,419	$ (4,925,024)	$ 10,758,631	$ 937,261

For compensated absences, the General Fund normally liquidates approximately 67%, Departmental Program Services approximately 18%, and the Department of Transportation Special Revenue approximately 13%. 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 pension and OPEB liabilities will be liquidated primarily from the General Fund, approximately 79%, with the remaining amounts from the Departmental Program Services Fund, Local Government Infrastructure Fund, Department of Transportation Special Revenue Fund, and internal service funds.

	Balances at July 1, 2021	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 180,158	$ —	$ (13,915)	$ 166,243	$ 17,752
Notes payable	6,500	—	—	6,500	—
Revenue bonds payable	4,990	—	(205)	4,785	215
Compensated absences payable	1,992	1,347	(1,391)	1,948	1,178
Net pension liability	39,415	—	(8,523)	30,892	—
Net other post-employment benefit liability	35,041	3	2,859	37,903	—
Total long-term liabilities	$ 268,096	$ 1,350	$ (21,175)	$ 248,271	$ 19,145

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, 2022, 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	$ 51,157	$ —	$ —	$ —	$ —	$ 51,157
Inventories	34,667	45,125	—	4,347	—	84,139
Prepaid items	24,821	3,294	—	5,580	190	33,885
Other assets	31	—	—	203	—	234
Long-term loans and notes receivable	35,963	—	—	—	—	35,963
Endowments	—	—	—	—	11,642	11,642
Total Non-spendable	146,639	48,419	—	10,130	11,832	217,020
Restricted:						
Primary and Secondary Education	397,047	8,175	—	—	5,563	410,785
Health, Human Services and Environment	175,188	777,446	—	10,130	30,795	993,559
Transportation	—	18,731	139,133	1,902,778	—	2,060,642
Debt Service	—	—	808,768	—	—	808,768
General Government	1,047,449	297,254	1,364,621	5,313	1,627,091	4,341,728
Total Restricted	1,619,684	1,101,606	2,312,522	1,918,221	1,663,449	8,615,482
Committed:						
General Government	687,576	13,125	—	—	55,583	756,284
Primary and Secondary Education	6,409	21,350	—	—	—	27,759
Health, Human Services and Environment	132,626	—	—	—	—	132,626
Total Committed	826,611	34,475	—	—	55,583	916,669
Assigned:						
Primary and Secondary Education	767	273	—	—	—	1,040
Health, Human Services and Environment	333,921	71,857	—	—	247	406,025
General Government	122,178	18,102	—	—	216,180	356,460
Administration of Justice	47,381	15,984	—	—	32,563	95,928
Economic Development	34,541	33,059	—	—	1,618	69,218
Transportation	212	—	—	—	661	873
Social Programs	1,030	—	—	—	2,157	3,187
Total Assigned	540,030	139,275	—	—	253,426	932,731
Unassigned	7,501,115	(477,783)	—	—	(689,306)	6,334,026
Total Fund Balances	**$ 10,634,079**	**$ 845,992**	**$ 2,312,522**	**$ 1,928,351**	**$ 1,294,984**	**$ 17,015,928**

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

a. Non-spendable

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

b. Restricted

Primary and Secondary Education

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

Health, Human Services and Environment

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

Transportation

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

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

Unassigned fund balance is the residual classification for a government‘s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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, 2022, 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):

	7/1/2021 Fund Equity as Previously Reported	Implementation of GASB 87	Error Correction	7/1/2021 Fund Equity as Restated
Primary Government				
Governmental Funds:				
General Fund	$ 10,630,392	$ —	$ (3,529,832)	$ 7,100,560
Departmental Program Services	430,303	—	—	430,303
Local Government Infrastructure	2,218,756	—	—	2,218,756
Department of Transportation Special Revenue	1,468,825	—	—	1,468,825
Other Nonmajor Governmental Funds	1,100,026	—	—	1,100,026
Total Governmental Funds	15,848,302	—	(3,529,832)	12,318,470
Internal Service Funds	890,312	—	—	890,312
Government-wide:				
Capital assets	19,233,103	(979)	—	19,232,124
Leased assets	—	116,253		116,253
Net deferred outflows and inflows	1,220,929	—	—	1,220,929
Long-term liabilities	(10,214,975)	(110,921)	—	(10,325,896)
Total Government-wide	10,239,057	4,353	—	10,243,410
Total Governmental Activities	26,977,671	4,353	(3,529,832)	23,452,192
Business-type Activities - Enterprise Funds:				
Unemployment Compensation Fund	1,286,665	—	—	1,286,665
Second Injury Fund	65,384	—	—	65,384
Other nonmajor enterprise funds	207,806	—	—	207,806
Total Business-type Activities - Enterprise Funds	1,559,855	—	—	1,559,855
Total Primary Government	$ 28,537,526	$ 4,353	$ (3,529,832)	$ 25,012,047
Fiduciary Funds				
Pension and Other Post-Employment Trust	41,622,719	—	—	41,622,719
Investment Trust Local Government Investment Pool	8,801,003	—	—	8,801,003
Private Purpose Trust	5,568,134	—	—	5,568,134
Custodial Funds	68,051	—	—	68,051
Total Fiduciary Funds	56,059,907	—	—	56,059,907
Component Units				
Public Service Authority	$ 2,070,108	$ —	$ —	$ 2,070,108
MUSC	138,912	8,351	—	147,263
USC	699,765	—	—	699,765
Clemson University	1,308,470	(280)	—	1,308,190
State Ports Authority	715,511	131	—	715,642
Housing Authority	503,711	(17)	—	503,694
Lottery Commission	884	(55)	—	829
Nonmajor component units	1,052,867	25,788	—	1,078,655
Total Component Units	$ 6,490,228	$ 33,918	$ —	$ 6,524,146

During the fiscal year ended June 30, 2022, the State implemented GASB 87. This resulted in a change in accounting principle which resulted in the restatements of beginning fund equity detailed above.

The State also discovered during fiscal year 2022 that certain transfers-out from the General Fund previously had been incompletely mapped for ACFR compilation purposes. This ACFR mapping error arose from internal reporting issues associated with the State converting to an enterprise resource planning (ERP) software system which began in 2007. The conversion occurred in multiple phases over a ten-year span with Treasury Cash and Investments being one of the final systems to convert in 2017.

From 2007 through 2011, the State concurrently operated its aging legacy systems and the new ERP system that was being developed in phases. During those five years the ACFR continued to be sourced from the State's legacy systems. Beginning in 2012, the ERP system was sufficiently established to begin using it as a primary source for ACFR reporting. However, the mapping error made in 2007 was then incorporated into the State's ACFR reporting in 2012. The error resulted in the ACFR failing to capture certain cash transfers-out from the General Fund, primarily those transfers to the State's component units.

The State's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, and agencies. The component units are legally separate entities for which the State is accountable for purposes of financial reporting.

The State's ERP system is the source of most of the financial information for the ACFR, although the financial information for component units is compiled into the ACFR from their separately audited financial statements. These audited financial statements are derived from stand-alone accounting systems operated by each component unit.

State appropriations are distributed annually from the General Fund to primary government agencies and to the component units as directed by the annual Appropriations Act. Within the State's ERP system General Fund cash is reduced for each of these transfers-out and increased at the individual agency level for the corresponding transfers-in. The appropriations received by the component units have been properly recorded in their own accounting systems as cash transfers-in from the State General Fund.

For ACFR compilation purposes, since the transactions for the component units come not from the ERP system, but from the component unit's own separately audited financial statements derived from their own accounting systems, these General Fund cash transfers-in from the ERP system were correctly excluded from the ACFR mapping. However, the corresponding cash transfers-out in the ERP system should have been mapped to the ACFR since those cash reductions of State funds are not captured in the component unit's individual financial statements. Yet they were erroneously not mapped.

Until being discovered in 2022, this mapping error impacted the ACFRs for fiscal years 2012 through 2021, overstating General Fund cash and fund equity in those ACFRs by a cumulative amount of $3.530 billion, which necessitated the restatements of beginning fund equity reflected above.

This mapping error impacted the ACFRs only. It had no impact on the State's actual cash or on the State's annual appropriation and budgeting process. Furthermore, the general ledger remained correct throughout.

NOTE 16: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2022 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 102,647	$ 202,979
Local Government Infrastructure	65	30,259
Department of Transportation Special Revenue Fund	2,503	165,809
Nonmajor governmental funds	2,966	48,554
Internal service	1,761	22,840
Unemployment Compensation	3,400	—
Nonmajor enterprise funds	585	361
Fiduciary	84,595	1
	198,522	470,803
Departmental Program Services		
General Fund	202,979	102,647
Nonmajor governmental funds	444	51
Internal service	861	1,385
Nonmajor enterprise funds	26	—
Fiduciary	6,545	150
	210,855	104,233
Local Government Infrastructure		
General Fund	30,259	65
Department of Transportation Special Revenue Fund	1,324	—
	31,583	65
Department of Transportation Special Revenue Fund		
General Fund	165,809	2,503
Local Government Infrastructure	—	1,324
	165,809	3,827
Nonmajor Governmental Funds		
General Fund	48,554	2,966
Departmental Program Services	51	444
Internal service	—	3
Fiduciary	—	32,179
	48,605	35,592
Internal Service		
General Fund	22,840	1,761
Departmental Program Services	1,385	861
Nonmajor governmental funds	3	—
Internal service	3	3
Nonmajor enterprise funds	9	—
Fiduciary	—	17
	24,240	2,642
Unemployment Compensation		
General Fund	—	3,400
Nonmajor Enterprise Funds		
General Fund	361	585
Departmental Program Services	—	26
Internal service	—	9
Fiduciary	40	8
	401	628
Fiduciary		
General Fund	1	84,595
Departmental Program Services	150	6,545
Nonmajor governmental funds	32,179	—
Internal service	17	—
Nonmajor enterprise funds	8	40
Fiduciary	90,710	90,710
	123,065	181,890
Totals	**$ 803,080**	**$ 803,080**

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

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General Fund			
Departmental Program Services	$ 15	$ 2,050	$ 15
Nonmajor enterprise funds	51,000	—	—
Internal service	142	—	142
	51,157	2,050	157
Departmental Program Services			
General Fund	2,050	15	1,550
Custodial funds	—	234	234
	2,050	249	1,784
Local Government Infrastructure			
Department of Transportation Special Revenue	98,119	—	78,678
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	98,119	—
Nonmajor Enterprise Funds			
General Fund	—	51,000	—
Internal Service			
General Fund	—	142	—
Custodial Funds			
Departmental Program Services	234	—	—
Totals	**$ 151,560**	**$ 151,560**	**$ 80,619**

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:

- $98.119 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 interfund payable due to the Department of Commerce from the Palmetto Railways Fund requires semi-annual payments for 25 years from the beginning of the first year of operation of the Navy Base Intermodal Facility.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2022 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ 74,373	$ 47,027
Local Government Infrastructure	—	12,166
Department of Transportation	3,564	58,326
Nonmajor governmental funds	185,270	290,985
Unemployment Compensation Benefits	28,635	—
Nonmajor enterprise funds	180	—
Internal service	662	3,669
Custodial funds	372	—
	293,056	412,173
Departmental Program Services		
General Fund	47,027	74,373
Nonmajor governmental funds	13,101	1,531
Second Injury	275	—
Nonmajor enterprise funds	2,341	167
Internal service	9,831	1,023
Custodial funds	12,317	—
	84,892	77,094
Local Government Infrastructure		
General Fund	6,000	—
Department of Transportation	6,166	—
	12,166	—
Department of Transportation		
General Fund	58,326	3,564
Nonmajor Governmental Funds		
General Fund	290,985	185,270
Departmental Program Services	1,531	13,101
Nonmajor governmental funds	84,994	84,994
Nonmajor enterprise funds	1,008	—
Internal Service	250	359
	378,768	283,724
Unemployment Compensation Benefits		
General Fund	—	28,635
Second Injury Fund		
Departmental Program Services	—	275
Nonmajor Enterprise Funds		
General Fund	—	180
Department Program Services	167	2,341
Nonmajor governmental funds	—	1,008
	167	3,529
Internal Service		
General Fund	3,669	662
Department Program Services	1,023	9,831
Nonmajor governmental funds	359	250
Internal Service	2,281	2,281
	7,332	13,024
Custodial Funds		
General Fund	—	372
Department Program Services	—	12,317
	—	12,689
Totals	**$ 834,707**	**$ 834,707**

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 originating fund to other funds authorized to receive portions of the proceeds.

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2022 (expressed in thousands):

Funds	Due From	Due To
General Fund		
MUSC	$ 179	$ 671
USC	347	713
Clemson University	16	7,305
Housing Authority	—	2,915
Ports Authority	50,000	—
Nonmajor discretely presented component units	3,083	1,177
	53,625	12,781
Departmental Program Services		
MUSC	—	14,503
USC	—	4,796
Clemson University	—	1,477
Nonmajor discretely presented component units	—	7,785
	—	28,561
Department of Transportation Special Revenue Fund		
Ports Authority	—	1,024
Nonmajor discretely presented component units	173	—
	173	1,024
Nonmajor Governmental Funds		
MUSC	—	26
USC	—	2,736
Clemson University	—	15,220
Lottery Commission	21,589	—
Nonmajor discretely presented component units	7,658	12,253
	29,247	30,235
Internal Service		
USC	6,672	—
Clemson University	5,495	—
Nonmajor discretely presented component units	5,746	—
	17,913	—
Governmental activities total	**100,958**	**72,601**
MUSC		
General Fund	671	179
Departmental Program Services	14,503	—
Nonmajor governmental funds	26	—
	15,200	179
USC		
General Fund	713	347
Departmental Program Services	4,796	—
Nonmajor governmental funds	2,736	—
Internal service	—	6,672
	8,245	7,019
Clemson University		
General Fund	7,305	16
Departmental Program Services	1,477	—
Nonmajor governmental funds	15,220	—
Internal service	—	5,495
	24,002	5,511
Housing Authority		
General Fund	2,915	—
Ports Authority		
General Fund	—	50,000
Department of Transportation Special Revenue Fund	1,024	—
	1,024	50,000
Lottery Commission		
Departmental Program Services	—	21,589
Nonmajor Discretely Presented Component Units		
General Fund	1,177	3,083
Departmental Program Services	7,785	—
Department of Transportation Special Revenue Fund	—	173
Nonmajor governmental funds	12,253	7,658
Internal service	—	5,746
	21,215	16,660
Discretely presented component units total	**72,601**	**100,958**
Totals	**$173,559**	**$173,559**

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, 2022, the Educational Television Endowment of South Carolina, Inc., disbursed \$8.413 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 \$809 thousand at June 30, 2022.

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, 2022, the Authority entered various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC \$50.595 million; program revenue from SLC \$2.063 million; reimbursements to SLC for administrative costs \$160 thousand; and payable to SLC \$6 thousand.

NOTE 18: CONTINGENCIES AND COMMITMENTS

a. Litigation

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 **KDP** (formerly known as 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 KDP'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 KDP's appeal of the permitting decision. The ALC subsequently ruled in favor of KDP and OCRM appealed. The Supreme Court reversed the ALC decision granting a permit for erosion control structure. Now that the appeal is complete, the Circuit Court has restored the takings case to the roster and is awaiting trial. Assessing the likelihood of a loss and the amount of any loss remains somewhat speculative. Additionally, there are multiple cases surrounding the denial and/or reduction of unemployment benefits which cannot yet be estimated.

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 \$12.134 million and \$67.701 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, 2022, 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, 2022, 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 $715.000 million remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $305.317 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, $97.265 million will be funded by federal grants.
- The Office of Regulatory Staff has $946 thousand for energy efficiency improvement projects. Federal grants will fund $946 thousand of this commitment.
- The Division of Aeronautics has $4.814 million for grants made to municipal and county airports for capital improvements.
- The State Board for Technical and Comprehensive Education has $16.540 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has $18.012 million for pass-through grants to various local governments and not-for-profit entities, of which $6.299 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $10.926 million for grant program activities and pass-through grants to subrecipients, of which $10.737 million will be funded by federal grants.
- The South Carolina Judicial Department has $5.851 million outstanding commitments related to vendor service contracts.
- The South Carolina Attorney General's Office has $13.013 million for pass-through grants to subrecipients, of which $12.877 million will be funded by federal grants.
- The South Carolina Department of Revenue has $29.745 million outstanding commitments for vendor contracts related to services for paper check and return processing.
- The Rural Infrastructure Authority has $190.531 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 $32.488 million will be funded by federal grants.
- The Department of Health and Environmental Control has $2.714 million in outstanding commitments for interim remediation and site cleanup of which $410 thousand will be funded by a federal credit.
- The Office of Regulatory Staff has $30.636 million in outstanding commitments for internet broadband infrastructure development.

d. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Pinewood Site, The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, and The Brewer Gold Mine Priority List Site. The estimated future loss expected in fiscal year 2023 in maintaining these sites is $7.102 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 2022, the budgeted $3.981 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2022 were $3.428 million for capital improvements and $5.520 million for operating expenditures.

NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2022, the reported amount of the major discretely presented component units' deposits was $1.111 billion and the bank balance was $1.127 billion. Of the $1.069 billion bank balance exposed to custodial credit risk, $243.847 million was uninsured and uncollateralized, $80.526 million was uninsured and collateralized with securities held by the pledging financial institution, and $744.700 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name. As of June 30, 2022 cash on hand was $544 thousand.

Investments

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

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

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

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

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

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2022 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. treasuries	$ 262,890	$ 66,773	$ 196,117	$ —
U.S. agencies	682,779	—	682,779	—
Mortgage backed obligations	93,736	27,191	66,545	—
Common stock	18,589	18,589	—	—
Other equity securities	600,864	600,864	—	—
Corporate bonds	156,218	18,160	138,058	—
Repurchase agreements	100,368	368	100,000	—
Asset backed securities	33,752	33,482	270	—
Money market mutual funds	89,766	89,766	—	—
Bond mutual funds	624,827	596,205	28,622	—
Other	1,028,932	395,010	32,664	601,258
Total Investments at Fair Value	$ 3,692,721	$ 1,846,408	$1,245,055	$ 601,258

Included in the table above are investments with uniquely derived measurement sources which are detailed below:

Investments measured at the net asset value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1)	$ 166,334	$ 112,288	N/A	N/A
Private partnership - real assets (1)	32,358	26,927	N/A	N/A
Hedge funds (1)	128,915	—	Monthly to Annually	33-95 days
Hedge funds (2)	53,175	—	Monthly to Annually	30-90 days
Private Equity Partnerships (3)	5,561	648	N/A	N/A
Multi-strategy hedge funds (4)	5,220	—	Monthly	30 days
Partnerships (5)	483,470	51,000	Monthly - No Liquidity	7 days
Total investments measured at the NAV	$ 875,033	$ 190,863	$ —	$ —
Investments measured at amortized cost				
Repurchase agreements	$ 100,368	$ 368	$ 100,000	$ —
Investment derivative instruments				
Alternative Investments				
Interest rate swaps	$ (660,108)	$ —	$ (660,108)	$ —

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

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

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

(4) 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.

(5) 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.

None of the State's major discretely presented component unit's investments had custodial credit risk exposure at June 30, 2022.

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

Investment Type and Fair Value	AAA	AA	A	BBB	Alternative Rating	Not Rated
U.S. agencies	$ 682,779	$ —	$ —	$ —	$ —	$ —
Mortgage backed obligations	49,828	—	—	9,928	—	33,980
Corporate bonds	124,456	5,496	8,106	—	—	18,160
Repurchase agreements	100,000	—	—	—	—	368
Asset backed securities	—	—	—	—	—	33,752
Money market mutual funds	—	—	—	—	—	89,766
Bond mutual funds	4,036	—	—	—	—	620,791
Other	—	2,157	—	—	—	568,547
Totals	**$ 961,099**	**$ 7,653**	**$ 8,106**	**$ 9,928**	**$ —**	**$1,365,364**

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, 2022, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)				
Investment Type	**Fair Value**	**Does Not Mature**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 262,890	$ —	$ 143,869	$ 81,661	$ 15,707	$ 21,653
U.S. agencies	682,779	—	276,815	218,480	73,824	113,660
Mortgage backed obligations	93,736	—	—	86,948	178	6,610
Common Stock	18,589	18,589	—	—	—	—
Other equity securities	600,864	600,864	—	—	—	—
Corporate bonds	156,218	—	58,426	55,507	42,285	—
Repurchase agreements	100,368	368	100,000	—	—	—
Asset backed securities	33,752	—	—	33,752	—	—
Money market mutual funds	89,766	6,277	78,937	4,552	—	—
Bond mutual funds	624,827	620,000	4,036	—	791	—
Other	1,028,932	604,583	—	424,349	—	—
Totals	**$3,692,721**	**$1,850,681**	**$ 662,083**	**$ 905,249**	**$ 132,785**	**$ 141,923**

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, 2022, the Medical University Hospital Authority has 34.70% of the Authority's investments in notes issued by the Federal Farm Credit Bank. The Public Service Authority has 88.17% of the US Agencies investments with two issuers. 61.65% are with the Federal Farm Credit Bank, and 26.52% of the investments are with the Federal Home Loan Bank.

Securities Lending Program

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2022. At June 30, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2022:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 14,442
Total securities lent for cash collateral	**$ 14,442**
Cash collateral invested as follows:	
Repurchase agreements	$ 86,797
Total for cash collateral invested	**$ 86,797**
Securities received as collateral:	
U.S. treasuries	$ 86,797
Total for securities collateral invested	**$ 86,797**

At June 30, 2022, the fair value of securities on loan was $14.442 million. The fair value of the invested cash collateral was $86.797 million. Securities lending obligations were $86.797 million.

b. Capital Assets

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

	Beginning Balances January 1, 2021	Increases	Decreases	Ending Balances December 31, 2021
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 184,487	$ —	$ (1,950)	$ 182,537
Construction in progress	447,309	188,546	(304,790)	331,065
Total capital assets not being depreciated	631,796	188,546	(306,740)	513,602
Capital assets being depreciated:				
Buildings and improvements (utility plant)	8,477,104	331,525	(106,504)	8,702,125
Vehicles	72,742	1,106	—	73,848
Machinery and equipment	52,242	478	(219)	52,501
Intangibles	89,493	2	—	89,495
Total capital assets being depreciated	8,691,581	333,111	(106,723)	8,917,969
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(4,100,878)	(347,054)	187,828	(4,260,104)
Vehicles	(38,402)	(5,023)	—	(43,425)
Machinery and equipment	(36,374)	(2,584)	162	(38,796)
Intangibles	(82,498)	(3,548)	—	(86,046)
Total accumulated depreciation	(4,258,152)	(358,209)	187,990	(4,428,371)
Total capital assets being depreciated, net	4,433,429	(25,098)	81,267	4,489,598
Public Service Authority, net	**$ 5,065,225**	**$ 163,448**	**$ (225,473)**	**$ 5,003,200**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 696,208	$ 26,482	$ (5,719)	$ 716,971
Construction in progress	72,833	203,180	(200,948)	75,065
Total capital assets not being depreciated	769,041	229,662	(206,667)	792,036
Capital assets being depreciated:				
Land improvements	688,958	44,744	(317)	733,385
Buildings and improvements	669,842	46,945	(22,311)	694,476
Machinery and equipment	352,494	85,918	(1,696)	436,716
Intangibles	623	62	(316)	369
Total capital assets being depreciated	1,711,917	177,669	(24,640)	1,864,946
Less accumulated depreciation for:				
Land improvements	(284,573)	(34,652)	108	(319,117)
Buildings and improvements	(235,779)	(22,503)	18,851	(239,431)
Machinery and equipment	(174,720)	(19,345)	1,449	(192,616)
Total accumulated depreciation	(695,072)	(76,500)	20,408	(751,164)
Total capital assets being depreciated, net	1,016,845	101,169	(4,232)	1,113,782
State Ports Authority, net	**$ 1,785,886**	**$ 330,831**	**$ (210,899)**	**$ 1,905,818**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 43,334	$ 151	$ (7)	$ 43,478
Construction in progress	102,431	68,512	(95,792)	75,151
Total capital assets not being depreciated	145,765	68,663	(95,799)	118,629
Capital assets being depreciated:				
Buildings and improvements	1,656,224	23,738	—	1,679,962
Vehicles	22,798	765	(586)	22,977
Machinery and equipment	482,533	102,462	(14,193)	570,802
Intangibles	24,283	—	—	24,283
Total capital assets being depreciated	2,185,838	126,965	(14,779)	2,298,024
Less accumulated depreciation for:				
Buildings and improvements	(534,404)	(39,744)	—	(574,148)
Vehicles	(16,843)	(1,996)	538	(18,301)
Machinery and equipment	(302,327)	(27,342)	12,592	(317,077)
Intangibles	(24,284)	—	—	(24,284)
Total accumulated depreciation	(877,858)	(69,082)	13,130	(933,810)
Total capital assets being depreciated, net	1,307,980	57,883	(1,649)	1,364,214
Capital assets for Clemson University, net	**$ 1,453,745**	**$ 126,546**	**$ (97,448)**	**$ 1,482,843**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets being amortized:				
Buildings and improvements	$ 7,969	$ 12,817	$ (170)	$ 20,616
Machinery and equipment	1,103	836	—	1,939
Total leased assets being amortized	9,072	13,653	(170)	22,555
Less accumulated amortization for:				
Buildings and improvements	—	(2,629)	13	(2,616)
Machinery and equipment	—	(669)	—	(669)
Total accumulated amortization	—	(3,298)	13	(3,285)
Total leased assets being amortized, net	9,072	10,355	(157)	19,270
Leased assets for Clemson University, net	**$ 9,072**	**$ 10,355**	**$ (157)**	**$ 19,270**

	Beginning Balances July 1, 2021	Increases	Decreases	Ending Balances June 30, 2022
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 125,057	$ 15,820	$ (6,745)	$ 134,132
Construction in progress	47,327	128,104	(43,535)	131,896
Works of art and historical treasures	1,730	77	—	1,807
Total capital assets not being depreciated	174,114	144,001	(50,280)	267,835
Capital assets being depreciated:				
Land improvements	13,331	—	—	13,331
Buildings and improvements	2,191,648	18,595	(25,518)	2,184,725
Vehicles	8,059	2,844	(586)	10,317
Machinery and equipment	576,188	50,243	(14,213)	612,218
Intangibles	93,143	15,042	(6)	108,179
Total capital assets being depreciated	2,882,369	86,724	(40,323)	2,928,770
Less accumulated depreciation for:				
Land improvements	(9,812)	(366)	—	(10,178)
Buildings and improvements	(1,096,053)	(84,273)	25,222	(1,155,104)
Vehicles	(4,702)	(1,244)	586	(5,360)
Machinery and equipment	(375,650)	(52,019)	12,790	(414,879)
Intangibles	(76,185)	(6,702)	4	(82,883)
Total accumulated depreciation	(1,562,402)	(144,604)	38,602	(1,668,404)
Total capital assets being depreciated, net	1,319,967	(57,880)	(1,721)	1,260,366
MUSC, net	**$ 1,494,081**	**$ 86,121**	**$ (52,001)**	**$ 1,528,201**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets being amortized:				
Land and improvements	$ 2,036	$ —	$ —	$ 2,036
Buildings and improvements	176,694	49,693	—	226,387
Machinery and equipment	38,845	15,663	—	54,508
Total leased assets being amortized	217,575	65,356	—	282,931
Less accumulated amortization for:				
Land improvements	—	(74)	—	(74)
Buildings and improvements	—	(32,753)	—	(32,753)
Machinery and equipment	(106)	(12,896)	—	(13,002)
Total accumulated amortization	(106)	(45,723)	—	(45,829)
Total leased assets being amortized, net	217,469	19,633	—	237,102
Leased assets for MUSC, net	**$ 217,469**	**$ 19,633**	**$ —**	**$ 237,102**

	Beginning Balances July 1, 2021	Increases	Decreases	Ending Balances June 30, 2022
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 96,527	$ —	$ —	$ 96,527
Construction in progress	36,481	113,603	(25,523)	124,561
Works of art and historical treasures	50,792	2,391	—	53,183
Total capital assets not being depreciated	183,800	115,994	(25,523)	274,271
Capital assets being depreciated:				
Land improvements	110,488	—	—	110,488
Buildings and improvements	2,002,371	19,932	(1,087)	2,021,216
Vehicles	16,609	1,555	(324)	17,840
Machinery and equipment	225,043	19,035	(5,046)	239,032
Intangibles	93,167	537	—	93,704
Total capital assets being depreciated	2,447,678	41,059	(6,457)	2,482,280
Less accumulated depreciation for:				
Land improvements	(56,722)	(4,163)	—	(60,885)
Buildings and improvements	(895,730)	(48,560)	678	(943,612)
Vehicles	(13,052)	(1,325)	316	(14,061)
Machinery and equipment	(162,920)	(14,742)	4,059	(173,603)
Intangibles	(60,179)	(7,258)	100	(67,337)
Total accumulated depreciation	(1,188,603)	(76,048)	5,153	(1,259,498)
Total capital assets being depreciated, net	1,259,075	(34,989)	(1,304)	1,222,782
Capital assets for USC, net	**$ 1,442,875**	**$ 81,005**	**$ (26,827)**	**$ 1,497,053**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets being amortized:				
Land improvements	$ 775	$ —	$ —	$ 775
Buildings and improvements	36,967	3,821	(614)	40,174
Machinery and equipment	364	—	—	364
Total leased assets being amortized	38,106	3,821	(614)	41,313
Less accumulated amortization for:				
Land improvements	—	(241)	—	(241)
Buildings and improvements	—	(9,780)	140	(9,640)
Machinery and equipment	—	(107)	—	(107)
Total accumulated amortization	—	(10,128)	140	(9,988)
Total leased assets being amortized, net	38,106	(6,307)	(474)	31,325
Leased assets for USC, net	**$ 38,106**	**$ (6,307)**	**$ (474)**	**$ 31,325**

	Beginning Balances July 1, 2021	Increases	Decreases	Ending Balances June 30, 2022
Lottery Commission:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,316	$ 141	$ —	$ 1,457
Vehicles	440	—	—	440
Machinery and equipment	4,029	608	(41)	4,596
Intangibles	556	—	—	556
Total capital assets being depreciated	6,341	749	(41)	7,049
Less accumulated depreciation for:				
Buildings and improvements	(1,301)	(2)	—	(1,303)
Vehicles	(295)	(11)	—	(306)
Machinery and equipment	(3,777)	(238)	—	(4,015)
Intangibles	(556)	—	—	(556)
Total accumulated depreciation	(5,929)	(251)	—	(6,180)
Total capital assets being depreciated, net	412	498	(41)	869
Capital assets for Lottery Commission, net	**$ 412**	**$ 498**	**$ (41)**	**$ 869**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets being amortized:				
Buildings and improvements	$ 2,362	$ —	$ —	$ 2,362
Total leased assets being amortized	2,362	—	—	2,362
Less accumulated amortization for:				
Buildings and improvements	(589)	(590)	—	(1,179)
Total accumulated amortization	(589)	(590)	—	(1,179)
Total leased assets being amortized, net	1,773	(590)	—	1,183
Leased assets for Lottery Commission, net	**$ 1,773**	**$ (590)**	**$ —**	**$ 1,183**

	Beginning Balances July 1, 2021	Increases	Decreases	Ending Balances June 30, 2022
Housing Authority:				
Capital assets being depreciated:				
Machinery and equipment	$ 2,816	$ 249	$ —	$ 3,065
Total capital assets being depreciated	2,816	249	—	3,065
Less accumulated depreciation for:				
Machinery and equipment	(1,578)	(385)	—	(1,963)
Total accumulated depreciation	(1,578)	(385)	—	(1,963)
Total capital assets being depreciated, net	1,238	(136)	—	1,102
Capital assets for Housing Authority, net	**$ 1,238**	**$ (136)**	**$ —**	**$ 1,102**

	Beginning Balances July 1, 2021 (as restated)	Increases	Decreases	Ending Balances June 30, 2022
Leased assets:				
Leased assets being amortized:				
Buildings and improvements	$ 2,360	$ —	$ —	$ 2,360
Total leased assets being amortized	2,360	—	—	2,360
Less accumulated amortization for:				
Buildings and improvements	(1,573)	(337)	—	(1,910)
Total accumulated amortization	(1,573)	(337)	—	(1,910)
Total leased assets being amortized, net	787	(337)	—	450
Leased assets for Housing Authority, net	**$ 787**	**$ (337)**	**$ —**	**$ 450**

During the fiscal year ended June 30, 2022, depreciation expense for capital assets and amortization expense for leased assets were charged to the major discretely presented component units as follows (expressed in thousands):

	Capital Assets Depreciation	Leased Assets Amortization	Total
Public Service Authority	$ 358,209	$ —	$ 358,209
State Ports Authority	76,500	—	76,500
MUSC	144,604	45,723	190,327
USC	76,048	10,128	86,176
Clemson University	69,082	3,298	72,380
Lottery Commission	251	590	841
Housing Authority	385	337	722

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

	Outstanding Construction Commitments
Public Service Authority	$ 31,896
State Ports Authority	167,500
MUSC	40,249
USC	301,305
Clemson University	86,356

c. Insurance Activities

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 2021. 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 2021, 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, 2021. There have been no third-party claims for environmental damages for 2021.

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 $13.523 billion by the Price-Anderson Indemnification Act. The $13.523 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, Dominion Energy 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. Dominion Energy 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, Dominion Energy 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 $7.000 million for the primary policy, $3.600 million for the excess policy and $1.800 million for the accidental outage policy.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2021.

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
2021	$ 1,554	$ 1,166	$ (1,131)	$ 1,589
2020	2,690	576	(1,712)	1,554

d. Leases

Leases Receivable

At June 30, 2022, the Public Service Authority (with a December 31, 2021 fiscal year end that will implement GASB 87 within the State's 2023 fiscal year) had leased to non-State parties land and non-depreciable land improvements having a cost of $6.466 million. Future minimum rental payments to be received at June 30, 2022, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending December 31	Public Service Authority
2022	$ 404
2023	404
2024	404
2025	404
2026	404
2027-2031	2,020
2032-2036	2,020
2037-2041	406
Total	**$ 6,466**

The State Ports Authority leases buildings to third parties with various terms and interest rates. As of June 30, 2022, the Ports Authority's receivables for lease payments totaled $12.176 million. The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the State Ports Authority's lease-related deferred inflow of resources was $11.944 million. For the fiscal year ended June 30, 2022, the Ports Authority recognized $3.537 million in lease revenue and $442 thousand in related interest income.

The following are schedules of future minimum payments by year and by type of asset leased to third parties by the Ports Authority as of June 30, 2022 (expressed in thousands):

	State Ports Authority	
Fiscal Year Ending June 30	Principal	Interest
2023	$ 2,511	$ 362
2024	2,110	290
2025	1,195	234
2026	525	210
2027	545	189
2028-2032	2,624	617
2033-2037	889	315
2038-2042	479	231
2043-2047	556	153
Thereafter	742	134
Total	**$ 12,176**	**$ 2,735**

Clemson University leases buildings to third parties with various terms and interest rates. As of June 30, 2022, Clemson University's receivables for lease payments totaled $585 thousand. The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the Clemson University's lease-related deferred inflow of resources was $841 thousand. For the fiscal year ended June 30, 2022, Clemson University recognized $573 thousand in lease revenue.

The following are schedules of future minimum payments by year and by type of asset leased to third parties by Clemson University as of June 30, 2022 (expressed in thousands):

Fiscal Year Ending June 30	Clemson University Principal		Interest	
2023	$	398	$	2
2024		162		1
2025		25		—
Total	**$**	**585**	**$**	**3**

The Medical University of South Carolina leases buildings to third parties with various terms and interest rates. As of June 30, 2022, the Medical University of South Carolina's receivables for lease payments totaled $27.507 million. The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the Medical University of South Carolina's lease-related deferred inflow of resources was $28.870 million. For the fiscal year ended June 30, 2022, the Medical University of South Carolina recognized $17.493 million in lease revenue.

The following are schedules of future minimum payments by year and by type of asset leased to third parties by the Medical University of South Carolina as of June 30, 2022 (expressed in thousands):

Year Ending June 30	Medical University of South Carolin Principal		Interest	
2023	$	9,459	$	405
2024		6,361		272
2025		2,511		176
2026		1,978		134
2027		1,728		100
2028-2032		4,353		201
2033-2037		679		77
2038-2042		391		19
Thereafter		47		3
Total lease liabilities	**$**	**27,507**	**$**	**1,387**

The University of South Carolina leases land and buildings to third parties with various terms and interest rates. As of June 30, 2022, the University of South Carolina's receivables for lease payments totaled $33.005 million. The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the University of South Carolina's lease-related deferred inflow of resources was $32.203 million. For the fiscal year ended June 30, 2022, the University of South Carolina recognized $2.449 million in lease revenue.

The following are schedules of future minimum payments by year and by type of asset leased to third parties by the Medical University of South Carolina as of June 30, 2022 (expressed in thousands):

Year Ending June 30	University of South Carolina Principal		Interest	
2023	$	528	$	1,062
2024		496		1,048
2025		480		1,033
2026		500		1,018
2027		543		1,001
2028-2032		3,232		4,713
2033-2037		434		4,350
2038-2042		114		4,354
Thereafter		26,678		19,589
Total lease liabilities	**$**	**33,005**	**$**	**38,168**

Leases Payable

The State's discretely presented component units lease land, office facilities, equipment, and other assets. The related lease principal and interest lease payments are recorded at June 30, 2022 for the State's discretely presented component units and are as follows (expressed in thousands):

	Medical University of South Carolina		University of South Carolina	
Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 49,291	$ 8,906	$ 10,270	$ 1,231
2024	44,772	8,605	10,092	854
2025	35,966	7,315	2,765	664
2026	32,351	6,313	1,946	565
2027	28,596	5,356	1,672	495
2028-2032	67,049	14,474	7,646	1,566
2033-2037	22,657	6,166	4,653	331
2038-2042	17,250	2,755	268	2
Thereafter	10,786	2,456	—	—
Total lease liabilities....................	**$ 308,718**	**$ 62,346**	**$ 39,312**	**$ 5,708**

	Clemson University	
Year Ending June 30	Principal	Interest
2023	$ 4,008	$ 312
2024	3,309	248
2025	2,837	198
2026	1,989	156
2027	580	130
2028-2032	2,379	485
2033-2037	2,669	200
2038-2042	389	3
Total lease liabilities....................	**$ 18,160**	**$ 1,732**

	Housing Authority		Lottery Commission	
Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 334	$ 44	$ 587	$ 17
2024	112	16	609	7
2025	—	—	51	—
Total lease liabilities.................	**$ 446**	**$ 60**	**$ 1,247**	**$ 24**

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, 2022, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2042	$ 320,223
University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2037	128,143
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2040	48,708

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

	Clemson University		Medical University of South Carolin	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2023	$ 15,695	$ 10,872	$ 3,040	$ 1,749
2024	15,260	11,314	3,170	1,613
2025	16,020	10,551	2,445	1,476
2026	16,820	9,750	2,565	1,353
2027	17,650	8,926	2,705	1,225
2028-2032	92,615	33,356	14,355	4,121
2033-2037	73,950	17,038	10,580	1,528
2038-2042	36,615	5,453	3,125	190
Total debt service requirements	**$ 284,625**	**$ 107,260**	**$ 41,985**	**$ 13,255**
Unamortized premiums	35,598		6,723	
Total principal outstanding	**$ 320,223**		**$ 48,708**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2023	$ 10,935	$ 4,766
2024	10,300	4,252
2025	10,355	3,749
2026	10,915	3,232
2027	7,400	2,694
2028-2032	38,930	8,317
2033-2037	26,485	2,065
Total debt service requirements	**$ 115,320**	**$ 29,075**
Unamortized premiums	12,823	
Total principal outstanding	**$ 128,143**	

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 preceding fiscal year. 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 $537.640 million were outstanding at June 30, 2022.

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, 2022 and December 31, 2021 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.49% to 6.22%, maturing serially through 2056	$ 7,072,593	$ —
Clemson University bonds, 2.13% to 5.00%, maturing serially through 2047	461,646	—
University of South Carolina bonds and notes, 0.59% to 5.00%, maturing serially through 2052	643,240	1,691
Medical University of South Carolina bonds and notes, 2.25% to 5.00%, maturing serially through 2046	878,134	70,063
State Ports Authority bonds and notes, 0.92% to 5.25%, maturing serially through 2061	1,090,745	368,674
State Housing Authority bonds, 0.25% to 5.50%, maturing serially through 2056	805,272	—

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, 2022 is $53.960 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, 2022 was 1.21%. The fair value of this swap, estimated using the zero-coupon method, was negative $660 million as of June 30, 2022. 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, 2021 of $4.914 million is recognized as investment income in these financial statements.

As of June 30, 2022, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending	Variable Rate Debt		Interest Rate	
June 30	Principal	Interest	Swaps, Net	Totals
2023	$ 2,600	$ 590	$ 583	$ 3,773
2024	2,635	558	552	3,745
2025	2,745	525	519	3,789
2026	2,825	491	485	3,801
2027	2,925	455	450	3,830
2028-2032	15,715	1,719	1,699	19,133
2033-2037	18,065	685	678	19,428
2038-2042	3,925	—	—	3,925
Totals...........	**$ 51,435**	**$ 5,023**	**$ 4,966**	**$ 61,424**

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, 2021, the carrying value of the Public Service Authority's debt was $6.643 billion while the fair value was approximately $7.700 billion.

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):

	Public Service Authority	
Year Ending December 31	Principal	Interest
2022	$ 111,002	$ 316,530
2023	291,091	312,675
2024	129,806	303,432
2025	123,225	298,220
2026	144,957	292,639
2027-2031	836,435	1,367,302
2032-2036	995,200	1,176,625
2037-2041	924,007	942,675
2042-2046	1,145,810	704,472
2047-2051	1,140,235	395,685
2052-2056	823,260	102,092
Total debt service requirements......................................	**$ 6,665,028**	**$ 6,212,347**
Unamortized discounts and premiums...	407,565	
Total principal outstanding.................	**$ 7,072,593**	

	State Ports Authority		State Housing Authority	
Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 28,043	$ 52,460	$ 14,615	$ 24,339
2024	30,926	51,485	23,485	23,570
2025	40,924	50,379	23,655	23,011
2026	32,490	49,217	24,205	22,367
2027	33,697	48,079	19,330	21,626
2028-2032	214,892	237,154	109,345	97,004
2033-2037	228,756	180,343	94,695	81,185
2038-2042	136,978	145,547	102,175	67,307
2043-2047	169,808	111,763	118,690	52,133
2048-2052	207,315	74,022	235,425	31,440
2053-2057	206,330	28,841	—	—
2058-2061	56,720	3,254	—	—
Total debt service requirements.....................................	**$ 1,386,879**	**$ 1,032,544**	**$ 765,620**	**$ 443,982**
Unamortized premiums and discounts.	72,540		39,652	
Total principal outstanding..............	**$ 1,459,419**		**$ 805,272**	

Year Ending June 30	Clemson University Principal	Clemson University Interest	University of South Carolina Principal	University of South Carolina Interest
2023	$ 13,680	$ 16,653	$ 18,123	$ 25,167
2024	14,395	16,049	20,700	24,330
2025	15,060	15,380	21,585	23,451
2026	13,290	14,724	21,721	22,515
2027	13,880	14,131	22,822	21,586
2028-2032	73,055	62,000	117,625	91,244
2033-2037	87,310	47,737	117,575	61,846
2038-2042	104,350	30,703	87,255	35,976
2043-2047	90,675	9,851	66,495	18,347
2048-2052	11,940	770	46,950	5,055
Total debt service requirements	**$ 437,635**	**$ 227,998**	**$ 540,851**	**$ 329,517**
Unamortized discounts and premiums	24,011		104,080	
Total principal outstanding.........	**$ 461,646**		**$ 644,931**	

Year Ending June 30	Medical University of South Carolin Principal	Medical University of South Carolin Interest
2023	$ 49,046	$ 28,931
2024	82,342	26,631
2025	50,246	24,355
2026	48,260	22,779
2027	49,838	21,216
2028-2032	295,312	80,327
2033-2037	157,630	47,358
2038-2042	136,210	24,884
2043-2046	78,433	4,030
Total debt service requirements	**$ 947,317**	**$ 280,511**
Unamortized discounts and premiums	880	
Total principal outstanding.........	**$ 948,197**	

Defeased Bonds

At December 31, 2021, $131.775 million of bonds associated with the Public Service Authority 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, 2022, the outstanding balance of bonds issued was $442.839 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2022, the outstanding balance of bonds issued after June 30, 1995, was $5.457 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, 2022 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a $120.832 million liability for commercial paper notes at its fiscal year ended December 31, 2021. The paper is issued for valid corporate purposes with terms not to exceed 120 days. The Authority has a $200.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2021.

The Medical University of South Carolina borrowed $80.000 million in revenue bond anticipation notes (RANS) during the 2022 fiscal year ended June 30, 2022 for the purpose of defraying payment of a portion of the operating expenses to be made in connection with the ownership and operation of the acquired Midlands Hospital System.

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 1.79%. As of June 30, 2022, the University of South Carolina Educational Foundation has an outstanding balance of $5.438 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, 2023.

f. Changes in Liabilities

	Balances at January 1, 2021	Increases	Decreases	Balances at December 31, 2021	Amounts Due Within One Year
Public Service Authority					
Policy claims	$ 1,554	$ 1,166	$ (1,131)	$ 1,589	$ 1,589
Revenue bonds payable	6,645,247	430,290	(410,509)	6,665,028	111,002
Unamortized discounts and premiums	342,705	97,354	(32,494)	407,565	—
Total revenue bonds payable	6,987,952	527,644	(443,003)	7,072,593	111,002
Compensated absences payable	20,309	4,586	(3,562)	21,333	—
Net pension liability	344,795	—	(50,291)	294,504	—
Net OPEB liability	176,109	13,219	—	189,328	—
Total long-term liabilities	$ 7,530,719	$ 546,615	$ (497,987)	$ 7,579,347	$ 112,591

	Balances at July 1, 2021	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
State Ports Authority					
Notes payable	$ 202,608	$ 179,459	$ (13,393)	$ 368,674	$ 19,063
Revenue bonds payable	1,024,854	—	(6,649)	1,018,205	8,980
Unamortized discounts and premiums	75,119	—	(2,579)	72,540	—
Total revenue bonds payable	1,099,973	—	(9,228)	1,090,745	8,980
Compensated absences payable	2,459	203	(172)	2,490	203
Net pension liability	135,131	—	(15,372)	119,759	—
Net OPEB liability	78,454	7,858	—	86,312	—
Total long-term liabilities	$ 1,518,625	$ 187,520	$ (38,165)	$ 1,667,980	$ 28,246

	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable	$ 648,715	$ 250,000	$ (133,095)	$ 765,620	$ 14,615
Unamortized discounts and premiums	27,135	15,172	(2,655)	39,652	—
Total revenue bonds payable	675,850	265,172	(135,750)	805,272	14,615
Compensated absences payable	839	879	(839)	879	638
Leases payable	805	—	(359)	446	334
Net pension liability	16,022	—	(2,465)	13,557	—
Net OPEB liability	14,159	2,226	—	16,385	—
Total long-term liabilities	$ 707,675	$ 268,277	$ (139,413)	$ 836,539	$ 15,587

Clemson University	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
General obligation bonds payable	$ 195,295	$ 100,310	$ (10,980)	$ 284,625	$ 15,695
Unamortized discounts and premiums	21,319	16,469	(2,190)	35,598	—
Total general obligation bonds payable	216,614	116,779	(13,170)	320,223	15,695
Revenue bonds payable	385,915	64,510	(12,790)	437,635	13,680
Unamortized discounts and premiums	21,981	3,233	(1,203)	24,011	—
Total revenue bonds	407,896	67,743	(13,993)	461,646	13,680
Leases payable	9,076	13,551	(4,467)	18,160	4,008
Compensated absences payable	36,067	12,756	(14,901)	33,922	13,653
Net pension liability	765,006	—	(118,901)	646,105	—
Net OPEB liability	776,738	111,397	—	888,135	—
Total long-term liabilities	$ 2,211,397	$ 322,226	$ (165,432)	$ 2,368,191	$ 47,036

Medical University of South Carolina	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
Notes payable	$ 76,075	$ —	$ (6,012)	$ 70,063	$ 5,753
General obligation bonds payable	44,895	—	(2,910)	41,985	3,040
Unamortized discounts and premiums	7,739	—	(1,016)	6,723	—
Total general obligation bonds payable	52,634	—	(3,926)	48,708	3,040
Revenue bonds payable	812,131	105,198	(40,075)	877,254	43,293
Unamortized discounts and premiums	1,099	—	(219)	880	—
Total revenue bonds	813,230	105,198	(40,294)	878,134	43,293
Leases payable	233,078	131,343	(55,703)	308,718	49,291
Compensated absences payable	40,876	27,520	(28,913)	39,483	23,455
Net pension liability	1,732,749	—	(228,524)	1,504,225	—
Net OPEB liability	1,636,487	360,219	—	1,996,706	—
Total long-term liabilities	$ 4,585,129	$ 624,280	$ (363,372)	$ 4,846,037	$ 124,832

Lottery Commission	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
Compensated absences payable	$ 982	$ 689	$ (647)	$ 1,024	$ 646
Leases payable	1,813	—	(566)	1,247	587
Net pension liability	17,453	—	(2,288)	15,165	—
Net OPEB liability	15,351	2,694	—	18,045	—
Total long-term liabilities	$ 35,599	$ 3,383	$ (3,501)	$ 35,481	$ 1,233

	Balances at July 1, 2021 (as restated)	Increases	Decreases	Balances at June 30, 2022	Amounts Due Within One Year
University of South Carolina					
Notes payable	$ 1,733	$ —	$ (42)	$ 1,691	$ 1,413
General obligation bonds payable	128,040	—	(12,720)	115,320	10,935
Unamortized discounts and premiums	14,631	—	(1,808)	12,823	—
Total general obligation bonds payable	142,671	—	(14,528)	128,143	10,935
Revenue bonds payable	553,140	90,635	(104,615)	539,160	16,710
Unamortized discounts and premiums	102,025	18,047	(15,992)	104,080	—
Total revenue bonds	655,165	108,682	(120,607)	643,240	16,710
Leases payable	46,391	4,088	(11,167)	39,312	10,270
Compensated absences payable	36,231	34,235	(33,663)	36,803	34,227
Net pension liability	1,109,953	—	(189,196)	920,757	—
Net OPEB liability	1,117,472	149,639	—	1,267,111	—
Total long-term liabilities	$ 3,109,616	$ 296,644	$ (369,203)	$ 3,037,057	$ 73,555

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) or revenue bond anticipation notes (RANS) 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, 2022 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, 2021	Increases	Decreases	Balances at December 31, 2021
Public Service Authority				
Commercial paper notes	$ 171,251	$ 65,660	$ (116,079)	$ 120,832

	Balances at July 1, 2021	Increases	Decreases	Balances at June 30, 2022
Medical University of South Carolina				
Revenue anticipation notes	$ —	$ 80,000	$ —	$ 80,000

	Balances at July 1, 2021	Increases	Decreases	Balances at June 30, 2022
University of South Carolina				
Line of credit	$ 6,388	$ 5,438	$ (6,388)	$ 5,438

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, 2021, the trade guarantees are an amount not to exceed approximately $51.600 million.

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

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

The Authority and Dominion Energy, are parties to a joint ownership agreement providing that the Authority and Dominion Energy own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. Dominion Energy 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 $439.500 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 Dominion Energy 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 Dominion Energy. On July 31, 2017 the Authority, along with Dominion Energy, 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 $17.100 million during the Authority's fiscal year ended December 31, 2021.

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, 2022.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $346 thousand and $30.692 million, respectively, for the fiscal year ended June 30, 2022.

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, 2021, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,003,000	58%

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

State Ports Authority

During the fiscal year ended June 30, 2022, of the State Ports Authority's total revenues, three customers accounted for approximately 16%, 15%, and 15% each. The Authority performs ongoing credit evaluations of its customers and 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.

On March 17, 2021, the State of South Carolina and the Ports Authority filed labor charges against the United States Maritime Alliance, Ltd. (USMX), the International Longshoreman's Association, AFL-CIO, CLC and the International Longshoreman's Association, AFL-CIO, CLC, Local 1422 (together, the ILA) with the National Labor Relations Board (NLRB) for entering into and maintaining an unlawful hot-cargo agreement as contained in Article VII, Section 7 of the USMX-ILA collective bargaining agreement (Master Agreement) and the Hugh K. Leatherman Terminal (HLT). The NLRB issued a complaint against Respondents (USMX and the ILA). Following issuance of the complaint, in April 2021, the ILA filed a lawsuit in the New Jersey Superior Court (the Lawsuit) against two USMX member-carriers seeking to effectuate the unlawful provision in the Master Agreement. In doing so, the ILA not only reaffirmed the unlawful nature of Article VII, Section 7 of the Master Agreement, it asserted additional unlawful interpretations of the Master Contract. The State of South Carolina and Ports Authority filed additional charges against the ILA for these additional unlawful interpretations, and the NLRB issued a second complaint against the ILA. A hearing was held before an Administrative Law Judge on June 9th and 10th, 2021. No order has been issued by the Administrative Law Judge. On September 16, 2021, a National Labor Relations Board judge ruled in favor of the Ports Authority stating that the ILA cannot force the use of union labor at the Port of Charleston and ordered that the ILA drop a lawsuit filed against two ocean carriers that utilized the HLT. The ILA will have 28 days to file an appeal if they choose. The Ports Authority intends to aggressively protect its interests with regards to the ILA. The effect of this labor dispute on the financial position of the Ports Authority related to operations at HLT cannot be determined at this time.

Purchase Commitments – Public Service Authority

At December 31, 2021, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $345.526 million for coal. In addition, at December 31, 2021, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $78.100 million over the next thirteen years.

The Authority amended a service agreement to an approximate amount of $48.500 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, 2022, the Ports Authority had construction commitments of approximately $167.500 million and non-construction commitments for property, plant and equipment of approximately $4.850 million.

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 $6.929 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2022.

Additionally, in May 2020, the South Carolina Legislature enacted the "Workforce and Senior Affordable Housing Act", which gives tax credits to developers of affordable housing projects that are approved by the South Carolina Housing Authority and placed into service after January 1, 2020. Initial impact estimates put the annual General Fund tax credit impact at approximately $2.057 million per calendar year until the program, which mirrors the federal low-income housing tax credit, sunsets for projects completed by December 31, 2030 in calendar year 2039. But, later in 2020, the federal government changed the low-income housing tax credit financing program, which greatly increased participation in this program by developers. Tax credits for calendar years 2021 and 2022 are now estimated to be $2.263 million and $17.277 million, respectively. Additionally, the South Carolina Legislature limited future Housing Authority tax credits from the General Fund in fiscal year 2022 to a maximum of $20.000 million per calendar year and limited credits granted prior to December 31, 2021 to a total maximum of $100.000 million.

NOTE 20: COVID-19 PANDEMIC

The 2019 Novel Coronavirus (or "COVID-19") has adversely affected 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 virus and its variants 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 held its fiscal year 2021 budget at fiscal year 2020 spending levels, although fiscal 2021 revenues have ultimately surpassed projections. All of the $1.905 billion in COVID Relief Funds received has been recognized with corresponding expenditures or obligated to be expended (see table below) before the December 31, 2021 deadline.

CARES Act
Coronavirus Relief Funds
(expressed in thousands)

Program	Amount
Unemployment Trust Fund	$ 841,906
State Government	353,869
Department of Education	222,657
State Testing/Monitoring	144,071
Broadband/Mobile Hotspots	38,370
PPE Stockpile	13,056
Grant Management	10,000
Total State	**$ 1,623,929**
Local Government	$ 92,976
Hospital Relief	123,210
Small/Minority Businesses	40,000
Nonprofits	25,000
Total Non-State	**$ 281,186**
Grand Total	**$ 1,905,115**

In addition, the State received $2.499 billion in September 2021 under the American Rescue Plan Act (ARPA) for the State Fiscal Recovery Fund. Of the $2.499 billion received, $1.261 billion has been distributed. States must obligate the funds by December 31, 2024, and spend by December 31, 2026.

Also, on September 3, 2021, the state received $217.563 million under ARPA for the Local Fiscal Recovery Fund. On September 6, 2022 the state received an additional $217.563 million under ARPA for the Local Fiscal Recovery Fund. Of the $435.126 million received, $415.628 million has been allocated to local governments. States must also obligate these funds by December 31, 2024, and spend them by December 31, 2026.

NOTE 21: SUBSEQUENT EVENTS

a. Debt Issuances

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

- Subsequent to the Public Service Authority's, a major discretely presented component unit, December 31, 2021 fiscal year-end, it issued $931.000 million in 2022 Tax-Exempt Refunding Series A revenue bonds and $352.000 million in 2022 Tax-Exempt Refunding Series B revenue bonds on February 23, 2022. The $1.283 billion in revenue bonds will be used to purchase or exchange $2.697 billion in callable revenue bonds to lower their interest rates. The refunding produced approximately $378.000 million in gross savings, which results in approximately $250.000 in net present value debt service savings.
- On August 23, 2022, the State Housing Authority, a major discretely presented component unit, issued $160.000 million in mortgage revenue bonds, Series 2022B.

- On August 30, 2022, the State Housing Authority, a major discretely presented component unit, issued $206.190 million in mortgage revenue notes, Series 2022C.
- On October 6, 2022, Clemson University, a major discretely presented component unit, issued $40.000 million in notes to fund various capital projects.
- On November 15, 2022, the Public Service Authority, a major discretely presented component unit, issued $36.600 million in Tax-Exempt Revenue Refunding Bonds Series 2022C, $134.900 million in Taxable Revenue Refunding Bonds Series 2022D, $390.000 million in Tax-Exempt Revenue Improvement Bonds Series 2022E, and $60.000 million in Taxable Revenue Improvement Bonds Series 2022F. The bonds provided $450.000 in capital improvements and refunded approximately $175.000 million of higher interest bonds.

b. State Constitutional Changes

On November 8, 2022 the citizens of South Carolina voted to approve two constitutional amendments. Amendment 1, General Reserve Fund Increase, increases the General Reserve Fund from 5% of the state general fund revenue to 7% incrementally by one-half percent increase each year. Amendment 2, Capital Reserve Fund Increase, increases the Capital Reserve Fund from 2% to 3% of the state general fund revenue and provides that the first use of the Capital Reserve Fund is to offset midyear budget reductions.

c. Opioid Settlements

The South Carolina Opioid Recovery Act, enacted May 23, 2022, created the South Carolina Opioid Recovery Fund and the South Carolina Opioid Recovery Fund Board. The act identifies the board as an independent, quasi-governmental agency responsible for managing the South Carolina Opioid Recovery Fund. The state is currently participating in two national opioid settlements, one with distributors McKesson, Cardinal Health, AmerisourceBergen, and another with manufacturer Janssen Pharmaceuticals/Johnson and Johnson. The distributors settlement, including amounts due to political subdivisions, is $161.588 million guaranteed with incentives increasing to a possible $293.796 million paid over eighteen years. The Janssen settlement, including amounts due to political subdivisions, is $30.894 million guaranteed with incentives increasing to a possible $67.831 million over ten years.

The first two payments received July 15, 2022 and September 15, 2022 for $12.551 million and $13.190 million respectively were received from the opioid distributors. A third payment was received from Janssen on October 18, 2022 for $50.789 million. Funds received are allocated accordingly with the terms of the settlement allocation agreement which provides that eighteen percent is credited towards the payment of attorney fees in years 2021 through 2027 only, and the remainder is further allocated eighty-five percent to participating counties/municipalities and fifteen percent at the discretion of the board. After 2029, the allocation between counties/municipalities and discretionary shifts to is fifty percent each. The board is expected to issue separately audited financial statements on a calendar year basis beginning with the year ending December 31, 2022.

d. Dominion Energy Settlement

On September 23, 2022, the State of South Carolina received real property from Dominion Energy commonly known as the Ramsey Grove Planation located in Georgetown County. The exchange was in lieu of $28.167 million of taxes owed. Three additional properties are expected to be transferred, however the exact timing is unknown due to regulatory constraints existing on the properties. Once transferred, the remaining properties are expected to satisfy an additional $22.602 million of tax debt.

e. Department of Transportation Project Delay Claim

On November 1 2022, a claim for project delay was filed against the Department of Transportation in the amount of $42.000 million. The Department is in the process of assessing the claim documentation and a reasonable estimate of SCDOT exposure is not available at this time.