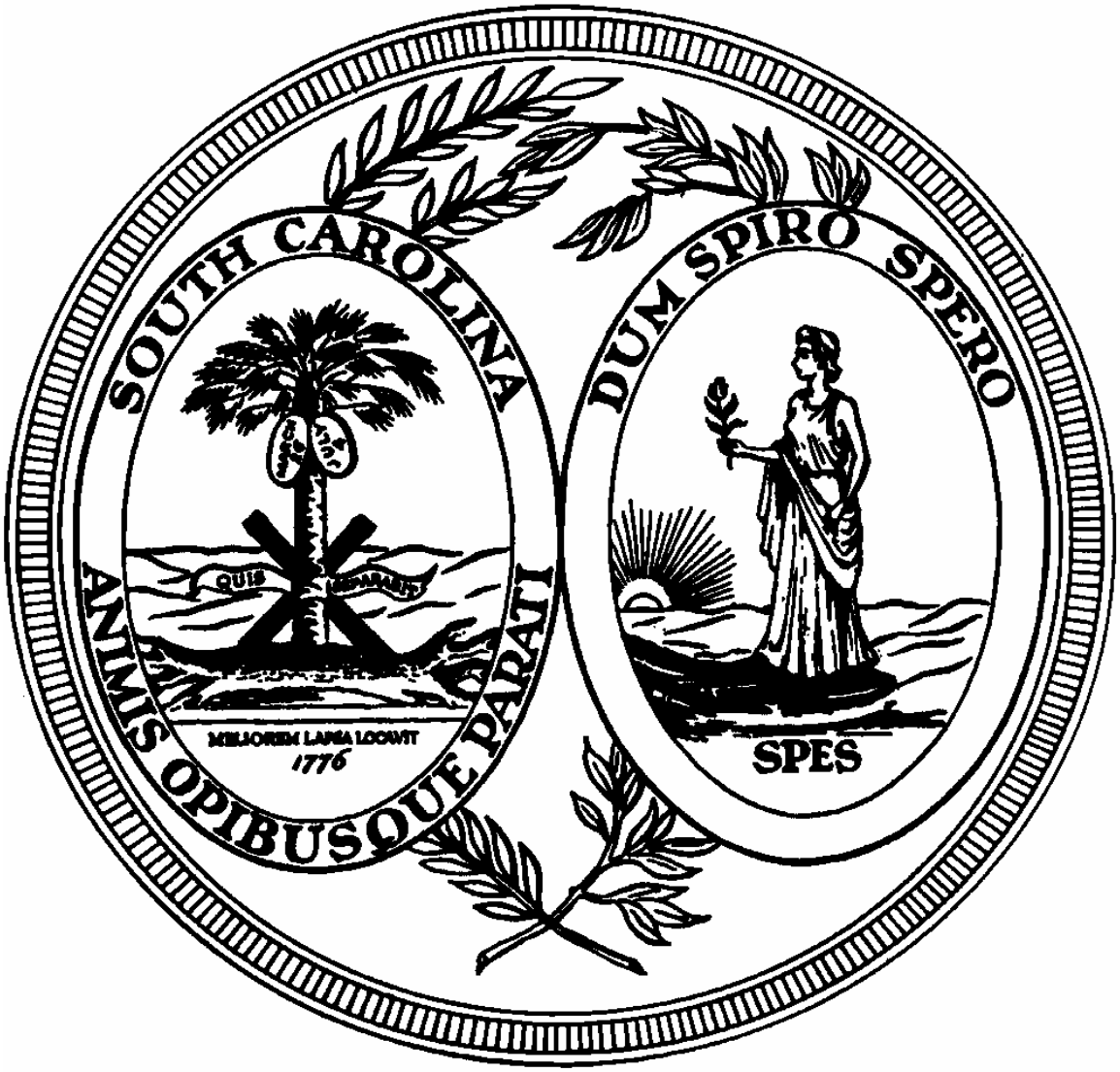
STATE OF SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30,

2018

Prepared by the Comptroller General's Office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Introductory

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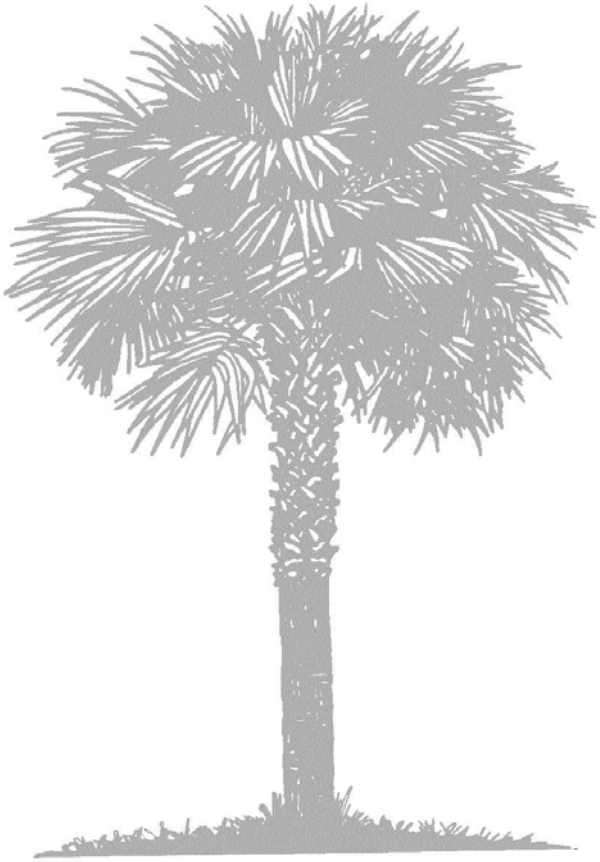

Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organizational Chart

State of South Carolina
Office of Comptroller General

1200 Senate Street
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Columbia, South Carolina 29201

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

WILLIAM E. GUNN
CHIEF OF STAFF

November 15, 2018

To the Citizens, Governor and Members of the South Carolina General Assembly

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2018. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor and CliftonLarsonAllen LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2018. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process.

This letter of transmittal is designed to complement management's discussion and analysis that immediately follows the report of the independent auditors.

PROFILE OF THE GOVERNMENT

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-third in population with approximately 5.0 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the tenth fastest in the nation.

As shown in the organizational chart on page 15, State government is divided into three separate branches: legislative, executive, and judicial. The State's citizens elect the legislative and executive branch officials. The General Assembly elects certain members of the judicial branch, including the Supreme Court. The principal State officials currently in office are listed on page 14.

State government provides a full range of services to South Carolina's citizens including educational, health, social/human, transportation, public safety, regulatory, and conservation/natural resources services. In addition, the State provides funds, grants, and loans to assist local governments, including school districts.

The State's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, and agencies. The State's component units are legally separate organizations for which the State is accountable for purposes of financial reporting. The Management's Discussion and Analysis (MD&A) and the Basic Financial Statements focus on the activities of the primary government.

Additional information on the State's component units can be found in the notes to the accompanying financial statements and in the separately issued financial statements of those component units.

South Carolina's annual Appropriations Act includes legally adopted budgets by agency for the Budgetary General Fund and for Total Funds. After the budget year begins, the Executive Budget Office (EBO), may order spending cuts if revenue collections fall short of predicted levels. A department or agency may request transfers of appropriations between programs if its transfer request does not exceed 20% of its program budget. The EBO has the authority to approve additional requested transfers of appropriations between personal services and other operating expenditure accounts. For additional information, see the notes to the required supplementary information - budgetary.

STATE ECONOMY

South Carolina has a diversified economic base, including manufacturing, trade, healthcare, services, and leisure/hospitality. Businesses have relocated here from all over the world taking advantage of the State's skilled labor force, competitive wages, lower-priced land, excellent port facilities and accessibility to markets, and, in recent years, substantial tax and other economic incentives.

Businesses continue to choose South Carolina as a place to locate or expand, and the State of South Carolina is committed to working with employers to meet their workforce needs through state-supported workforce development initiatives.

During the year ended June 30, 2018, total non-farm employment in the state increased by 41,400 to 2,125,700. Industry sectors reflecting gains were Leisure and Hospitality (+16,600); Mining, Logging, Information, and Other Services (+7,400); Education and Health Services (+6,900); Trade, Transportation, and Utilities (+4,900); Professional and Business Services (+3,300); Government (+2,600); and Financial Activities (+1,200). The Construction sector remained unchanged and declines were experienced in the Manufacturing sector (-1,500).

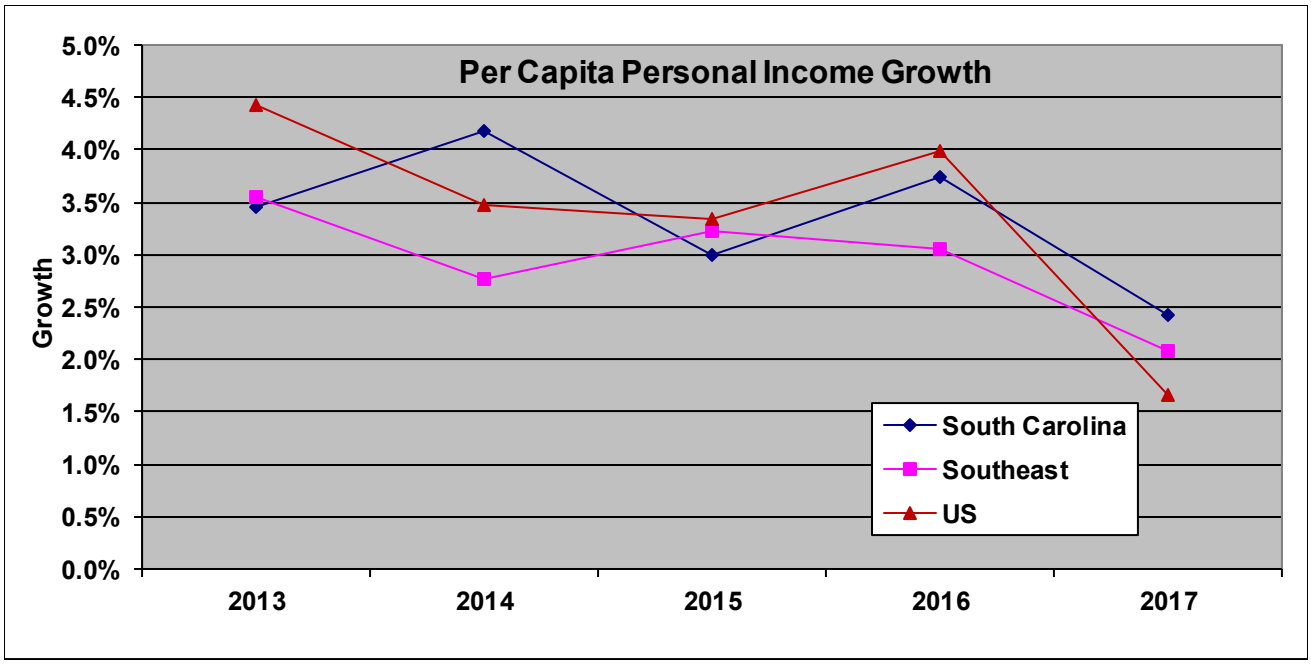
South Carolina's unemployment rate was 3.8% in June 2018, which was below the June 2017 rate of 3.9%. It improved to 3.3% in September 2018. In comparison, the U.S. unemployment rate in June 2018 was 4.0% and 3.9% in September 2018.

The South Carolina Leading Index (SCLI) increased by 0.08 points from June 2017 to June 2018 to 102.55. Above the 100 mark, the SCLI forecasts improving economic conditions for South Carolina over the upcoming three to six months. The SCLI closed the month of September 2018 at 102.58, the most current month available.

The number of real estate closings remained virtually the same when comparing June 2018 and June 2017. But, with the declining number of foreclosures in the state, down 2.9 percent in June 2018 compared to June 2017, the supply of available homes on the market remains low. As inventory tightens, real estate values in South Carolina have gained ground. In addition, residential building permits compared to a year ago are up 10.5 percent in volume and 9.0 percent in valuation.

The South Carolina housing market continued to improve, with the Charleston, Florence, and Columbia housing markets experiencing strong home sales in the first half of calendar year 2018. This growth was also complemented by median home prices of homes sold increasing 6.6 percent when comparing June 2018 to June 2017.

Also, see the following for a comparison of South Carolina, the southeastern United States, and the entire United States in per capita personal income growth over the last five years.



LONG-TERM FINANCIAL PLANNING

State law requires agencies that receive 1.0% or more of the total annual General Fund appropriations to provide an estimate of their projected General Fund expenditures for the next three fiscal years. The Executive Budget Office combines these expenditure estimates with long-term revenue estimates made by the State's Board of Economic Advisors (BEA) to create a three-year financial plan. The three-year financial plan assists the State in strategically assessing its future financial commitments. The plan is updated annually and provided to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate during the second quarter of each fiscal year.

Significant financial challenges facing state government include anticipated future spending increases for Medicaid, State retirement and post-retirement health benefits, and elementary and secondary education.

The State's long-term financial management practices include a five–year comprehensive permanent improvement plan that requires funding to be in place before beginning construction on any capital improvement projects.

RELEVANT FINANCIAL POLICIES

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to compare actual revenue collections with its earlier projections and to adjust its projections if necessary. The State legislature and EBO are responsible for taking appropriate action to keep the State's budget in balance. If at the end of the first, second, or third quarter of any fiscal year the BEA reduces revenue by more than three percent below the amount projected for the fiscal year, the President Pro Tempore of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year-end deficit. If the houses do not come into session within twenty days of the BEA determination, the Director of the EBO must reduce most agency appropriations evenly across-the-board to avoid a year-end deficit. The State is also required to maintain a General Reserve Fund amounting to 5.0% of total General Fund revenues for the latest completed fiscal year that can be used only for eliminating a year-end operating deficit. Additionally, the State is required to annually fund a 2% Capital Reserve to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly.

Legislation also exists directing that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary surplus appropriations in a general or supplemental act or Capital Reserve Fund appropriations if the State's General Fund has a negative unrestricted, unassigned fund balance when reported on a Generally Accepted Accounting Principles-basis.

The State ended fiscal year 2018 with a positive budgetary General Fund balance after reservation of $1.187 billion, which was made up of legislatively approved agency carryover appropriations of $484.487 million, the General Reserve of $363.552 million, the Capital Reserve of $145.421 million, and unassigned surplus of $193.714 million. See the Required Supplementary Information – Other than Management's Discussion and Analysis (Unaudited) section for further information.

MAJOR INITIATIVES

The State continues to fund programs related to job creation. In calendar year 2017 the State committed $20.0 million to the South Carolina Coordinating Council on Economic Development's Set-Aside Fund, which is dedicated to improving the economic well-being of the State by providing funds to local government to develop the infrastructure necessary for new and expanding business. Programs like this helped to attract Samsung to Newberry County and Stanley Black & Decker to York County in fiscal year 2018. Stanley Black & Decker is expected to create 500 jobs in the coming years. Additionally, Zeus Industrial Products, Inc. announced that it will expand its facilities in Calhoun County in fiscal year 2018, which will create an additional 350 jobs in the coming years as well.

South Carolina's job creation and capital investment from manufacturers have experienced steady growth since the end of the 2007 - 2009 Recession. In 2017 alone, the state attracted more than $5.24 billion in new capital investment from manufacturing companies, which resulted in the creation of more than 18,445 jobs.

Area Development Magazine recently ranked South Carolina fourth in its 2018 "Top States for Business" analysis. Area Development Magazine also ranked South Carolina first in business incentive programs and second in cooperative and responsive state government within the analysis.

South Carolina's Growing Economic Environment

Over the last several years, South Carolina has continued to demonstrate its ability to attract expanded economic opportunities for citizens. Manufacturing has grown substantially. South Carolina has also experienced a state-wide decrease in its unemployment rate, which has shown that even in the midst of challenging national economic conditions our state's business-friendly climate and committed workforce continue to attract investment that creates well-paying jobs.

We have seen an emerging trend of companies investing and expanding in South Carolina. Many of South Carolina's major employers have expanded and created high-quality jobs within the state. In 2012, the State established an Aerospace Task Force to position the state for future growth. The task force is focused on growing the aerospace supply chain for companies like Boeing and GE Turbine and supporting initiatives to assure that South Carolina has a workforce ready for the aerospace industry.

South Carolina's exports reached record levels again in 2017 with exports increasing by 2.9% to $32.2 billion from 2016 to 2017. In 2017, South Carolina ranked 16th in the United States in exports. These export figures were bolstered by the fact that the State is the nation's top exporter of completed passenger vehicles and tires, in which the State accounted for approximately 16% of the entire U.S. passenger vehicles market and approximately 31% of the total U.S. tire export market. The State also recently established a Transportation, Distribution and Logistics (TDL) Council that includes strong private sector participation. Part of the mission of this council is to prepare South Carolina for the Panama Canal expansion, providing South Carolina with a world-class port that will have the capacity to support the expected increase in merchant shipping. The Port of Charleston is deepening its shipping channel from forty-five to fifty-two feet. Once the project is completed by the end of the decade, Charleston will be the deepest port on the east coast.

Due in part to the State's economic outreach initiatives, South Carolina's total economic output or gross domestic product (GDP) was $219.093 billion in 2017. Between 2016 and 2017, our real GDP grew 2.3%, which compares to the southeast states average growth of 2.0%.

With our cost of living 3.7% below the national average, South Carolina offers exceptionally productive employees at one of the lowest labor costs in the nation. South Carolina is a right-to-work state and in 2017 had the lowest unionization rate in the nation, at 2.6% of the workforce. As a result of this, Kiplinger recently highlighted South Carolina as tied with Texas at eleventh in states that have gained the most jobs in 2017 with an employment increase of 1.8%.

AWARDS AND ACKNOWLEDGMENTS

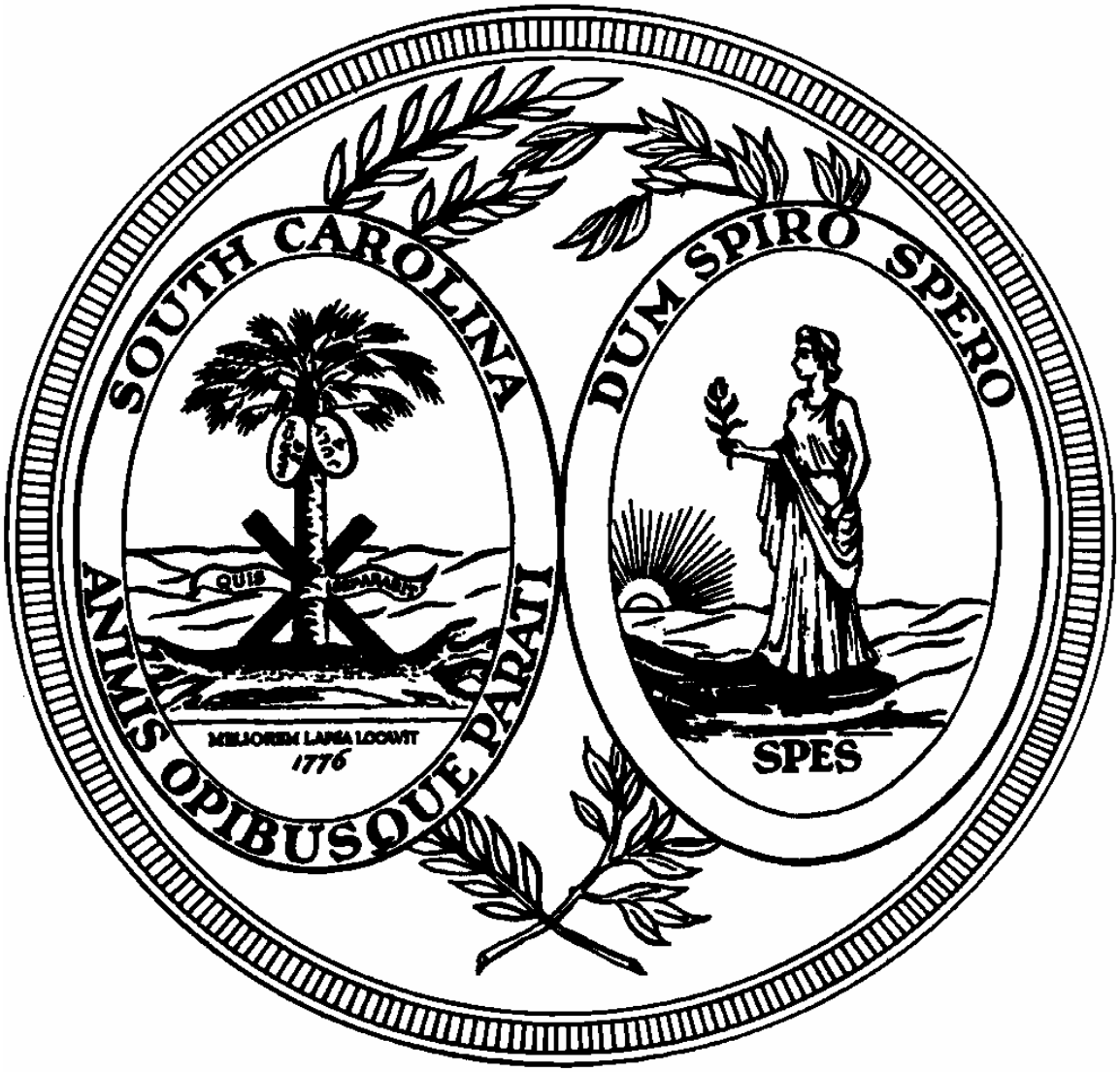
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2017. This was the thirtieth consecutive year that the State of South Carolina achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility to be awarded a Certificate of Achievement.

Production of the CAFR was made possible only by the support of all State agencies and component units that supplied financial data to our office on a timely basis. I extend special appreciation for the members of my staff who devoted many of their nights and weekends over the past few months working as a team to produce this comprehensive document. I also express special appreciation for the generous sacrifices made by their families who endured the many extra hours they devoted to successfully complete this project.

Sincerely,

Richard Eckstrom, CPA
Comptroller General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CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

Kevin L. Bryant, President of the Senate and Lieutenant Governor
Hugh K. Leatherman, Sr., President Pro Tempore of the Senate
James H. Lucas, Speaker, House of Representatives

EXECUTIVE

STATE FISCAL ACCOUNTABILITY AUTHORITY
Henry D. McMaster, Chairman, Governor
Curtis M. Loftis, State Treasurer
Richard Eckstrom, Comptroller General
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
W. Brian White, Chairman, House Ways and Means Committee

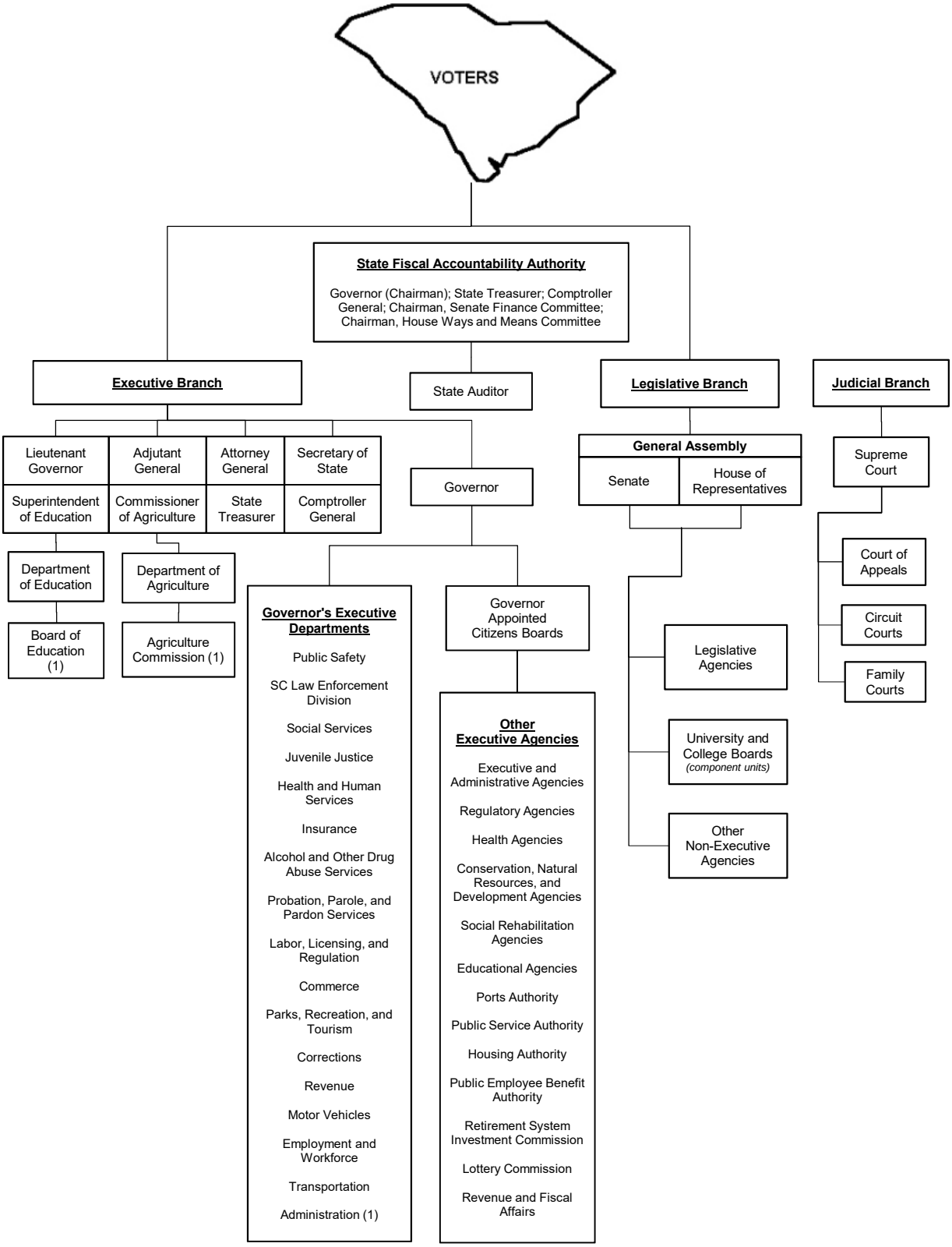
Kevin L. Bryant, President of the Senate and Lieutenant Governor
Mark Hammond, Secretary of State
Alan Wilson, Attorney General
Molly Spearman, State Superintendent of Education
Major General Robert E. Livingston, Jr, Adjutant General
Hugh E. Weathers, Commissioner of Agriculture

JUDICIAL

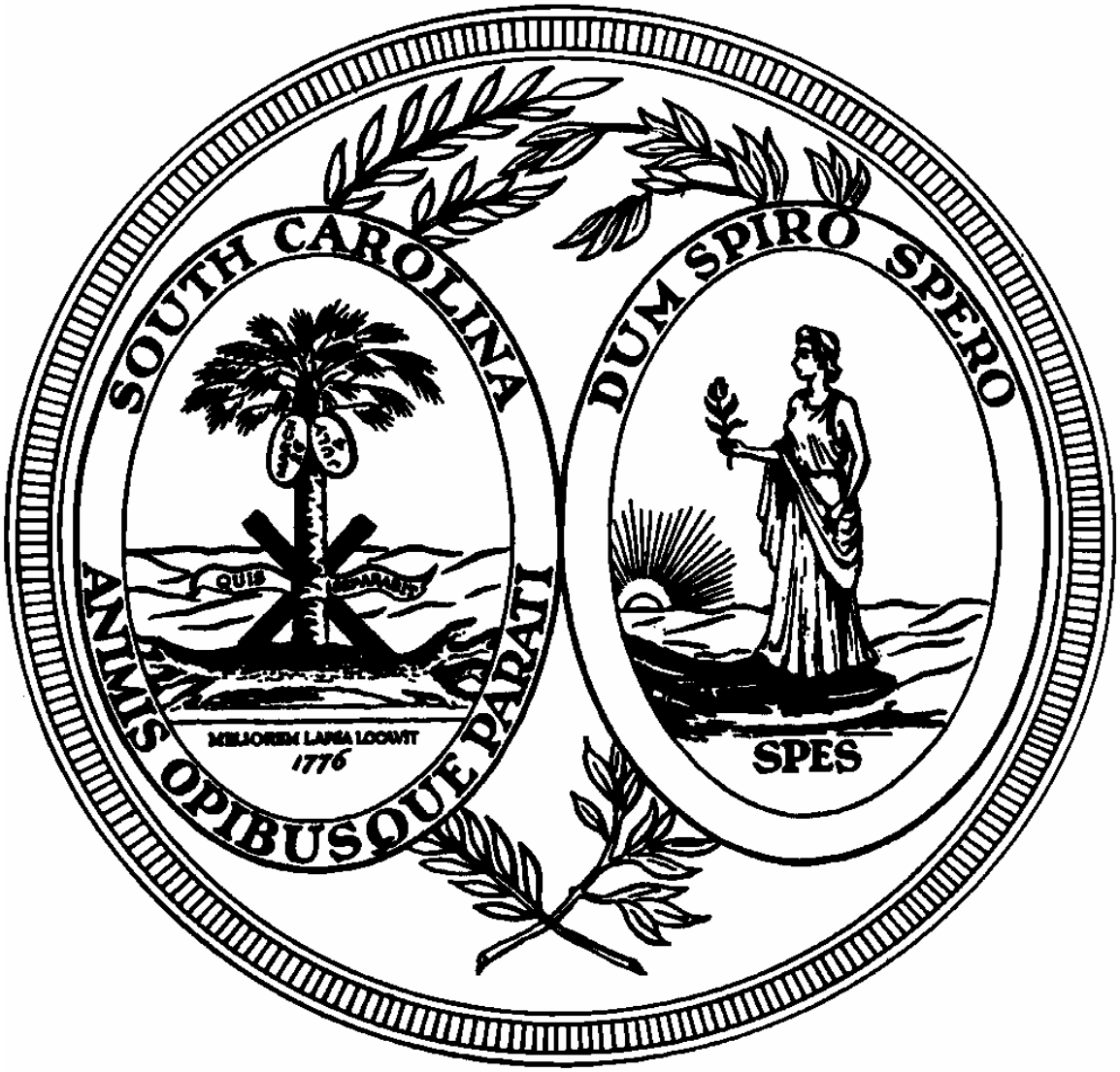
Donald W. Beatty, Chief Justice, Supreme Court

The State's citizens elect the legislative and executive branch officials named above. The General Assembly elects certain members of the judicial branch, including the Supreme Court.

Organizational Chart



(1) Board of Education and Agriculture Commission are comprised of 16 members elected by the legislative delegation of each judicial district, one member at large appointed by the Governor and the Superintendent of Education or Commissioner of Agriculture, respectively.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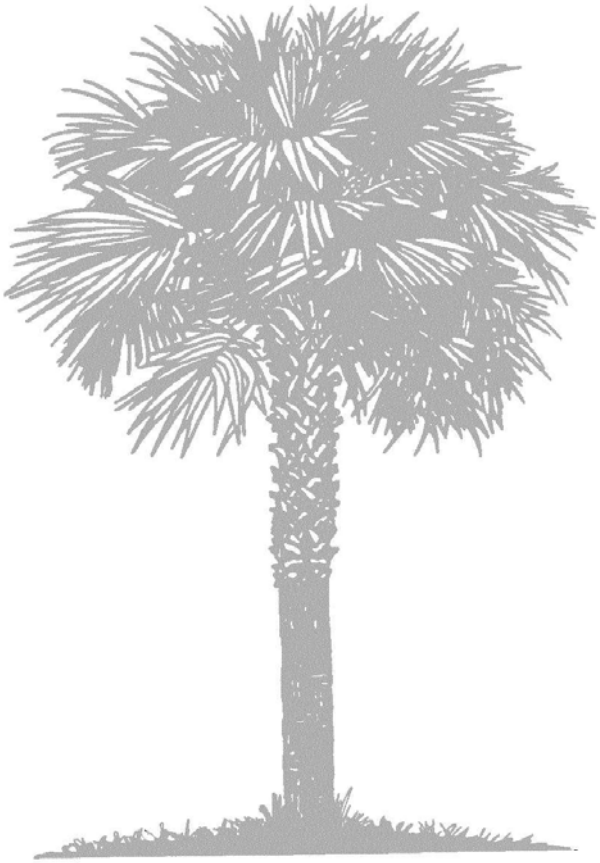
Financial Section



Independent Auditors' Report
Management's Discussion and Analysis (Unaudited)
Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

The Honorable Henry D. McMaster, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to jointly express opinions on these financial statements based on our audit.

We did not jointly audit the financial statements of certain agencies and component units of the State, which represent the indicated percent of total assets and deferred outflows of resources and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen, LLP acting separately, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets and Deferred Outflows of Resources	Total Revenue	Total Assets and Deferred Outflows of Resources	Total Revenue
Government-wide				
Governmental activities	2%	11%	60%	11%
Business-type activities	-	-	82%	82%
Component units	-	-	99%	96%
Fund Statements				
Governmental Funds	-	-	23%	11%
Enterprise Funds	-	-	82%	82%
Internal Service Funds	38%	90%	52%	6%
Fiduciary Funds	76%	30%	23%	70%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the State Ports Authority, Connector 2000 Association, Inc., South Carolina Research Authority, InvestSC, Inc. and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Errors and Change in Accounting Principle

As described in Note 15 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period and the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

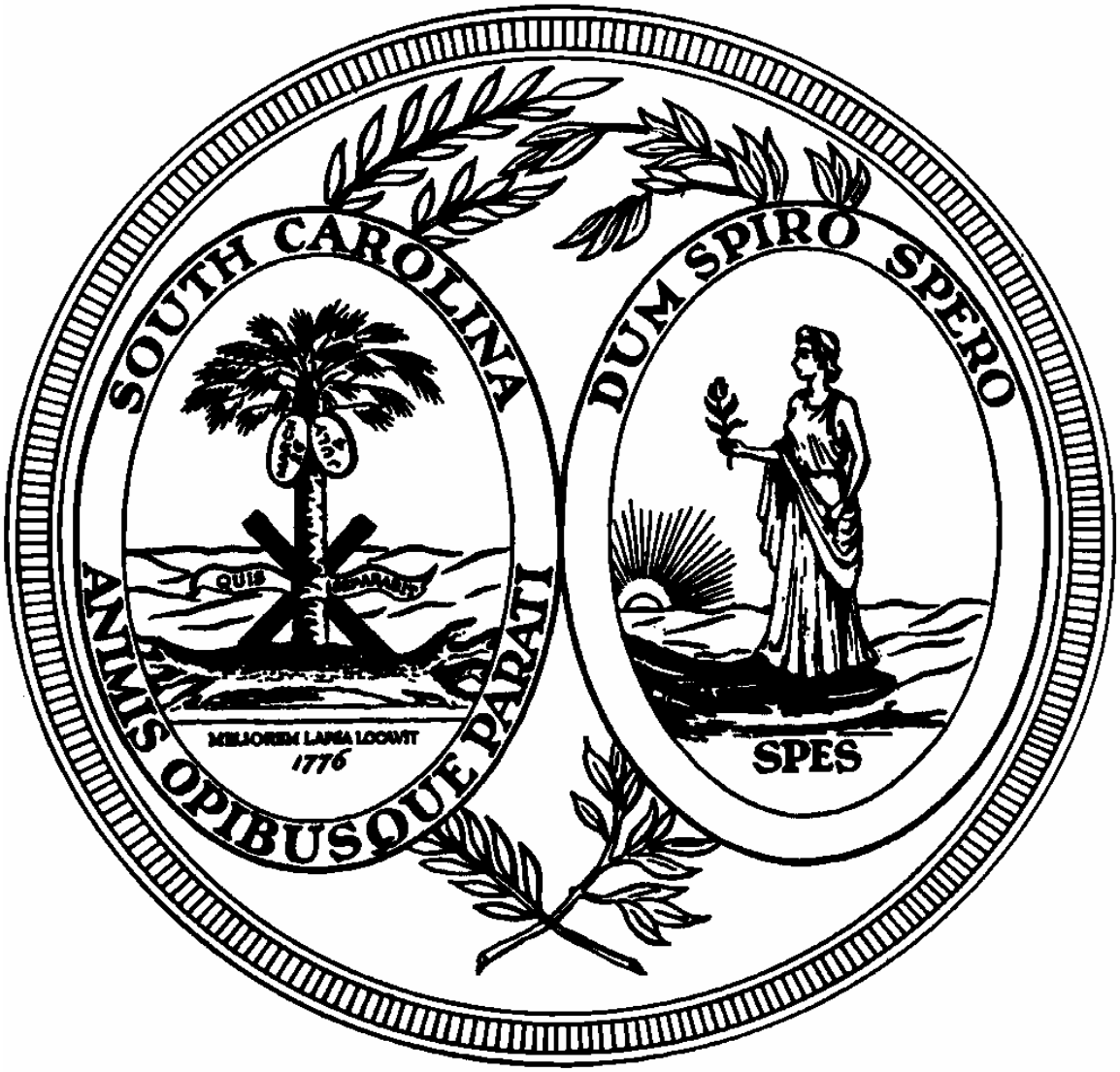
In accordance with *Government Auditing Standards,* we have also issued our report dated November 15, 2018, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

George L. Kennedy, III

Columbia, South Carolina
November 15, 2018

CliftonLarsonAllen LLP

Baltimore, Maryland
November 15, 2018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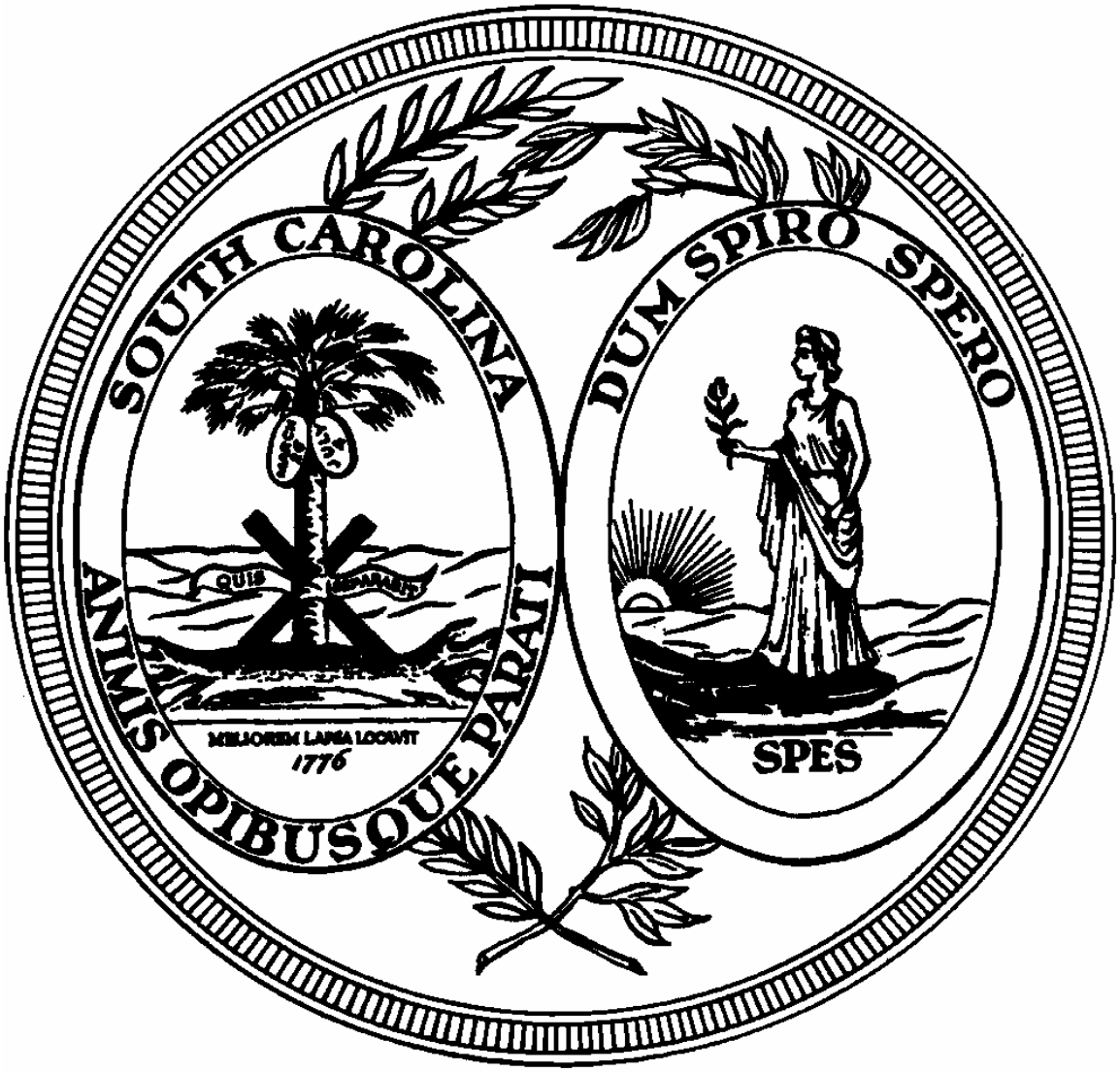
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MANAGEMENT'S DISCUSSION AND ANALYSIS—

Required Supplementary Information (Unaudited)

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2018. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the State of South Carolina's basic financial statements, which include the following parts: (1) *government-wide financial statements,* (2) *fund financial statements,* (3) *component unit financial statements,* and (4) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and other *supplementary information* to aid in understanding the operations of the State.

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole,* using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 38 through 41 of this report.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered such as the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement on page 40 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

The government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the State's basic services are included here, such as general government, education, health and environment, social services, administration of justice, and transportation. Taxes (primarily income and sales taxes) and federal grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund and Second Injury Fund are the most significant of South Carolina's business-type activities.

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, the State Lottery Commission, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (see Note 1a of the notes to the financial statements on page 67).

Fund Financial Statements

The fund financial statements on pages 42 through 59 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

Governmental funds: The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

The basic governmental fund statements are on pages 42 through 49 of this report.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds)* or other State agencies and other governments (*internal service funds)*. Proprietary funds use the *accrual basis of accounting* like businesses use. The State reports all of its enterprise funds as *business-type activities* in the government-wide statements. However, because the internal service fund operations primarily benefit other State agencies or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial statements.

The basic proprietary fund statements are on pages 50 through 56 of this report.

Fiduciary funds: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust agreement, it is to use only for trust beneficiaries such as an investment pool operated on behalf of local governments. These activities are *excluded* from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net position it reports in fiduciary funds are used for the intended purposes.

The basic fiduciary fund statements are on pages 58 and 59 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 60 through 63 of this report.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 181 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 190 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. Additionally, the required supplementary information section includes information on the State's five pension programs: 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 Retirement System. This required supplementary information is on pages 183 through 215 of this report.

Supplementary Information

Nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units are presented immediately following the required supplementary information. Combining and individual fund statements and a schedule of General Reserve Activity are found on pages 217 through 263 of this report.

Government-wide Financial Analysis

Exhibits 1 and *2* summarize the State's overall financial position and results of operations for the past two years based on information included in the government-wide financial statements.

Exhibit 1
Government-wide Net Position
As of June 30, 2018
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percent Change
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)	2018-2017
Assets							
Current and other assets	$ 13,017,399	$ 11,856,925	$ 1,318,890	$ 1,123,234	$ 14,336,289	$ 12,980,159	10.4%
Capital assets	17,521,033	16,761,453	281,212	256,215	17,802,245	17,017,668	4.6%
Total assets	**30,538,432**	**28,618,378**	**1,600,102**	**1,379,449**	**32,138,534**	**29,997,827**	**7.1%**
Deferred Outflows of Resources	**989,170**	**862,866**	**3,836**	**3,791**	**993,006**	**866,657**	**14.6%**
Liabilities							
Long-term liabilities	10,247,203	10,430,759	302,037	322,703	10,549,240	10,753,462	(1.9%)
Other liabilities	3,310,805	3,064,462	135,624	145,427	3,446,429	3,209,889	7.4%
Total liabilities	**13,558,008**	**13,495,221**	**437,661**	**468,130**	**13,995,669**	**13,963,351**	**0.2%**
Deferred Inflows of Resources	**400,609**	**93,175**	**509**	**115**	**401,118**	**93,290**	**330.0%**
Net Position							
Net investment in capital assets	15,079,318	14,133,938	218,157	216,697	15,297,475	14,350,635	6.6%
Restricted	6,068,437	8,204,123	1,023,083	792,899	7,091,520	8,997,022	(21.2%)
Unrestricted	(3,578,770)	(6,445,213)	(75,472)	(94,601)	(3,654,242)	(6,539,814)	44.1%
Total net position	**$ 17,568,985**	**$ 15,892,848**	**$ 1,165,768**	**$ 914,995**	**$ 18,734,753**	**$ 16,807,843**	**11.5%**

Net Position

The comparison of net position to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2018 fiscal year, the State's net position totaled $18.735 billion.

The largest portion of the State's net position reflects its *net investment in capital assets* (for example, buildings, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The State uses capital assets to provide services to citizens; consequently, they are *not* available for future spending. Further, the State cannot sell the capital assets to repay the related debt because it needs the assets for its operations; so it must find other resources to repay the debt.

Restricted net position generally is available for future spending but is subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State's largest restricted balances include capital improvement bond proceeds (restricted for various capital projects) and debt service.

Unrestricted net position—resources normally available for future spending without restrictions—reported a deficit balance of ($3.654) billion at June 30, 2018. This represents an increase in the deficit net position of $2.886 billion over the prior year. The primary government's unrestricted deficit net position partially consists of the $3.963 billion net pension liability and the $2.838 billion other post-employment benefits other than pensions (OPEB) liability, which are required to be recognized by GASB 68 (see Note 7 starting on page 104) and GASB 75 (see Note 8 starting on page 113), respectively. It should be noted that the deficit unrestricted net position was also offset by increases in restricted net position and net investment in capital assets, resulting in overall increases in the net positions of the State's *governmental activities* and *business-type activities*.

The State's *business-type activities* reported a $75.472 million deficit unrestricted net position. This balance was mostly comprised of a $41.217 million deficit unrestricted net position in the State-run Patients' Compensation Fund and a $36.065 million deficit unrestricted net position in the State-run college Tuition Prepayment Program. The negative unrestricted net position in the Patient Compensation Fund and the Tuition Prepayment Program was the result of the full amount of claims exceeding assets on hand on June 30, 2018.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percentage Change
	2018	(as restated) 2017	2018	(as restated) 2017	2018	(as restated) 2017	2018-2017
Revenues							
Program revenues:							
Charges for services	$ 3,727,978	$ 3,406,090	$ 458,601	$ 497,012	$ 4,186,579	$ 3,903,102	7.3%
Operating grants and contributions	9,253,825	9,127,975	5,660	22,708	9,259,485	9,150,683	1.2%
Capital grants and contributions	977,834	813,622	—	18,998	977,834	832,620	17.4%
General revenues:							
Individual income tax	4,408,772	4,143,217	—	—	4,408,772	4,143,217	6.4%
Retail sales and use tax	4,688,789	4,436,958	—	—	4,688,789	4,436,958	5.7%
Other tax	2,652,027	2,322,000	—	—	2,652,027	2,322,000	14.2%
Unrestricted grants and contributions	38	—	—	—	38	—	100.0%
Unrestricted investment income	160,636	191,486	34,132	22,777	194,768	214,263	(9.1%)
Tobacco legal settlement	81,605	73,533	—	—	81,605	73,533	11.0%
Other	150,635	154,778	4,545	1,802	155,180	156,580	(0.9%)
Total revenues	**26,102,139**	**24,669,659**	**502,938**	**563,297**	**26,605,077**	**25,232,956**	**5.4%**
Expenses							
Governmental activities:							
General government	6,819,685	5,507,990	—	—	6,819,685	5,507,990	23.8%
Education	4,745,126	4,991,282	—	—	4,745,126	4,991,282	(4.9%)
Health and environment	8,156,138	8,156,599	—	—	8,156,138	8,156,599	(0.0%)
Social services	1,695,379	1,766,719	—	—	1,695,379	1,766,719	(4.0%)
Administration of justice	986,839	938,748	—	—	986,839	938,748	5.1%
Resources and economic development	393,575	484,902	—	—	393,575	484,902	(18.8%)
Transportation	1,620,126	1,481,762	—	—	1,620,126	1,481,762	9.3%
Other	18,335	25,865	—	—	18,335	25,865	(29.1%)
Business-type activities:							
Unemployment compensation benefits	—	—	182,537	199,409	182,537	199,409	(8.5%)
Second Injury Fund	—	—	285	600	285	600	(52.5%)
Other	—	—	60,142	52,900	60,142	52,900	13.7%
Total expenses	**24,435,203**	**23,353,867**	**242,964**	**252,909**	**24,678,167**	**23,606,776**	**4.5%**
Excess before transfers	**1,666,936**	**1,315,792**	**259,974**	**310,388**	**1,926,910**	**1,626,180**	**18.5%**
Net transfers	9,201	2,559	(9,201)	(2,559)	—	—	—
Increase in net position	**1,676,137**	**1,318,351**	**250,773**	**307,829**	**1,926,910**	**1,626,180**	**18.5%**
Net position at beginning of year	15,892,848	17,522,068	914,995	610,902	16,807,843	18,132,970	(7.3%)
Restatements [a]	—	(2,947,571)	—	(3,736)	—	(2,951,307)	
Net position at beginning of year, restated [a]	**15,892,848**	**14,574,497**	**914,995**	**607,166**	**16,807,843**	**15,181,663**	**10.7%**
Net position, end of year	**$ 17,568,985**	**$ 15,892,848**	**$ 1,165,768**	**$ 914,995**	**$ 18,734,753**	**$ 16,807,843**	**11.5%**

a - See Note 15, Fund Equity Reclassifications and Restatements, on pages 145 - 146 of the financial statements.

Changes in Net Position

The State's total net position increased by $1.927 billion, or 11.5%, over the prior year's net position as a result of its governmental activities and its business-type activities. The overall improvement in the financial position of the State was experienced primarily through increased tax and program revenues of the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by $1.676 billion, or 10.5%. Revenue increased from last year by $1.432 billion, or 5.8%, which was comprised of an increase of $820.530 million, or 7.2%, in general revenue and an increase of $611.950 million, or 4.6%, in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the sources of revenues that support governmental activities.

Expenses associated with governmental activities increased by $1.081 billion, or 4.6%, for the fiscal year ended June 30, 2018. These expenses were mostly associated with services provided for health and environment, education, general government, social services, and transportation. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2018, the State used $10.476 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Governmental activities reported $9.201 million in net transfers from the State's business-type activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2018 fiscal year:

- Individual income tax revenues increased by $265.555 million, or 6.4%, retail sales and use tax revenues increased by $251.831 million, or 5.7%, and other taxes revenues increased by $330.027 million, or 14.2%. Overall tax collections increased during fiscal year 2018 due to increased enforcement and improvements in consumer spending within the state and national economies.
- Capital grants and contributions increased by $164.212 million or 20.2% from last year. This was primarily a result of contributions from the State Infrastructure Bank and federal grants related to infrastructure for transportation.
- General government expenses increased by $1.312 billion, or 23.8%, from last year. This was attributable to the implementation of GASB 75 and the recognition of the net OPEB liability within the State and the increase in the State's net pension liability.
- Transportation expenses increased by $138.364 million, or 9.3%, from last year. The increase is primarily the result of increased expenditures related to the gas tax increase for road maintenance as well as the storms that South Carolina has experienced over the last three years. These storms did major damage to bridges and roads. As the State of South Carolina recovers from such damage, these expenditures can span a number of years as the infrastructure is rebuilt and repaired. In the 2018 fiscal year, the State incurred $60.4 million related to the 2016 storm and $115.7 million related to the 2015 storm. FEMA reimbursed $123.0 million of these costs as of June 30, 2018.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2018

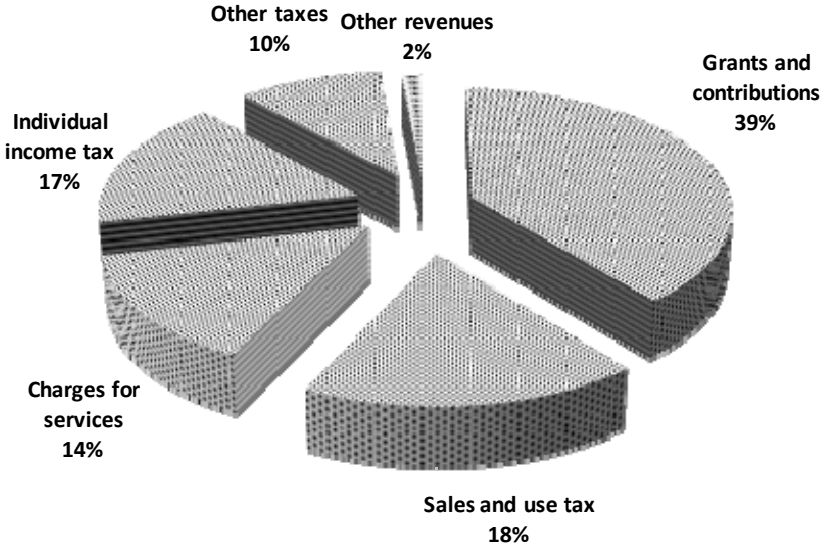
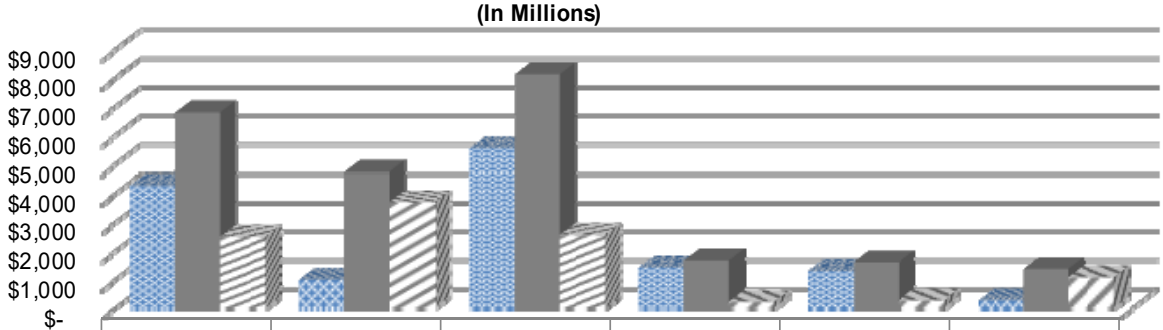


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2018
(In Millions)



	General Government	Education	Health and Environment	Social Services	Transportation	Other
Revenues	$4,295	$1,026	$5,571	$1,446	$1,324	$298
Expenses	$6,820	$4,745	$8,156	$1,695	$1,620	$1,399
Net Cost	$2,525	$3,719	$2,585	$249	$296	$1,101

Business-type Activities

The net position of the State's business-type activities increased by $250.773 million, or 27.4%.

Most business-type activities are self-supporting. The Unemployment Compensation Fund accounts for the State's unemployment compensation benefits in which federal grants and assessments on employers pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund's net position as of June 30, 2018 was $976.977 million, which was an increase of $184.078 million, or 23.2%. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and State Accident Fund. The Second Injury Fund's net position as of June 30, 2018 was $46.106 million, which was an increase of $61.792 million, or 393.9%.

Operating revenues of the Unemployment Compensation Fund decreased by $40.993 million, or 10.1%, and operating expenses for the payment of unemployment compensation benefits decreased by $16.872 million, or 8.5%, during the 2018 fiscal year. The decreases in operating revenues and expenses resulted from the general decline in unemployment rates throughout the country. Additionally, operating revenues for the Second Injury Fund have increased by $101 thousand, or 0.2%, but operating expenses for the payment of Second Injury Fund claims remained at a low level during the 2018 fiscal year due to only a minimal $185 thousand adjustment to the Second Injury Fund's claims liability.

Financial Analysis of the State's Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Within the fund financial statements, the focus is on reporting major funds.

Governmental Funds

Exhibit 5 shows the components of fund balance for the State's various governmental funds as of June 30, 2018.

Exhibit 5

Governmental Fund Balances

As of June 30, 2018

(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	$ 128,937	$ 14,550	$ —	$ 7,982	$ 11,235	$ 162,704
Restricted	1,134,704	1,071,734	2,123,074	334,280	723,998	5,387,790
Committed	505,425	19,784	—	419,976	56,360	1,001,545
Assigned	252,357	18,354	—	—	4,218	274,929
Unassigned	2,186,155	(678,731)	—	—	—	1,507,424
Totals	**$ 4,207,578**	**$ 445,691**	**$ 2,123,074**	**$ 762,238**	**$ 795,811**	**$ 8,334,392**
Change from prior year	**$ 465,511**	**$ 38,955**	**$ 39,197**	**$ 247,090**	**$ 41,495**	**$ 832,248**
Percentage change	**12.4%**	**9.6%**	**1.9%**	**48.0%**	**5.5%**	**11.1%**

At June 30, 2018, total ending fund balance for the State's governmental funds was $8.334 billion, which represents an increase of $832.248 million, or 11.1%, from the prior year. This total contains an *unassigned* fund balance of $1.507 billion. The total also includes $2.186 billion reported by the General Fund as unrestricted, unassigned and available with no constraints for spending in the coming year. In addition, governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 64.6% of the total fund balance. The majority of remaining fund balance is *non-spendable, committed, or assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income tax of $266.435 million, 6.5%; retail sales and use tax of $108.769 million, 3.0%; corporate income tax of $63.837 million,18.8%; insurance tax of $20.005 million, 11.8%; other taxes $54.001 million, 10.1%; and $129.309 million, 71.5%, in other revenues from the prior year. General Fund expenditures, which increased by $335.602 million, 3.3%, were also below the total General Fund revenues indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens thus expanding services when possible. During the 2018 fiscal year, the total fund balance increased by $38.955 million, or 9.6%, from the prior year. The primary source of revenue for the fund is federal revenues which account for $7.876 billion or 91.5% of the total revenue reported. These grants are reimbursement-based, thereby creating a higher negative unassigned fund balance until the funds are received.

The *Local Government Infrastructure Fund* accounts for grants, loans and other financial assistance to local governments for infrastructure projects. Certain motor fuel taxes, federal funds, and bond proceeds are the fund's primary resources. The fund balance increased by $39.197 million, or 1.9% during the 2018 fiscal year leaving a balance of $2.123 billion at the end of the fiscal year. The increase in fund balance was a result of decreased project expenditures.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by $247.090 million, or 48.0%, during the 2018 fiscal year leaving a balance of $762.238 million at the end of the fiscal year. The increase in fund balance was primarily a result of the 2-cent gas tax increase for road projects and maintenance.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2018.

Exhibit 6
Proprietary Fund Net Position
As of June 30, 2018
(Expressed in Thousands)

Fund Net Position	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	$ —	$ —	$ 218,157	$ 218,157	$ 91,551
Restricted, expendable	976,977	46,106	—	1,023,083	508,628
Unrestricted	—	—	(75,472)	(75,472)	17,035
Totals	**$ 976,977**	**$ 46,106**	**$ 142,685**	**$ 1,165,768**	**$ 617,214**
Change from prior year	**$ 184,078**	**$ 61,792**	**$ 4,903**	**$ 250,773**	**$ 22,970**
Percentage change	**23.2%**	**393.9%**	**3.6%**	**27.4%**	**3.9%**

The State has two kinds of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are reported as business-type activities in the government-wide financial statements. Enterprise funds sell goods or services primarily to parties outside of State government.

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by $184.078 million, or 23.2%, over the prior year. Decreases in the number of individuals eligible for and claiming State unemployment insurance benefits resulted in the improved net position and enabled the Fund to operate without obtaining additional advances from the Federal government since May 2011.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by $61.792 million, or 393.9%, over the prior year. The increase was largely attributed to current year claims and changes in estimates remaining materially unchanged and assessment revenues increasing slightly over the previous fiscal year.

The net position of the State's *nonmajor enterprise funds* increased by $4.903 million, or 3.6%, over the prior year. The increase in the State's *nonmajor enterprise funds'* net position was primarily due to an increase of $2.088 million in charges for services and an increase of $2.728 million within other nonoperating revenues within the *Palmetto Railways Fund*.

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. These funds experienced an increased net position of $22.970 million, or 3.9%, in the 2018 fiscal year. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

Budgetary General Fund Highlights

Estimated revenues for the 2018 fiscal year were $7.951 billion. Actual revenues at June 30, 2018, were $173.551 million, or 2.2%, over the estimated revenue used in the fiscal year 2018 budget appropriations act and which also represented an increase in collections over the prior year of $541.795 million, or 7.1%. Individual income and sales tax collections are the fund's major revenue sources. Individual income tax collections ended the year over the adjusted estimate by $103.026 million and sales tax collections ended the year under the adjusted estimate by $6.792 million.

Actual expenditures were $229.201 million less than actual revenues. Also, expenditures were kept $486.240 million under fiscal year 2018 adjusted appropriations. In addition, $1.784 million of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2018 ended with a budgetary surplus. The State ended the year with a budgetary General Fund balance after reservation of $1.187 billion.

See the *Required Supplementary Information* section on pages 183 through 190 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2018 fiscal year, the State had $17.802 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of $784.577 million, or 4.6%, over the previous accounting year (see *Exhibit 7*).

Exhibit 7
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Land and improvements	$ 2,158,958	$ 2,101,349	$ 177,050	$ 171,280	$ 2,336,008	$ 2,272,629	2.8%
Infrastructure	10,466,504	10,410,358	—	—	10,466,504	10,410,358	0.5%
Buildings and improvements	1,092,507	1,057,699	10,915	16,322	1,103,422	1,074,021	2.7%
Vehicles	228,442	177,232	475	626	228,917	177,858	28.7%
Machinery and equipment	184,469	168,967	3,385	4,294	187,854	173,261	8.4%
Works of art and historical treasures	9,519	8,243	—	—	9,519	8,243	15.5%
Construction in progress	3,320,255	2,805,901	88,470	62,658	3,408,725	2,868,559	18.8%
Intangible assets	60,379	31,704	917	1,035	61,296	32,739	87.2%
Total	**$ 17,521,033**	**$ 16,761,453**	**$ 281,212**	**$ 256,215**	**$ 17,802,245**	**$ 17,017,668**	**4.6%**

Growth in capital asset investment occurred mostly in infrastructure. The construction in progress growth primarily relates to new and on-going infrastructure (roads and bridges) projects within the Department of Transportation Special Revenue Fund. The Department of Transportation recognized $759.412 million in capital expenditures related to infrastructure and $205.772 million in depreciation charges for infrastructure to net an increase of $553.640 million, excluding any current year retirements of infrastructure.

See Note 6 in the notes to the financial statements on page 102 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2018, the State had $2.452 billion in bonds and notes outstanding—a decrease of $229.350 million, or a 8.6% decline from the previous year (see *Exhibit 8*).

Exhibit 8
Outstanding Bonds and Notes
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2018	(as restated) 2017	2018	2017	2018	(as restated) 2017	2018-2017
Backed by the State:							
General obligation bonds	$ 564,811	$ 756,172	$ —	$ —	$ 564,811	$ 756,172	(25.3%)
Backed by Specific Revenues:							
Revenue bonds and notes	146,154	131,241	12,055	5,730	158,209	136,971	15.5%
Infrastructure Bank bonds	1,729,005	1,788,232	—	—	1,729,005	1,788,232	(3.3%)
Total	**$2,439,970**	**$ 2,675,645**	**$ 12,055**	**$ 5,730**	**$2,452,025**	**$ 2,681,375**	**(8.6%)**

The reduction of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of $235.675 million, or 8.8%. Activity in the debt reported by the governmental activities included the issuance of $27.954 million in notes payable and there was also a $6.500 million issuance of notes in business-type activities.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as "AAA" and Moody's Investors Service rated them as "Aaa" during the fiscal year ended June 30, 2018, the highest rating that these services assign. The State's bond rating from Standard & Poor's was "AA+" during the same period, its second highest rating.

The State limits the amount of annual payments for principal and interest (or annual debt service) on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2018, the State legally could issue additional bonds as long as the new debt would not increase the State's annual principal and interest payments by more than the following amounts: $52.408 million for highway bonds, $401.349 million for general obligation bonds (excluding institution and highway bonds), $33.368 million for economic development bonds, and $18.482 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements on page 136 of this report for additional information about the State's long-term debt.

Economic Factors and Next Year's Budget

The "Rainy Day Account"

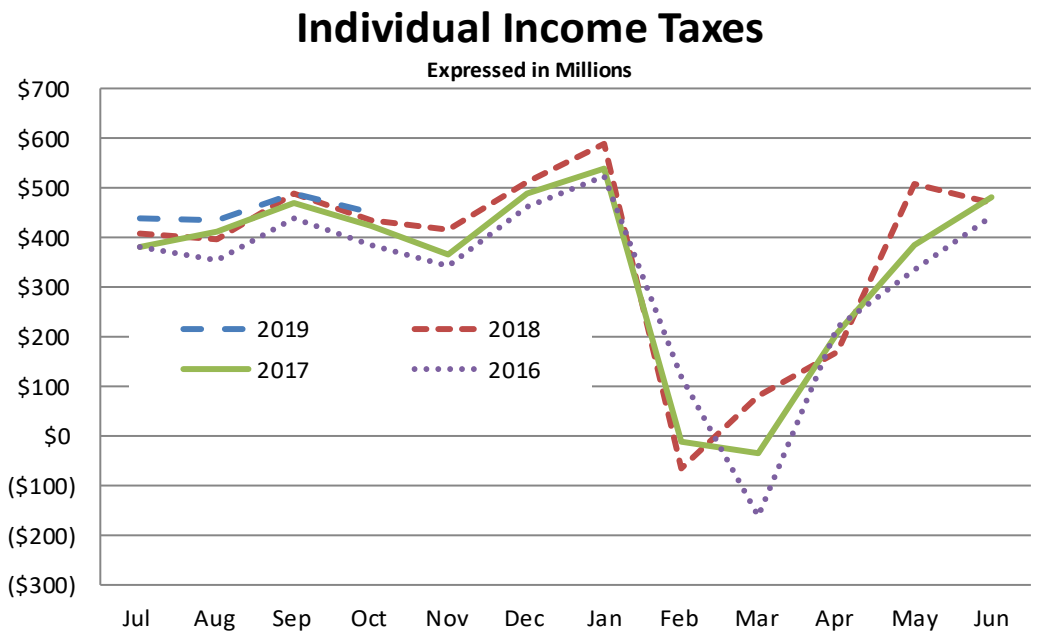
At June 30, 2018, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of $363.552 million which increased from the prior year by $15.533 million appropriated by the 2017-2018 Appropriations Act. The balance is fully funded in accordance with the State's Constitution. The State's Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. For the fiscal year 2018, State law defines full funding for the reserve as 5.0% of the Budgetary General Fund's revenues of the prior fiscal year.

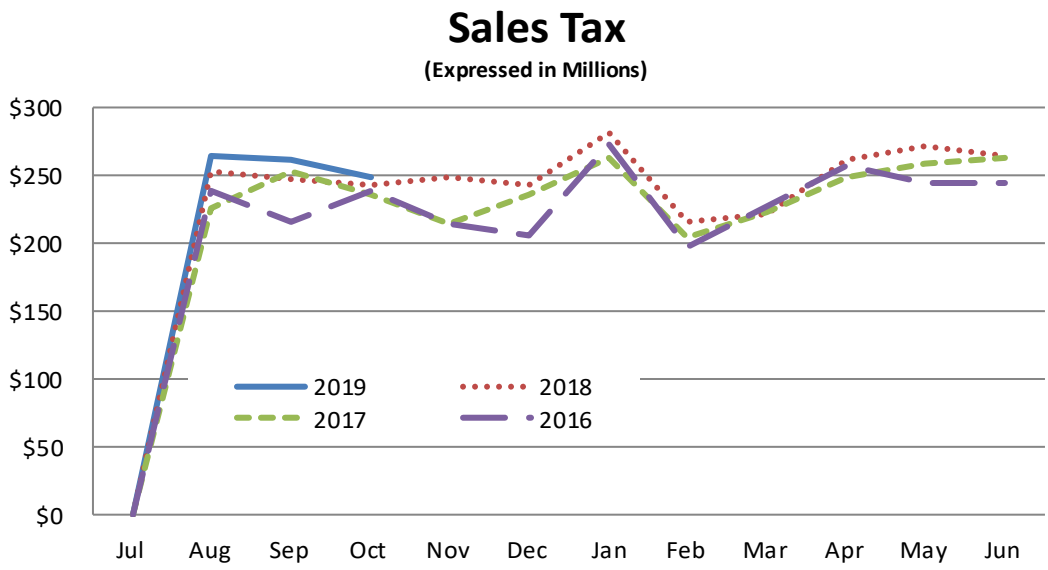
Budgetary General Fund for the 2018-2019 Accounting Year

For fiscal year 2019, the Board of Economic Advisors estimated General Fund cash basis revenue of $8.221 billion, which is $96.768 million, or 1.2%, more than fiscal year 2018 actual revenue collections. The State's Board of Economic Advisors November 2018 estimate reflects and additional increase of $232.721 million, or 2.9%, over the original revenue estimate for fiscal year 2019.

Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2019 were $2.962 billion, an increase of $210.874 million, or 7.7%, over the same period for fiscal year 2018. Total individual income taxes collected have increased by $79.310 million, or 6.1%, over the same period in the prior year. Sales taxes have also increased by $30.076 million, or 6.0%, from the first four months of fiscal year 2018.

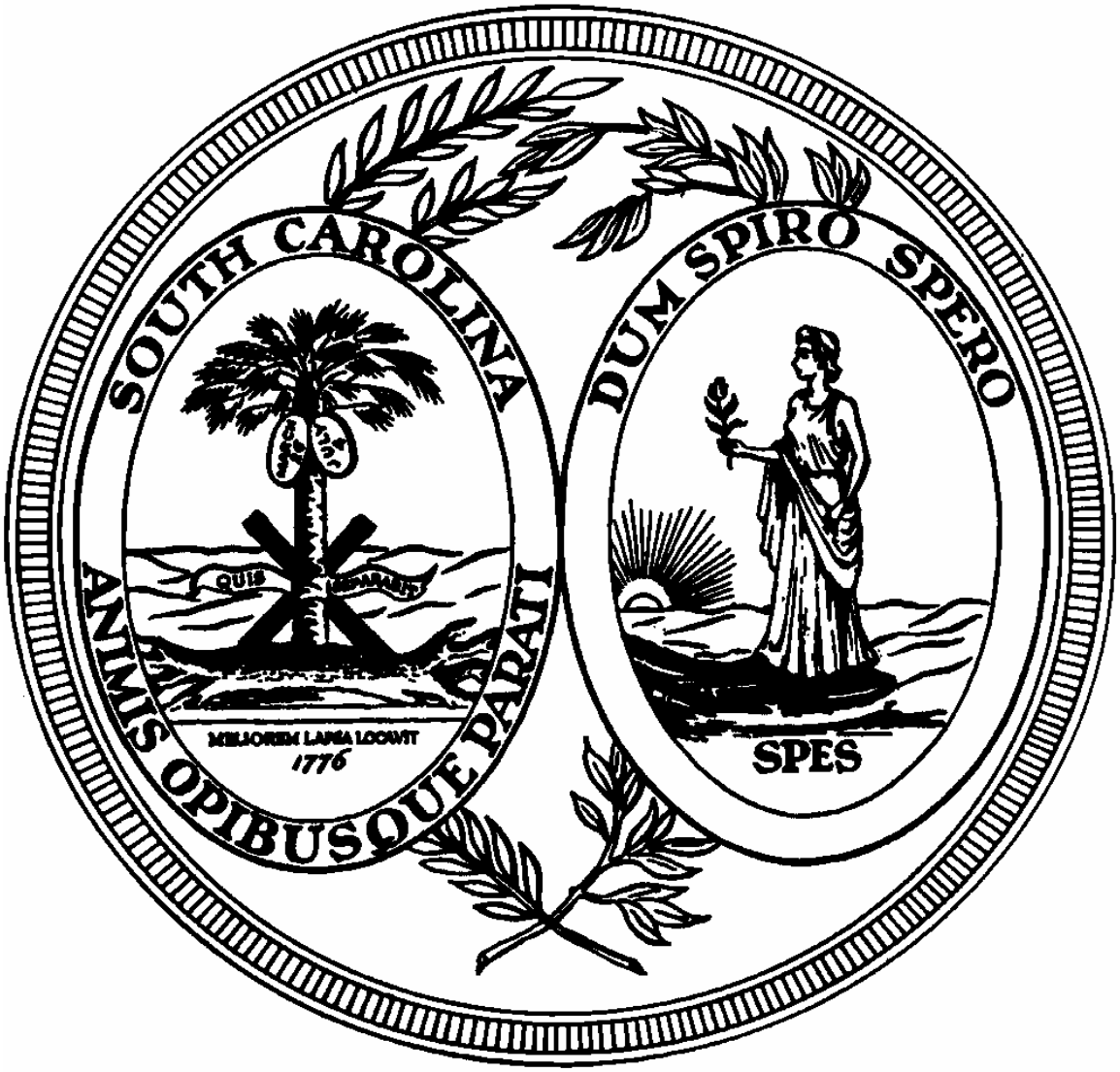




Requests for Information

The primary purpose of this financial report is to provide South Carolina's citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Please address any questions concerning information in this report to:

Office of the Comptroller General
ATTN: Chief of Staff
1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201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BASIC
FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2018
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 3,852,520	$ 948,262	$ 4,800,782	$ 3,428,040
Investments	4,359,114	291,340	4,650,454	1,848,103
Invested securities lending collateral	102,620	225	102,845	1,202
Receivables, net:				
Accounts	591,041	12,054	603,095	445,598
Contributions	73	—	73	125,653
Participants	—	915	915	—
Accrued interest	67,943	1,485	69,428	11,078
Income taxes	599,075	—	599,075	—
Sales and other taxes	748,978	—	748,978	—
Student accounts	175	—	175	57,815
Patient accounts	16,860	—	16,860	261,706
Loans and notes	713,298	—	713,298	93,034
Assessments	—	115,623	115,623	—
Due from Federal government and other grantors	818,631	—	818,631	160,171
Internal balances	53,954	(53,954)	—	—
Due from component units	43,327	—	43,327	—
Due from primary government	—	—	—	55,315
Inventories	47,621	2,131	49,752	602,835
Restricted assets:				
Cash and cash equivalents	802,341	273	802,614	1,145,612
Investments	—	—	—	2,073,283
Accounts receivable	95,301	—	95,301	493
Loans receivable	—	—	—	634,080
Other	64,800	—	64,800	19,430
Prepaid items	39,305	536	39,841	84,685
Other assets	422	—	422	463,215
Regulatory assets	—	—	—	4,248,478
Other assets- asset retirement obligation	—	—	—	923,912
Investment in joint venture	—	—	—	6,587
Capital assets-nondepreciable	5,437,770	265,356	5,703,126	2,876,116
Capital assets-depreciable, net	12,083,263	15,856	12,099,119	9,417,229
Total assets	$ 30,538,432	$ 1,600,102	$ 32,138,534	$ 28,983,670
DEFERRED OUTFLOWS OF RESOURCES	$ 989,170	$ 3,836	$ 993,006	$ 1,167,384
LIABILITIES				
Accounts payable	$ 750,477	$ 3,155	$ 753,632	$ 534,508
Accrued salaries and related expenses	169,750	1,018	170,768	220,625
Accrued interest payable	32	97	129	77,049
Retainages payable	3,929	—	3,929	30,433
Tax refunds payable	863,395	28,545	891,940	—
Payables-aid to individuals/families	10,437	—	10,437	—
Prizes payable	—	—	—	34,936
Unemployment benefits payable	—	4,042	4,042	—
Intergovernmental payables	405,999	5,084	411,083	638
Tuition benefits payable	—	89,491	89,491	—
Due to component units	55,315	—	55,315	—
Due to primary government	—	—	—	43,327
Due to fiduciary funds	11,173	—	11,173	—
Unearned revenues and asset retirement obligation	527,572	3,497	531,069	943,473
Deposits	139	300	439	11,808
Amounts held in custody for others	—	—	—	166,101
Securities lending collateral	102,620	225	102,845	1,202
Liabilities payable from restricted assets:				
Accrued interest payable	18,424	—	18,424	—
Other	—	135	135	15,313
Other liabilities	391,543	35	391,578	649,595
Long-term liabilities:				
Due within one year	974,521	29,888	1,004,409	298,165
Due in more than one year	9,272,682	272,149	9,544,831	20,513,323
Total liabilities	$ 13,558,008	$ 437,661	$ 13,995,669	$ 23,540,496
DEFERRED INFLOWS OF RESOURCES	$ 400,609	$ 509	$ 401,118	$ 1,574,203

Exhibit A-1

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 15,079,318	$ 218,157	$ 15,297,475	$ 5,828,350
Restricted:				
Expendable:				
General government	918,343	—	918,343	—
Education	327,009	—	327,009	983,052
Health	1,282,537	—	1,282,537	—
Transportation	1,659,656	—	1,659,656	1,461
Capital projects	114,076	—	114,076	474,035
Debt service	813,504	—	813,504	189,184
Loan programs	—	—	—	443,255
Waste management	172,272	—	172,272	—
Insurance programs	508,628	46,106	554,734	—
Administration of justice	109,708	—	109,708	—
Unemployment compensation benefits	—	976,977	976,977	—
Other	—	—	—	59,889
Nonexpendable:				
Education	11,234	—	11,234	1,311,759
Other	151,470	—	151,470	—
Unrestricted	(3,578,770)	(75,472)	(3,654,242)	(4,254,630)
Total net position	**$ 17,568,985**	**$ 1,165,768**	**$ 18,734,753**	**$ 5,036,355**

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

Statement of Activities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses)
Functions					
Primary government:					
Governmental activities:					
General government	$ 6,819,685	$ 3,055,388	$ 1,210,191	$ 29,713	$ (2,524,393)
Education	4,745,126	44,872	976,759	4,256	(3,719,239)
Health and environment	8,156,138	197,403	5,289,976	84,098	(2,584,661)
Social services	1,695,379	9,457	1,436,185	—	(249,737)
Administration of justice	986,839	60,486	9,193	973	(916,187)
Resources and economic development	393,575	72,664	149,903	4,295	(166,713)
Transportation	1,620,126	287,708	181,618	854,499	(296,301)
Unallocated interest expense	18,335	—	—	—	(18,335)
Total governmental activities	**24,435,203**	**3,727,978**	**9,253,825**	**977,834**	**(10,475,566)**
Business-type activities:					
Unemployment compensation benefits	182,537	344,552	5,195	—	167,210
Second Injury	285	60,291	—	—	60,006
Other enterprise activities	60,142	53,758	465	—	(5,919)
Total business-type activities	**242,964**	**458,601**	**5,660**	**—**	**221,297**
Total primary government	**$ 24,678,167**	**$ 4,186,579**	**$ 9,259,485**	**$ 977,834**	**$ (10,254,269)**
Component units:					
Public Service Authority	1,678,017	1,756,983	13,656	—	92,622
Medical University of South Carolina	2,426,921	2,198,874	117,667	37,657	(72,723)
University of South Carolina	1,339,291	1,069,687	158,619	27,341	(83,644)
Clemson University	1,042,625	745,838	188,647	18,424	(89,716)
State Ports Authority	531,324	252,013	6,491	293,620	20,800
Housing Authority	224,766	37,232	207,545	—	20,011
Lottery Commission	1,741,956	1,753,879	11	—	11,934
Nonmajor component units	1,934,870	1,159,693	467,235	81,455	(226,487)
Total component units	**$ 10,919,770**	**$ 8,974,199**	**$ 1,159,871**	**$ 458,497**	**$ (327,203)**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (10,475,566)	$ 221,297	$ (10,254,269)	$ (327,203)
General revenues:				
Taxes:				
Individual income	4,408,772	—	4,408,772	—
Retail sales and use	4,688,789	—	4,688,789	—
Corporate income	404,164	—	404,164	—
Gas and motor vehicle	1,084,630	—	1,084,630	—
Insurance	191,016	—	191,016	—
Hospital	260,715	—	260,715	—
Other	711,502	—	711,502	—
Total taxes	11,749,588	—	11,749,588	—
Unrestricted grants and contributions	38	—	38	—
Unrestricted investment income	160,636	34,132	194,768	—
State Appropriations	—	—	—	706,114
Tobacco legal settlement	81,605	—	81,605	—
Other revenues	150,635	4,545	155,180	—
Additions to endowments	—	—	—	50,735
Transfers–internal activities	9,201	(9,201)	—	—
Total general revenues, additions to endowments, and transfers	**12,151,703**	**29,476**	**12,181,179**	**756,849**
Change in net position	**1,676,137**	**250,773**	**1,926,910**	**429,646**
Net position at beginning of year, as restated	**15,892,848**	**914,995**	**16,807,843**	**4,606,709**
Net position at end of year	**$ 17,568,985**	**$ 1,165,768**	**$ 18,734,753**	**$ 5,036,355**

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

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2018
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
ASSETS			
Cash and cash equivalents	$ 1,252,156	$ 148,578	$ 150,934
Investments	3,044,435	98,293	367,771
Invested securities lending collateral	100,077	91	975
Receivables, net:			
Accounts	78,634	291,380	—
Contributions	8	65	—
Accrued interest	50,494	614	5,436
Income taxes	599,075	—	—
Sales and other taxes	607,619	10,204	—
Student accounts	175	—	—
Patient accounts	13,680	3,180	—
Loans and notes	38,968	429	672,038
Due from Federal government and other grantors	4,933	694,674	—
Due from other funds	64,775	9,662	10,356
Due from component units	7,411	—	—
Interfund receivables	51,142	1,550	177,450
Inventories	29,730	12,468	—
Restricted assets:			
Cash and cash equivalents	8,351	—	779,452
Accounts receivable, net	—	—	95,301
Other	—	—	29,300
Prepaid items	12,281	2,082	—
Other assets	—	—	—
Total assets	**$ 5,963,944**	**$ 1,273,270**	**$ 2,289,013**
LIABILITIES			
Liabilities:			
Accounts payable	222,420	338,697	8,677
Accrued salaries and related expenditures	107,129	33,443	93
Retainages payable	222	653	—
Tax refunds payable	863,346	—	—
Payable–aid to individuals/families	1,667	8,770	—
Intergovernmental payables	94,608	182,550	26,123
Due to other funds	77,431	61,741	1,907
Due to component units	21,265	25,782	—
Interfund payables	1,950	—	—
Unearned revenues	43,694	110,734	67,911
Securities lending collateral	100,077	91	975
Other liabilities	203,545	3,066	—
Total liabilities	**1,737,354**	**765,527**	**105,686**
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	3,779	62,052	60,253
Deferred nonexchange revenues	15,233	—	—
Total deferred inflows of resources	**19,012**	**62,052**	**60,253**
FUND BALANCES			
Nonspendable	128,937	14,550	—
Restricted	1,134,704	1,071,734	2,123,074
Committed	505,425	19,784	—
Assigned	252,357	18,354	—
Unassigned	2,186,155	(678,731)	—
Total fund balances	**4,207,578**	**445,691**	**2,123,074**
Total liabilities and fund balances	**$ 5,963,944**	**$ 1,273,270**	**$ 2,289,013**

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

Exhibit B-1

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 1,072,186	$ 322,486	$ 2,946,340
—	391,041	3,901,540
694	370	102,207
6,250	24,644	400,908
—	—	73
3,905	2,639	63,088
—	—	599,075
9,702	121,453	748,978
—	—	175
—	—	16,860
1,863	—	713,298
118,912	112	818,631
48,575	—	133,368
327	22,183	29,921
—	—	230,142
2,595	—	44,793
14,538	—	802,341
—	—	95,301
—	35,500	64,800
5,146	1	19,510
241	—	241
$ 1,284,934	**$ 920,429**	**$ 11,731,590**
165,566	$ 9,818	$ 745,178
25,079	263	166,007
—	3,045	3,920
—	49	863,395
—	—	10,437
—	102,717	405,998
12,948	88	154,115
—	8,268	55,315
177,450	—	179,400
140,475	—	362,814
694	370	102,207
—	—	206,611
522,212	**124,618**	**3,255,397**
484	—	126,568
—	—	15,233
484	**—**	**141,801**
7,982	11,235	162,704
334,280	723,998	5,387,790
419,976	56,360	1,001,545
—	4,218	274,929
—	—	1,507,424
762,238	**795,811**	**8,334,392**
$ 1,284,934	**$ 920,429**	**$ 11,731,590**

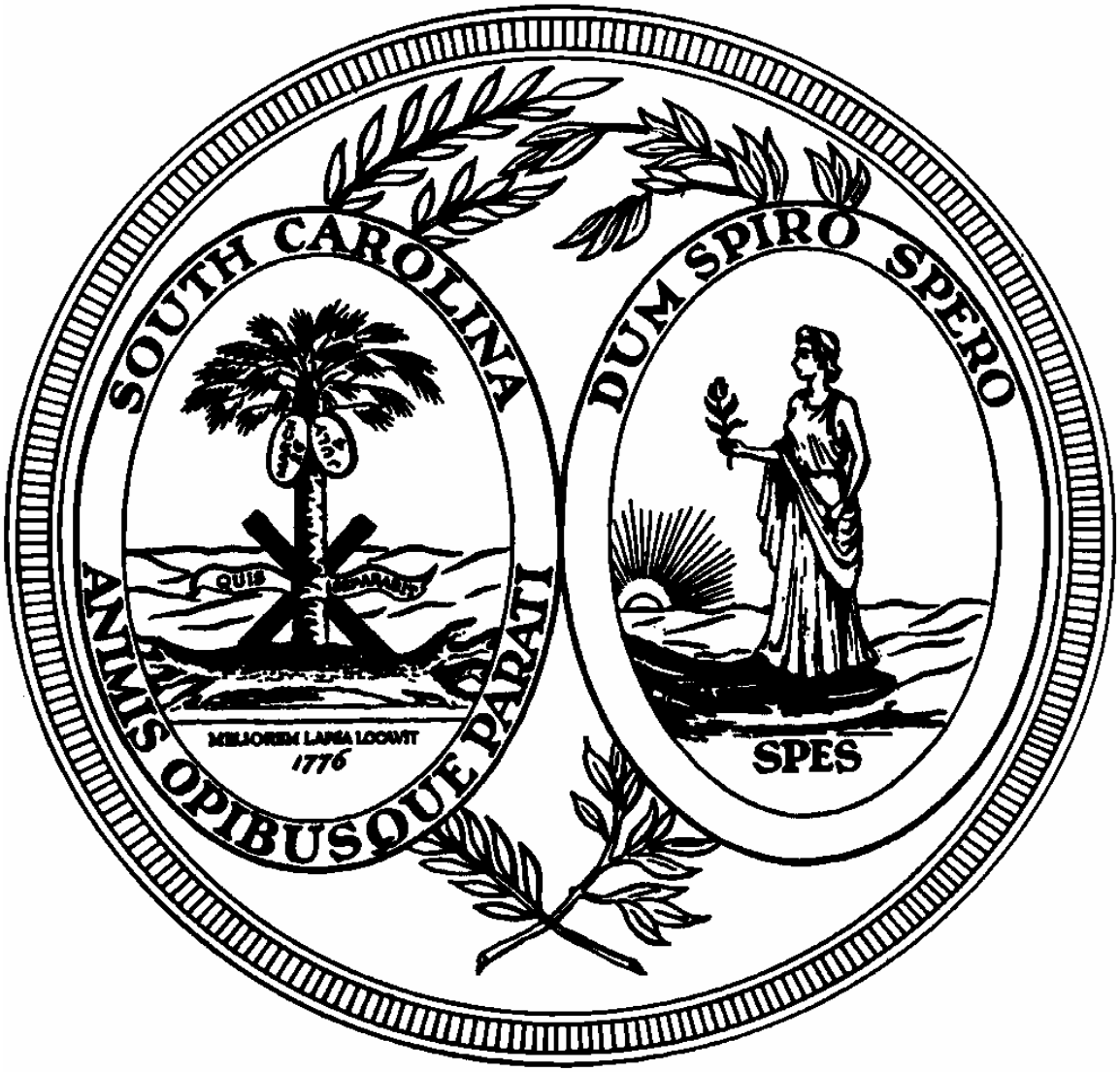
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2018
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 8,334,392**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets	$ 5,431,431	
Depreciable capital assets	18,222,517	
Accumulated depreciation	(6,246,953)	
Total capital assets		17,406,995
Deferred outflows of resources are recognized in the Statement of Net Position, but are not reported in governmental funds:		
Hedging portion of derivative instruments		14,736
Deferred loss on refunding bonds		96,890
Pension and OPEB contributions made after the measurement date		345,176
Difference between expected and actual retirement plan experience		20,144
Net difference between projected and actual earnings on investments		117,985
Changes in proportion and differences between contributions and proportionate share of plan contributions		117,821
Changes in assumptions		256,737
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		(7,980)
Changes in proportion and differences between contributions and proportionate share of plan contributions		(108,896)
Changes in assumptions		(262,298)
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		126,568
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		617,214
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(2,334,925)	
Notes payable	(82,638)	
Accrued interest on bonds	(18,424)	
Capital leases	(1,665)	
Net pension liability	(3,868,781)	
Net OPEB liability	(2,787,580)	
Compensated absences	(183,494)	
Policy claims	(34,207)	
Other	(194,785)	
Total long-term liabilities		(9,506,499)
Net position of governmental activities		**$ 17,568,985**

The Notes to the Financial Statements are an integral part of this statement.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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 4,385,106	$ —	$ 23,666
Retail sales and use	3,736,072	2,336	—
Corporate Income	404,164	—	—
Gas and motor vehicle	—	—	—
Insurance	188,979	2,037	—
Hospital	260,715	—	—
Other	591,148	117,471	—
Licenses, fees, and permits	224,966	47,275	181,857
Interest and other investment income	57,382	44,223	34,338
Federal	59,600	7,875,987	20,232
Local and private grants	9,296	57,253	—
Departmental services	728,955	72,664	501
Contributions	21,504	74,182	57,786
Fines and penalties	74,035	5,746	—
Tobacco legal settlement	—	—	—
Other	310,100	310,439	365
Total revenues	**11,052,022**	**8,609,613**	**318,745**
Expenditures:			
Current:			
General government	562,958	51,024	—
Education	561,056	182,785	—
Health and environment	2,974,555	5,765,646	—
Social services	248,522	1,425,286	—
Administration of justice	865,050	26,360	—
Resources and economic development	171,047	122,851	19,167
Transportation	2,013	3,173	15,574
Capital outlay	84,634	52,276	—
Debt service:			
Principal retirement	135,033	1,011	73,660
Interest and fiscal charges	31,927	88	80,456
Intergovernmental	4,885,880	977,440	110,019
Total expenditures	**10,522,675**	**8,607,940**	**298,876**
Excess of revenues over (under) expenditures	**529,347**	**1,673**	**19,869**
Other financing sources (uses):			
Bonds and notes issued	10,530	—	—
Refunding bonds issued	—	—	188,725
Premiums on bonds issued	—	—	30,041
Capital leases	1,517	302	—
Payment to refunded bond escrow agent	—	—	(203,580)
Transfers in	109,068	36,980	4,142
Transfers out	(184,951)	—	—
Total other financing sources (uses)	**(63,836)**	**37,282**	**19,328**
Net change in fund balances	**465,511**	**38,955**	**39,197**
Fund balances at beginning of year, as restated	**3,742,067**	**406,736**	**2,083,877**
Fund balances at end of year	**$ 4,207,578**	**$ 445,691**	**$ 2,123,074**

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

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 4,408,772
—	950,381	4,688,789
—	—	404,164
1,084,630	—	1,084,630
—	—	191,016
—	—	260,715
—	2,883	711,502
—	63,690	517,788
3,764	4,575	144,282
986,500	1,962	8,944,281
—	—	66,549
142,333	12,525	956,978
—	435,718	589,190
—	88,170	167,951
—	81,605	81,605
13,707	3,879	638,490
2,230,934	**1,645,388**	**23,856,702**
—	74,469	688,451
—	371,020	1,114,861
—	80,323	8,820,524
—	—	1,673,808
—	77	891,487
—	285	313,350
1,128,574	—	1,149,334
759,412	116,644	1,012,966
45,075	4	254,783
14,411	1	126,883
90,964	962,879	7,027,182
2,038,436	**1,605,702**	**23,073,629**
192,498	**39,686**	**783,073**
4,535	—	15,065
—	—	188,725
—	—	30,041
—	28	1,847
—	—	(203,580)
50,057	180,595	380,842
—	(178,814)	(363,765)
54,592	**1,809**	**49,175**
247,090	**41,495**	**832,248**
515,148	**754,316**	**7,502,144**
$ 762,238	**$ 795,811**	**$ 8,334,392**

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, 2018
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 832,248**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Capital outlay	$ 1,012,966	
Depreciation expense	(351,881)	
Excess of capital outlay over depreciation expense		661,085
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		120,885
Loss on disposals of capital assets are reported as a expense in the Statement of Activities		(19,941)
Bond, note, and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
Bonds, notes, and capital leases issued	(205,637)	
Bond premiums net of discounts	(30,041)	
Net bond and note proceeds		(235,678)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the Statement of Net Position		(4,410)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond, note, and capital lease retirement	254,783	
Payment to refunded bond escrow agent	203,580	
Total long-term debt repayment		458,363
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		22,970
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in unearned revenues		17,929

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		(179,990)
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	$ 2,786	
Unamortized bond premiums and discounts	19,279	
Net pension liability	(224,266)	
Net OPEB liability	189,855	
Compensated absences payable	41,745	
Policy claims payable	1,298	
Other long-term liabilities	(28,021)	
Total additional expenses		2,676
Change in net position of governmental activities		**$ 1,676,137**

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

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents	$ 880,643	$ 47,732	$ 19,887	$ 948,262	$ 906,180
Investments	11,856	219,978	59,506	291,340	1,741
Invested securities lending collateral	11	213	1	225	413
Receivables, net:					
Accounts	9,325	1	2,728	12,054	189,812
Participants	—	—	312	312	—
Accrued interest	78	1,353	54	1,485	4,855
Assessments	115,623	—	—	115,623	—
Due from other funds	—	—	—	—	13,788
Due from component units	—	—	—	—	13,406
Inventories	—	—	2,131	2,131	2,828
Restricted assets:					
Cash and cash equivalents	—	—	238	238	—
Prepaid items	—	—	536	536	19,784
Other current assets	—	—	—	—	—
Total current assets	1,017,536	269,277	85,393	1,372,206	1,152,807
Long-term assets:					
Investments	—	—	—	—	455,833
Receivables, net:					
Accounts	—	—	—	—	321
Participants	—	—	603	603	—
Interfund receivables	—	—	—	—	400
Restricted assets:					
Cash and cash equivalents	—	—	35	35	—
Prepaid items	—	—	—	—	11
Other long-term assets	—	—	—	—	181
Non-depreciable capital assets	—	—	265,356	265,356	6,339
Depreciable capital assets, net	—	—	15,856	15,856	107,699
Total long-term assets	—	—	281,850	281,850	570,784
Total assets	**1,017,536**	**269,277**	**367,243**	**1,654,056**	**1,723,591**
DEFERRED OUTFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 3,836**	**$ 3,836**	**$ 19,681**

Statement of Cash Flows

Exhibit B-3

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable	$ 8	$ 21	$ 3,126	$ 3,155	$ 5,299
Accrued salaries and related expenses	—	—	1,018	1,018	3,743
Accrued interest payable	—	—	97	97	32
Retainages payable	—	—	—	—	9
Tax refunds payable	28,545	—	—	28,545	—
Unemployment benefits payable	4,042	—	—	4,042	—
Intergovernmental payables	5,084	—	—	5,084	1
Tuition benefits payable	—	—	14,118	14,118	—
Policy claims	—	23,598	5,801	29,399	633,340
Due to other funds	2,869	—	85	2,954	1,260
Unearned revenues	—	—	3,497	3,497	164,758
Deposits	—	—	300	300	139
Securities lending collateral	11	213	1	225	413
Notes payable	—	—	—	—	5,830
Revenue bonds payable	—	—	180	180	—
Capital leases payable	—	—	—	—	25
Compensated absences payable	—	—	309	309	2,311
Other current liabilities	—	—	35	35	3,056
Total current liabilities	40,559	23,832	28,567	92,958	820,216
Long-term liabilities:					
Tuition benefits payable	—	—	75,373	75,373	—
Policy claims	—	199,339	41,019	240,358	157,413
Interfund payables	—	—	51,000	51,000	142
Other liabilities payable from restricted assets	—	—	135	135	—
Notes payable	—	—	6,500	6,500	16,577
Revenue bonds payable	—	—	5,375	5,375	—
Capital leases payable	—	—	—	—	55
Compensated absences payable	—	—	216	216	1,051
Net pension liability	—	—	16,111	16,111	77,905
Net OPEB liability	—	—	3,589	3,589	46,497
Total long-term liabilities	—	199,339	199,318	398,657	299,640
Total liabilities	**40,559**	**223,171**	**227,885**	**491,615**	**1,119,856**
DEFERRED INFLOWS OF RESOURCES	**$ —**	**$ —**	**$ 509**	**$ 509**	**$ 6,202**

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)

For the Fiscal Year Ended June 30, 2018

June 30, 2018

(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
NET POSITION					
Net investment in capital assets	$ —	$ —	$ 218,157	$ 218,157	$ 91,551
Restricted:					
Expendable:					
Unemployment compensation benefits	976,977	—	—	976,977	—
Insurance programs	—	46,106	—	46,106	508,628
Unrestricted	—	—	(75,472)	(75,472)	17,035
Total net position	**$ 976,977**	**$ 46,106**	**$ 142,685**	**$ 1,165,768**	**$ 617,214**

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

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	
Operating revenues:					
Assessments	$ 331,069	$ 60,286	$ —	$ 391,355	$ —
Charges for services	—	5	53,639	53,644	2,799,514
Contributions	—	—	465	465	—
Interest and other investment income	17,068	1,999	15,137	34,204	—
Federal operating grants and contracts	5,195	—	—	5,195	—
Other operating revenues	13,483	—	119	13,602	386,795
Total operating revenues	**366,815**	**62,290**	**69,360**	**498,465**	**3,186,309**
Operating expenses:					
General operations and administration	—	—	38,840	38,840	512,055
Benefits and claims	182,537	285	5,135	187,957	2,642,275
Tuition plan disbursements	—	—	14,683	14,683	—
Depreciation and amortization	—	—	1,451	1,451	17,796
Other operating expenses	—	—	33	33	510
Total operating expenses	**182,537**	**285**	**60,142**	**242,964**	**3,172,636**
Operating income	**184,278**	**62,005**	**9,218**	**255,501**	**13,673**
Nonoperating revenues (expenses):					
Interest income	—	—	34	34	16,354
Contributions	—	—	—	—	38
Federal grants and contracts	—	—	—	—	17
Interest expense	—	—	(106)	(106)	(372)
Net other nonoperating revenues (expenses)	—	37	4,508	4,545	4,433
Losses on sale of capital assets	—	—	—	—	(3,297)
Total nonoperating revenues (expenses)	**—**	**37**	**4,436**	**4,473**	**17,173**
Income before transfers	**184,278**	**62,042**	**13,654**	**259,974**	**30,846**
Transfers in	—	—	44	44	2,258
Transfers out	(200)	(250)	(8,795)	(9,245)	(10,134)
Change in net position	**184,078**	**61,792**	**4,903**	**250,773**	**22,970**
Net position (deficit), beginning, as restated	792,899	(15,686)	137,782	914,995	594,244
Net position at end of year	**$ 976,977**	**$ 46,106**	**$ 142,685**	**$ 1,165,768**	**$ 617,214**

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

Statement of Cash Flows

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018
(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	$ 19,036	$ —	$ 53,346	$ 72,382	$ 2,597,886
Assessments received	321,015	60,286	—	381,301	—
Grants received	5,195	—	—	5,195	—
Tuition plan contributions received	—	—	1,545	1,545	—
Internal activity–payments from other funds	—	—	—	—	216,796
Other operating cash receipts	—	26,503	(543)	25,960	440,870
Claims and benefits paid	(173,470)	(53,713)	(36,895)	(264,078)	(250,149)
Payments to suppliers for goods and services	—	—	(30,171)	(30,171)	(2,799,946)
Payments to employees	—	—	(7,298)	(7,298)	(51,496)
Internal activity–payments to other funds	—	—	—	—	(3,277)
Other operating cash payments	—	—	—	—	(1)
Net cash provided by (used in) operating activities	**171,776**	**33,076**	**(20,016)**	**184,836**	**150,683**
Cash flows from noncapital financing activities:					
Payment of bond issuance costs for other funds	—	—	—	—	(2,762)
Miscellaneous revenue cash receipts	—	37	1,846	1,883	5,783
Transfers in	—	—	44	44	2,258
Transfers out	(200)	(250)	(8,795)	(9,245)	(10,134)
Net cash used in noncapital financing activities	**(200)**	**(213)**	**(6,905)**	**(7,318)**	**(4,855)**

Statement of Cash Flows

Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (26,624)	$ (26,624)	$ (18,372)
Proceeds from issuance of note	—	—	6,500	6,500	—
Proceeds from issuance of capital debt	—	—	—	—	12,890
Principal payments on capital debt	—	—	(175)	(175)	(6,761)
Interest payments on capital debt	—	—	—	—	(157)
Proceeds from sale or disposal of capital assets	—	—	2,898	2,898	1,382
Net cash used in capital and related financing activities	**—**	**—**	**(17,401)**	**(17,401)**	**(11,018)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	561	—	18,532	19,093	145,497
Purchase of investments	—	(42,367)	(5,359)	(47,726)	(155,706)
Interest and dividends on investments	17,049	1,495	15,173	33,717	21,483
Net cash provided by (used in) investing activities	**17,610**	**(40,872)**	**28,346**	**5,084**	**11,274**
Net increase (decrease) in cash and cash equivalents	**189,186**	**(8,009)**	**(15,976)**	**165,201**	**146,084**
Cash and cash equivalents at beginning of year	**691,457**	**55,741**	**36,136**	**783,334**	**760,096**
Cash and cash equivalents at end of year	**$ 880,643**	**$ 47,732**	**$ 20,160**	**$ 948,535**	**$ 906,180**
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ 184,278	$ 62,005	$ 9,218	$ 255,501	$ 13,673
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,451	1,451	17,796
Provision for bad debts	(8,462)	—	(26)	(8,488)	—
Realized losses on sale of assets	—	—	2,899	2,899	(3,297)
Interest payments reclassified as capital and related financing activities	—	—	—	—	(72)
Interest and dividends on investments and interfund loans	(17,049)	(1,495)	(15,195)	(33,739)	72
Other nonoperating revenues	—	—	36	36	2,991
Other nonoperating expenses	—	—	(9,292)	(9,292)	—

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

Continued on Next Page

Statement of Cash Flows

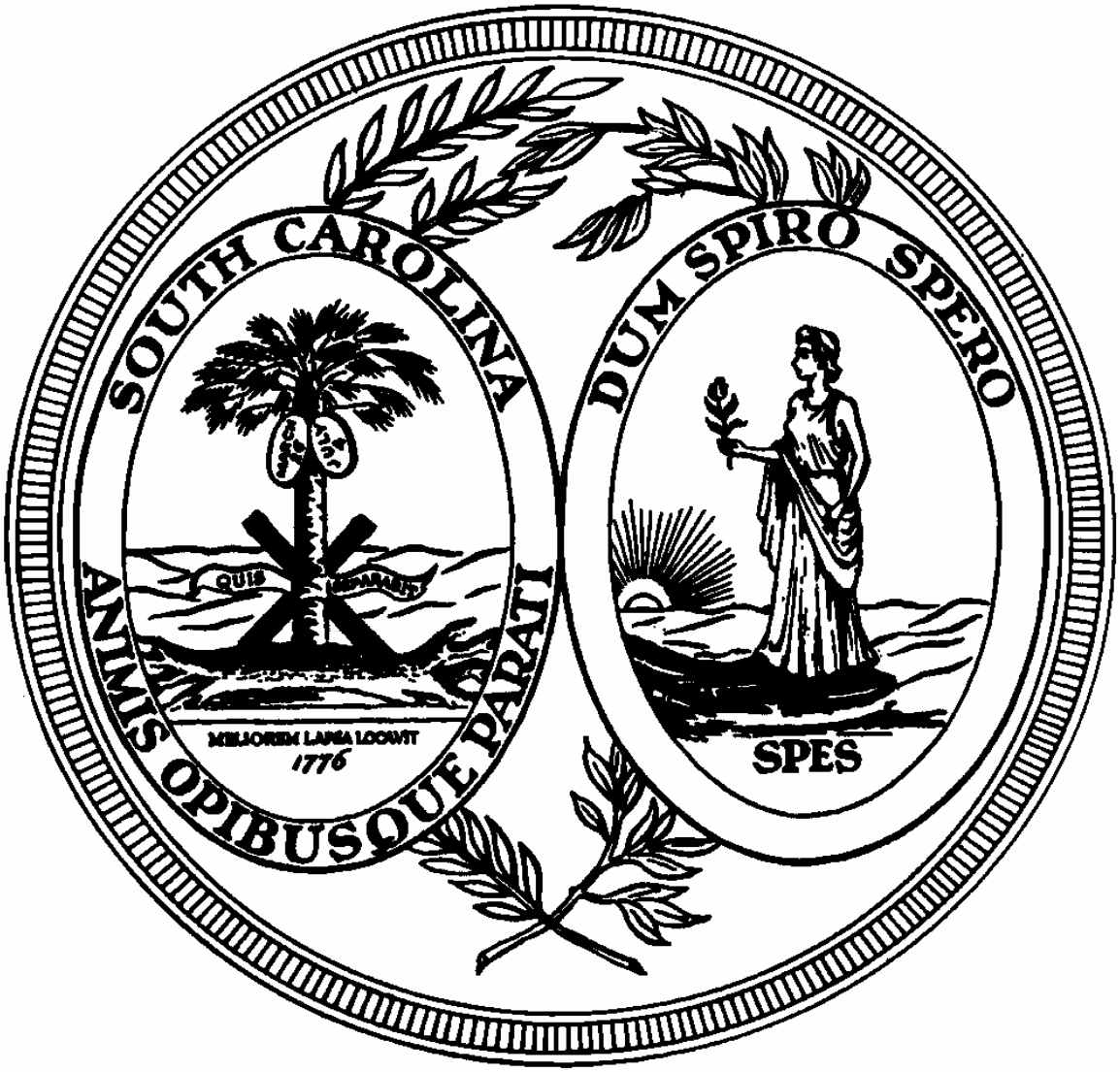
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Effect of changes in operating assets and liabilities:					
Accounts receivable, net	$ 6,096	$ (1)	$ 1,015	$ 7,110	$ 53,827
Accrued interest	(18)	(505)	—	(523)	—
Assessments receivable, net	(2,137)	—	—	(2,137)	—
Due from other funds	—	—	(3)	(3)	549
Inventories	—	—	(69)	(69)	(216)
Other assets	—	—	513	513	(1,212)
Deferred outflows	—	—	(304)	(304)	(6,897)
Accounts payable	—	21	(1,688)	(1,667)	2,855
Accrued salaries and related expenses	—	—	(67)	(67)	132
Tax refunds payable	5,119	—	—	5,119	—
Unemployment benefits payable	3,508	—	—	3,508	—
Tuition benefits payable	—	—	(15,535)	(15,535)	—
Policy claims	—	(26,949)	(1,543)	(28,492)	31,387
Due to other funds	441	—	(15)	426	246
Unearned revenues	—	—	(153)	(153)	14,246
Compensated absences payable	—	—	(132)	(132)	(800)
Other liabilities	—	—	8,347	8,347	18,527
Deferred inflows	—	—	527	527	6,876
Net cash provided by (used in) operating activities	**$ 171,776**	**$ 33,076**	**$ (20,016)**	**$ 184,836**	**$ 150,683**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	$ —	$ —	$ —	$ 17,011
Borrowing under capital leases	—	—	—	—	(80)
Increase (decrease) in fair value of investments	—	—	(347)	(347)	(7,533)
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ (347)**	**$ (347)**	**$ 9,398**

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


SOUTH CAROLINA
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Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2018
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 2,368,488	$ 4,206,875	$ 14,527	$ 392,937
Receivables, net:				
Accounts	—	—	—	13,011
Contributions	336,412	—	—	—
Accrued interest	54,012	2,295	2,561	2,331
Unsettled investment sales	613,543	—	6,793	—
Loans and notes receivables	—	—	—	13
Other investment receivables	1,163	—	—	—
Taxes	—	—	—	748
Total receivables	1,005,130	2,295	9,354	16,103
Due from other funds	67,347	—	—	—
Due from governmental funds	—	—	—	11,173
Investments, at fair value:				
Short term investments	586,272	—	—	18,640
Debt-domestic	6,354,240	430,963	—	—
Equity-international	13,870,901	—	—	—
Alternatives	9,499,522	—	—	—
Financial and other	101,388	1,853,314	3,553,903	—
Total investments	30,412,323	2,284,277	3,553,903	18,640
Invested securities lending collateral	42,726	20	3	183
Capital assets, net	2,362	—	—	—
Prepaid items	3,592	—	—	—
Other assets	—	—	4,464	—
Total assets	**33,901,968**	**6,493,467**	**3,582,251**	**439,036**
LIABILITIES				
Accounts payable	12,717	—	2,134	39,524
Accounts payable–unsettled investment purchases	859,659	—	6,359	—
Policy claims	512	—	—	—
Due to other funds	67,347	—	—	—
Intergovernmental payables	—	—	—	32,436
Deposits	—	—	—	3,076
Amounts held in custody for others	—	—	—	363,554
Deferred retirement benefits	377,263	—	—	—
Securities lending collateral	89,879	20	3	183
Due to participants	—	—	—	17
Other liabilities	34,756	—	—	246
Total liabilities	**1,442,133**	**20**	**8,496**	**439,036**
NET POSITION				
Restricted for pension and other post-employment benefits	32,459,835	—	—	—
Held in trust for:				
External investment pool participants	—	6,493,447	—	—
Other purposes	—	—	3,573,755	—
Total net position	**$ 32,459,835**	**$ 6,493,447**	**$ 3,573,755**	**$ —**

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, 2018
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 63
Contributions:			
Employer	2,001,881	—	—
Employee	1,010,636	—	—
Non-employer	225,045	—	—
Deposits from pool participants	—	12,220,711	—
Tuition plan deposits	—	—	726
Other	—	—	263,923
Total contributions	3,237,562	12,220,711	264,649
Investment income:			
Interest income and net appreciation in investments	2,707,225	99,803	230,286
Securities lending income	2,049	23	—
Total investment income	2,709,274	99,826	230,286
Less investment expense:			
Investment expense	374,222	—	—
Securities lending expense	5	—	—
Net investment income	2,335,047	99,826	230,286
Assets moved between pension trust funds	1,534	—	—
Total additions	**5,574,143**	**12,320,537**	**494,998**
Deductions:			
Regular retirement benefits	3,116,772	—	—
Supplemental retirement benefits	368	—	—
Deferred retirement benefits	707,932	—	—
Refunds of retirement contributions to members	137,766	—	—
Death benefit claims	25,207	—	—
Accidental death benefits	1,734	—	—
Other post-employment benefits	474,142	—	—
Withdrawals, pool participants	—	11,392,080	—
Distributions to pool participants	—	94,318	—
Depreciation	216	—	—
Administrative expense	17,037	4,422	12,162
Other expenses	—	—	1,585
Assets moved between pension trust funds	1,534	—	—
Total deductions	**4,482,708**	**11,490,820**	**13,747**
Change in net position	**1,091,435**	**829,717**	**481,251**
Net position, beginning	**31,368,400**	**5,663,730**	**3,092,504**
Net position at end of year	**$ 32,459,835**	**$ 6,493,447**	**$ 3,573,755**

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

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University
ASSETS				
Cash and cash equivalents	$ 731,758	$ 607,405	$ 525,229	$ 322,798
Investments	740,777	263,135	465,422	3,424
Invested securities lending collateral	—	32	245	331
Receivables, net:				
Accounts	228,575	16,633	17,749	9,036
Contributions	—	40,612	30,668	23,393
Accrued interest	2,522	1,272	2,924	2,214
Student accounts	—	804	9,179	6,584
Patient accounts	—	261,706	—	—
Loans and notes	—	384	10,112	16
Due from Federal government and other grantors	—	46,660	47,764	24,104
Due from primary government	—	13,062	7,823	9,471
Inventories	547,558	25,923	2,232	3,160
Restricted assets:				
Cash and cash equivalents	71,365	67,999	303,978	293,248
Investments	299,014	422,117	43,237	768,818
Accounts receivable	—	—	—	—
Loans receivable	—	12,719	16,790	7,390
Other	—	6,680	—	5,986
Prepaid items	14,494	34,276	1,938	11,864
Other assets	275,019	7,140	29,612	5,591
Regulatory asset	4,248,478	—	—	—
Other regulatory assets- asset retirement obligation	923,912	—	—	—
Investment in joint venture	6,587	—	—	—
Capital assets-nondepreciable	946,277	343,397	230,350	322,944
Capital assets-depreciable, net	3,885,745	902,972	1,179,681	1,021,476
Total assets	$ 12,922,081	$ 3,074,928	$ 2,924,933	$ 2,841,848
DEFERRED OUTFLOWS OF RESOURCES	$ 239,111	$ 290,043	$ 213,176	$ 130,257
LIABILITIES				
Accounts payable	$ 291,708	$ 104,818	$ 20,864	$ 30,731
Accrued salaries and related expenses	12,669	117,390	21,496	22,090
Accrued interest payable	50,383	2,183	5,421	4,716
Retainages payable	17,130	91	1,287	4,886
Prizes payable	—	—	—	—
Intergovernmental payables	—	—	—	—
Due to primary government	—	—	4,900	3,844
Unearned revenues and asset retirement obligation	729,969	22,211	51,216	49,190
Deposits	—	—	3,077	2,791
Amounts held in custody for others	—	17,852	54,349	78,009
Securities lending collateral	—	32	245	331
Liabilities payable from restricted assets:				
Other	—	—	—	—
Other liabilities	534,792	48,679	23,635	10,889
Long-term liabilities:				
Due within one year	50,226	58,232	55,258	34,827
Due in more than one year	8,257,097	2,995,460	2,460,903	1,858,832
Total liabilities	$ 9,943,974	$ 3,366,948	$ 2,702,651	$ 2,101,136
DEFERRED INFLOWS OF RESOURCES	$ 1,134,562	$ 103,699	$ 84,102	$ 53,787
NET POSITION				
Net investment in capital assets	$ 1,523,505	$ 608,056	$ 819,338	$ 798,432
Restricted:				
Expendable:				
Education	—	283,877	167,000	277,133
Transportation	—	—	—	—
Capital projects	1,284	68,199	81,307	106,028
Debt service	32,430	54,054	7,559	9,747
Loan programs	—	—	—	—
Other	—	—	—	—
Nonexpendable:				
Education	—	265,914	379,125	380,351
Unrestricted	525,437	(1,385,776)	(1,102,973)	(754,509)
Total net position (deficit)	**$ 2,082,656**	**$ (105,676)**	**$ 351,356**	**$ 817,182**

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

Exhibit C-1

State Ports Authority	Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ 544,623	$ 20,017	$ 23,734	$ 652,476	$ 3,428,040
20,007	—	—	355,338	1,848,103
423	—	—	171	1,202
53,168	295	46,760	73,382	445,598
—	—	—	30,980	125,653
—	99	—	2,047	11,078
—	—	—	41,248	57,815
—	—	—	—	261,706
—	25,260	—	57,262	93,034
—	838	—	40,805	160,171
—	1,521	—	23,438	55,315
8,557	—	4,226	11,179	602,835
—	149,487	494	259,041	1,145,612
—	150,946	—	389,151	2,073,283
—	493	—	—	493
—	585,501	—	11,680	634,080
—	3,138	—	3,626	19,430
4,800	—	—	17,313	84,685
603	2,558	6,218	136,474	463,215
—	—	—	—	4,248,478
—	—	—	—	923,912
—	—	—	—	6,587
756,579	—	—	276,569	2,876,116
446,859	348	474	1,979,674	9,417,229
$ 1,835,619	$ 940,501	$ 81,906	$ 4,361,854	$ 28,983,670
$ 23,812	$ 4,119	$ 2,660	$ 264,206	$ 1,167,384
$ 24,158	$ —	$ 2,860	$ 59,369	$ 534,508
4,543	886	—	41,551	220,625
8,658	—	—	5,688	77,049
3,858	—	—	3,181	30,433
—	—	34,936	—	34,936
—	—	—	638	638
—	—	13,851	20,732	43,327
—	6,103	456	84,328	943,473
—	—	—	5,940	11,808
—	—	—	15,891	166,101
423	—	—	171	1,202
—	13,056	—	2,257	15,313
4,279	1,083	1,809	24,429	649,595
6,244	13,114	542	79,722	298,165
988,079	437,442	27,544	3,487,966	20,513,323
$ 1,040,242	$ 471,684	$ 81,998	$ 3,831,863	$ 23,540,496
$ 4,777	$ 43,325	$ 1,600	$ 148,351	$ 1,574,203
$ 611,645	$ 348	$ 474	$ 1,466,552	$ 5,828,350
—	—	—	255,042	983,052
—	—	—	1,461	1,461
—	—	—	217,217	474,035
7,344	27,719	—	50,331	189,184
—	382,026	—	61,229	443,255
—	—	494	59,395	59,889
—	—	—	286,369	1,311,759
195,423	19,518	—	(1,751,750)	(4,254,630)
$ 814,412	**$ 429,611**	**$ 968**	**$ 645,846**	**$ 5,036,355**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Service Authority	$ 1,678,017	$ 1,756,983	$ 13,656	$ —
Medical University of South Carolina	2,426,921	2,198,874	117,667	37,657
University of South Carolina	1,339,291	1,069,687	158,619	27,341
Clemson University	1,042,625	745,838	188,647	18,424
State Ports Authority	531,324	252,013	6,491	293,620
Housing Authority	224,766	37,232	207,545	—
Lottery Commission	1,741,956	1,753,879	11	—
Nonmajor component units	1,934,870	1,159,693	467,235	81,455
Totals	**$ 10,919,770**	**$ 8,974,199**	**$ 1,159,871**	**$ 458,497**

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 (Deficit) Ending
$ 92,622	$ —	$ —	$ 1,990,034	$ 2,082,656
(72,723)	12,158	117,962	(163,073)	(105,676)
(83,644)	9,465	163,371	262,164	351,356
(89,716)	14,019	123,914	768,965	817,182
20,800	—	—	793,612	814,412
20,011	—	—	409,600	429,611
11,934	—	—	(10,966)	968
(226,487)	15,093	300,867	556,373	645,846
$ (327,203)	**$ 50,735**	**$ 706,114**	**$ 4,606,709**	**$ 5,036,355**

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

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

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

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

Primary Government

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

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

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2018.

Tobacco Settlement Revenue Management Authority

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

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2017. 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://palmettorailways.com

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, 2018. 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, 2017. A financial benefit/burden relationship exists between the State and the Public Service Authority.

South Carolina State Ports Authority

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

South Carolina State Housing Finance and Development Authority

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

South Carolina Lottery Commission

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

Clemson University

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

Medical University of South Carolina

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

University of South Carolina

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

Nonmajor Discretely Presented Component Units

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

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2017.

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, 2017. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

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

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

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

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

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2017.

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

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

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College,* and *York Technical College*. The

colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Organizations

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

Jointly Governed Organizations

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

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

b. Basis of Presentation

Government-wide Financial Statements

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

Statement of Activities and Eliminations

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

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

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

Enterprise Funds

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

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

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

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

Other Fund Types

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

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

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

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

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

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

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

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

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

Component Unit Financial Statements

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

c. Measurement Focus and Basis of Accounting

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

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

Accrual Basis

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

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

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Revenues not considered available are reported as deferred inflows of resources.

Recognition of Specific Grant and Shared Revenue Transactions

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

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

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

d. Cash and Cash Equivalents

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

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

e. Cash Management Pool–Allocation of Interest

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

f. Investments

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

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

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

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

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

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

g. Receivables and Payables

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

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

h. Inventories

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

i. Prepaid Items

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

j. Capital Assets

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

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

The State reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based upon this assessment there were no material impairments as of June 30, 2018.

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, and other South Carolina artifacts.

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

k. Regulatory Assets and Regulatory Assets-Asset Retirement Obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as regulatory assets and regulatory asset-asset retirement obligation. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority. The abandoned V.C. Summers 2 and 3 projects encompass the majority of the South Carolina Public Service Authority's $4.248 billion regulatory asset.

l. Tax Refunds Payable

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

m. Long-Term Obligations

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

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

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

n. Compensated Absences

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

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

o. Net Position and Fund Balance

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

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2018, $814.617 million was reported as restricted net position because of restrictions imposed by enabling legislation.

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

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

q. Deferred Outflows/Inflows of Resources

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

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

The South Carolina Retirement Systems' (the 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans.

For this purpose, the Plans recognizes 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, 2018, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is intended to improve accounting and financial reporting by state and local governments for post employment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating transparency. See Note 15, Fund Equity Reclassifications and Restatements, on page 145 for further detail.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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, 2018:

Patients' Compensation	$ 40,300
Canteen	793
Tuition Prepayment Program	36,065
Prison Industries	13,534

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

NOTE 4: DEPOSITS AND INVESTMENTS

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

a. Deposits

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

Deposit Policy

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2018 was $707.638 million and the bank balance was $1.028 billion. As of June 30, 2018, the reported amount of the primary government's deposits outside of the State Treasurer was $32.910 million and the bank balance was $32.934 million. Of the $9.613 million bank balance exposed to custodial credit risk, $1.654 million was uninsured and uncollateralized, $1.808 million was uninsured and collateralized with securities held by the pledging financial institution, and $6.151 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

b. Investments

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

Investment Policy

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

may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Fair Value

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

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

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

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

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

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

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

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 153,086	$ —	$ 153,086
U.S. agencies	5,172,654	5,172,654	—
Mortgage backed obligations	705	—	705
Common stock	45,629	45,629	—
Other equity securities	2,131,457	2,131,457	—
Corporate bonds	3,951,532	—	3,951,532
Municipal bonds	5,172	—	5,172
Asset backed securities	755,786	—	755,786
Commercial paper	6,154,739	—	6,154,739
Money market mutual funds	415,144	415,144	—
Bond mutual funds	714,801	714,801	—
Other	65,926	—	65,926
Total investments at fair value	19,566,631	$ 8,479,685	$ 11,086,946
Investments measured at amortized cost			
Repurchase agreements	1,244,081		
Total investments measured at fair value	$ 20,810,712		

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, 2018 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	BB	Alternative Rating Agency	Not Rated
U.S. agencies	$ 4,284,393	$ 49,840	$ 812,514	$ 9,936	$ —	$ —	$ 15,971
Mortgage backed obligations	—	705	—	—	—	—	—
Corporate bonds	73,319	367,139	2,305,915	826,414	18,893	—	359,852
Municipal bonds	—	—	—	—	—	—	5,172
Repurchase agreements	—	—	—	—	—	—	1,244,081
Asset backed securities	359,213	393,804	—	—	—	—	2,769
Commercial paper	276,594	4,960,638	219,552	697,955	—	—	—
Money market mutual funds	11,305	—	—	—	—	403	403,436
Bond mutual funds	—	—	—	—	—	—	714,801
Other	—	16,206	—	—	—	—	49,720
Totals	**$ 5,004,824**	**$ 5,788,332**	**$ 3,337,981**	**$ 1,534,305**	**$ 18,893**	**$ 403**	**$ 2,795,802**

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, 2018, the State Treasurer had 6.16% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. In addition, LGIP had investments with JP Morgan Securities LLC, Sumitomo Mitsui Banking Corporation, and the Toronto-Dominion Bank that represented 5.20%, 5.02%, and 5.01% respectively of total investments. As of June 30, 2018, less than 5% of the State's general investment portfolio was in an overnight repurchase agreement with Bank of America.

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, 2018, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. agencies	$ 4,944,945	$ 1,517,657	$ 3,284,028	$ 143,229	$ 31
Mortgage backed obligations	705	—	—	—	705
Corporate bonds	3,485,158	1,185,971	2,097,073	174,919	27,195
Municipal bonds	5,172	—	5,172	—	—
Repurchase agreements	844,037	844,037	—	—	—
Asset backed securities	755,786	—	—	12,461	743,325
Commercial paper	494,594	494,594	—	—	—
Other	63,979	32,800	24,973	6,206	—
Totals	**$ 10,594,376**	**$ 4,075,059**	**$5,411,246**	**$ 336,815**	**$ 771,256**

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, 2018, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 153,086	$ 119,832	$ 32,210	$ 1,044	$ —
U.S. agencies	224,362	222,088	1,990	284	—
Corporate bonds	466,375	90,414	375,162	698	101
Repurchase agreements	400,044	400,044	—	—	—
Commercial paper	5,660,145	4,177,095	1,483,050	—	—
Money market mutual funds	10,735	10,735	—	—	—
Bond mutual funds	714,801	—	699,463	—	15,338
Totals	**$ 7,629,548**	**$ 5,020,208**	**$ 2,591,875**	**$ 2,026**	**$ 15,439**

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, 2018. At June 30, 2018, 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, 2018, 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, 2018, 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, 2018, 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, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 100,829
Total securities lent for cash collateral	**$ 100,829**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 3,359
Total securities lent for non-cash collateral	**$ 3,359**
Cash collateral invested as follows:	
Repurchase agreements	$ 103,051
Total for cash collateral invested	**$ 103,051**
Securities received as collateral:	
U.S. treasuries	$ 3,423
Total for securities collateral invested	**$ 3,423**

At June 30, 2018, the fair value of securities on loan was $100.829 million. The fair value of the invested cash collateral was $103.051 million. Securities lending obligations were $103.051 million.

d. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

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

As of June 30, 2018, the carrying amount of the Systems' deposits was $143.862 million and the bank balance was $148.745 million.

Investments

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

Fair Value Measurements

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

The Systems have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Fair Value Measurments 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)	$ 1,144,204	$ 1,144,204	$ —	$ —
Certificates of Deposit	29,177	—	29,177	—
Commercial Paper	550,063	—	550,063	—
Discount Notes	5,792	—	5,792	—
U. S. Treasury Bills	246,693	246,693	—	—
Non U. S. Government Short Term	8,261	—	8,261	—
Corporate Bonds	6,662	—	6,662	—
Total Short Term Investments	$ 1,990,852	$ 1,390,897	$ 599,955	$ —
Equity Allocation				
Global Public Equity				
Common Stocks	$ 4,675,871	$ 4,675,871	$ —	$ —
Real Estate Investment Trusts	998,445	998,445	—	—
Preferred	9,567	2,470	7,097	—
Convertible Preferred	1,307	—	1,307	—
Total Equity	$ 5,685,190	$ 5,676,786	$ 8,404	$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	$ 188,315	$ 188,315	$ —	$ —
U.S. Government Agencies	837,064	—	837,064	—
Mortgage Backed				
Government National Mortgage Association	44,034	—	44,034	—
Federal National Mortgage Association	43,796	—	43,796	—
Federal Home Loan Mortgage Association	2,344	—	2,344	—
Federal Home Loan Mortgage Association (Multiclass)	13,771	—	13,771	—
Collateralized Mortgage Obligations	15,329	—	15,329	—
Municipals	39,207	—	39,207	—
Corporate				
Corporate Bonds	1,761,577	—	1,336,710	424,867
Asset Backed Securities	319,022	—	319,022	—
Private Placements	853,318	—	853,318	—
Yankee Bonds	625	—	625	—
Total Fixed Income	$ 4,118,402	$ 188,315	$ 3,505,220	$ 424,867
Total Investments by Fair Value Level	$ 11,794,444	$ 7,255,998	$ 4,113,579	$ 424,867

(continued)

Recurring fair value measurements as of June 30, 2018, continued (amounts in thousands):

Investments measured at net asset value (NAV)	
Strategic Partnership Short Duration	$ 186,061
Global Equity	5,170,346
Global Tactical Asset Allocation	3,092,930
Mixed Credit	16,685
Emerging Debt	1,149,641
Hedge Funds	3,333,496
Private Equity	2,367,353
Private Debt	1,892,516
Real Estate	1,906,157
Total investments measured at NAV	19,115,185
Total investments measured at fair value	$ 30,909,629

		Fair Value Measurments Using	
Investment derivative instruments	**At 6/30/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Short Term Investments			
Options - Cash	$ 1,397	$ 1,774	$ (377)
Futures - Cash	545	545	—
Equity Investments			
Options - Equity	(18,104)	27	(18,131)
Futures - Equity	(33,686)	(33,686)	—
Swaps - Equity	(25,775)	—	(25,775)
Fixed Income Investments			
Options - Fixed Income	(158)	(49)	(109)
Futures - Fixed Income	2,809	2,809	—
Swaps - Fixed Income	(211)	—	(211)
Total investment derivative instruments	$ (73,183)	$ (28,580)	$ (44,603)
Total Invested Assets	$ 30,836,446		

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Strategic Partnership Short Duration	$ 186,061	$ -	Monthly	5 - 10 days
Global Equity	5,170,346	-	Daily/Monthly	5 - 30 days
Global Tactical Asset Allocation	3,092,930	-	Monthly/Quarterly	5 - 14 days
Mixed Credit	16,685	-	Monthly	5 - 30 days
Emerging Debt	1,149,641	-	Daily/Monthly	10 - 15 days
Hedge Funds	3,333,496	-	Monthly/Quarterly	2 - 90 days
Private Equity	2,367,353	1,090,568	Illiquid	Illiquid
Private Debt	1,892,516	1,585,383	Illiquid	Illiquid
Real Estate	1,906,157	789,987	Illiquid	Illiquid
Infrastructure	-	145,937	Illiquid	Illiquid
Total investments measured at the NAV	$ 19,115,185			

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

Global Equity Funds. This investment type includes eleven funds that invests primarily in global developed and emerging equity public markets instruments. One of the funds invests in an equity options strategy. The fair values of the investments in

this asset type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund and reported by the Investment Managers. Redemptions are generally allowed monthly, provided adequate notice.

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

Mixed Credit Funds. This investment type includes one fund that generally invests in high yield, bank loan and structured credit instruments. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

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

Hedge Funds. This investment type includes fourteen funds that generally invests in hedge fund strategies that seek alpha in equity or credit markets, or seek to minimize embedded market beta. There are six 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 type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. 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 in order to mitigate any detrimental impact to the fund.

Private Equity Funds. This investment type includes 44 funds that consist of investments in limited partnerships or co-investments and five funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private equity investments span the venture capital, growth equity, fund of funds, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this 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 twenty-five funds that consist of investments in limited partnerships and 5 funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, opportunistic and other strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this 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.

Real Estate Funds. This investment type includes twenty-eight funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, timber, value add and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this 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.

Infrastructure Funds. This investment type includes one fund that has been subscribed to but has not yet called capital. Common types of infrastructure investments are in transportation, energy, telecommunications, water supply, sewage, or hospitals. These assets tend to benefit from a rising inflation environment. Infrastructure is considered an illiquid investment strategy as funds generally have a life span of 20 years. The nature of investments in this asset type is that distributions are received through investment generated income and the liquidation of the underlying assets of the fund. The fair values of the investments in this asset type are valued in good faith based upon the most recent financial information available for the underlying companies. These are reported by the Investment Managers at the measurement date, adjusted for subsequent cash flow activities through the year-end reporting date. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (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 changes 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, 2018, 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)	$ 1,144,204	$ —	$ 1,144,204	0.08
Invested Securities Lending Collateral	34,612	—	34,612	0.01
Certificates of Deposit	29,177	—	29,177	0.05
Commercial Paper	550,063	3,950	546,113	0.08
Discount Notes	5,792	—	5,792	0.08
U. S. Treasury Bills	246,693	—	246,693	0.29
Non U. S. Government Short Term	8,261	—	8,261	0.07
Corporate Bonds	6,662	—	6,662	0.05
Strategic Partnership Short Duration	186,061	—	186,061	0.13
Options - Cash	1,397	1,464	(67)	0.24
Futures - Cash	545	—	545	1.14
Total Short Term Investments	2,213,467	5,414	2,208,053	
Equity Allocation				
Preferred	$ 9,567	$ 6,749	$ 2,818	3.31
Convertible Preferred	1,307	—	1,307	0.04
Total Equity Investments	10,874	6,749	4,125	
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	188,315	—	188,315	7.54
U.S. Government Agencies	837,064	—	837,064	2.84
Mortgage Backed:				
Government National Mortgage Association	44,034	5,132	38,902	5.27
Federal National Mortgage Assocation	43,796	—	43,796	4.99
Federal Home Loan Mortgage Association	2,344	—	2,344	6.28
Federal Home Loan Mortgage Association (FHLMC Multiclass)	13,771	—	13,771	9.15
Collateralized Mortgage Obligations	15,329	—	15,329	9.92
Municipals	39,207	30,825	8,382	4.59
Corporate:				
Corporate Bonds	1,761,577	69,367	1,692,210	2.05
Mixed Credit	16,685	—	16,685	0.02
Asset Backed Securities	319,022	27,952	291,070	0.65
Private Placements	853,318	86,781	766,537	1.10
Yankee Bonds	625	—	625	1.59
Emerging Debt	1,149,641	—	1,149,641	5.65
Options - Fixed Income	(158)	(51)	(107)	(113.90)
Futures - Fixed Income	2,809	(308)	3,117	1.81
Swaps - Fixed Income	(211)	(2,920)	2,709	10.16
Total Fixed Income	5,287,168	216,778	5,070,390	
Mixed Credit Hedge Fund Allocation				
Mixed Credit Hedge Funds	52,287	—	52,287	(0.06)
Total Mixed Credit Hedge Funds	52,287	—	52,287	
Total Invested Assets	**$ 7,563,796**	**$ 228,941**	**$ 7,334,855**	
Total Portfolio Effective Duration (option adjusted duration)				**2.16**

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, 2018 were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	C	NR[1]
Short Term Investments										
Short Term Investment Funds (U. S. Regulated)	$ 1,144,204	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Invested Securities Lending Collateral	—	—	—	—	—	—	—	—	—	34,612
Certificates of Deposit	—	—	—	—	—	—	—	—	—	29,177
Commercial Paper	—	257,202	—	271,893	—	—	—	—	—	20,968
Discount Notes	5,792	—	—	—	—	—	—	—	—	—
Non U. S. Government Short Term	—	—	—	—	—	—	—	—	—	8,261
Corporate Bonds	—	2,052	4,104	—	—	—	—	—	—	506
Strategic Partnership Short Duration	—	—	—	—	—	—	—	—	—	186,061
Options - Cash	—	—	—	—	—	—	—	—	—	1,397
Futures - Cash	—	—	—	—	—	—	—	—	—	545
Equity Investments										
Preferred	—	—	—	1,379	1,439	—	—	—	—	6,749
Convertible Preferred	—	—	—	1,307	—	—	—	—	—	—
Fixed Income Allocation[2]										
Mortgage Backed:										
Federal National Mortgage Association	43,796	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association	2,344	—	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association (Multiclass)	13,771	—	—	—	—	—	—	—	—	—
Collateralized Mortgage Association	15,329	—		—	—	—	—	—	—	—
Municipals	630	—	12,900	—	—	—	—	—	—	25,677
Corporate:										
Corporate Bonds	66,597	168,553	369,673	249,489	206,022	231,609	44,012	8,146	12,866	404,610
Mixed Credit	—	—	—	—	—	—	—	—	—	16,685
Asset Backed Securities	70,243	2,188	8,958	29,404	99,681	19,738	12,162	14,385	—	62,263
Private Placements	68,390	125,371	157,504	60,067	60,961	64,879	34,807	2,036	—	279,303
Yankee Bonds	—	—	—	—	625	—	—	—	—	—
Emerging Debt	—	—	—	—	—	—	—	—	—	1,149,641
Options - Fixed Income	—	—	—	—	—	—	—	—	—	(158)
Futures - Fixed Income	—	—	—	—	—	—	—	—	—	2,809
Swaps - Fixed Income	—	—	—	—	—	—	—	—	—	(211)
Totals	**$1,431,096**	**$555,366**	**$553,139**	**$ 613,539**	**$368,728**	**$316,226**	**$ 90,981**	**$24,567**	**$12,866**	**$2,228,895**

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

[2] *U.S. Treasury Bills, Notes and Bonds, Agencies and Government National Mortgage Association securities with a fair value of $1.03 billion are not included in the above table because they are not subject to credit risk.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6.0% exposure to any single issuer." As of June 30, 2018, 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, 2018 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Preferred Securities	Fixed Income	Equity	Total
Australian Dollar	$ 2,096	$ 29,327	$ 26	$ 39,740	$ —	$ 3,198	$ 126,130	$ 200,517
Canadian Dollar	10,474	35,534	405	—	—	205	235,139	281,757
Czech Koruna	—	43	—	—	—	—	—	43
Danish Krone	141	(10,987)	—	—	—	11,238	36,836	37,228
Euro Currency	18	54,677	(5,126)	186,379	2,470	188,588	556,195	983,201
Hong Kong Dollar	(1,756)	22,078	(2)	—	—	—	75,325	95,645
Hungarian Forint	8,261	(8,273)	—	—	—	—	—	(12)
Israeli Shekel	18	(4,218)	—	—	—	4,227	5,579	5,606
Japanese Yen	2,615	106,825	(2,997)	—	—	(450)	402,466	508,459
Mexican Peso	326	1,311	—	—	—	—	3,606	5,243
New Zealand Dollar	55	—	—	—	—	—	6,473	6,528
Norwegian Krone	456	(549)	—	—	—	—	38,441	38,348
Pound Sterling	5,243	71,070	(671)	—	—	10,743	294,015	380,400
Russian Ruble (New)	—	(288)	—	—	—	—	—	(288)
Singapore Dollar	407	—	—	—	—	—	19,619	20,026
South African Rand	—	118	—	—	—	—	—	118
Swedish Krona	732	22,129	(20)	—	—	—	48,340	71,181
Swiss Franc	246	137	—	—	—	—	102,130	102,513
Totals	**$ 29,332**	**$ 318,934**	**$ (8,385)**	**$226,119**	**$ 2,470**	**$ 217,749**	**$1,950,294**	**$2,736,513**

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 $192.1 and $288.9 million, respectively, were held in trust by the clearing brokers on June 30, 2018. 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 Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

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

Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The tables below present classification information on the Systems' derivatives at June 30, 2018 (amounts in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation/(depreciation)	$ (4,385)
Forward Contracts	Net appreciation/(depreciation)	(1,039)
Swaps	Net appreciation/(depreciation)	(23,751)

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ (8,061)	$ 545	$ 1,397	$ —
Fixed Income	—	2,809	(158)	(211)
Equity	—	(33,686)	804,428	(25,775)
Totals	**$ (8,061)**	**$ (30,332)**	**$805,667**	**$ (25,986)**

At June 30, 2018, the Systems had the following exposure via futures contracts (amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
90DAY EURO$ FUTURE (CME)	EXP DEC 19	Short	(50)	$ (12,129)
90DAY EURO$ FUTURE (CME)	EXP DEC 20	Short	(86)	(20,859)
90DAY EURO$ FUTURE (CME)	EXP SEP 20	Short	(138)	(33,474)
90DAY EURO$ FUTURE (CME)	EXP JUN 20	Short	(316)	(76,646)
90DAY EURO$ FUTURE (CME)	EXP MAR 20	Short	(209)	(50,693)
Total Cash & Cash Equivalents				(193,801)
OMXS30 IND FUTURE (SSE)	EXP JUL 18	Long	703	12,267
FTSE 100 INDEX FUTURE (ICF)	EXP SEP 18	Long	845	84,803
TOPIX INDEX FUTURE (OSE)	EXP SEP 18	Long	750	117,174
HANG SENG INDEX FUTURE (HKG)	EXP JUL 18	Long	112	20,504
AMSTERDAM INDEX FUTURE (EOE)	EXP JUL 18	Long	146	18,805
FTSE/MIB INDEX FUTURE (MIL)	EXP SEP 18	Long	110	13,850
CAC40 10 EURO FUTURE (EOP)	EXP JUL 18	Long	908	56,405
IBEX 35 INDEX FUTURE (MFM)	EXP JUL 18	Long	136	15,246
EURO STOXX 50 FUTURE (EUX)	EXP SEP 18	Long	1,291	51,113
DAX INDEX FUTURE (EUX)	EXP SEP 18	Long	131	47,064
S&P/TSX 60 INDEX FUTURE (MSE)	EXP SEP 18	Long	310	45,403
SPI 200 FUTURE (SFE)	EXP SEP 18	Long	298	33,841
S & P 500 EMINI INDEX FUT (CME)	EXP SEP 18	Long	14,628	1,990,578
Total Equity				2,507,053

EURO-OAT FUTURE (EUX).....	EXP SEP 18	Short	(239)	(43,124)
JPN 10YR BOND FUTURE (OSE).....	EXP SEP 18	Short	(4)	(5,447)
EURO BUXL 30Y BND FUTURE (EUX)...	EXP SEP 18	Short	(39)	(8,091)
EURO-BUND FUTURE (EUX).....	EXP SEP 18	Short	(34)	(6,453)
CANADA 10YR BOND FUTURE (MSE).	EXP SEP 18	Short	(7)	(727)
AUST 10Y BOND FUTURE (SFE).....	EXP SEP 18	Short	(241)	(23,035)
US LONG BOND FUTURE (CBT).....	EXP SEP 18	Short	(251)	(36,395)
US LONG BOND FUTURE (CBT).....	EXP SEP 18	Long	25	3,625
US 2YR TREAS NTS FUT (CBT).....	EXP SEP 18	Long	2,962	627,435
US 5YR TREAS NTS FUTURE (CBT).....	EXP SEP 18	Long	3,866	439,244
US 10YR NOTE FUTURE (CBT).....	EXP SEP 18	Long	1,924	231,241
US 5YR TREAS NTS FUTURE (CBT).....	EXP SEP 18	Long	740	84,077
US 10YR NOTE FUTURE (CBT).....	EXP SEP 18	Long	741	89,059
US 5YR TREAS NTS FUTURE (CBT).....	EXP SEP 18	Short	(218)	(24,769)
US 10YR ULTRA FUTURE (CBT).....	EXP SEP 18	Short	(34)	(4,360)
Total Fixed Income				1,322,280
Totals				**$ 3,635,532**

*****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, 2018, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	$ 43,151	$ 131	2.28%
Bank of Montreal	175,677	(2,272)	9.27%
BNP Paribas	14,116	(131)	0.74%
BNY Mellon	240,546	777	12.70%
Brown Brothers Harriman	14,819	(3)	0.78%
Citibank NA	50,749	9	2.68%
Citigroup Global Markets	364	(1)	0.01%
Commonwealth Bank of Australia	175,638	(2,233)	9.27%
Credit Agricole	128	(10)	0.01%
Credit Suisse International London	1,365	1	0.07%
Goldman Sachs	80,853	915	4.27%
HSBC Bank	16,816	24	0.89%
JP Morgan Chase Bank	89,060	1,754	4.70%
Merrill Lynch International	56	(2)	—
Morgan Stanley	10,299	342	0.54%
Natwest Markets	781	49	0.04%
Royal Bank of Canada	425,129	(2,284)	22.44%
Standard Chartered Bank London	17,047	(447)	0.90%
State Street Boston Capital Market	152,994	(184)	8.08%
Toronto Dominion	2,964	(58)	0.16%
UBS AG/Stamford CT	206,451	(2,280)	10.90%
Westpac Banking Corp	175,563	(2,158)	9.27%
Totals	**$ 1,894,566**	**$ (8,061)**	**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, 2018, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aa2	$ (1,529)	$ —	$ —	$ (1,529)
Aa3	(5,100)	(22,991)	(226)	(28,317)
A1	(1,817)	(2,763)	(91)	(4,671)
A2	(1)	(4,175)		(4,176)
A3	(2)	—		(2)
Baa2	49		(109)	(60)
NR	339		37	376
Total subject to credit risk	$ (8,061)	$ (29,929)	$ (389)	$ (38,379)
Centrally cleared:				
Chicago Board Options Exchange	$ —	$ —	$ (16,476)	$ (16,476)
Chicago Mercantile Exchange	—	492	—	492
Intercontinental Exchange	—	1,512	—	1,512
LCH Ltd	—	1,939	—	1,939
Total not subject to credit risk	$ —	$ 3,943	$ (16,476)	$ (12,533)
Total	**$ (8,061)**	**$ (25,986)**	**$ (16,865)**	**$ (50,912)**

At June 30, 2018, the Systems held swaps as shown in the tables below (amounts in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*	Gain (Loss) Since Trade
Bank of America	Russell 2000 Proxy	Russell 2000 Index Total Return	ICE LIBOR USD 3M - 30 bps	9/28/2018	$ (273,449)	$ (18,326)	$ (18,325)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 24 bps	LBUSTRUU Index	1/31/2019	347,116	(1,093)	(4,619)
Barclays	Barclays US Securitized Proxy	ICE LIBOR USD 1M + 15 bps	LD19TRUU Index	7/31/2018	129,575	(200)	(2,273)
Barclays	Barclays US Corporate Proxy	ICE LIBOR USD 1M + 25 bps	LUACTRUU Index	7/31/2018	98,452	(772)	(3,571)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 26 bps	LBUSTRUU Index	2/28/2019	355,788	(1,152)	(892)
Barclays	Barclays US Agg Proxy	ICE LIBOR USD 1M + 27 bps	LBUSTRUU Index	9/28/2018	296,294	(966)	(7,975)
Goldman Sachs	MSCI World Swap Proxy	ICE LIBOR USD 3M	NDDUWI Index	7/31/2018	541,492	894	(30,972)
Goldman Sachs	Russell 2500 Growth Proxy	ICE LIBOR USD 3M + 29 bps	Russell 2500 Growth Index	11/30/2018	141,914	(3,651)	11,900
JP Morgan	Russell 2000 Proxy	Russell 2000 Index Total Return	ICE LIBOR USD 3M - 23 bps	10/31/2018	(72,662)	(4,692)	(4,692)
					$ 1,564,520	**$ (29,958)**	**$ (61,419)**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America	Credit Default Swaps	Fixed/Variable	Fixed/Variable	various	$ 2,450	$ 19
Barclays	Credit Default Swaps	Fixed Rate	Variable Rate	12/20/23	400	8
Credit Suisse	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	12,500	(6)
HSBC Securities	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/21	1,200	9
JP Morgan	Credit Default Swaps	Variable Rate	Fixed Rate	9/17/58	2,200	(1)
Chicago Mercantile Exchange	Cleared Interest Rate Swaps	Fixed Rate	Variable Rate	various	303,318	492
Intercontinental Exchange	Cleared Credit Default Swaps	Variable Rate	Fixed Rate	various	99,600	1,512
LCH.Ltd	Cleared Interest Rate Swaps	Fixed/Variable	Fixed/Variable	various	149,658	1,939
					$ 571,326	**$ 3,972**

**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, 2018, the Systems had the following option positions (amounts in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Dec 19 097.000 ED 12/16/19	90DAY EURODOLLAR FUTURE DEC 19	December 2019	(1,083)	$ (663)
Put Dec 19 097.625 ED 12/16/19	90DAY EURODOLLAR FUT DEC 19	December 2019	1,083	1,841
Put Dec 18 097.625 ED 12/17/18	90DAY EURODOLLAR FUTURE DEC 18	December 2018	2,328	1,688
Put Dec 18 097.500 ED 12/17/18	90DAY EURODOLLAR FUT DEC 18	December 2018	(2,328)	(1,091)
Call Aug 18 019.500 ED 082118	MXN/USD SPOT OPTION 2018	August 2018	(3,050,000)	(97)
Call Aug 18 066.190 ED 082418	RUB/USD SPOT OPTION 2018	August 2018	(1,400,000)	(12)
Call Aug 18 066.090 ED 082718	RUB/USD SPOT OPTION 2018	August 2018	(1,400,000)	(12)
Call Aug 18 065.962 ED 082418	RUB/USD SPOT OPTION 2018	August 2018	(3,400,000)	(25)
Call Aug 18 066.400 08/24/2018	RUB/USD SPOT OPTION 2018	August 2018	(2,300,000)	(15)
Call Aug 18 067.400 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,000,000)	(4)
Call Aug 18 066.550 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,800,000)	(9)
Call Aug 18 066.490 ED 081718	RUB/USD SPOT OPTION 2018	August 2018	(1,800,000)	(9)
Call July 18 066.600 ED 07/9/18	RUB/USD SPOT OPTION 2018	July 2018	(1,700,000)	(1)
Call July 18 066.3834 ED 070218	RUB/USD SPOT OPTION 2018	July 2018	(1,400,000)	—
Call Aug 18 021.850 ED 081718	MXN/USD SPOT OPTION 2018	August 2018	(1,600,000)	(4)
Call July 18 021.250 ED 071118	MXN/USD SPOT OPTION 2018	July 2018	(480,000)	(1)
Call July 18 021.200 ED 070518	MXN/USD SPOT OPTION 2018	July 2018	(2,020,000)	(1)
Call July 18 019.250 ED 071918	MXN/USD SPOT OPTION 2018	July 2018	(3,050,000)	(96)
Call Aug 18 021.940 ED 081618	MXN/USD SPOT OPTION 2018	August 2018	(1,800,000)	(3)
Call Aug 18 021.920 ED 082118	MXN/USD SPOT OPTION 2018	August 2018	(1,800,000)	(4)
Put July 18 001.332 ED 071218	USD/GBP SPOT OPTION 2018	July 2018	(1,441,000)	(21)
Put July 18 001.3225 ED 071218	USD/GBP SPOT OPTION 2018	July 2018	(3,800,000)	(32)
Put Aug 18 000.722 ED 08/20/18	USD/AUD SPOT OPTION 2018	August 2018	(8,200,000)	(32)
Total Cash & Cash Equivalents				1,397
Put July 18 000.750 ED 07/18/18	CDX SP CDX.NA.IG.30 V1	July 2018	(2,100,000)	$ (1)
Put July 18 000.750 ED 071818	CDX SP CDX.NA.IG.30 V1 062023	July 2018	(2,200,000)	(1)
Put Dec 19 002.945 ED 120919	IRS P US0003M R 2.945% 12/11/4	December 2019	2,200,000	144
Put Aug 18 002.940 ED 08/20/18	IRS P USD 30Y 97BPS R 2.94%	August 2018	1,600,000	35
Put Aug 18 002.800 ED 08/20/18	IRS P USD 5Y 22BPS R 2.8%	August 2018	(6,900,000)	(51)
Put Aug 18 002.905 ED 082018	IRS P USD 30Y 98BPS R 2.905%	August 2018	4,900,000	130
Put Aug 18 002.800 ED 082018	IRS P USD 5Y 22BPS R 2.8%	August 2018	(21,600,000)	(159)
Put Dec 19 002.750 ED 12/09/19	IRS P US0003M R 2.75% 12/11/24	December 2019	(9,900,000)	(206)
Put Aug 18 119.500 ED 072718	US 10YR NOTE FUTURE SEP 18	August 2018	(59)	(11)
Put Aug 18 161.500 ED 07/27/18	EURO-BUND FUTURE SEP 18	August 2018	(78)	(28)
Put Aug 15 160.500 ED 07/27/18	EURO-BUND FUTURE SEP 18	August 2018	(71)	(10)
Total Fixed Income				(158)
Put July 18 2770.000 ED 072018	S&P 500 INDEX SPX	July 2018	(1,154)	$ (6,636)
Put July 18 2755.000 ED 072718	S & P 500 INDEX (SPX)	July 2018	(383)	(1,969)
Put July 18 2780.000 ED 071318	S & P 500 INDEX (SPX)	July 2018	(380)	(2,367)
Put Aug 18 2720.000 ED 083118	S & P 500 INDEX (SPX)	August 2018	(1,154)	(6,497)
Put July 18 2730.000 ED 070618	S & P 500 INDEX (SPX)	July 2018	(384)	(856)
Call Jan 19 3000.000 ED 011819	S & P 500 INDEX (SPX)	January 2019	116	124
Call Jan 19 055.000 ED 011819	ISHARES MSCI EMERGING MARKET	January 2019	5,367	27
Put July 18 2770.000 ED 072018	S & P 500 INDEX (SPX)	July 2018	1,508	70
Total Equity				(18,104)
Total				**$ (16,865)**

Alternative Investments

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

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

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

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

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt, real estate and private infrastructure investments. As of June 30, 2018, 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	$ 4,137,812	$ 3,304,186	$ 833,626
Private Debt	5,064,658	3,479,275	1,585,383
Real Estate	3,120,476	2,330,489	789,987
Totals	$ 12,322,946	$ 9,113,950	$ 3,208,996
Limited Partnerships Euros			
Private Equity	€ 429,080	€ 244,185	€ 184,895
Infrastructure	125,000	—	125,000
Totals	€ 554,080	€ 244,185	€ 309,895
Limited Partnerships AUD			
Private Equity	$ 100,000	$ 44,401	$ 55,599
Totals	$ 100,000	$ 44,401	$ 55,599

Securities Lending

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

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2018 included U.S. Government securities, U.S. Government agencies, corporate bonds, non U.S. sovereign debt and global equities. The contractual agreement between the RSIC and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash, U. S. Government securities, corporate securities, asset-backed securities and global equities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset.

A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2018, the fair value of securities on loan was $78.639 million. The fair value of the invested cash collateral was $34.612 million. Securities lending obligations were $81.591 million with an unrealized loss in invested cash collateral of $46.979 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 $46.979 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 $1.993 million, an increase from $773 thousand 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, 2018, 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, 2018:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
Corporate bonds	$ 11,941	$ 2,046	$ 14	$ 71	$ 11	$ 14,083
Global Public Equity	54,737	9,380	62	324	53	64,556
Total securities lent for cash collateral	**$ 66,678**	**$ 11,426**	**$ 76**	**$ 395**	**$ 64**	**$ 78,639**
Securities lent for non-cash collateral:						
U.S Government Securities	$ 66,512	$ 11,398	$ 76	$ 394	$ 64	$ 78,444
Corporate bonds	168	29	—	1	—	198
Global Public Equity	726,125	124,433	827	4,300	700	856,385
Total securities lent for non-cash collateral	**$ 792,805**	**$135,860**	**$ 903**	**$ 4,695**	**$ 764**	**$ 935,027**
Cash collateral invested as follows:						
Repurchase agreements	$ 29,348	$ 5,029	$ 33	$ 174	$ 28	$ 34,612
Total cash collateral invested	**$ 29,348**	**$ 5,029**	**$ 33**	**$ 174**	**$ 28**	**$ 34,612**
Securities received as collateral:						
U.S. Government securities	$ 149,018	$ 25,537	$ 170	$ 883	$ 143	$ 175,751
Global Public Equity	681,613	116,805	776	4,036	657	803,887
Global Fixed Income	41,173	7,056	47	244	40	48,560
Total securities received as collateral	**$ 871,804**	**$149,398**	**$ 993**	**$ 5,163**	**$ 840**	**$1,028,198**

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, 2018, 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, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. agencies	$ 514,105	$ 514,105	$ —
Collateralized mortgage-backed obligations	88,274	—	88,274
Repurchase agreements	8,150	8,150	—
Corporate bonds	464,693	—	464,693
Financial paper	101,388	—	101,388
Total Investments at Fair Value	$ 1,176,610	$ 522,255	$ 654,355

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, 2018, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

Investment Type and Fair Value	AAA / AA	A / A1 / A2	BAA/BA	B/1/B/2/B/3	Not Rated
U.S. agencies	$ 514,105	$ —	$ —	$ —	$ —
Collateralized mortgage-backed obligations	88,274	—	—	—	—
Repurchase Agreements	—	—	—	8,150	—
Corporate Bonds	36,433	138,987	233,519	45,438	10,316
Financial Paper	8,254	48,629	44,505	—	—
Totals	**$ 647,066**	**$ 187,616**	**$ 278,024**	**$ 53,588**	**$ 10,316**

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, 2018, 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	$ 514,105	$ 151	$ 247,392	$ 112,308	$ 154,254
Collateralized mortgage-backed obligations	88,274	5	97	2	88,170
Repurchase Agreements	8,150	8,150	—	—	—
Corporate bonds	464,693	109,047	253,950	100,471	1,225
Financial paper	101,388	12,153	63,195	15,155	10,885
Totals	**$ 1,176,610**	**$ 129,506**	**$ 564,634**	**$ 227,936**	**$ 254,534**

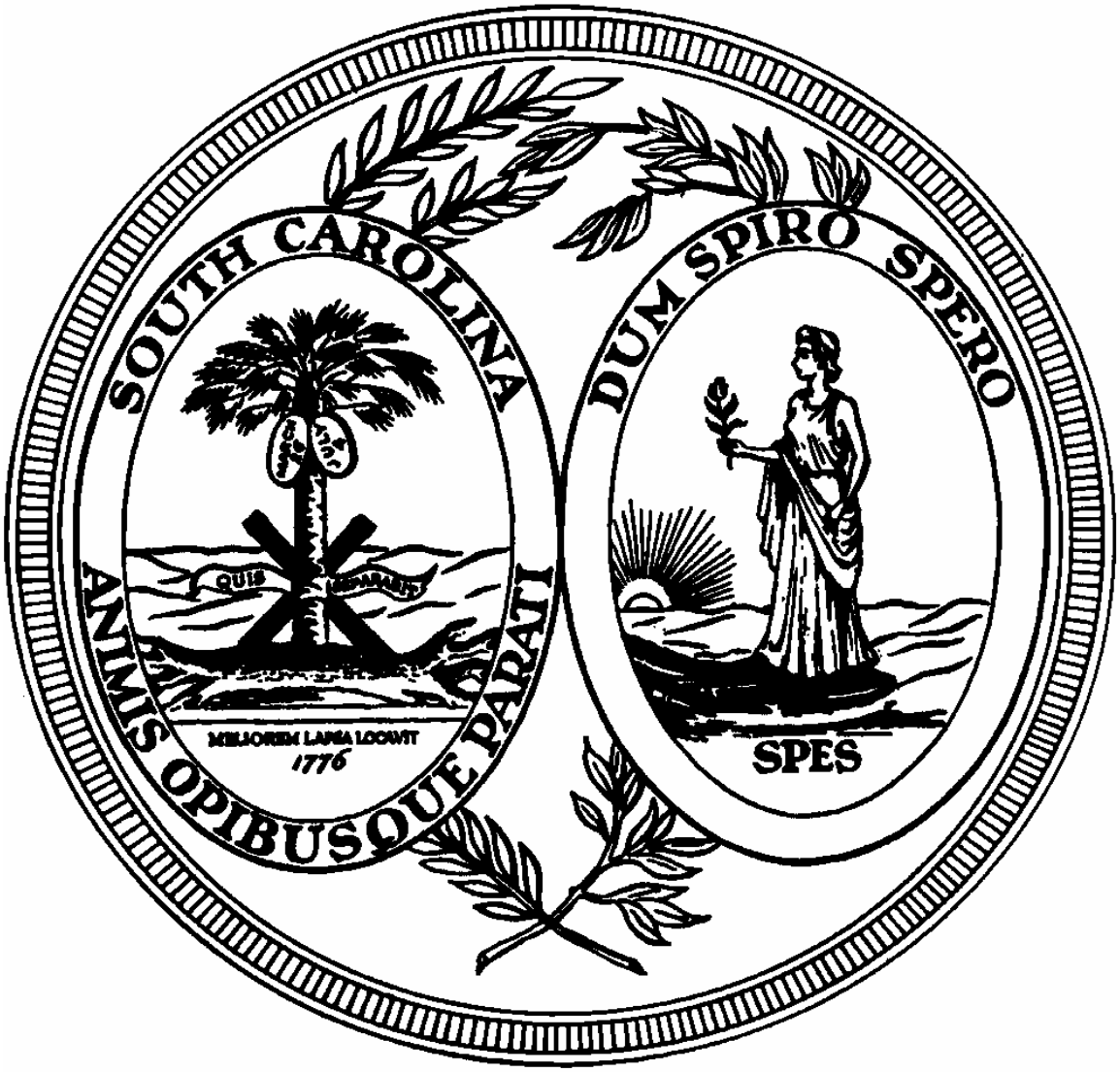
Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2018, the Trusts did not have any single issuers of debt that were not fully collateralized by U.S. Government obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The Trusts have no securities lending losses as of June 30, 2018. 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, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Government Securities	$ 6,155
Repurchase agreements	1,959
Total securities lent for cash collateral	**$ 8,114**
Cash collateral invested as follows:	
U.S. Government Securities	$ 7,181
Repurchase agreements	1,107
Total for cash collateral invested	**$ 8,288**


SOUTH CAROLINA
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1776
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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, 2018, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
Allowances related to	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes	$ 466,332	$ —	$ —	$ —	$ —	$ 466,332
Sales and other taxes	235,263	—	—	31,879	—	267,142
Patient accounts	2,904	—	—	—	—	2,904
Other	11,328	10,105	421	—	29	21,883
Total allowances for uncollectibles	**$ 715,827**	**$ 10,105**	**$ 421**	**$ 31,879**	**$ 29**	**$ 758,261**

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, 2018 were as follows:

	Business-type Activities (Enterprise Funds)
Allowances related to	Unemployment Compensation Benefits
Assessments	$ 34,054
Other	8,085
Total allowances for uncollectibles	**$ 42,139**

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2018, were as follows:

	Governmental Activities						
	Governmental Funds						
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 20,441	$ 60,469	$ —	$ —	$ —	$ 321	$ 81,231
Sales and other taxes	1,037	—	—	—	—	—	1,037
Patient accounts	2,563	1,711	—	—	—	—	4,274
Loans and notes	35,784	429	630,752	610	—	—	667,575
Accounts receivable—restricted	—	—	95,301	—	—	—	95,301
Total long-term receivables, net	**$ 59,825**	**$ 62,609**	**$ 726,053**	**$ 610**	**$ —**	**$ 321**	**$ 849,418**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unearned revenue in the governmental funds (expressed in thousands) at June 30, 2018, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ 3,779	$ —	$ 3,779
Federal grants	62,052	111,385	173,437
Contributions	60,737	208,385	269,122
Departmental services	—	43,044	43,044
Total unearned revenues	$ 126,568	362,814	$ 489,382
Internal service funds		164,758	
Total governmental activities		$ 527,572	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2018, for the primary government was as follows:

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 2,049,407	$ 62,463	$ (2,979)	$ 2,108,891
Construction in progress	2,805,901	932,937	(418,583)	3,320,255
Works of art and historical treasures	7,276	1,336	—	8,612
Intangibles	12	—	—	12
Total capital assets not being depreciated	4,862,596	996,736	(421,562)	5,437,770
Capital assets being depreciated:				
Land improvements	113,949	856	—	114,805
Infrastructure (road and bridge network)	14,273,827	266,860	(11,974)	14,528,713
Buildings and improvements	2,161,478	99,003	(11,865)	2,248,616
Vehicles	784,259	123,385	(67,412)	840,232
Machinery and equipment	612,698	53,087	(30,204)	635,581
Works of art and historical treasures	1,508	—	—	1,508
Intangibles	137,837	31,151	(254)	168,734
Total capital assets being depreciated	18,085,556	574,342	(121,709)	18,538,189
Less accumulated depreciation for:				
Land improvements	(62,007)	(2,731)	—	(64,738)
Infrastructure (road and bridge network)	(3,863,469)	(205,772)	7,032	(4,062,209)
Buildings and improvements	(1,103,779)	(58,691)	6,361	(1,156,109)
Vehicles	(607,027)	(70,697)	65,934	(611,790)
Machinery and equipment	(443,731)	(29,392)	22,011	(451,112)
Works of art and historical treasures	(541)	(60)	—	(601)
Intangibles	(106,145)	(2,334)	112	(108,367)
Total accumulated depreciation	(6,186,699)	(369,677)	101,450	(6,454,926)
Total capital assets being depreciated, net	11,898,857	204,665	(20,259)	12,083,263
Capital assets for governmental activities, net	**$ 16,761,453**	**$ 1,201,401**	**$ (441,821)**	**$ 17,521,033**

During the fiscal year ended June 30, 2018, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 2,316	$ 17,514	$ 19,830
Education	35,645	—	35,645
Health and environment	12,338	—	12,338
Social services	757	—	757
Administration of justice	27,237	282	27,519
Resources and economic development	30,530	—	30,530
Transportation	243,058	—	243,058
Total depreciation expense, governmental activities	**$ 351,881**	**$ 17,796**	**$ 369,677**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 171,101	$ 7,108	$ (1,323)	$ 176,886
Construction in progress	62,658	27,774	(1,962)	88,470
Total capital assets not being depreciated	233,759	34,882	(3,285)	265,356
Capital assets being depreciated:				
Land improvements	1,244	—	—	1,244
Buildings and improvements	22,228	603	(6,243)	16,588
Vehicles	1,370	—	(80)	1,290
Machinery and equipment	8,957	143	(772)	8,328
Intangibles	1,265	9	—	1,274
Total capital assets being depreciated	35,064	755	(7,095)	28,724
Less accumulated depreciation for:				
Land improvements	(1,065)	(15)	—	(1,080)
Buildings and improvements	(5,906)	(588)	821	(5,673)
Vehicles	(744)	(151)	80	(815)
Machinery and equipment	(4,663)	(570)	290	(4,943)
Intangibles	(230)	(127)	—	(357)
Total accumulated depreciation	(12,608)	(1,451)	1,191	(12,868)
Total capital assets being depreciated, net	22,456	(696)	(5,904)	15,856
Capital assets for business-type activities, net	**$ 256,215**	**$ 34,186**	**$ (9,189)**	**$ 281,212**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $2.111 million with accumulated depreciation of $5.080 million. Depreciation expense for fiscal year 2018 was $216 thousand. There were additions of $41 thousand for equipment during the year.

At June 30, 2018, the primary government had outstanding construction commitments totaling $42.945 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $20.421 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 $157.910 million at June 30, 2018, 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 also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the South Carolina Retirement System Investment Commission, which consists of eight members appointed by mostly elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The Systems' financial statements may be obtained by writing to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A summary of information related to members of the five plans is as follows at June 30, 2018:

	SCRS	PORS	GARS	JSRS	SCNG
Active Contributing Members	193,985	27,056	87	160	12,116
Retirees and Beneficiaries Currently Receiving Benefits	140,288	17,887	354	213	4,789
Terminated Members Entitiled to But Not Yet Receiving Benefits	176,045	16,004	35	3	1,901
Total Membership	510,318	60,947	476	376	18,806

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

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

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

Note 1f specifies the method used to value pension trust fund investments.

c. Funding Policies

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

By law, employee contribution requirements for the fiscal year ended June 30, 2018, 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, 2018, were as follows:

Plan	Rate
SCRS	13.56%
PORS	16.24%
JSRS	49.42%

Contributions to SCRS, PORS, and JSRS from the State were $168.903 million, $61.790 million, and $11.043 million, respectively, for the year ended June 30, 2018. The GARS employer contribution of $5.428 million was actuarily determined and included incidental death benefits. The State contributed $4.814 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2018. Additionally, the State contributed $104.974 million to SCRS and $13.122 million to PORS above its proportionate employer contributions. These may qualify as special funding situations for SCRS and PORS in future years if these additional contributions become a consistent part of the State's annual budget.

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

At June 30, 2018, the State reported $2.938 billion and $793.572 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, 2016 actuarial valuations, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2016, 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, 2017, the State's SCRS proportion was 13.05%, which was an increase of 0.11% from its proportion measured as of June 30, 2016. The State's PORS proportion of the net pension liability at June 30, 2017 was 28.97%, which was an increase of 0.09% from its proportion measured as of June 30, 2016.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2016, using membership data as of July 1, 2016, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2018, the State recognized pension expenses of $313.677 million for SCRS, $91.725 million for PORS, $15.144 million for JSRS, $4.949 million for GARS, and $4.015 million for SCNG.

According to South Carolina Code of Laws 9-1-1180, the State is responsible for contributing the employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRS and PORS, but remitted instead to each school district and technical college for their contribution payments, GASB 68 requires that the school districts and technical colleges recognize the portions of the SCRS and PORS net pension liabilities that relate to their respective employees. As the State is actually responsible for these net pension liabilities, the State's effective share of the SCRS net pension liability was approximately $13.010 billion (or 57.79% of the total net SCRS pension liability) at June 30, 2018, with related pension expenses of approximately $1.271 billion for the year ended June 30, 2018. Likewise, the State's

effective share of the PORS net pension liability was approximately $809.946 million at June 30, 2018 (or 29.56% of the total net PORS pension liability), with related pension expenses of approximately $93.822 million for the year ended June 30, 2018. 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, 2018, 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	$ 168,903	$ 61,790	$ 11,043	$ 5,428	$ 4,814	$ 251,978
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	113,229	11,686	—	—	—	124,915
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	82,021	28,278	3,619	1,014	791	115,723
Differences Between Expected and Actual Experience	13,099	7,076	—	—	442	20,617
Changes in Assumptions	172,002	75,317	10,753	829	3,779	262,680
Total	$ 549,254	$ 184,147	$ 25,415	$ 7,271	$ 9,826	$ 775,913
Deferred Inflows of Resources						
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	$ 83,959	$ 26,819	$ —	$ —	$ —	$ 110,778
Differences Between Expected and Actual Experience	1,629	—	3,322	124	1,740	6,815
Total	$ 85,588	$ 26,819	$ 3,322	$ 124	$ 1,740	$ 117,593

$251.978 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, 2019. 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
2019	$ 89,209	$ 28,041	$ 2,369	$ 951	$ 475
2020	137,997	38,981	4,881	695	743
2021	92,761	26,615	3,482	299	464
2022	(25,204)	1,901	318	(226)	90
2023	—	—	—	—	245
Thereafter	—	—	—	—	1,255
	$ 294,763	$ 95,538	$ 11,050	$ 1,719	$ 3,272

The total pension liabilities in the July 1, 2016 actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

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

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the June 30, 2017 valuations for SCRS and PORS are as follows:

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**45.0%**		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	**8.0%**		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Commodities	1.0%	6.26%	0.06%
Opportunistic	**17.0%**		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.92%	0.23%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	**100.0%**		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			**7.56%**

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 (for SCRS and PORS participation amounts see the final paragraph on page 107). Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (expressed in thousands)

	GARS	JSRS	SCNG
Total Pension Liability			
Service Cost	$ 488	$ 6,186	$ 696
Interest	5,293	20,404	4,589
Difference Between Actual and Expected Experience	(348)	(995)	(843)
Assumption Changes	2,330	13,790	4,161
Benefit Payments	(6,737)	(18,602)	(4,426)
Net Change in Total Pension Liability	1,026	20,783	4,177
Total Pension Liability at June 30, 2017	73,702	278,256	63,045
Total Pension Liability at June 30, 2018 (a)	$ 74,728	$ 299,039	$ 67,222
Plan Fiduciary Net Position			
Contributions - Employer	$ 4,539	$ 10,534	$ 4,591
Contributions - Member	468	2,928	—
Refunds of Contributions to Members	—	(629)	—
Retirement Benefits	(6,678)	(17,679)	(4,425)
Death Benefits	(59)	(293)	—
Net Investment Income (Loss)	3,329	16,399	2,533
Administrative Expense	(17)	(79)	(13)
Other	19	253	—
Net Change in Plan Fiduciary Net Position	1,601	11,434	2,686
Plan Fiduciary Net Position at June 30, 2017	30,188	140,717	23,350
Plan Fiduciary Net Position at June 30, 2018 (b)	$ 31,789	$ 152,151	$ 26,036
Net Pension Liability at June 30, 2018 (a) - (b)	$ 42,939	$ 146,888	$ 41,186

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

Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	$ 3,786,949	$ 2,938,212	$ 2,423,225
PORS	1,071,473	793,572	574,673
GARS	49,589	42,939	37,535
JSRS	180,690	146,888	120,045
SCNG	50,043	41,186	34,443

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 303,213	$ 32,357	$ 32	$ 810	$ —	$ 336,412
Accrued interest	39,429	6,763	49	236	42	46,519
Unsettled investment sales	520,220	89,148	592	3,081	502	613,543
Other investment receivables	986	169	1	6	1	1,163
Total receivables	**$ 863,848**	**$ 128,437**	**$ 674**	**$ 4,133**	**$ 545**	**$ 997,637**
Due from other funds	**$ —**	**$ 278**	**$ —**	**$ —**	**$ —**	**$ 278**
Investments and invested securities lending collateral:						
Short-term securities	$ 497,097	$ 85,186	$ 566	$ 2,944	$ 479	$ 586,272
Fixed income	4,482,965	768,228	5,104	26,549	4,322	5,287,168
Equity-international	11,761,071	2,015,451	13,391	69,650	11,338	13,870,901
Alternatives	8,054,600	1,380,287	9,170	47,700	7,765	9,499,522
Invested securities lending collateral	29,348	5,029	33	174	28	34,612
Total investments	**$ 24,825,081**	**$ 4,254,181**	**$ 28,264**	**$ 147,017**	**$ 23,932**	**$ 29,278,475**

f. Deferred Retirement Option Plans

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

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

A total of 4,808 members were participating in the TERI program at June 30, 2018. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2018, was as follows:

Beginning balance of TERI trust accounts	$ 643,050
Additions	160,209
TERI distributions at termination	(425,996)
Ending balance of TERI trust accounts	**$ 377,263**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2018, there was $332 thousand held in this trust.

g. Optional Retirement Program

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

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (9.00%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (8.41%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$ 1,506,014
Employee contributions to providers	135,541
Employer contributions to providers	75,301

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 (SCLTDITF), 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, 5.50% of annual covered payroll for fiscal year 2018. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $460.478 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2018. 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, 2018.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. SCRHITF is funded primarily through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($104.573 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, 2018, the State reported a liability of $2.837 billion for its proportionate share of the net SCRHITF OPEB liability and reported a liability of $394 thousand for its proportionate share of the net LTDITF OPEB liability. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of that June 30, 2016. At June 30, 2016, the State's proportion of the SCRHITF net OPEB liability was 20.95% and the State's proportion of the LTDITF net OPEB liability was 21.71%, based on its statutory contribution requirements.

As with SCRS and PORS, the State is responsible for contributing the OPEB employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRHITF and LTDITF, but remitted instead to each school district and technical college for their contribution payments, GASB 75 requires that the school districts and technical colleges recognize the portions of the SCRHITF and LTDITF net OPEB liabilities that relate to their respective employees. As the State is actually responsible for these net OPEB liabilities, the State's effective share of the SCRHITF net OPEB liability was approximately $10.424 billion (or 76.96% of the total net SCRHITF pension liability) at June 30, 2018, with related OPEB expenses of approximately $634.419 million for the year ended June 30, 2018. Likewise, the State's effective share of the LTDITF net OPEB liability was approximately $1.261 million at June 30, 2018 (or 69.56% of the total net LTDITF OPEB liability), with related pension expenses of approximately $5.630 million for the year ended June 30, 2018. As prescribed by GASB 75, the teachers and technical college employee-related net OPEB liabilities and corresponding OPEB expenses are not included in the State's net OPEB liability or in the State's OPEB expense.

As a result of its requirement to contribute to the SCRHITF and LTDITF, the State recognized expenses of $172.687 million for SCRHITF and $1.757 million for LTDITF for the year ended June 30, 2018. At June 30, 2018, 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	$ 98,824	$ 1,578	$ 100,402
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	4,875	190	5,065
Total	$ 103,699	$ 1,768	$ 105,467
Deferred Inflows of Resources			
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	$ 41	$ 10	$ 51
Differences Between Expected and Actual Experience	1,231	—	1,231
Changes in Assumptions	266,974	36	267,010
Total	$ 268,246	$ 46	$ 268,292

$100.402 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, 2019. Other amounts reported as deferred

(inflows)/outflows of resources and deferred inflows of resources as a result of the State's requirement to contribute to SCRHITF and LTDITF will be recognized as expense as follows (expressed in thousands):

Year Ended June 30,	SCRHITF	LTDITF
2019	$ (41,728)	$ 43
2020	(41,728)	42
2021	(41,728)	42
2022	(41,728)	42
2023	(42,947)	(5)
Thereafter	(53,512)	(20)
	$ (263,371)	$ 144

The total OPEB liabilities in the June 30, 2016 valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	SCRHITF	LTDITF
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Inflation Rate	2.25%	2.25%
Investment Rate of Return	4.00%, net of OPEB plan expense, including inflation	4.00%, net of OPEB plan expense, including inflation
Healthcare Cost Trend Rates	Initial trend starting at 7.00% and gradually decreasing to an ultimate rate of 4.15% 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, 2015.

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

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

The single discount rate used to measure the total SCRHITF liability is 3.56% (updated from 2.92% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond

rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

The single discount rate used to measure the total LTDITFF liability is 3.87% (updated from 3.74% in the 2016 fiscal year). This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate 3.56%. (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index") and the resulting Single Discount Rate is 3.87%. 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 (2.56% for SCRHITF and 2.87% for LTDITF) or 1.00% higher (4.56% for SCRHITF and 4.87% for LTDITF) than the current discount rates:

Plan	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
SCRHITF	$ 3,341,506	$ 2,837,273	$ 2,430,738

Plan	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
LTDITF	$ 700	$ 394	$ 93

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

Plan	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
SCRHITF	$ 2,326,682	$ 2,837,273	$ 3,498,367

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

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

d. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2018, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 7,195**	**$ 298**	**$ 7,493**
Due from other funds	**$ 67,069**	**$ —**	**$ 67,069**
Investments and invested securities lending collateral:			
Debt domestic instruments	$ 1,036,786	$ 30,286	$ 1,067,072
Financial paper	96,224	5,164	101,388
Invested securities lending collateral	7,386	728	8,114
Total investments	**$1,140,396**	**$ 36,178**	**$1,176,574**

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, 2018 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	$ 14,736	$ —	$ 14,736	$ —	$ 14,736	$ 39,916
Deferred amount on refunding	96,890	—	96,890	—	96,890	227,307
Pensions:						
State contributions subsequent to the measurement date	246,506	4,802	251,308	670	251,978	262,361
Change in proportion and differences between employer contributions and proportionate share of plan contributions	117,821	5,581	123,402	1,513	124,915	81,779
Net Differences between projected and actual earnings on pension plan investments	113,008	2,256	115,264	459	115,723	128,618
Differences between expected and actual experience	20,144	396	20,540	77	20,617	22,546
Changes in assumptions	256,737	4,957	261,694	986	262,680	271,734
OPEB:						
State contributions subsequent to the measurement date	98,670	1,607	100,277	125	100,402	126,540
Net Differences between projected and actual earnings on OPEB plan investments	4,977	82	5,059	6	5,065	6,320
Differences between expected and actual experience	—	—	—	—	—	95
Changes in assumptions	—	—	—	—	—	168
Total	$ 969,489	$ 19,681	$ 989,170	$ 3,836	$ 993,006	$ 1,167,384
Deferred Inflows of Resources						
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ —	$ —	$ 5,374
Deferred gain on refunding	—	—	—	—	—	3,246
Deferred nuclear decommissioning costs	—	—	—	—	—	226,767
Deferred service concession arrangement receipts	—	—	—	—	—	2,376
Deferred nonexchange revenues	15,233	—	15,233	—	15,233	39,391
Toshiba Settlement	—	—	—	—	—	898,215
Pensions:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	108,845	1,770	110,615	163	110,778	48,864
Differences between expected and actual experience	6,770	37	6,807	8	6,815	3,886
Changes in Assumptions	—	—	—	—	—	19
OPEB:						
Change in proportion and differences between employer contributions and proportionate share of plan contributions	51	—	51	—	51	57
Differences between expected and actual experience	1,210	20	1,230	1	1,231	1,642
Changes in assumptions	262,298	4,375	266,673	337	267,010	344,366
Total	$ 394,407	$ 6,202	$ 400,609	$ 509	$ 401,118	$ 1,574,203

Details of all enterprise fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Patient's Compensation	Canteen	Palmetto Railways	Other Enterprise	Total
Deferred Outflows of Resources					
Pensions:					
State contributions subsequent to the measurement date	$ 34	$ 233	$ 335	$ 68	$ 670
Change in proportion and differences between employer contributions and proportionate share of plan contributions	4	122	1,351	36	1,513
Net Differences between projected and actual earnings on pension plan investments	17	112	297	33	459
Differences between expected and actual experience	3	20	48	6	77
Changes in assumptions	35	251	626	74	986
OPEB:					
State contributions subsequent to the measurement date	14	86	—	25	125
Net Differences between projected and actual earnings on OPEB plan investments	1	4	—	1	6
Total	$ 108	$ 828	$ 2,657	$ 243	$ 3,836
Deferred Inflows of Resources					
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ 15	$ 113	$ 1	$ 34	$ 163
Differences between expected and actual experience	—	2	6	—	8
OPEB:					
Differences between expected and actual experience	—	1	—	—	1
Changes in assumptions	41	229	—	67	337
Total	$ 56	$ 345	$ 7	$ 101	$ 509

Details of all internal service fund deferred outflows of resources and deferred inflows of resources at June 30, 2018 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	$ 400	$ 879	$ 304	$ 1,752
Change in proportion and differences between employer contributions and proportionate share of plan contributions	3,020	861	16	917
Net Differences between projected and actual earnings on pension plan investments	194	376	149	837
Differences between expected and actual experience	31	60	24	153
Changes in assumptions	407	789	313	1,877
OPEB:				
State contributions subsequent to the measurement date	113	373	128	754
Net Differences between projected and actual earnings on OPEB plan investments	7	18	7	38
Total	$ 4,172	$ 3,356	$ 941	$ 6,328
Deferred Inflows of Resources				
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	$ —	$ —	$ 215	$ 847
Differences between expected and actual experience	4	7	4	12
OPEB:				
Differences between expected and actual experience	2	5	1	9
Changes in assumptions	369	981	384	2,003
Total	$ 375	$ 993	$ 604	$ 2,871

Motor Pool	Prison Industries	Other Internal Service	Total
$ 117	$ 1,334	$ 16	$ 4,802
61	698	8	5,581
56	637	7	2,256
10	117	1	396
125	1,429	17	4,957
51	181	7	1,607
3	9	—	82
$ 423	$ 4,405	$ 56	$ 19,681

$ 56	$ 644	$ 8	$ 1,770
1	9	—	37
1	2	—	20
137	482	19	4,375
$ 195	$ 1,137	$ 27	$ 6,202

Details of all major discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority
Deferred Outflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 39,916	$ —	$ —	$ —	$ —
Deferred amount on refunding	158,625	37,721	20,770	5,036	—
Pensions:					
State contributions subsequent to the measurement date	8,413	76,410	57,206	36,849	6,201
Change in proportion and differences between employer contributions and proportionate share of plan contributions	719	21,899	16,536	11,475	6,762
Net Differences between projected and actual earnings on pension plan investments	8,845	35,054	26,721	17,294	2,758
Differences between expected and actual experience	3,191	5,639	4,355	2,788	441
Changes in assumptions	19,402	73,767	56,335	36,427	5,790
OPEB:					
State contributions subsequent to the measurement date	—	37,416	29,745	19,410	1,857
Net Differences between projected and actual earnings on OPEB plan investments	—	1,895	1,508	978	3
Differences between expected and actual experience	—	74	—	—	—
Changes in assumptions	—	168	—	—	—
Total	$ 239,111	$ 290,043	$ 213,176	$ 130,257	$ 23,812
Deferred Inflows of Resources					
Accumulated increase in fair value of hedging derivatives	$ 5,374	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—
Deferred nuclear decommissioning costs	226,767	—	—	—	—
Deferred service concession arrangement receipts	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—
Toshiba Settlement	898,215	—	—	—	—
Pensions:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	2,639	1,179	2,397	771	5
Differences between expected and actual experience	1,548	687	520	338	54
Changes in Assumptions	19	—	—	—	—
OPEB:					
Change in proportion and differences between employer contributions and proportionate share of plan contributions	—	18	14	9	—
Differences between expected and actual experience	—	542	373	242	—
Changes in assumptions	—	101,273	80,798	52,427	4,718
Total	$ 1,134,562	$ 103,699	$ 84,102	$ 53,787	$ 4,777

Housing Authority	Lottery Commission	Nonmajor Component Units	Total
$ —	$ —	$ —	$ 39,916
912	—	4,243	227,307
907	808	75,567	262,361
486	8	23,894	81,779
446	435	37,065	128,618
71	70	5,991	22,546
934	912	78,167	271,734
343	407	37,362	126,540
—	20	1,916	6,320
20	—	1	95
—	—	—	168
$ 4,119	$ 2,660	$ 264,206	$ 1,167,384
$ —	$ —	$ —	$ 5,374
3,246	—	—	3,246
—	—	—	226,767
—	—	2,376	2,376
38,582	—	809	39,391
—	—	—	898,215
365	483	41,025	48,864
9	9	721	3,886
—	—	—	19
—	—	16	57
5	5	475	1,642
1,118	1,103	102,929	344,366
$ 43,325	$ 1,600	$ 148,351	$ 1,574,203

Details of all nonmajor discretely presented component units' deferred outflows of resources and deferred inflows of resources at June 30, 2018 are as follows (expressed in thousands):

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University
Deferred Outflows of Resources				
Accumulated increase in fair Deferred amount on refunding	$ —	$ 521	$ 741	$ —
Pensions:				
State contributions subsequent to the measurement date	3,463	8,751	9,811	3,398
Change in proportion and differences between employer contributions and proportionate share of plan contributions	661	9,964	901	7
Net Differences between projected and actual earnings on pension plan investments	2,370	4,521	4,776	1,648
Differences between expected and actual experience	383	738	775	267
Changes in assumptions	4,999	9,585	10,092	3,477
OPEB:				
State contributions subsequent to the measurement date	2,650	5,156	5,410	1,730
Net Differences between projected and actual earnings on OPEB plan investments	129	254	282	90
Differences between expected and actual experience	—	—	—	—
Total	$ 14,655	$ 39,490	$ 32,788	$ 10,617
Deferred Inflows of Resources				
Deferred service concession arrangement receipts	$ —	$ 90	$ 2,286	$ —
Deferred nonexchange revenues	—	517	—	—
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	407	70	4,281	1,237
Differences between expected and actual experience	46	86	92	32
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1	2	3	1
Differences between expected and actual experience	32	62	69	22
Changes in assumptions	6,895	13,545	15,065	4,791
Total	$ 7,381	$ 14,372	$ 21,796	$ 6,083

Lander University	South Carolina State University	Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College
$ —	$ —	$ 1,914	$ —	$ —	$ —
2,623	3,414	5,371	939	1,767	503
822	81	2,760	345	364	146
1,159	1,472	2,681	479	797	286
189	239	433	77	128	46
2,452	3,109	5,652	1,006	1,677	605
1,194	1,356	2,825	442	744	202
61	70	151	23	38	13
—	—	—	—	—	—
$ 8,500	$ 9,741	$ 21,787	$ 3,311	$ 5,515	$ 1,801
$ —	$ —	$ —	$ —	$ —	$ —
—	—	292	—	—	—
153	9,892	4,077	520	908	1,276
22	28	52	10	16	6
1	1	1	—	—	—
15	18	37	6	9	3
3,251	3,851	8,082	1,280	2,007	692
$ 3,442	$ 13,790	$ 12,541	$ 1,816	$ 2,940	$ 1,977

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	Florence-Darlington Technical College	Greenville Technical College	Horry-Georgetown Technical College	Technical College of the Lowcountry
Deferred Outflows of Resources				
Accumulated increase in fair Deferred amount on refunding	$ 322	$ 517	$ —	$ —
Pensions:				
State contributions subsequent to the measurement date	2,251	5,639	2,508	1,183
Change in proportion and differences between employer contributions and proportionate share of plan contributions	581	123	265	56
Net Differences between projected and actual earnings on pension plan investments	1,160	2,527	1,209	533
Differences between expected and actual experience	185	406	193	85
Changes in assumptions	2,431	5,311	2,534	1,117
OPEB:				
State contributions subsequent to the measurement date	1,060	2,452	1,206	498
Net Differences between projected and actual earnings on OPEB plan investments	56	126	60	25
Differences between expected and actual experience	—	—	—	—
Total	$ 8,046	$ 17,101	$ 7,975	$ 3,497
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	770	2,911	412	281
Differences between expected and actual experience	23	50	24	11
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1	1	1	—
Differences between expected and actual experience	14	31	15	6
Changes in assumptions	2,991	6,747	3,191	1,342
Total	$ 3,799	$ 9,740	$ 3,643	$ 1,640

Midlands Technical College	Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College	Spartanburg Community College	Tri-County Technical College
$ 228	$ —	$ —	$ —	$ —	$ —
5,985	358	1,477	2,166	2,466	2,617
1,327	7	79	28	536	1,287
2,798	249	701	1,008	1,095	1,154
450	40	114	163	175	186
5,885	522	1,483	2,122	2,299	2,432
2,535	226	608	903	1,040	1,149
130	12	32	46	52	57
—	—	—	—	—	—
$ 19,338	$ 1,414	$ 4,494	$ 6,436	$ 7,663	$ 8,882
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
257	608	624	2,508	1,048	233
55	5	13	20	22	22
1	—	—	—	—	1
33	3	8	12	13	14
7,139	621	1,731	2,508	2,752	3,026
$ 7,485	$ 1,237	$ 2,376	$ 5,048	$ 3,835	$ 3,296

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	Trident Technical College	Williamsburg Technical College	York Technical College	South Carolina Jobs-Economic Development Authority
Deferred Outflows of Resources				
Accumulated increase in fair Deferred amount on refunding	$ —	$ —	$ —	$ —
Pensions:				
State contributions subsequent to the measurement date	5,215	417	2,331	37
Change in proportion and differences between employer contributions and proportionate share of plan contributions	104	5	537	53
Net Differences between projected and actual earnings on pension plan investments	2,649	188	1,034	13
Differences between expected and actual experience	432	30	166	2
Changes in assumptions	5,608	395	2,175	28
OPEB:				
State contributions subsequent to the measurement date	2,391	172	1,003	15
Net Differences between projected and actual earnings on OPEB plan investments	126	8	51	—
Differences between expected and actual experience	—	—	—	1
Total	$ 16,525	$ 1,215	$ 7,297	$ 149
Deferred Inflows of Resources				
Deferred service concession arrangement receipts	$ —	$ —	$ —	$ —
Deferred nonexchange revenues	—	—	—	—
Pensions:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	7,513	337	702	—
Differences between expected and actual experience	51	4	20	—
OPEB:				
Change in proportion and differences between employer contributions and proportionate share of plan contributions	1	—	—	—
Differences between expected and actual experience	32	2	13	—
Changes in assumptions	6,890	464	2,714	34
Total	$ 14,487	$ 807	$ 3,449	$ 34

Patriot's Point Development Authority	South Carolina First Steps to School Readiness Board of Trustees	Total
$ —	$ —	$ 4,243
465	412	75,567
456	2,399	23,894
242	316	37,065
39	50	5,991
507	664	78,167
234	161	37,362
11	13	1,916
—	—	1
$ 1,954	$ 4,015	$ 264,206
$ —	$ —	$ 2,376
—	—	809
—	—	41,025
5	6	721
—	—	16
3	3	475
601	719	102,929
$ 609	$ 728	$ 148,351

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
2018	$ 282,735	$ 106,839	$ (97,524)	$ 292,050
2017	264,205	123,375	(104,845)	282,735

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, 2018 the IRF had no reinsurance recoverable receivables, but had expenses of $37.346 million in reinsurance premiums for the 2018 fiscal year.

b. Employee Insurance Programs Fund

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

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

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes

in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 222,617	$ 2,486,691	$ (2,462,595)	$ 246,713
2017	216,688	2,344,347	(2,338,418)	222,617

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
2018	$ 254,014	$ 46,502	$ (48,526)	$ 251,990
2017	250,413	51,595	(47,994)	254,014

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, 2018 the Fund had a balance of $1.201 million in reinsurance recoverable receivables and had expenses of $2.684 million in reinsurance premiums for the 2018 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
2018	$ 35,505	$ 3,560	$ (4,858)	$ 34,207
2017	34,454	7,393	(6,342)	35,505

e. Patients' Compensation Fund

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

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

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

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 48,362	$ 7,140	$ (8,682)	$ 46,820
2017	54,478	1,362	(7,478)	48,362

f. Second Injury Fund

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2018	$ 249,886	$ (185)	$ (26,764)	$ 222,937
2017	265,778	573	(16,465)	249,886

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. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2018 for the primary government were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2019	$ 647
2020	634
2021	394
2022	181
2023	20
Total minimum payments	**1,876**
Less: interest and executory costs	(131)
Net minimum payments	**$ 1,745**

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2018, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Governmental Activities
Machinery and equipment	$ 8,846
Assets acquired under capital leases before accumulated amortization	**8,846**
Less: accumulated amortization	(5,834)
Assets acquired under capital leases, net	**$ 3,012**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2018, minimum rental payments under operating leases were $49.512 million and contingent rental payments were $6.221 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2019	$ 28,107	$ 32	$ 28,139
2020	25,164	33	25,197
2021	19,640	34	19,674
2022	14,692	35	14,727
2023	9,550	36	9,586
2024-2028	11,599	37	11,636
2029-2033	1,013	—	1,013
2034-2038	138	—	138
Net minimum payments	**$ 109,903**	**$ 207**	**$ 110,110**

c. Facilities and Equipment Leased to Others

At June 30, 2018, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $60.333 million and related accumulated depreciation of $16.234 million. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2019	$ 3,898
2020	2,911
2021	2,736
2022	2,347
2023	1,935
2024-2028	9,267
2029-2033	8,189
2034-2038	15
Total	**$ 31,298**

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, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:	
Capital improvement bonds, 5.00%, maturing serially through 2019	$ 8,698
State highway bonds, 4.00% to 5.00%, maturing serially through 2023	162,628
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028	33,725
State economic development bonds, 2.00% to 5.00%, maturing serially through 2029	251,837
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029	81,348
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025	26,575
Totals—primary government	**$ 564,811**

At June 30, 2018, $6.344 million of capital improvement bonds, $106.000 million of State highway bonds, $161.125 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, 2018, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities	
Year Ending June 30	**Principal**	**Interest**
2019	$ 95,810	$ 20,854
2020	78,590	16,064
2021	91,690	12,230
2022	64,975	8,206
2023	46,080	5,314
2024-2028	118,720	7,860
2029	5,440	150
Total debt service requirements	**501,305**	**$ 70,678**
Unamortized premiums	63,506	
Total principal outstanding	**$ 564,811**	

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, 2018, was $52.408 million for highway bonds, $401.349 million for general obligation bonds excluding institution and highway bonds, $33.368 million for economic development bonds, and $18.482 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, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.40% to 5.50%, maturing serially through 2041	$ 1,729,005	$ —
Department of Mental Health bonds, 3.25% to 5.00%, maturing through 2038	41,109	—
Department of Transportation note, 3.04%, maturing through 2032	—	4,535
Department of Administration notes, 1.66% to 2.80%, maturing through 2023	—	22,406
Department of Education notes, 1.44% to 1.72%, maturing through 2023	—	20,818
Judicial Department note, 2.02%, maturing through 2021	—	2,995
Department of Corrections notes, 5.25%, maturing through 2020	—	3,389
Department of Probation, Parole and Pardon note, 1.81%, maturing through 2022	—	902
InvestSC, Inc. notes, 7.25%, maturing through 2023	—	50,000
Totals—governmental activities	**1,770,114**	**105,045**
Business-Type Activities:		
Nonmajor enterprise fund bonds, 0.43%, maturing through 2038	$ 5,555	$ —
Palmetto Railways note, 4.28%, maturing through 2047	—	6,500
Totals—business-type activities	**5,555**	**6,500**
Totals—primary government	**$ 1,775,669**	**$ 111,545**

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, on such notional amount. For the fiscal year ended June 30, 2018, the Bank made variable bond interest payments of $4.852 million and fixed rate payments on the exchange agreement of $13.687 million. The Bank received variable swap payments on the exchange agreement of $3.501 million. The June 30, 2018 mark to market value of this swap was negative $1.350 million, representing an increase in fair value of $28.383 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

Pledged Revenues for Payment of Debt

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

Primary Government:

Governmental Activities:

	Infrastructure Bank Bonds
Specific revenue pledged	Truck and vehicle registration fees; One-cent motor fuel user fee; contributions receivable and intergovernmental loans
Approximate amount of pledge	$316.571 million
General purpose for the debt	Provide financial assistance for major transportation projects for DOT
Term of commitment	FY 2041
% of revenue stream pledged	65.84%
Pledged revenue recognized	$218.596 million
Principal & interest paid	$131.780 million

Debt Service Requirements

At June 30, 2018, 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**
2019	$ 102,550	$ 69,955	$ 180	$ 8
2020	102,042	65,748	190	8
2021	103,189	60,206	195	8
2022	104,581	55,222	205	7
2023	63,670	50,211	215	7
2024-2028	378,411	205,672	1,225	31
2029-2033	497,852	143,006	1,495	21
2034-2038	254,780	65,703	1,850	9
2039-2041	119,105	17,605	—	—
Total debt service requirements	**1,726,180**	**$ 733,328**	**5,555**	**$ 99**
Net unamortized premiums	148,979		—	
Total principal outstanding	**$ 1,875,159**		**$ 5,555**	

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, 2018, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 80,555
Total allocated interest expense	**$ 80,555**

c. Defeased Bonds

During July 2017, the State issued $188.725 million in revenue refunding bonds with a 5.00% coupon rate over the life of the issue. The net proceeds after payment of $1.177 million in issuance costs were used to refund $203.580 million of the Series 2010A Transportation Infrastructure Bank Revenue Bonds. The bonds were refunded to reduce total debt service payments by approximately $41.482 million and to obtain an economic gain of approximately $23.992 million.

During November 2017, the State defeased $53.885 million in Series 2012A Refunding Economic Development General Obligation Bonds, 2016A Economic Development General Obligation Bonds, Series 2016B Economic Development General Obligation Bonds, and Series 2016C Economic Development General Obligation Bonds. The bonds were defeased to obtain an economic gain of approximately $1.285 million.

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, 2018, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds	$ 104,323
Research University bonds	20,986
Infrastructure Bank bonds	203,580
Tobacco Authority bonds	64,890
Totals	**$ 393,779**

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, 2018, there was no arbitrage rebate liability associated with the State's General Obligation Debt and with the Local Government Infrastructure Fund (a major governmental fund).

e. Conduit Debt

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

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2018, the outstanding balance of bonds issued was $234.894 million.

NOTE 13: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2018, were (expressed in thousands):

	Balances at July 1, 2017 (As Restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 794,871	$ 2,643,592	$ (2,613,503)	$ 824,960	$ 640,181
Notes payable	86,971	27,954	(9,880)	105,045	25,815
General obligation bonds payable	676,540	—	(175,235)	501,305	95,810
Unamortized discounts and premiums	79,632	—	(16,126)	63,506	—
Total general obligation bonds payable	756,172	—	(191,361)	564,811	95,810
Infrastructure Bank bonds payable	1,671,045	188,725	(274,840)	1,584,930	75,640
Unamortized discounts and premiums	117,187	30,041	(3,153)	144,075	—
Total Infrastructure Bank bonds	1,788,232	218,766	(277,993)	1,729,005	75,640
Revenue bonds payable	39,320	—	(3,115)	36,205	1,095
Unamortized discounts and premiums	4,950	—	(46)	4,904	—
Total revenue bonds payable	44,270	—	(3,161)	41,109	1,095
Capital leases payable	1,871	1,926	(2,052)	1,745	574
Compensated absences payable	229,399	126,351	(168,894)	186,856	122,497
Net pension liability	3,702,604	244,082	—	3,946,686	—
Net other post-employment benefit liability	3,027,100	—	(193,023)	2,834,077	—
Judgments and contingencies payable	12,637	12,909	(12,637)	12,909	12,909
Arbitrage payable	545	—	(545)	—	—
Total long-term liabilities	$ 10,444,672	$ 3,275,580	$ (3,473,049)	$ 10,247,203	$ 974,521

	Balances at July 1, 2017 (As Restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 298,248	$ 6,955	$ (35,446)	$ 269,757	$ 29,399
Notes payable	—	6,500	—	6,500	—
Revenue bonds payable	5,730	—	(175)	5,555	180
Compensated absences payable	655	364	(494)	525	309
Net pension liability	14,236	1,875	—	16,111	—
Net other post-employment benefit liability	3,834	—	(245)	3,589	—
Total long-term liabilities	$ 322,703	$ 15,694	$ (36,360)	$ 302,037	$ 29,888

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, 2018, the amounts constrained within the fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 51,142	$ —	$ —	$ —	$ —	$ 51,142
Inventories	29,730	12,468	—	2,595	—	44,793
Prepaid items	12,281	2,082	—	5,146	1	19,510
Other assets	—	—	—	241	—	241
Long-term loans and notes receivable	35,784	—	—	—	—	35,784
Endowments	—	—	—	—	11,234	11,234
Total Non-spendable	128,937	14,550	—	7,982	11,235	162,704
Restricted:						
Primary and Secondary Education	116,896	77,821	—	—	132,291	327,008
Health, Human Services and Environment	584,451	648,841	—	—	49,245	1,282,537
Transportation	—	6,492	1,309,570	334,280	—	1,650,342
Capital Projects	—	—	—	—	114,076	114,076
Debt Service	—	—	813,504	—	—	813,504
Administration of Justice	—	109,708	—	—	—	109,708
Waste management	—	—	—	—	172,272	172,272
General Government	433,357	228,872	—	—	256,114	918,343
Total Restricted	1,134,704	1,071,734	2,123,074	334,280	723,998	5,387,790
Committed:						
General Government	467,816	19,784	—	419,976	30,870	938,446
Capital reserve fund	—	—	—	—	25,490	25,490
Primary and Secondary Education	33,818	—	—	—	—	33,818
Health, Human Services and Environment	3,791	—	—	—	—	3,791
Total Committed	505,425	19,784	—	419,976	56,360	1,001,545
Assigned:						
Primary and Secondary Education	9,267	941	—	—	—	10,208
Health, Human Services and Environment	47,030	8,659	—	—	—	55,689
General Government	108,701	2,821	—	—	4,218	115,740
Administration of Justice	12,780	1,139	—	—	—	13,919
Economic Development	52,125	483	—	—	—	52,608
Transportation	1,582	—	—	—	—	1,582
Social Programs	20,873	4,311	—	—	—	25,184
Total Assigned	252,357	18,354	—	—	4,218	274,929
Total Unassigned	2,186,155	(678,731)	—	—	—	1,507,424
Total Fund Balances	**$ 4,207,578**	**$ 445,691**	**$ 2,123,074**	**$ 762,238**	**$ 795,811**	**$ 8,334,392**

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

a. Non-spendable

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

b. Restricted

Primary and Secondary Education

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

Health, Human Services and Environment

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

Transportation

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

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

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

Administration of Justice

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

Waste Management

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

General Government

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

c. Committed

General Government

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

Capital Reserve Fund

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

Primary and Secondary Education

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

Health, Human Services and Environment

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

d. Assigned

Primary and Secondary Education

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

Health, Human Services and Environment

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

General Government

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

Administration of Justice

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

Economic Development

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

Transportation

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

Social Programs

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

e. Unassigned

Included in the unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2018 fiscal year if it equals 5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year.

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

At June 30, 2018, the Reserve met the legally-required fully funded amount.

NOTE 15: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The State adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The State is now required to record a liability for future pension benefits in excess of accumulated plan contributions. The amounts in the "Other Adjustments" column are due to the correction of errors related to prior periods, as described on the page that follows.

	7/1/2017 Fund Equity as Previously Reported	Implementation of GASB 75	Adjustments	7/1/2017 Fund Equity as Restated
Primary Government				
Governmental Funds:				
General Fund	$ 3,700,226	$ —	$ 41,841	$ 3,742,067
Departmental Program Services	406,736	—	—	406,736
Local Government Infrastructure	2,083,877	—	—	2,083,877
Department of Transportation Special Revenue	515,148	—	—	515,148
Other Nonmajor Governmental Funds	754,316	—	—	754,316
Total Governmental Funds	7,460,303	—	41,841	7,502,144
Internal Service Funds	642,496	(48,252)	—	594,244
Government-Wide Adjustments:				
Capital assets	16,644,966	—	—	16,644,966
Net deferred outflows and inflows	797,079	—	—	797,079
Long-term liabilities	(6,704,425)	(2,891,160)	(50,000)	(9,645,585)
Total Government-Wide Adjustments	10,737,620	(2,891,160)	(50,000)	7,796,460
Total Governmental Activities	18,840,419	(2,939,412)	(8,159)	15,892,848
Business-Type Activities - Enterprise Funds:				
Unemployment Compensation Fund	792,899	—	—	792,899
Second Injury Fund	(15,686)	—	—	(15,686)
Other nonmajor enterprise funds	141,518	(3,736)	—	137,782
Total Business-Type Activities - Enterprise Funds	918,731	(3,736)	—	914,995
Total Primary Government	$ 19,759,150	$ (2,943,148)	$ (8,159)	$ 16,807,843
Component Units				
Public Service Authority	$ 1,990,034	$ —	$ —	$ 1,990,034
MUSC	953,700	(1,116,773)	—	(163,073)
USC	1,192,884	(917,212)	(13,508)	262,164
Clemson University	1,347,011	(578,046)	—	768,965
State Ports Authority	835,287	(41,675)	—	793,612
Housing Authority	421,847	(12,247)	—	409,600
Lottery Commission	1,126	(12,092)	—	(10,966)
Nonmajor component units	1,704,748	(1,148,375)	—	556,373
Total Component Units	$ 8,446,637	$ (3,826,420)	$ (13,508)	$ 4,606,709

During fiscal year 2018, the following prior year errors were discovered: (1) InvestSC, Inc., which was previously not included in the reporting entity, should have been included in the State's General Fund, causing an understatement of $41.841 million in the State's governmental funds and an overstatement of $8.159 million in the State's government-wide Governmental Activities; and (2) in fiscal year 2018 the University of South Carolina's Controller's Office along with the Columbia Athletic Department made the decision to transition the Gamecock Club from the University's Athletic Department and to treat the Gamecock Club as a discretely presented component unit in accordance with GASB standards. As a result, ending restricted net position for the University for the year ended June 30, 2018 decreased by $13.508 million. These corrections and restatements of July 1, 2017 fund equity are shown in the "Adjustments" column above.

NOTE 16: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2018 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 60,193	$ 9,662
Department of Transportation Special Revenue	698	45,770
Local Government Infrastructure	34	9,279
Nonmajor governmental funds	88	—
Internal service	808	12,720
Unemployment Compensation	2,869	—
Nonmajor enterprise funds	85	—
	64,775	77,431
Departmental Program Services		
General Fund	9,662	60,193
Department of Transportation Special Revenue	—	653
Internal service	—	895
	9,662	61,741
Department of Transportation Special Revenue Fund		
General Fund	45,770	698
Departmental Program Services	653	—
Local Government Infrastructure	1,873	1,077
Internal service	279	—
Fiduciary	—	11,173
	48,575	12,948
Local Government Infrastructure		
General Fund	9,279	34
Department of Transportation Special Revenue Fund	1,077	1,873
	10,356	1,907
Nonmajor Governmental Funds		
General Fund	—	88
Internal Service		
General Fund	12,720	808
Departmental Program Services	895	—
Department of Transportation Special Revenue Fund	—	279
Internal service	173	173
	13,788	1,260
Unemployment Compensation		
General Fund	—	2,869
Nonmajor Enterprise Funds		
General Fund	—	85
Fiduciary		
Department of Transportation Special Revenue	11,173	—
Fiduciary	67,347	67,347
	78,520	67,347
Totals	**$ 225,676**	**$ 225,676**

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

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General Fund			
Departmental Program Services	$ —	$ 1,550	$ —
Nonmajor enterprise funds	51,000	—	—
Internal service	142	400	142
	51,142	1,950	142
Departmental Program Services			
General Fund	1,550	—	—
Local Government Infrastructure			
Department of Transportation Special Revenue	177,450	—	152,057
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	177,450	—
Nonmajor Enterprise Funds			
General Fund	—	51,000	—
Internal Service			
General Fund	400	142	—
Totals	**$ 230,542**	**$ 230,542**	**$ 152,199**

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:

- $177.450 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $51.000 million owed by the Palmetto Railways Fund, a nonmajor enterprise fund, to the General Fund. The $51.000 million is an interest free loan from the Department of Commerce to the Palmetto Railways Fund that matures on October 31, 2018.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2018 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ —	$ 36,413
Local Government Infrastructure	—	4,142
Department of Transportation	—	50,057
Nonmajor governmental funds	99,737	94,295
Unemployment Compensation Benefits	200	—
Second Injury	250	—
Nonmajor enterprise funds	8,795	44
Internal service	86	—
	109,068	184,951
Departmental Program Services		
General Fund	36,413	—
Internal service	567	—
	36,980	—
Local Government Infrastructure		
General Fund	4,142	—
	4,142	—
Department of Transportation		
General Fund	50,057	—
	50,057	—
Nonmajor Governmental Funds		
General Fund	94,295	99,737
Nonmajor governmental funds	79,077	79,077
Internal Service	7,223	—
	180,595	178,814
Unemployment Compensation Benefits		
General Fund	—	200
Second Injury Fund		
General Fund	—	250
Nonmajor Enterprise Funds		
General Fund	44	8,795
Internal Service		
General Fund	—	86
Internal Service funds	2,258	2,258
Nonmajor governmental funds	—	7,223
Department Program Services	—	567
	2,258	10,134
Totals	**$ 383,144**	**$ 383,144**

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

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2018 (expressed in thousands):

Funds	Due From	Due To
General Fund		
MUSC	$ —	$ 750
USC	101	820
Clemson University	—	4,959
Housing Authority	—	1,521
Nonmajor discretely presented component units	7,310	13,215
	7,411	21,265
Departmental Program Services		
MUSC	—	12,312
USC	—	7,003
Clemson University	—	4,273
Nonmajor discretely presented component units	—	2,194
	—	25,782
Department of Transportation Special Revenue Fund		
Nonmajor discretely presented component units	327	—
Nonmajor Governmental Funds		
Clemson University	—	239
Lottery Commission	13,851	—
Nonmajor discretely presented component units	8,332	8,029
	22,183	8,268
Internal Service		
USC	4,799	—
Clemson University	3,844	—
Nonmajor discretely presented component units	4,763	—
	13,406	—
Governmental activities total	**43,327**	**55,315**
MUSC		
General Fund	750	—
Departmental Program Services	12,312	—
	13,062	—
USC		
General Fund	820	101
Departmental Program Services	7,003	—
Internal service	—	4,799
	7,823	4,900
Clemson University		
General Fund	4,959	—
Departmental Program Services	4,273	—
Nonmajor governmental funds	239	—
Internal service	—	3,844
	9,471	3,844
Housing Authority		
General Fund	1,521	—
Lottery Commission		
Departmental Program Services	—	13,851
Nonmajor Discretely Presented Component Units		
General Fund	13,215	7,310
Departmental Program Services	2,194	—
Department of Transportation Special Revenue Fund	—	327
Nonmajor governmental funds	8,029	8,332
Internal service	—	4,763
	23,438	20,732
Discretely presented component units total	**55,315**	**43,327**
Totals	**$ 98,642**	**$ 98,642**

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, 2018, the Educational Television Endowment of South Carolina, Inc., disbursed $5.942 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 $385 thousand at June 30, 2018.

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, 2018, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC $92.200 million; program revenue from SLC $2.839 million; reimbursements to SLC for administrative costs $412 thousand; and payable to SLC $657 thousand.

NOTE 18: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate **(Abbeville County School District vs State of South Carolina).** The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. On November 12, 2014, the Supreme Court issued an opinion in favor of the Plaintiffs. The Court directed the Plaintiffs and the Defendants "to reappear before this Court within a reasonable time from the issuance of this opinion, and present a plan to address the constitutional violation … with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing these districts at both the state and local levels." On November 5, 2015 the S.C. Supreme Court issued an order that within one week of the conclusion of the 2016 legislative session, the State will submit a written summary to the Court detailing their efforts to implement a constitutionally compliant education system, including all proposed, pending or enacted legislation. The Court will conduct a review of the plan and issue an order of the summary analyzing whether the States' efforts are a rational means to bringing the system of public education in South Carolina into constitutional compliance and whether or not the Court's continued maintentance of jurisdiction is necessary. To date, the Court has not issued an order based upon its review of the submissions of the Defendants. The Supreme Court issued an order on September 20, 2016 stating in part as follows: "We opt to continue to monitor the progress towards a constitutionally compliant education system by requiring the submission of another report by the parties by June 30, 2017." The parties have submitted the required reports by the June 30, 2017 deadline. A motion to vacate continuing jurisdicition was filed and in November 2017 the Supreme Court dismissed the case.

In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** 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 Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than $100 million in damages. The parties agreed to a stay of this suit while the Administrative Law Court (ALC) determines Kiawah's appeal of the permitting decision. The ALC ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. On December 10, 2014, the Court reversed the ALC decision and remanded the case to that court for further consideration. The ALC issued rulings on remand in March and April of 2016, which were appealed. Oral arguments were heard on September 27, 2017. In April 2018, the Supreme Court affirmed the decision of the ALC as modified, the effect of which was to eliminate the ALC's approval of an erosion control structure for over 2,400 feet of shoreline. An appeal is now pending before the ALC of a Stormwater permit including an in-ground steel sheet pile wall. A final decision regrading that permit may have a significant bearing on the issues in this case. The takings suit remains under a stay that will last until 30 days after the final disposition of the stormwater permit appeal. Assessing the likelihood of a loss and the amount of any loss is somewhat speculative in that the ALC proceeding must be resolved before the underlying takings action proceeds. Therefore, no determination has yet been made as to a risk of loss.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately $43.4 million and $4.0 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, 2018, or earlier years will not have a material impact on the State's financial statements.

c. Commitments to Provide Grants and Other Financial Assistance

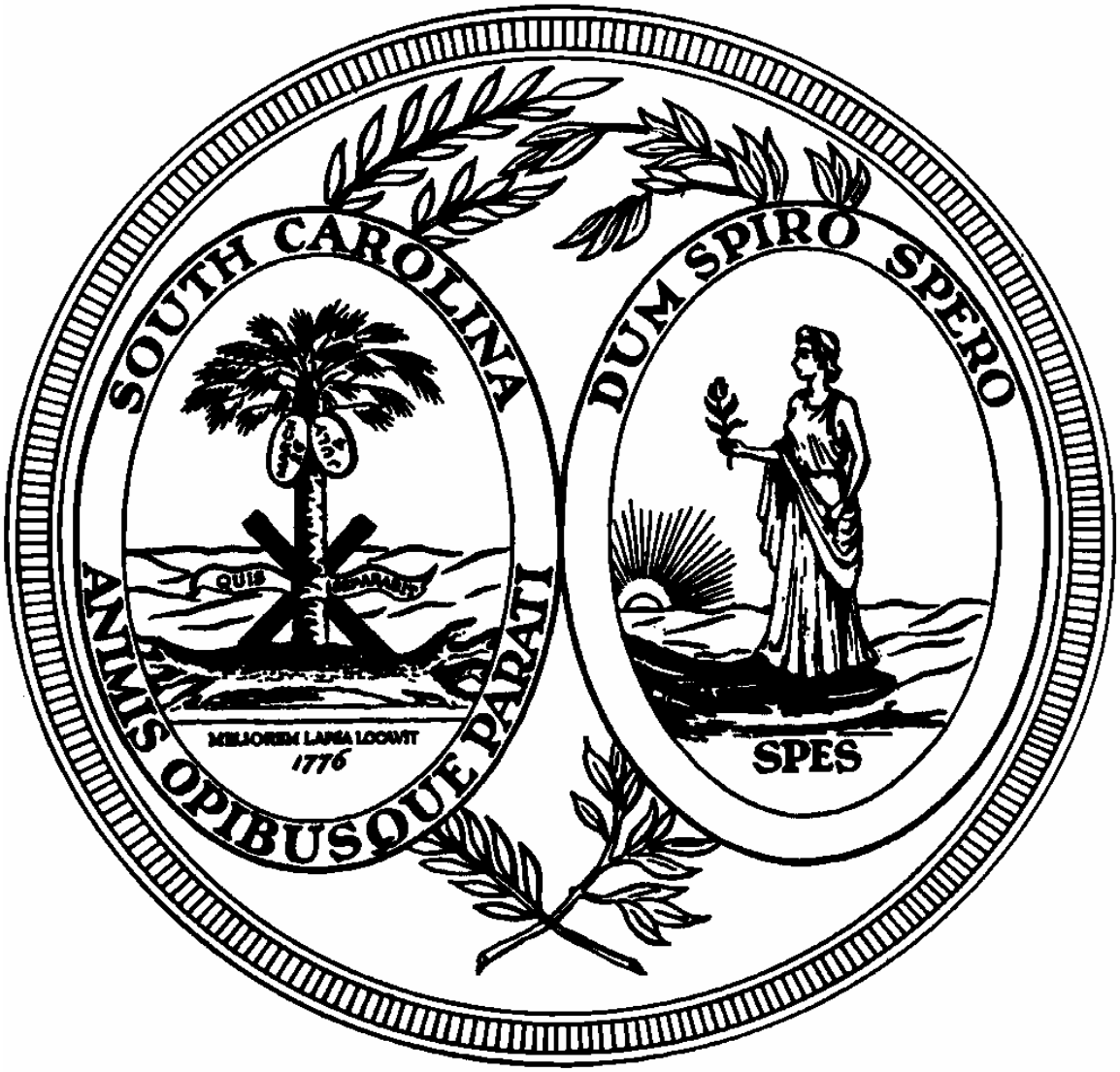
As of June 30, 2018, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $1.034 billion remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $266.188 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, $44.016 million will be funded by federal grants.
- The Office of Regulatory Staff has $1.785 million for energy efficiency improvement projects. Federal grants will fund $1.785 million of this commitment.
- The Division of Aeronautics has $4.588 million for grants made to municipal and county airports for capital improvements. Federal grants will fund $40 thousand of this commitment.
- The State Board for Technical and Comprehensive Education has $29.768 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety along with the Attorney General have $31.247 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $31.110 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $9.113 million for grant program activities and pass-through grants to subrecipients, of which $9.113 million will be funded by federal grants.
- The South Carolina Judicial Department has $5.878 million outstanding commitments related to vendor service contracts.
- The South Carolina Department of Revenue has $25.554 million outstanding commitments for vendor contracts related to services for the new tax reporting and processing software.
- The Rural Infrastructure Authority has $241.850 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 $30.395 million will be funded by federal grants.
- The Department of Health and Environmental Control has $1.348 million in outstanding commitments for interim remediation at the Brewer Gold Mine Site of which $452 thousand will be funded by a federal credit.

d. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2019 in maintaining these sites is $6.895 million. The Pinewood Site is $3.910 million of this total. This estimated loss is based upon the current budgetary request of the department and the annual operating costs less capital expenditures for the Pinewood Site. On September 13, 2016 the court approved the establishment of Pinewood

Trustee, Inc. to be the new trustee for the Pinewood Site. During fiscal year 2017, $5.200 million in capital budgeted funds were deposited with the trustee to continue site improvements that will result in lower operating costs once they are completed. In fiscal year 2018, the budgeted $3.910 million operating funds have been placed in care of the trustee. The balances in these two accounts at June 30, 2018 were $4.161 million and $2.078 million, respectively.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NOTE 19: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2018, the reported amount of the major discretely presented component units' deposits was $1.009 billion and the bank balance was $1.019 billion. Of the $989.451 million bank balance exposed to custodial credit risk, $343.821 million was uninsured and uncollateralized, $123.785 million was uninsured and collateralized with securities held by the pledging financial institution, and $521.845 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

Investments

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

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

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

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

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

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

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

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2018 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 381,928	$ —	$ 381,928
U.S. agencies	1,098,959	—	1,098,959
Mortgage backed obligations	16,030	16,030	—
Common stock	130,997	130,997	
Other equity securities	787,400	787,400	—
Corporate bonds	51,305	—	51,305
Repurchase agreements	100,000		100,000
Asset backed securities	916	916	
Commercial paper	44,851	44,851	
Money market mutual funds	137,490	137,490	
Bond mutual funds	193,709	193,709	—
Other	106,222	106,222	—
Total Investments at Fair Value	$ 3,049,807	$ 1,417,615	$ 1,632,192

Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1)	$ 55,918	$ 30,941	N/A	N/A
Private partnership - real assets (1)	13,490	15,134	N/A	N/A
Equity long/short hedge funds (2)	3,757	0	Quarterly	5 days
Multi-strategy hedge funds (3)	13,029	0	Monthly	30 days
Partnerships (4)	102,043	28,800	Monthly	7 days
Hedge Funds (5)	196,692	600	Monthly to Annually	3-95 days
Total investments measured at the NAV	$ 384,929	$ 75,475		
Total investments measured at fair value	$ 3,434,736	$ 1,493,090		

Investment derivative instruments			
Alternative Investments			
Interest rate swaps	(1,223)	—	(1,223)
Total investment derivative instruments	$ (1,223)	$ —	$ (1,223)
Total Invested Assets	$ 3,433,513		

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

(3) 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 U.S. index funds.

(4) 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 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.

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

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2018, as follows:

Investment Type	Reported Amount
U.S. treasuries	$ 381,928
U.S. agencies	1,098,959
Mortgage backed obligations	16,030
Common stock	130,997
Other equity securities	843,318
Corporate bonds	51,305
Repurchase agreements	100,000
Asset backed securities	14,406
Commercial paper	44,851
Money market mutual funds	137,490
Bond mutual funds	210,494
Other	404,958
Totals	**$ 3,434,736**

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

Investment Type and Fair Value	AAA	AA	A	BBB	Alternative Rating	Not Rated
U.S. agencies	$ 1,072,126	$ 25,572	$ —	$ —	$ —	$ 1,261
Mortgage backed obligations	—	—	—	—	—	16,030
Corporate bonds	—	1,740	22,231	10,422	—	16,912
Repurchase agreements	100,000	—	—	—	—	—
Asset backed securities	—	—	—	—	—	14,406
Commercial paper	—	—	44,851	—	—	—
Money market mutual funds	68,368	—	—	—	47	69,075
Bond mutual funds	—	—	—	—	247	210,247
Other	—	—	—	—	296	341,872
Totals	**$ 1,240,494**	**$ 27,312**	**$ 67,082**	**$ 10,422**	**$ 590**	**$ 669,803**

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, 2018, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. treasuries	$ 381,928	$ 304,326	$ 53,204	$ 1,782	$ 22,616
U.S. agencies	1,098,959	693,843	226,176	36,601	142,339
Mortgage backed obligations	16,030	—	13,976	1,271	783
Corporate bonds	51,305	633	39,000	11,672	—
Repurchase agreements	100,000	100,000	—	—	—
Asset backed securities	14,406	—	14,406	—	—
Commercial paper	44,851	44,851	—	—	—
Money market mutual funds	85,201	85,201	—	—	—
Bond mutual funds	74,702	74,273	—	283	146
Other	128,637	—	128,637	—	—
Totals	**$ 1,996,019**	**$ 1,303,127**	**$ 475,399**	**$ 51,609**	**$ 165,884**

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, 2018, the Medical University Hospital Authority has 44.90% of the Authority's investments were in notes issued by the Federal Farm Credit Bank. The Public Service Authority has 88.45% of the US Agencies investments with three issuers. 34.37% of the investments are with the Federal Home Loan Bank, 19.65% are with the Federal National Mortgage Association and 34.43% are with the Federal Farm Credit Bank.

Securities Lending Program

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2018. At June 30, 2018, 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, 2018, 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, 2018, 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, 2018, 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, 2018:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 1,183
Total securities lent for cash collateral	**$ 1,183**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 39
Total securities lent for non-cash collateral	**$ 39**
Cash collateral invested as follows:	
Repurchase agreements	$ 1,202
Total for cash collateral invested	**$ 1,202**
Securities received as collateral:	
U.S. treasuries	$ 40
Total for securities collateral invested	**$ 40**

At June 30, 2018, the fair value of securities on loan was $1.183 million. The fair value of the invested cash collateral was $1.202 million. Securities lending obligations were $1.202 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, 2017	Increases	Decreases	Ending Balances December 31, 2017
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 150,256	$ 32,546	$ (15)	$ 182,787
Construction in progress	4,292,907	949,829	(4,479,246)	763,490
Total capital assets not being depreciated	4,443,163	982,375	(4,479,261)	946,277
Capital assets being depreciated:				
Buildings and improvements (utility plant)	7,207,724	299,567	(36,424)	7,470,867
Vehicles	62,087	3,088	(36)	65,139
Machinery and equipment	46,019	974	(74)	46,919
Intangibles	81,464	235	—	81,699
Total capital assets being depreciated	7,397,294	303,864	(36,534)	7,664,624
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(3,504,509)	(431,495)	288,610	(3,647,394)
Vehicles	(26,996)	(3,521)	22	(30,495)
Machinery and equipment	(22,172)	(4,558)	46	(26,684)
Intangibles	(71,993)	(2,313)	—	(74,306)
Total accumulated depreciation	(3,625,670)	(441,887)	288,678	(3,778,879)
Total capital assets being depreciated, net	3,771,624	(138,023)	252,144	3,885,745
Public Service Authority, net	**$ 8,214,787**	**$ 844,352**	**$ (4,227,117)**	**$ 4,832,022**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 206,197	$ 146,430	$ (95)	$ 352,532
Construction in progress	469,699	220,956	(286,608)	404,047
Intangibles	2,190	—	(2,190)	—
Total capital assets not being depreciated	678,086	367,386	(288,893)	756,579
Capital assets being depreciated:				
Land improvements	387,326	40,607	(36)	427,897
Buildings and improvements	347,312	69,124	(3,215)	413,221
Machinery and equipment	199,893	30,398	(3,888)	226,403
Intangibles	876	2,190	(876)	2,190
Total capital assets being depreciated	935,407	142,319	(8,015)	1,069,711
Less accumulated depreciation for:				
Land improvements	(223,359)	(18,145)	24	(241,480)
Buildings and improvements	(222,210)	(10,004)	2,779	(229,435)
Machinery and equipment	(142,231)	(13,374)	3,887	(151,718)
Intangibles	(754)	(219)	754	(219)
Total accumulated depreciation	(588,554)	(41,742)	7,444	(622,852)
Total capital assets being depreciated, net	346,853	100,577	(571)	446,859
State Ports Authority, net	**$ 1,024,939**	**$ 467,963**	**$ (289,464)**	**$ 1,203,438**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 43,265	$ —	$ (17)	$ 43,248
Construction in progress	193,607	89,344	(3,255)	279,696
Total capital assets not being depreciated	236,872	89,344	(3,272)	322,944
Capital assets being depreciated:				
Buildings and improvements	1,276,841	8,008	(2,317)	1,282,532
Vehicles	18,100	1,828	(938)	18,990
Machinery and equipment	390,801	27,284	(6,638)	411,447
Intangibles	24,283	—	—	24,283
Total capital assets being depreciated	1,710,025	37,120	(9,893)	1,737,252
Less accumulated depreciation for:				
Buildings and improvements	(404,759)	(31,398)	2,317	(433,840)
Vehicles	(12,376)	(1,432)	767	(13,041)
Machinery and equipment	(228,664)	(23,004)	5,850	(245,818)
Intangibles	(21,363)	(1,714)	—	(23,077)
Total accumulated depreciation	(667,162)	(57,548)	8,934	(715,776)
Total capital assets being depreciated, net	1,042,863	(20,428)	(959)	1,021,476
Clemson University, net	**$ 1,279,735**	**$ 68,916**	**$ (4,231)**	**$ 1,344,420**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 91,381	$ 2,876	$ (789)	$ 93,468
Construction in progress	113,153	154,714	(19,668)	248,199
Works of art and historical treasures	1,632	98	—	1,730
Total capital assets not being depreciated	206,166	157,688	(20,457)	343,397
Capital assets being depreciated:				
Land improvements	14,429	—	—	14,429
Buildings and improvements	1,614,487	13,629	(420)	1,627,696
Vehicles	6,095	805	(272)	6,628
Machinery and equipment	416,889	34,550	(19,963)	431,476
Intangibles	65,360	3,799	—	69,159
Total capital assets being depreciated	2,117,260	52,783	(20,655)	2,149,388
Less accumulated depreciation for:				
Land improvements	(8,793)	(550)	—	(9,343)
Buildings and improvements	(811,904)	(65,405)	2	(877,307)
Vehicles	(4,606)	(357)	255	(4,708)
Machinery and equipment	(284,899)	(35,844)	19,200	(301,543)
Intangibles	(43,178)	(10,337)	—	(53,515)
Total accumulated depreciation	(1,153,380)	(112,493)	19,457	(1,246,416)
Total capital assets being depreciated, net	963,880	(59,710)	(1,198)	902,972
MUSC, net	**$ 1,170,046**	**$ 97,978**	**$ (21,655)**	**$ 1,246,369**

	Beginning Balances July 1, 2017 (as restated)	Increases	Decreases	Ending Balances June 30, 2018
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 82,275	$ 11,770	$ —	$ 94,045
Construction in progress	74,716	77,039	(55,753)	96,002
Works of art and historical treasures	37,280	3,031	(8)	40,303
Total capital assets not being depreciated	194,271	91,840	(55,761)	230,350
Capital assets being depreciated:				
Land improvements	110,421	57	—	110,478
Buildings and improvements	1,722,466	62,188	(22)	1,784,632
Vehicles	18,801	1,345	(1,826)	18,320
Machinery and equipment	210,719	18,192	(23,347)	205,564
Intangibles	63,772	1,323	(7,435)	57,660
Total capital assets being depreciated	2,126,179	83,105	(32,630)	2,176,654
Less accumulated depreciation for:				
Land improvements	(40,041)	(4,170)	—	(44,211)
Buildings and improvements	(715,275)	(43,184)	81	(758,378)
Vehicles	(12,800)	(1,043)	1,504	(12,339)
Machinery and equipment	(159,960)	(13,280)	21,357	(151,883)
Intangibles	(26,334)	(7,435)	3,607	(30,162)
Total accumulated depreciation	(954,410)	(69,112)	26,549	(996,973)
Total capital assets being depreciated, net	1,171,769	13,993	(6,081)	1,179,681
USC, net	**$ 1,366,040**	**$ 105,833**	**$ (61,842)**	**$ 1,410,031**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Lottery Commission:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,316	$ —	$ —	$ 1,316
Vehicles	375	36	—	411
Machinery and equipment	3,249	79	—	3,328
Intangibles	556	—	—	556
Total capital assets being depreciated	5,496	115	—	5,611
Less accumulated depreciation for:				
Buildings and improvements	(1,301)	—	—	(1,301)
Vehicles	(156)	(56)	—	(212)
Machinery and equipment	(3,053)	(142)	—	(3,195)
Intangibles	(352)	(77)	—	(429)
Total accumulated depreciation	(4,862)	(275)	—	(5,137)
Total capital assets being depreciated, net	634	(160)	—	474
Lottery Commission, net	**$ 634**	**$ (160)**	**$ —**	**$ 474**

	Beginning Balances July 1, 2017	Increases	Decreases	Ending Balances June 30, 2018
Housing Authority:				
Capital assets being depreciated:				
Machinery and equipment	$ 1,840	257	—	$ 2,097
Total capital assets being depreciated	1,840	257	—	2,097
Less accumulated depreciation for:				
Machinery and equipment	(1,676)	(73)	—	(1,749)
Total accumulated depreciation	(1,676)	(73)	—	(1,749)
Total capital assets being depreciated, net	164	184	—	348
Housing Authority, net	**$ 164**	**$ 184**	**$ —**	**$ 348**

During the fiscal year ended June 30, 2018, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

	Depreciation Expense
Public Service Authority	$ 441,887
State Ports Authority	41,742
MUSC	112,493
USC	69,112
Clemson University	57,548
Lottery Commission	275
Housing Authority	73

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

	Outstanding Construction Commitments
Public Service Authority	$ 361,351
State Ports Authority	145,600
MUSC	6,644
USC	41,496
Clemson University	68,269

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

	Capitalized Interest Costs
State Ports Authority	$ 21,525
USC	6,558
Clemson University	12,157

c. Insurance Activities

Medical Malpractice Liability Insurance Joint Underwriting Association

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

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

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

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

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

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	$ 66,565	$ 6,589	$ (13,908)	$ 59,246
2016	70,841	8,253	(12,529)	66,565

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 2017. Policies are subject to deductibles ranging from $500 to $2.000 million, with the exception of named storm losses which carry deductibles from $2.000 million up to $5.000 million. Also a $1.400 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2017, 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, 2017. There have been no third-party claims for environmental damages for 2017.

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 $13.400 billion by the Price-Anderson Indemnification Act. The $13.400 billion would be covered by nuclear liability insurance of $450.000 million per reactor unit, with potential retrospective assessments of up to $127.300 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $18.900 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 $42.400 million, not to exceed approximately $6.300 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.500 billion primary and $1.250 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.000 million for the primary policy, $3.300 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, 2017.

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

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

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2017	$ 2,019	$ 2,572	$ (2,911)	$ 1,680
2016	1,479	2,625	(2,085)	2,019

d. Leases

Capital Leases

The State's discretely presented component units lease land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2018 for the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Clemson University	MUSC	USC
2019	$ 765	$ 5,235	$ 311
2020	765	3,372	174
2021	760	2,121	135
2022	757	1,524	125
2023	664	1,383	87
2024-2028	2,872	1,379	—
2029-2033	2,872	—	—
2034-2038	2,701	—	—
Total minimum payments	**12,156**	**15,014**	**832**
Less: interest and executory costs	(165)	(1,182)	(88)
Net minimum payments	**$ 11,991**	**$ 13,832**	**$ 744**

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2018, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Clemson University	MUSC	USC
Land and non-depreciable improvements	$ —	$ —	$ 245
Buildings and improvements	14,300	—	394
Machinery and equipment	776	24,500	947
Assets acquired under capital leases before accumulated amortization	**15,076**	**24,500**	**1,586**
Less: accumulated amortization	(2,962)	(9,185)	(458)
Assets acquired under capital leases, net	**$ 12,114**	**$ 15,315**	**$ 1,128**

Operating Leases

The State Ports Authority had minimum rental payments under operating leases with terms of less than twelve months which totaled $2.158 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled $334 thousand. The Lottery Commission had minimum rental payments under operating leases for the fiscal year which totaled $615 thousand. For Clemson University, minimum rental payments under operating

leases for the fiscal year totaled $129 thousand. MUSC had minimum rental payments under operating leases for the fiscal year which totaled $9.808 million. USC had minimum rental payments under operating leases for the fiscal year which totaled $12.095 million.

At June 30, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending December 31	Public Service Authority
2018	$ 600
2019	600
Net minimum payments.....	**$ 1,200**

Fiscal Year Ending June 30	Housing Authority	Clemson University	MUSC	USC	Lottery Commission
2019	$ 343	$ 3,697	$ 16,879	$ 8,368	$ 560
2020	352	2,868	13,655	6,388	571
2021	360	2,470	10,534	2,425	582
2022	369	1,077	6,723	2,351	593
2023	378	815	3,430	2,164	605
2024-2028	127	562	5,379	9,282	616
2029-2033	—	—	631	6,537	—
2034-2038	—	—	—	7,217	—
Thereafter	—	—	—	1,531	—
Net minimum payments.....	**$ 1,929**	**$ 11,489**	**$ 57,231**	**$ 46,263**	**$ 3,527**

Facilities and Equipment Leased to Others

At June 30, 2018, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately $39.298 million and related accumulated depreciation of $28.470 million. Also, at June 30, 2018, MUSC had leased to non-State parties certain land and facilities having a cost of approximately $1.371 million and related accumulated depreciation of $884 thousand. Future minimum rental payments to be received at June 30, 2018, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	State Ports Authority	MUSC
2019	$ 3,310	$ 147
2020	2,895	109
2021	2,856	65
2022	1,243	—
2023	994	—
2024-2028	5,030	—
2029-2033	5,339	—
2034-2038	5,356	—
2039-2043	5,912	—
Thereafter	4,730	—
Total.....	**$ 37,665**	**$ 321**

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, 2018, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.00% to 5.00%, maturing serially through 2037	$ 236,737
University of South Carolina institution bonds, 2.00% to 5.00%, maturing serially through 2037	166,955
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036	46,293

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

	Clemson University		Medical University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ 9,415	$ 8,566	$ 4,090	$ 1,881
2020	10,035	8,106	4,245	1,677
2021	10,265	7,616	2,485	1,464
2022	10,580	7,134	2,610	1,340
2023	11,110	6,605	2,725	1,210
2024-2028	64,320	24,256	11,840	4,343
2029-2033	64,950	10,837	10,785	1,726
2034-2037	32,705	2,193	4,650	282
Total debt service requirements	**213,380**	**$ 75,313**	**43,430**	**$ 13,923**
Unamortized premiums	23,357		2,863	
Total principal outstanding	**$ 236,737**		**$ 46,293**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2019	$ 11,390	$ 7,179
2020	11,940	6,615
2021	12,405	6,120
2022	13,010	5,504
2023	11,235	4,858
2024-2028	48,365	16,579
2029-2033	39,285	6,912
2034-2037	19,325	1,225
Total debt service requirements	**$ 166,955**	**$ 54,992**

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90% of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds of $559.090 million were outstanding at June 30, 2018.

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, 2018 and December 31, 2017 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.30% to 6.54%, maturing serially through 2056	$ 7,945,688	$ —
Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046	444,354	—
University of South Carolina bonds and notes, 1.00% to 5.00%, maturing serially through 2047	500,674	4,000
Medical University of South Carolina bonds and notes, 2.25% to 5.29%, maturing serially through 2037	610,698	22,860
State Ports Authority bonds and notes, 2.06% to 5.25%, maturing serially through 2056	678,612	161,658
State Housing Authority bonds, 0.85% to 5.50%, maturing serially through 2048	422,018	—

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 3.01% plus 24.00% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2018 is $62.085 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, 2018 was 1.37%. The fair value of this swap, estimated using the zero-coupon method, was negative $1.220 million as of June 30, 2018. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2017 of $2.481 million is recognized as investment income in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.57%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2018 was $2.212 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2018 was 3.30%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $3 thousand as of June 30, 2018. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2017 of $57 thousand is recognized as investment income in these financial statements.

As of June 30, 2018, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending June 30	Variable Rate Debt Principal	Variable Rate Debt Interest	Interest Rate Swaps, Net	Totals
2019	$ 1,700	$ 1,414	$ 440	$ 3,554
2020	3,500	1,332	415	5,247
2021	2,925	1,263	393	4,581
2022	2,525	1,204	375	4,104
2023	2,600	1,143	356	4,099
2024-2028	14,105	4,746	1,477	20,328
2029-2033	16,170	2,952	919	20,041
2034-2038	18,560	893	278	19,731
Totals.....	**$ 62,085**	**$ 14,947**	**$ 4,653**	**$ 81,685**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.00% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2018 were $40.845 million and $17.505 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $58.350 million at June 30, 2018.

As of June 30, 2018, the swaps had a negative fair value of approximately $552.000 million. The unrealized loss related to these agreements recorded at June 30, 2018 is $337.000 million and is included in interest expense on the Statement of Activities.

Debt Service Requirements

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, the State Ports Authority, and the State Housing Authority ends June 30. At December 31, 2017, the carrying value of the Public Service Authority's debt was $7.466 billion while the fair value was approximately $8.400 billion. At June 30, 2018, the carrying value of the State Ports Authority debt was $780.683 million while the fair value was approximately $619.000 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

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

	Public Service Authority	
Year Ending December 31	**Principal**	**Interest**
2018	$ 48,546	$ 362,493
2019	213,324	359,257
2020	194,071	351,183
2021	228,954	342,676
2022	133,954	332,183
2023-2027	1,010,851	1,545,488
2028-2032	770,493	1,377,024
2033-2037	1,008,244	1,174,824
2038-2042	872,544	944,838
2043-2047	1,241,648	677,645
2048-2052	1,198,735	339,926
2053-2057	593,150	59,011
Total debt service requirements	**7,514,514**	**$ 7,866,548**
Unamortized discounts and premiums	431,174	
Total principal outstanding	**$ 7,945,688**	

	State Ports Authority		State Housing Authority	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ 3,677	$ 28,342	$ 12,520	$ 13,825
2020	11,763	34,929	64,165	12,179
2021	12,238	34,433	15,635	11,694
2022	12,747	33,917	16,160	11,169
2023	30,948	33,146	16,770	10,601
2024-2028	79,575	155,839	76,965	43,843
2029-2033	92,988	139,502	73,550	30,916
2034-2038	102,334	117,208	65,360	17,670
2039-2043	85,991	97,605	54,210	7,490
2044-2048	107,910	74,502	14,885	1,392
2049-2053	138,870	43,545	—	—
2054-2057	101,642	7,803	—	—
Total debt service requirements	**780,683**	**$ 800,771**	**410,220**	**$ 160,779**
Unamortized premiums and discounts.	59,587		11,798	
Total principal outstanding	**$ 840,270**		**$ 422,018**	

Year Ending June 30	Clemson University Principal	Clemson University Interest	University of South Carolina Principal	University of South Carolina Interest
2019	$ 10,750	$ 16,983	$ 18,990	$ 23,673
2020	11,245	16,486	15,700	22,760
2021	11,040	15,957	15,840	20,908
2022	11,675	15,447	16,625	20,036
2023	12,210	14,945	17,435	19,120
2024-2028	62,255	65,778	94,385	80,499
2029-2033	67,005	52,159	102,570	54,272
2034-2038	79,810	39,351	89,030	27,530
2039-2043	96,280	22,887	40,545	7,835
2044-2047	56,680	4,135	13,620	1,211
Total debt service requirements	**$ 418,950**	**$ 264,128**	**$ 424,740**	**$ 277,844**
Unamortized discounts and premiums	25,404		79,934	
Total principal outstanding.....	**$ 444,354**		**$ 504,674**	

Year Ending June 30	Medical University of South Carolina Principal	Medical University of South Carolina Interest
2019	$ 30,178	$ 14,636
2020	37,851	23,686
2021	38,623	23,409
2022	39,390	22,149
2023	40,205	20,843
2024-2028	214,588	84,147
2029-2033	206,547	50,384
2034-2038	24,299	4,269
Total debt service requirements	**$ 631,681**	**$ 243,523**
Unamortized discounts and premiums	1,877	
Total principal outstanding.....	**$ 633,558**	

Bond Anticipation Notes

At June 30, 2018, all short-term general obligation bond anticipation notes that were outstanding at the prior fiscal year's end at MUSC were fully defeased.

Defeased Bonds

During August 2017, Clemson University issued $120.885 million in Series 2017A State Institution Bonds, with an aggregate all-in true interest cost of 2.46%. Of the $120.885 million issued, $45.880 million was used for refunding. The net proceeds after payment of $242 thousand in issuance costs were used to refund $48.540 million of the 2011 Series B State Instution Bonds with an average interest rate of 4.80%. The refunding transaction resulted in an aggregate debt payment reduction of $5.383 million over the next thirteen years and an economic gain of $5.383 million.

At December 31, 2017, $732.325 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, 2018, the outstanding balance of bonds issued was $258.417 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, 2018, the outstanding balance of bonds issued after June 30, 1995, was $3.682 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, 2018 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a $144.484 million liability for commercial paper notes at its fiscal year ended December 31, 2017. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an $750.000 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2017.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of $10.000 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 0.75% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2018, there were no advances under this line of credit. The line of credit expired during June 2018 and was renewed with essentially the same terms through June 22, 2019.

The University of South Carolina Educational Foundation, a discretely presented component unit of USC, has a line of credit with a maximum borrowing limit of $20.000 million, on which it could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.20%. As of June 30, 2018, the University of South Carolina Educational Foundation has an outstanding balance of $5.933 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 in June 2019.

f. Changes in Liabilities

	Balances at January 1, 2017	Increases	Decreases	Balances at December 31, 2017	Amounts Due Within One Year
Public Service Authority					
Policy claims	$ 2,019	$ 2,572	$ (2,911)	$ 1,680	$ 1,680
Revenue bonds payable	7,795,552	104,624	(385,662)	7,514,514	48,546
Unamortized discounts and premiums	473,419	—	(42,245)	431,174	—
Total revenue bonds payable	8,268,971	104,624	(427,907)	7,945,688	48,546
Compensated absences payable	21,900	1,652	(2,380)	21,172	—
Net pension liability	324,956	13,827	—	338,783	—
Total long-term liabilities	$ 8,617,846	$ 122,675	$ (433,198)	$ 8,307,323	$ 50,226

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
State Ports Authority					
Notes payable	$ 84,808	$ 80,012	$ (3,162)	$ 161,658	$ 3,677
Revenue bonds payable	444,215	325,000	(150,190)	619,025	—
Unamortized discounts and premiums	21,517	40,158	(2,088)	59,587	—
Total revenue bonds payable	465,732	365,158	(152,278)	678,612	—
Compensated absences payable	2,878	41	(352)	2,567	2,567
Net pension liability	79,665	18,914	—	98,579	—
Net OPEB liability	54,954	—	(2,047)	52,907	—
Total long-term liabilities	$ 688,037	$ 464,125	$ (157,839)	$ 994,323	$ 6,244

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable	$ 415,900	$ 55,000	$ (60,680)	$ 410,220	$ 12,520
Unamortized discounts and premiums	10,886	2,152	(1,240)	11,798	—
Total revenue bonds payable	426,786	57,152	(61,920)	422,018	12,520
Compensated absences payable	798	507	(594)	711	594
Net pension liability	14,431	1,529	—	15,960	—
Net OPEB liability	12,247	—	(380)	11,867	—
Total long-term liabilities	$ 454,262	$ 59,188	$ (62,894)	$ 450,556	$ 13,114

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Clemson University					
General obligation bonds payable	$ 150,350	$ 120,885	$ (57,855)	$ 213,380	$ 9,415
Unamortized discounts and premiums	9,813	17,189	(3,645)	23,357	—
Total general obligation bonds payable	160,163	138,074	(61,500)	236,737	9,415
Revenue bonds payable	419,810	11,300	(12,160)	418,950	10,750
Unamortized discounts and premiums	26,284	438	(1,318)	25,404	—
Total revenue bonds	446,094	11,738	(13,478)	444,354	10,750
Capital leases payable	11,989	776	(774)	11,991	716
Compensated absences payable	25,571	12,626	(12,068)	26,129	13,946
Net pension liability	573,169	44,103	—	617,272	—
Net OPEB liability	595,147	—	(37,971)	557,176	—
Total long-term liabilities	$ 1,812,133	$ 207,317	$ (125,791)	$ 1,893,659	$ 34,827

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Medical University of South Carolina					
Notes payable	$ 43,644	$ 1,842	$ (22,626)	$ 22,860	$ 3,913
General obligation bonds payable	48,050	—	(4,620)	43,430	4,090
Unamortized discounts and premiums	3,359	—	(496)	2,863	—
Total general obligation bonds payable	51,409	—	(5,116)	46,293	4,090
Revenue bonds payable	512,353	118,230	(21,762)	608,821	26,265
Unamortized discounts and premiums	2,166	—	(289)	1,877	—
Total revenue bonds	514,519	118,230	(22,051)	610,698	26,265
Capital leases payable	13,069	6,441	(5,678)	13,832	4,820
Compensated absences payable	31,162	22,868	(22,490)	31,540	19,144
Net pension liability	1,184,113	68,073	—	1,252,186	—
Net OPEB liability	464,303	611,980	—	1,076,283	—
Total long-term liabilities	$ 2,302,219	$ 829,434	$ (77,961)	$ 3,053,692	$ 58,232

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
Lottery Commission					
Compensated absences payable	$ 771	$ 644	$ (581)	$ 834	$ 542
Net pension liability	15,031	504	—	15,535	—
Net OPEB liability	12,516	—	(799)	11,717	—
Total long-term liabilities	$ 28,318	$ 1,148	$ (1,380)	$ 28,086	$ 542

	Balances at July 1, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018	Amounts Due Within One Year
University of South Carolina					
Notes payable	$ 5,019	$ —	$ (1,019)	$ 4,000	$ 4,000
General obligation bonds payable	138,660	39,450	(11,155)	166,955	11,390
Revenue bonds payable	441,100	67,830	(88,190)	420,740	14,990
Unamortized discounts and premiums	67,286	17,754	(5,106)	79,934	—
Total revenue bonds	508,386	85,584	(93,296)	500,674	14,990
Capital leases payable	396	561	(213)	744	276
Compensated absences payable	32,544	28,427	(29,020)	31,951	24,602
Net pension liability	879,746	73,399	—	953,145	—
Net OPEB liability	917,212	—	(58,520)	858,692	—
Total long-term liabilities	$ 2,481,963	$ 227,421	$ (193,223)	$ 2,516,161	$ 55,258

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2018 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, 2017	Increases	Decreases	Balances at December 31, 2017
Public Service Authority				
Commercial paper notes	$ 399,899	$ 53,734	$(309,149)	$ 144,484

	Balances at June 30, 2017 (as restated)	Increases	Decreases	Balances at June 30, 2018
University of South Carolina				
Line of credit	$ 3,933	$ 2,000	$ —	$ 5,933

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, 2017, the trade guarantees are an amount not to exceed approximately $84.500 million.

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

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

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

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $369.600 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

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

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

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $17.800 million during the Authority's fiscal year ended December 31, 2017.

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, 2018.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $510 thousand and $29.110 million for the fiscal year ended June 30, 2018.

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, 2017, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,026,000	59%

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

State Ports Authority

During the fiscal year ended June 30, 2018, of the State Ports Authority's total revenues, three customers accounted for approximately 15%, 10%, and 10% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

j. Contingencies and Commitments

Litigation – State Ports Authority

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

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

On October 14, 2012, a portion of the quay wall at Veterans' Terminal (VT) in North Charleston, failed. A claim relating to the quay wall failure and remediation costs has also been asserted by the Ports Authority against the United States Navy for indemnity under Section 330 of the National Defense Authorization Act of 1993 (P.L. 102-484), as amended by P.L. 103-160. The claim is related only to oil pollution left by the United States Navy in an underground pipe near the damaged area, which had not been designated as an area of concern, nor disclosed presence of oil, which should have been cleaned out and removed by the Federal Government. Small amounts of oil were released in an investigatory excavation before being sealed off and recovered. The presence of the oil has caused increased costs of remediation, in an amount which cannot be accurately determined until the contract for remedial work has been completed and costs tallied. Department of Defense is defending the 330 indemnity claim and has sought additional information. Under the indemnity claim, the Federal Government would likely be responsible only for the remediation costs related to the oil, which is excluded from insurance coverage by the Ports Authority's property insurance policy.

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible party to determine recovery of the additional construction costs caused by design and project

management issues and to seek resolution by agreement. The matter has been resolved against one contractor through a settlement agreement, while the litigation continues against the remaining contractor defendant. Remediation work and construction is continuing.

In October 2002, the Ports Authority and the City of North Charleston (City) entered into a Memorandum of Understanding (MOU) related to certain issues concerning the development of the Hugh K. Leatherman, Sr. Terminal located at the former Charleston Navy Base Facility. One requirement of the MOU is for the City and the Ports Authority to approach the South Carolina General Assembly for the funding of certain infrastructure which is desired by the City. The City has communicated to the Ports Authority that it believes this infrastructure is required prior to the opening of the terminal. While the Authority disagrees with the City on this point, it plans to fully comply with all applicable terms of the MOU. At this time, no measurable impact of the City's position can reasonably be made.

Other Loan Guarantees – South Carolina Education Assistance Authority

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. As a result of the Health Care and Education Reconciliation Act of 2010 and subsequent actions taken by the federal government which nationalized the federally-guaranteed student loan program, continuing guarantor operations under the guaranty agreement between the Authority and the USDE would result in an economic loss to the Authority. Therefore on June 22, 2016, the State Fiscal Accountability Authority delegated to the South Carolina Student Loan Corporation (SLC) the authority to communicate with the United States Department of Education (USDE) at the appropriate time to terminate the guaranty agreements, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the South Carolina State Treasurer all necessary documents required to affect such termination. SLC notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement. On July 21, 2016, SLC received formal notice from the USDE naming Educational Credit Management Corporation (ECMC) as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. Effective December 1, 2016, the Authority transferred to ECMC and ECMC accepted the transfer of all of the Authority's outstanding guarantees and its post-claim portfolio. In addition, the Authority and ECMC agreed to a sixty-month period beginning December 1, 2016 through December 1, 2021, during which the Authority will reimburse ECMC up to $737 thousand of the Default Aversion Fee previously earned from USDE which must be rebated to the USDE due to claims filed by the eligible lender during this sixty-month period. The quarterly billing of these rebates will be paid from the Agency Operating Fund. As of March 31, 2018, the Authority had been invoiced and paid the entirety of the $737 thousand reimbursement to ECMC. The State's default rate for the period ended September 30, 2017, was 2.0%.

Purchase Commitments – Public Service Authority

At December 31, 2017, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $202.125 million for coal. In addition, minimum obligations under a purchased power contract as of December 31, 2017, were approximately $46.800 million with a remaining term of eighteen years. Also at December 31, 2017, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $152.800 million over the next sixteen years.

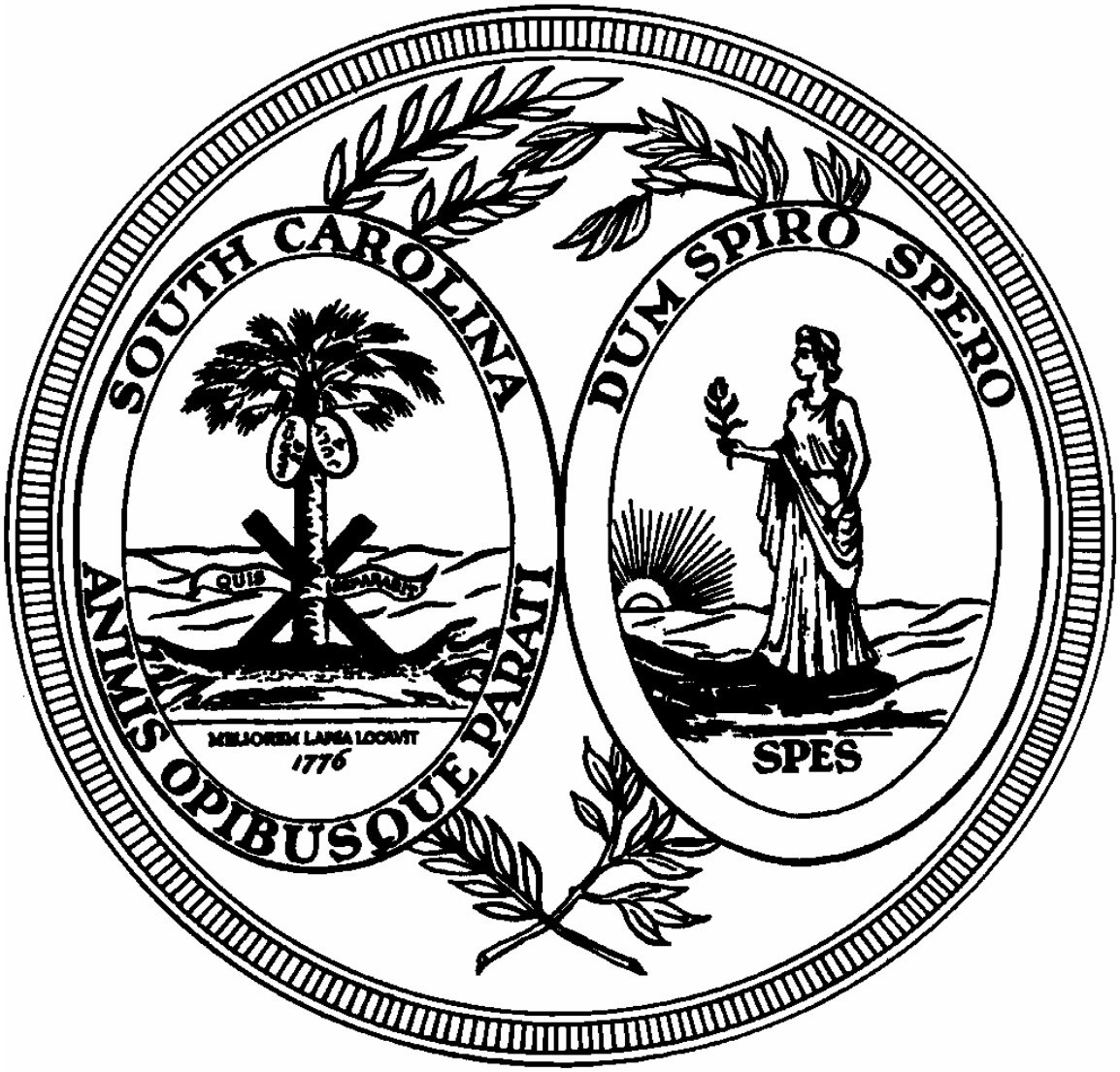
The Authority amended a service agreement to an approximate amount of $97.200 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2018.

Purchase Commitments – Ports Authority

At June 30, 2018, the Ports Authority had construction commitments of approximately $145.600 million and non-construction commitments for property, plant and equipment of approximately $3.200 million. The Ports Authority recorded a liability of approximately $4.100 million equal to the final project costs on the 52 foot Charleston Harbor deepening project.

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

The State Housing Finance and Development Authority, a major discretely presented component unit, had commitments of $7.752 million from the Housing Trust Fund for affordable housing projects and developments as of June 30, 2018.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NOTE 20: SUBSEQUENT EVENTS

a. Debt Issuances

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

- The Medical University of South Carolina, a major discretely presented component unit, issued private placement hospital authority revenue bonds, Series 2018A, in the amount of $36.454 million on October 15, 2018.
- As part of proviso 112.2 (Ports Authority Loan) of the State's FY 2019 General Appropriations Bill, the State authorized a loan of up to $50.000 million to the Ports Authority, a major discretely presented component unit, for its Harbor Deepening Project. However, to date, no loan funds have been issued by the State to the Ports Authority.
- On August 14, 2018, the Housing Authority, a major discretely presented component unit, issued $70.000 million in mortgage revenue bonds, Series 2018A.
- On September 13, 2018, the Public Service Authority, a major discretely presented component unit, defeased $346.235 million in bonds for the following bond issuances: $48.475 million for 2009 Tax-Exempt Refunding Series A, $37.305 million for 2010 Refunding Series B, $81.510 million for 2011 Refunding Series B, $8.015 million for 2012 Refunding Series A, $7.510 million for 2012 Refunding Series C, $6.325 million for 2012 Tax-Exempt Series D, $100.00 million for 2013 Tax-Exempt Series A, $7.920 million for 2014 Tax-Exempt Refunding Series C, $5.485 million for 2015 Tax-Exempt Refunding & Improvement Series A, and $43.690 million for 2015 Tax-Exempt Refunding Series C.

b. South Carolina State University Loans

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

c. Natural Disasters

During early October 2015, South Carolina received prolonged torrential rains spawned by Hurricane Joaquin that produced catastrophic statewide flooding. The extent and severity of flooding was extensive causing damage to roads and bridges and to private property, polluted water systems, compromised dams, and power outages. The recovery from this storm remains primarily related to roads, bridges and other transportation infrastructure. Total damages on the State Highway System are estimated to be $137 million and many costs are eligible for federal assistance from Federal Highway Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $49 million. During the 2015-2016 Legislative Session, funding in the amount of $49 million was provided to the Department of Transportation to assist in the recovery and repair process and provide required federal assistance matching funds. The Department of Transportation has incurred costs through June 30, 2018 of $115.7 million of which $73.4 million has been received in federal assistance. Additional federal assistance is expected up to $13.1 million and will be based upon total costs and their federal assistance eligibility.

During October 2016, South Carolina received another devastating storm, Hurricane Matthew, which caused significant damage to state parks, roads, electrical infrastructure and other property. On October 4, 2016 the Governor issued an executive order declaring a state of emergency for the State of South Carolina. On or about October 7, 2016 the President declared the State of South Carolina a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery. This storm carried heavy rains which caused flooding and high winds resulting in down trees and debris. Again, the primary impact of this storm was with roads, bridges and infrastructure. The Department of Transportation, a governmental fund, conducted thorough inspections of all bridges and roads and began recovery of the State Highway System. Total damages on the State Highway System are estimated to be $100.1 million and many costs are eligible for federal assistance from Federal Highway

Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $30.4 million. The Department has incurred costs through June 30, 2018 of $60.4 million of which $49.6 million has been received in federal assistance.

During September 2017, South Carolina experienced inclement weather as Hurricane Irma impacted the southern United States. This event caused wind, surge damage and flooding along the coast. The Department of Transportation, a governmental fund, incurred costs through June 30, 2018 of $5.3 million of which $.4 million has been received in federal assistance. Approved federal assistance of $1.6 million has been accrued at June 30, 2018.

During September 2018, South Carolina was impacted by Hurricane Florence, which brought 10 to 18 inches of rain in areas saturating the ground and flooding the rivers. The State of South Carolina is actively responding to widespread flooding across the Northeast portion of the state. Again, the infrastructure within this area of the state has taken a major hit with the unprecedented flooding of many rivers. The State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available. Public Service Authority, a major discretely presented component unit, was also impacted by Hurricane Florence at the Grainger ash pond site near the Waccamaw River. The mitigation-related costs are estimated at $10.500 million before FEMA reimbursement.

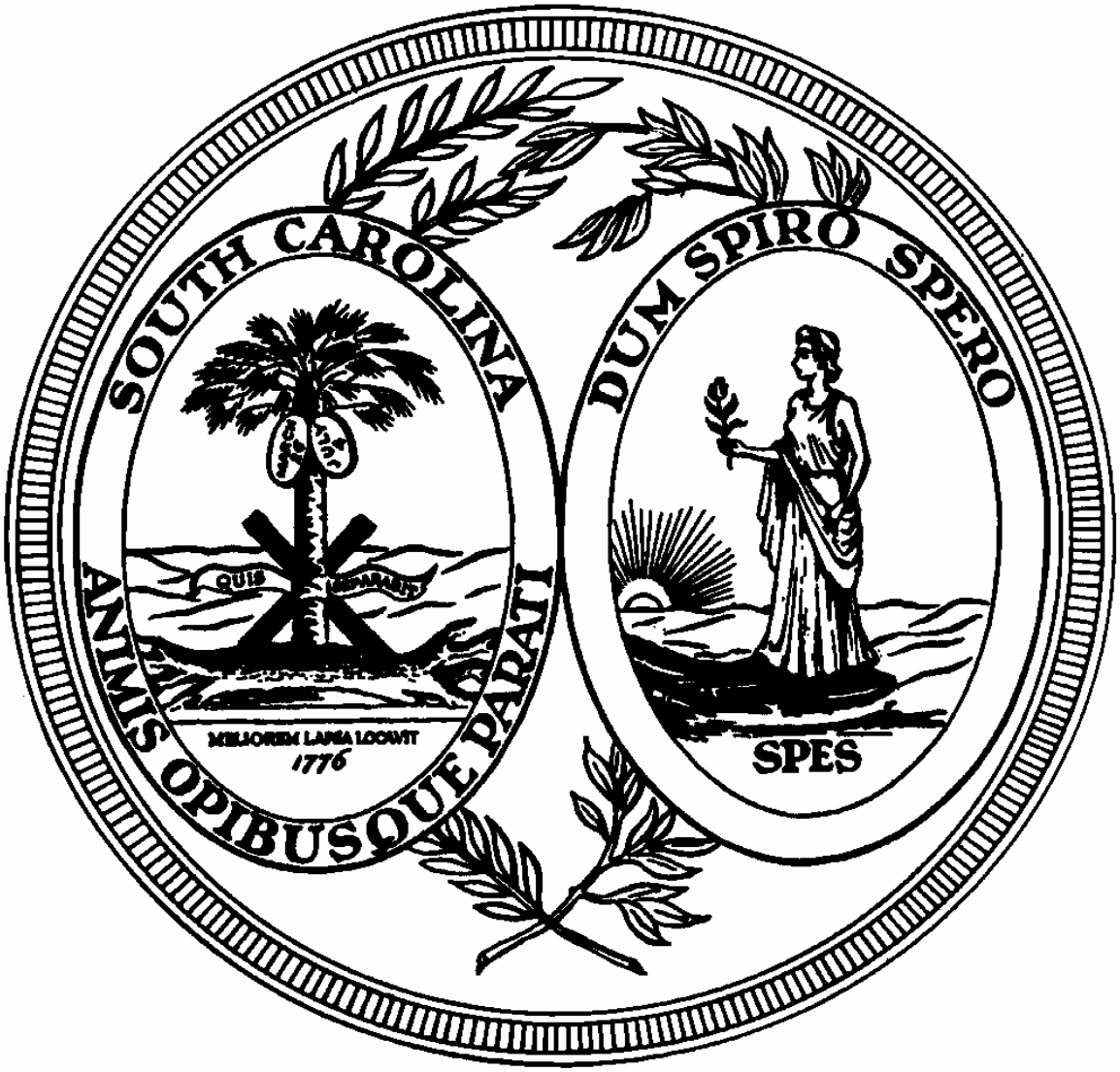
On October 12, 2018, Hurricane Matthew made its way through South Carolina as a Tropical Storm, bringing with it heavy rains and winds in the central area of South Carolina. This resulted in some flooding, power outages and property damage. Again, the State of South Carolina is in the early stages of recovery and costs have not yet been determined but federal assistance from the Federal Highway Administration and Federal Emergency Management are available.

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

On July 31, 2017, the Public Service Authority (the Authority) and SCE&G (the Authority's project partner- see note 19 g) halted construction and announced their decision to cease construction on the V.C. Summer Units 2 and 3 project. The State is currently evaluating options that include selling the Authority or selling the related construction in progress to another entity to finish the project, yet it has made no decision at this time.

e. Medical University of South Carolina Building and Garage Sale and Leaseback

On October 18, 2018 the Medical University of South Carolina, a major discretely presented component unit, performed a sale and leaseback of a building and garage. This transaction resulted in net proceeds of $18.087 million with a gain of $9.500 million. Due to the leaseback, a deferred gain of $6.700 million and a gain of $2.800 million will be reported in fiscal year 2019.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REQUIRED SUPPLEMENTARY INFORMATION—

Other than Management's Discussion and Analysis (Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Individual income tax	$ 3,753,322	$ 3,753,322	$ 3,856,348	$ 103,026
Sales and use tax	3,041,207	3,041,207	3,034,415	(6,792)
Corporation income tax	287,915	287,915	333,618	45,703
Insurance tax	242,046	242,046	227,932	(14,114)
Beer and wine tax	114,891	114,891	107,727	(7,164)
Alcoholic liquor tax	80,318	80,318	79,285	(1,033)
Corporation license tax	108,000	108,000	110,199	2,199
Bank tax	31,520	31,520	47,909	16,389
Documentary tax	67,899	67,899	75,625	7,726
Earned on investments	24,000	24,000	40,110	16,110
Admissions tax	29,145	29,145	30,746	1,601
Tobacco tax	27,411	27,411	27,209	(202)
Security dealer fees	26,000	26,000	26,386	386
Public Service Authority, Excess earnings from	19,285	19,285	17,397	(1,888)
Unclaimed property fund transfers	15,000	15,000	15,000	—
Indirect cost recoveries	12,173	12,173	16,755	4,582
Other revenue	9,278	9,278	14,244	4,966
Motor vehicle licenses	11,117	11,117	11,031	(86)
Workers' compensation insurance tax	9,869	9,869	9,837	(32)
Circuit and family court fines	7,856	7,856	7,352	(504)
Business filing fees	5,675	5,675	7,038	1,363
Private car lines tax	4,555	4,555	5,960	1,405
Record search fees	4,461	4,461	4,461	—
Nursing home fees	3,500	3,500	3,573	73
Uncashed checks	2,000	2,000	2,927	927
Parole and probation supervision fees	3,393	3,393	3,393	—
Purchasing card rebates	2,800	2,800	3,035	235
Surcharge on vehicle rentals	706	706	946	240
Aircraft tax	2,500	2,500	2,500	—
Savings and loan association tax	1,817	1,817	949	(868)
Bingo tax	1,055	1,055	358	(697)
Total revenues	**7,950,714**	**7,950,714**	**8,124,265**	**173,551**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Expenditures:				
Legislative	$ 48,355	$ 85,400	$ 50,338	$ 35,062
Judicial	56,014	59,911	57,640	2,271
Executive and administrative	416,646	452,089	374,581	77,508
Educational	3,635,890	3,786,930	3,742,367	44,563
Health	1,939,748	2,059,310	1,926,295	133,015
Social rehabilitation services	269,511	281,946	267,561	14,385
Correctional and public safety	566,916	619,866	584,074	35,792
Conservation, natural resources, and development	173,573	224,220	180,286	43,934
Regulatory	211,450	301,624	227,399	74,225
Transportation	52,126	78,642	61,624	17,018
Debt service	191,630	188,252	180,087	8,165
Aid to subdivisions	243,059	243,114	242,812	302
Total expenditures	**7,804,918**	**8,381,304**	**7,895,064**	**486,240**
Excess of revenues over (under) expenditures—budgetary basis	**145,796**	**(430,590)**	**229,201**	**659,791**
Transfers from Litigation Settlement Account and Farm Aid Fund	**—**	**—**	**20,710**	**20,710**
Fund balance, beginning — budgetary basis	**1,076,471**	**1,076,471**	**1,076,471**	**—**
Fund balance, ending — budgetary basis	**$ 1,222,267**	**$ 645,881**	**$ 1,326,382**	**$ 680,501**
Less:				
Capital Reserve appropriation			**(139,208)**	
Fund balance, ending — budgetary basis, after reservation			**$ 1,187,174**	

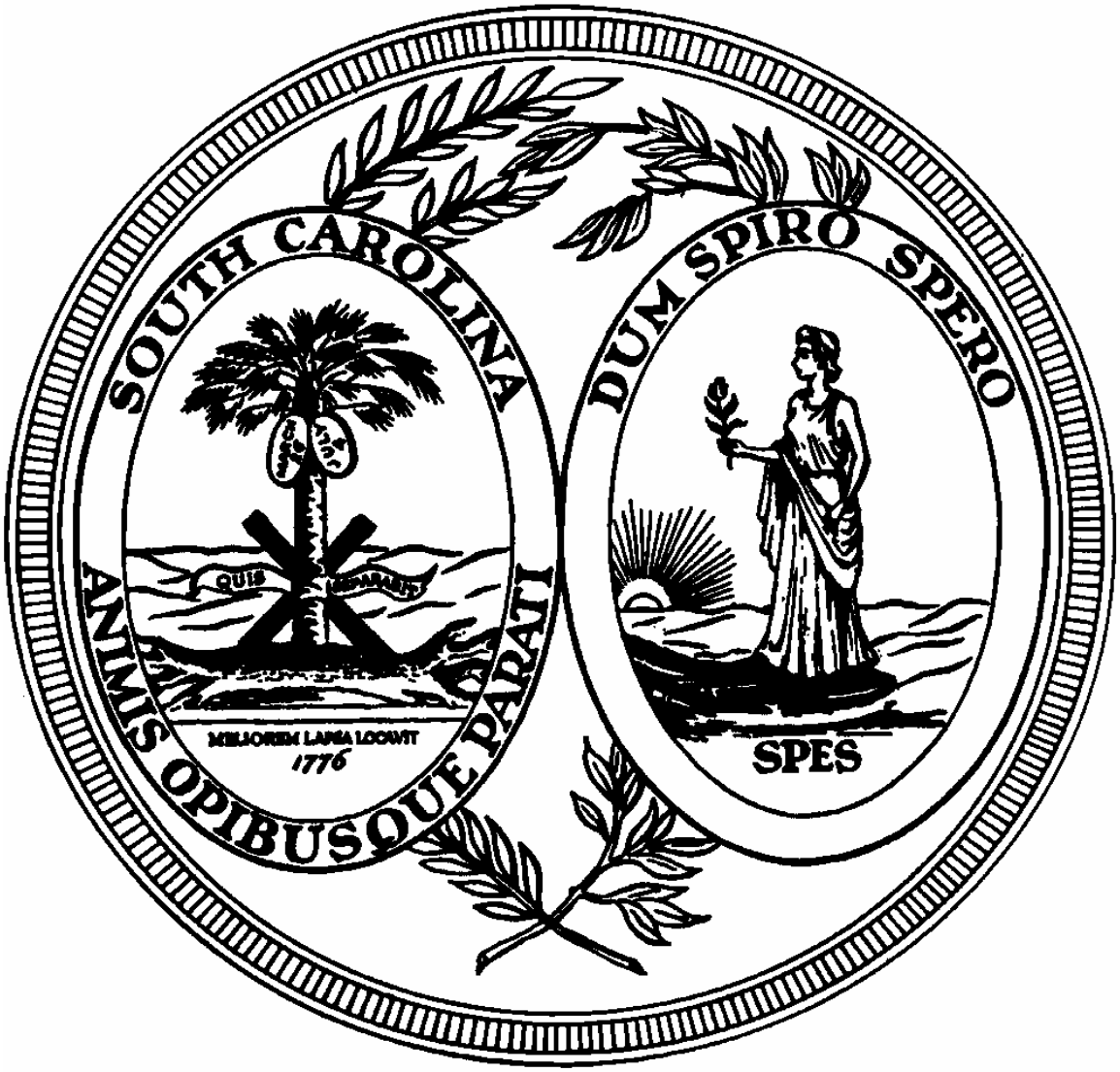
The notes to the Required Supplementary Information--Budgetary are an integral part of the schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Federal	$ 8,623,470	$ 8,894,112	$ 7,560,717	$ (1,333,395)
Earmarked	6,135,779	6,185,779	5,276,916	(908,863)
Restricted	4,867,521	5,029,143	4,686,429	(342,714)
Total revenues	**19,626,770**	**20,109,034**	**17,524,062**	**(2,584,972)**
Expenditures:				
Legislative	2,793	15,899	14,367	1,532
Judicial	23,333	23,531	13,395	10,136
Executive and administrative	505,359	821,392	610,059	211,333
Educational	6,619,097	6,739,921	6,005,703	734,218
Health	7,581,417	7,598,240	6,968,515	629,725
Social rehabilitation services	761,629	781,059	643,857	137,202
Correctional and public safety	217,040	188,325	146,723	41,602
Conservation, natural resources, and development	325,392	374,193	299,129	75,064
Regulatory	330,076	350,491	266,438	84,053
Transportation	2,529,271	2,560,786	2,038,522	522,264
Total expenditures	**18,895,407**	**19,453,837**	**17,006,708**	**2,447,129**
Excess of revenues over (under) expenditures—budgetary basis	**731,363**	**655,197**	**517,354**	**(137,843)**
Fund balance at beginning of year—budgetary basis	**3,766,673**	**3,766,673**	**3,766,673**	—
Fund balance at end of year—budgetary basis	**$ 4,498,036**	**$ 4,421,870**	**$ 4,284,027**	**$ (137,843)**

The notes to the Required Supplementary Information--Budgetary are an integral part of the schedule.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Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriations Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets categorized by:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriations Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedules as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriations Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriations Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original budgeted revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in the Statement of Revenues at the end of Part 1A of the Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request may exceed 20.0% of the program budget. In addition, the Executive Budget Office within the Department of Administration, composed of five key executive and legislative officials, has the authority to approve transfers of appropriations between personal service and other operating accounts.

The authority to reduce enacted appropriations is provided to the Executive Budget Office if it is deemed necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, the *Recapitulation* section of the Appropriations Act includes net *source of funds* amounts for two categories of Other Budgeted Funds: Federal and Other. The *original budgeted revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the Executive Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require Executive Budget Office approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The State Fiscal Accountability Authority and the Joint Bond Review Committee must approve and review those changes for projects that exceed $1.000 million.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Acts for the 2017-18 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

(i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 14.

(ii) Certain revenues collected in advance are recorded as liabilities (unearned revenues) rather than as revenues.

(iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.

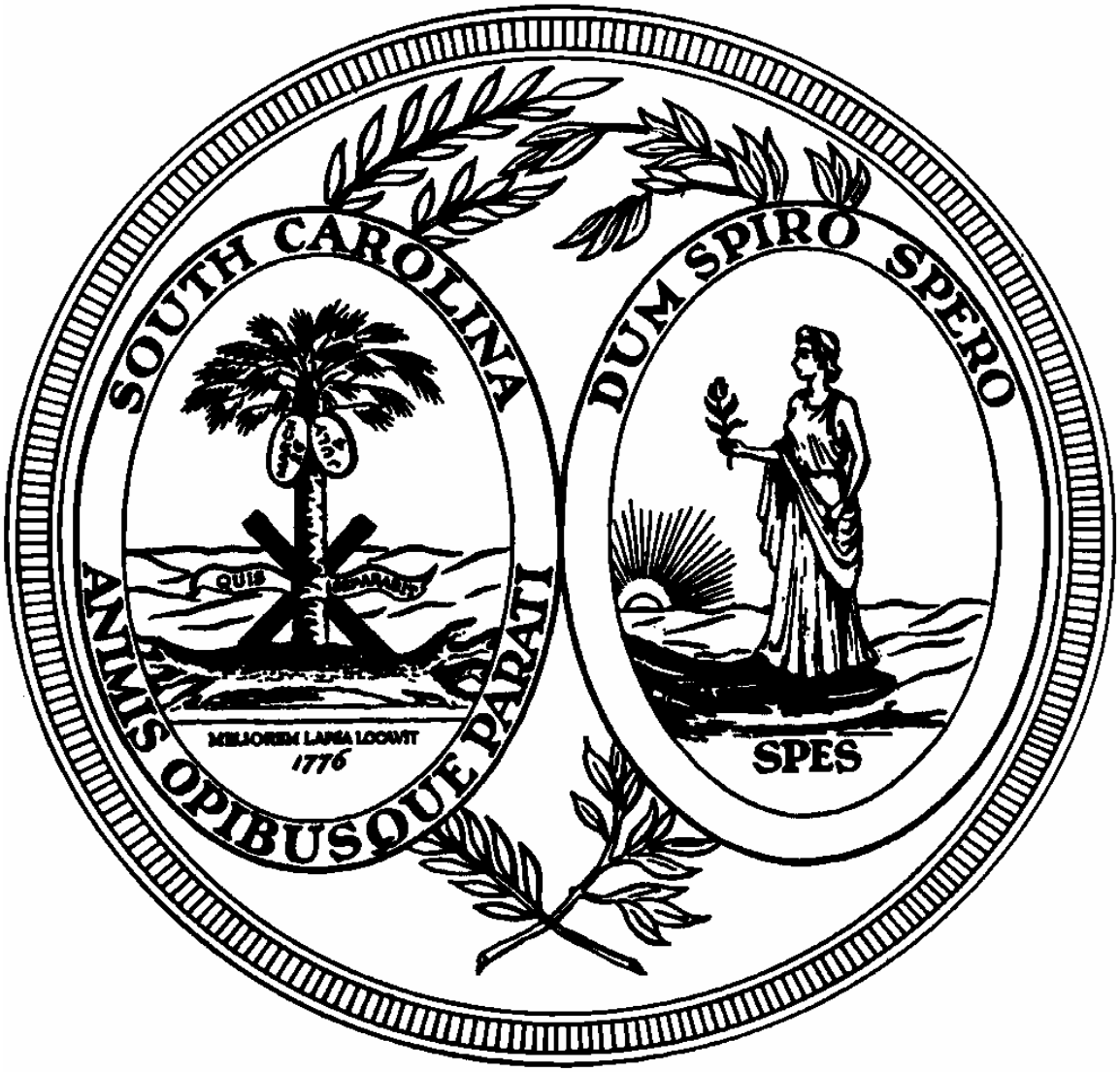
(iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.

(v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Its budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriations Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences for the fiscal year ended June 30, 2018, were as follows (expressed in thousands):

Budgetary funds	***Budgetary General Fund***	**Major Special Revenue Funds**		
GAAP funds	**General Fund**	**Departmental Program Services**	**Local Government Infrastructure**	**Department of Transportation Special Revenue**
Net increase (decrease) in fund balance—budgetary basis	$ 229,201	$ —	$ —	$ —
Perspective differences:				
Other Budgeted Funds net increase (decrease) allocated among the State's major governmental GAAP funds	37,614	(23,366)	10,581	—
Basis of accounting differences	195,484	60,844	28,616	247,090
Entity differences	3,212	1,477	—	—
Net increase (decrease) in fund balance—GAAP basis	**$ 465,511**	**$ 38,955**	**$ 39,197**	**$ 247,090**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REQUIRED SUPPLEMENTARY INFORMATION

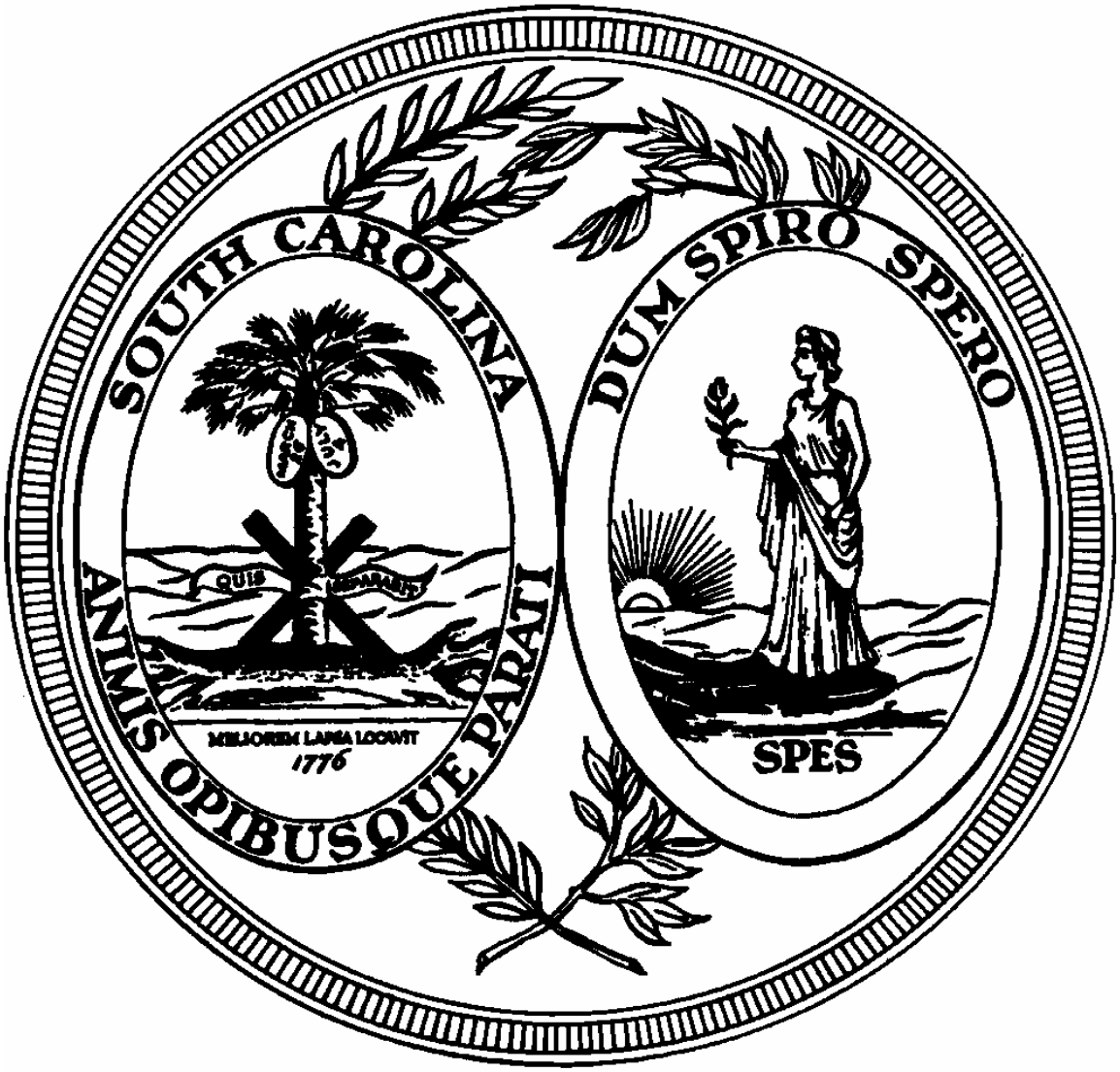
Schedule of the State of South Carolina's Proportionate Share of the SCRS and PORS Net Pension Liabilities

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Last 10 Fiscal Years*

SCRS - South Carolina Retirement System	**2018**	**2017**	**2016**	**2015**	**2014**
State's Proportion of the Net Pension Liability	13.05%	12.94%	12.87%	12.70%	12.70%
State's Proportionate Share of the Net Pension Liability	$ 2,938,212	$ 2,763,455	$ 2,441,249	$ 2,185,979	$ 2,277,364
State Covered-Employee Payroll	$ 1,079,349	$ 1,021,083	$ 954,763	$ 973,471	$ 958,913
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	272.22%	270.64%	255.69%	224.56%	237.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.30%	52.91%	56.99%	59.92%	56.39%
PORS - South Carolina Police Officers Retirement System					
State's Proportion of the Net Pension Liability	28.97%	28.88%	30.05%	30.37%	30.37%
State's Proportionate Share of the Net Pension Liability	$ 793,572	$ 732,637	$ 654,937	$ 581,343	$ 629,487
State Covered-Employee Payroll	$ 337,092	$ 328,193	$ 316,491	$ 337,916	$ 338,025
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.42%	223.23%	206.94%	172.04%	186.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.90%	60.44%	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last five years of information is available.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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCRS and PORS Contributions
For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Last 10 Fiscal Years*

SCRS - South Carolina Retirement System

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 168,903	$ 152,191	$ 131,856	$ 130,062	$ 122,348
Contributions in Relation to the Contractually Required Contribution	(168,903)	(152,191)	(131,856)	(130,062)	(122,348)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
State Covered-Employee Payroll	$ 1,079,349	$ 1,021,083	$ 954,763	$ 973,471	$ 958,913
Contributions as a Percentage of Covered-Employee Payroll	15.65%	14.90%	13.81%	13.36%	12.76%

PORS - South Carolina Police Officers Retirement System

Contractually Required Contribution	$ 61,790	$ 55,534	$ 50,546	$ 49,915	$ 46,907
Contributions in Relation to the Contractually Required Contribution	(61,790)	(55,534)	(50,546)	(49,915)	(46,907)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
State Covered-Employee Payroll	$ 337,092	$ 328,193	$ 316,491	$ 337,916	$ 338,025
Contributions as a Percentage of Covered-Employee Payroll	18.33%	16.92%	15.97%	14.77%	13.88%

* - In fiscal year 2013 (2014 on this schedule due to GASB 68), the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Fiscal years 2013 - 2009 have not been restated.

2013	2012	2011	2010	2009
$ 123,651	$ 255,277	$ 252,814	$ 255,653	$ 260,536
(123,651)	(255,277)	(252,814)	(255,653)	(260,536)
$ —	$ —	$ —	$ —	$ —
$ 956,163	$ 2,227,527	$ 2,247,145	$ 2,280,108	$ 2,283,295
12.93%	11.46%	11.25%	11.21%	11.41%
$ 44,393	$ 43,776	$ 42,699	$ 42,268	$ 44,566
(44,393)	(43,776)	(42,699)	(42,268)	(44,566)
$ —	$ —	$ —	$ —	$ —
$ 339,686	$ 352,998	$ 346,404	$ 358,181	$ 372,869
13.07%	12.40%	12.33%	11.80%	11.95%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's GARS Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

GARS - Retirement System for the Members of the General Assembly of the State of South Carolina

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 5,428	$ 4,539	$ 4,501	$ 4,275	$ 4,063
Contributions in Relation to the Contractually Required Contribution	(5,428)	(4,539)	(4,501)	(4,275)	(4,063)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll	$ 1,961	$ 2,316	$ 2,338	$ 2,383	$ 2,688
Contributions as a Percentage of Covered-Employee Payroll	276.80%	195.98%	192.51%	179.40%	151.15%

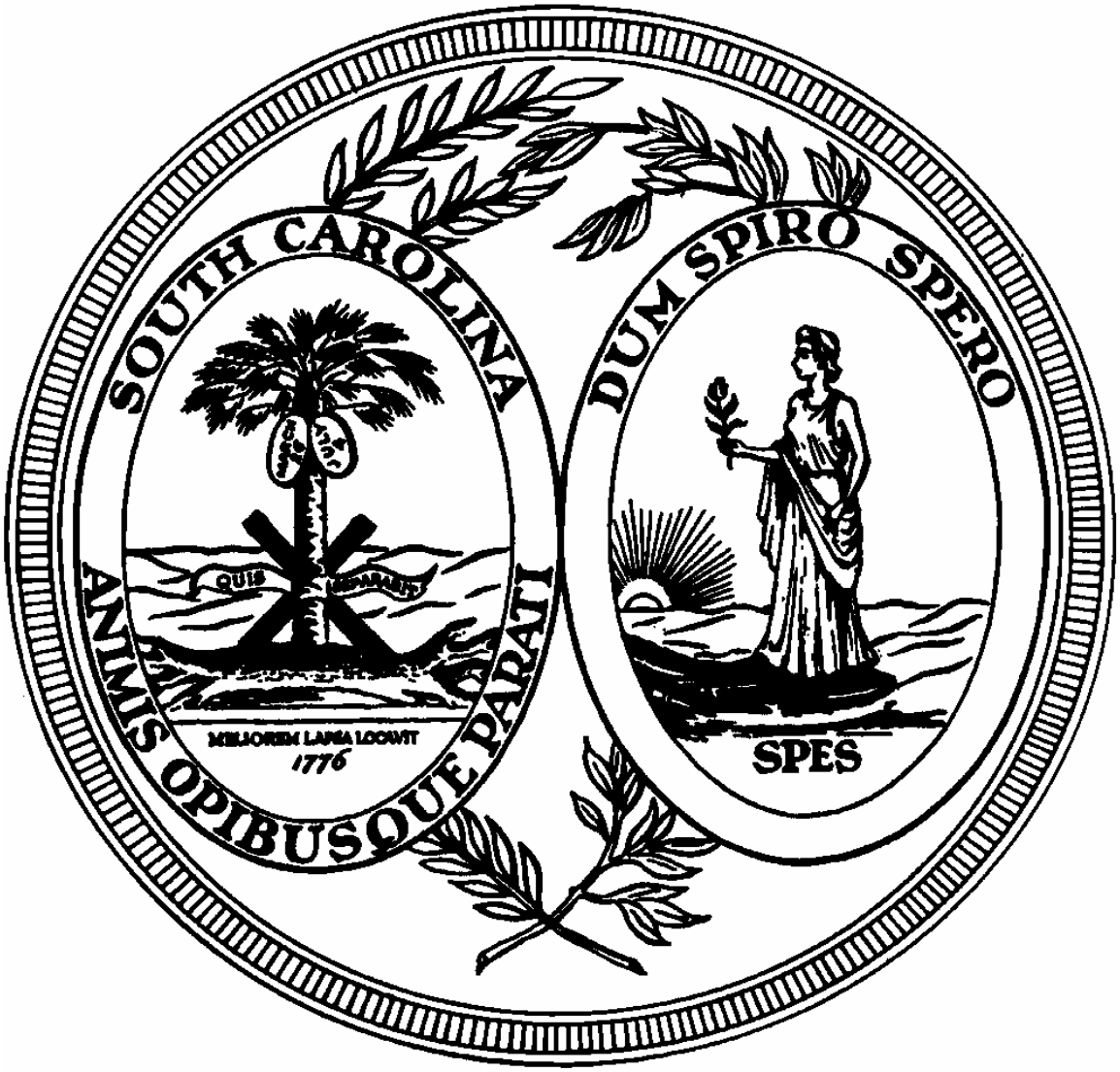
Notes to Schedule

Valuation Date:	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry age
Amortization Method:	Level dollar, closed
Remaining Amortization Period:	11 years
Asset Valuation Method:	5-Year Smoothed
Inflation:	2.25%
Salary Increases:	None
Investment Rate of Return:	7.25%, net of investment and administration expenses, including inflation
Retirement Age:	Age 60 or 30 years of service or age 70 or 30 years of service while continuing to serve in the General Assembly.
Mortality:	In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table.
Other Information:	GARS is closed to members of the General Assembly first elected in November 2012 or after.

2013	2012	2011	2010	2009
$ 2,831	$ 2,532	$ 2,414	$ 2,598	$ 2,495
(2,831)	(2,532)	(2,414)	(2,598)	(2,495)
$ —	$ —	$ —	$ —	$ —
$ 3,854	$ 3,854	$ 3,854	$ 3,854	$ 3,854
73.46%	65.70%	62.64%	67.41%	64.74%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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the State of South Carolina's GARS Net Pension Liability and Related Ratios
(Expressed in Thousands)

Last 10 Fiscal Years*

GARS - Retirement System for the Members of the General Assembly of the State of South Carolina

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 488	$ 493	$ 553	$ 572
Interest	5,293	5,301	5,380	5,437
Difference Between Actual and Expected Experience	(348)	798	(294)	(2,585)
Assumption Changes	2,330	—	—	—
Benefit Payments	(6,737)	(6,656)	(6,660)	(6,861)
Net Change in Total Pension Liability	1,026	(64)	(1,021)	(3,437)
Total Pension Liability - Beginning	73,702	73,766	74,787	78,224
Total Pension Liability - Ending (a)	$ 74,728	$ 73,702	$ 73,766	$ 74,787
Plan Fiduciary Net Position				
Contributions - Employer	$ 4,539	$ 4,501	$ 4,275	$ 4,063
Contributions - Member	468	292	369	384
Refunds of Contributions to Members	—	(22)	—	(41)
Retirement Benefits	(6,678)	(6,625)	(6,639)	(6,799)
Death Benefits	(59)	(9)	(21)	(20)
Net Investment Income (Loss)	3,329	(266)	500	4,545
Administrative Expense	(17)	(18)	(18)	(17)
Other	19	(147)	(18)	15
Net Change in Plan Fiduciary Net Position	1,601	(2,294)	(1,552)	2,130
Plan Fiduciary Net Position - Beginning	30,188	32,482	34,034	31,904
Plan Fiduciary Net Position - Ending (b)	$ 31,789	$ 30,188	$ 32,482	$ 34,034
Net Pension Liability - Ending (a) - (b)	$ 42,939	$ 43,514	$ 41,284	$ 40,753
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.54%	40.96%	44.03%	45.51%
Covered-Employee Payroll	$ 1,961	$ 2,316	$ 2,338	$ 2,383
Net Pension Liability as a Percentage of Covered-Employee Payroll	2189.65%	1878.84%	1765.78%	1710.16%

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's JSRS Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

JSRS - Retirement System for Judges and Solicitors of the State of South Carolina

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 11,043	$ 10,534	$ 10,202	$ 10,109	$ 9,659
Contributions in Relation to the Contractually Required Contribution	(11,043)	(10,534)	(10,202)	(10,109)	(9,659)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll	$ 22,347	$ 21,958	$ 21,267	$ 18,138	$ 20,407
Contributions as a Percentage of Covered-Employee Payroll	49.42%	47.97%	47.97%	55.73%	47.33%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry age

Amortization Method: Level percent of pay, open

Remaining Amortization Period: 30 years

Asset Valuation Method: 5-Year Smoothed

Inflation: 2.25%

Salary Increases: 2.75%

Investment Rate of Return: 7.25%, net of investment and administration expenses, including inflation

Retirement Age: In the 2017 valuation the retirement age changed from a varying formula based on years of service and age to age 72 or 25 years of service for judges and 24 years of service for solicitors or circuit public defenders regardless of age.

Mortality:

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table.

2013	2012	2011	2010	2009
$ 8,667	$ 8,414	$ 8,414	$ 8,414	$ 8,414
(8,667)	(8,414)	(8,414)	(8,414)	(8,414)
$ —	$ —	$ —	$ —	$ —
$ 19,221	$ 18,661	$ 18,661	$ 18,661	$ 18,661
45.09%	45.09%	45.09%	45.09%	45.09%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the State of South Carolina's JSRS Net Pension Liability and Related Ratios

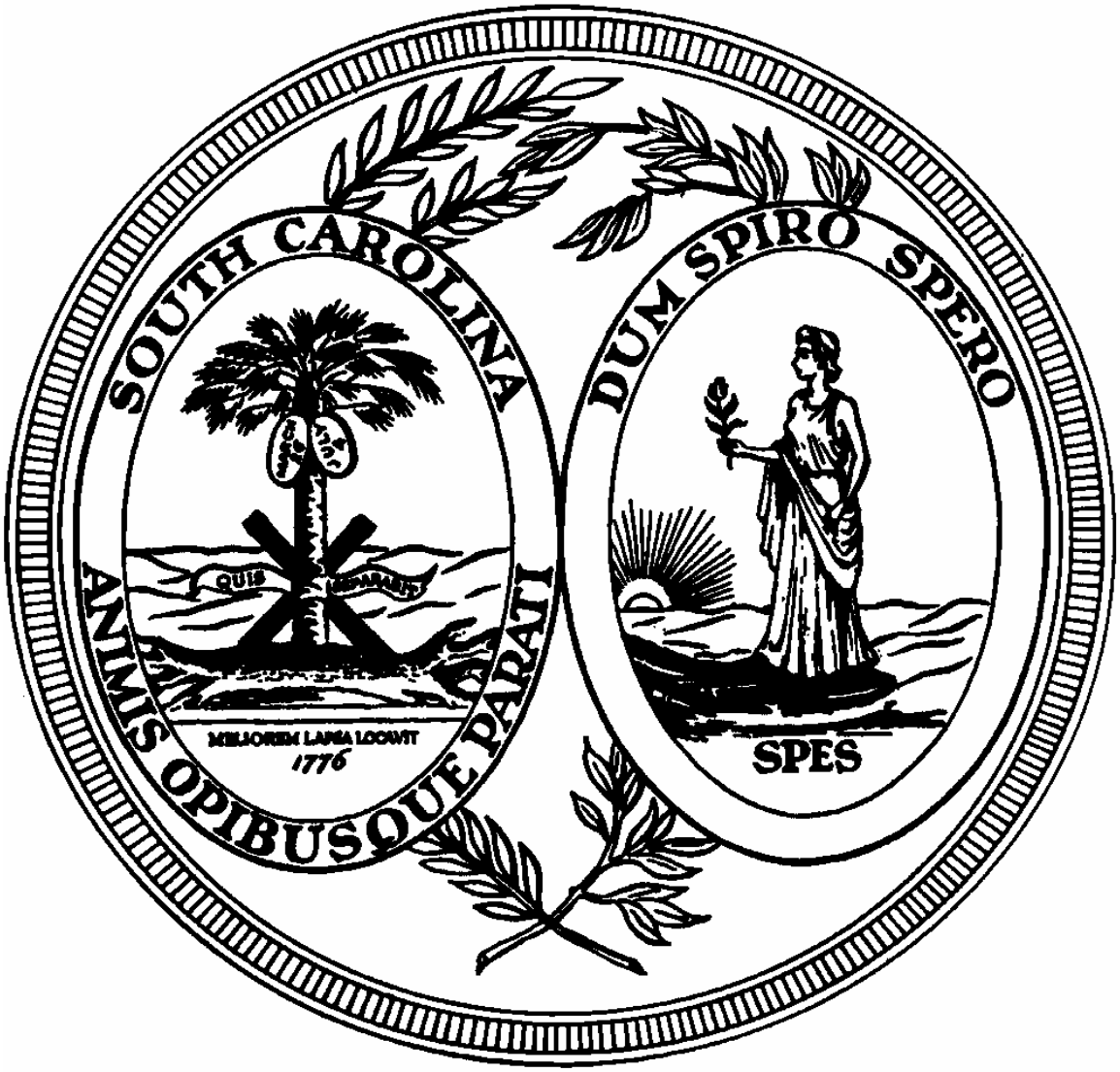
(Expressed in Thousands)

Last 10 Fiscal Years*

JSRS - Retirement System for Judges and Solicitors of the State of South Carolina

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 6,186	$ 5,886	$ 5,760	$ 5,571
Interest	20,404	20,022	19,440	18,857
Benefit Changes	—	—	666	—
Difference Between Actual and Expected Experience	(995)	(3,085)	(1,138)	(3,240)
Assumption Changes	13,790	—	—	—
Benefit Payments	(18,602)	(17,191)	(16,836)	(16,684)
Net Change in Total Pension Liability	20,783	5,632	7,892	4,504
Total Pension Liability - Beginning	278,256	272,624	264,732	260,228
Total Pension Liability - Ending (a)	$ 299,039	$ 278,256	$ 272,624	$ 264,732
Plan Fiduciary Net Position				
Contributions - Employer	$ 10,534	$ 10,202	$ 10,109	$ 9,659
Contributions - Member	2,928	2,303	3,153	2,448
Refunds of Contributions to Members	(629)	(60)	—	—
Retirement Benefits	(17,679)	(16,989)	(16,832)	(16,675)
Death Benefits	(293)	(143)	(4)	(10)
Net Investment Income (Loss)	16,399	(871)	2,216	19,962
Administrative Expense	(79)	(75)	(71)	(68)
Other	253	(3)	286	195
Net Change in Plan Fiduciary Net Position	11,434	(5,636)	(1,143)	15,511
Plan Fiduciary Net Position - Beginning	140,717	146,353	147,496	131,985
Plan Fiduciary Net Position - Ending (b)	$ 152,151	$ 140,717	$ 146,353	$ 147,496
Net Pension Liability - Ending (a) - (b)	$ 146,888	$ 137,539	$ 126,271	$ 117,236
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.88%	50.57%	53.68%	55.72%
Covered-Employee Payroll	$ 22,347	$ 21,958	$ 21,267	$ 18,138
Net Pension Liability as a Percentage of Covered-Employee Payroll	657.31%	626.37%	593.74%	646.36%

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCNG Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

SCNG - South Carolina National Guard Supplemental Retirement Plan

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 4,814	$ 4,509	$ 4,570	$ 4,591	$ 4,586
Contributions in Relation to the Contractually Required Contribution	(4,814)	(4,591)	(4,591)	(4,591)	(4,586)
Contribution Deficiency/(Excess)	$ —	$ (82)	$ (21)	$ —	$ —
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which they are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry age

Amortization Method: Level dollar, closed

Remaining Amortization Period: 17 years

Asset Valuation Method: 5-Year Smoothed

Inflation: 2.25%

Salary Increases: N/A

Investment Rate of Return: 7.25%, net of investment and administration expenses, including inflation

Retirement Age: Age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of that 20 years of service, 15 years, and the final 10 years, must have been served in the South Carolina National Guard.

Mortality: In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the 2016 Public Retirees of South Carolina Mortality Table. In prior years, those assumptions were based on the RP-2000 Healthy Annuitant Mortality Table.

2013	2012	2011	2010	2009
$ 4,539	$ 3,937	$ 3,905	$ 3,945	$ 4,052
(4,539)	(3,937)	(3,905)	(3,945)	(4,052)
$ —	$ —	$ —	$ —	$ —
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

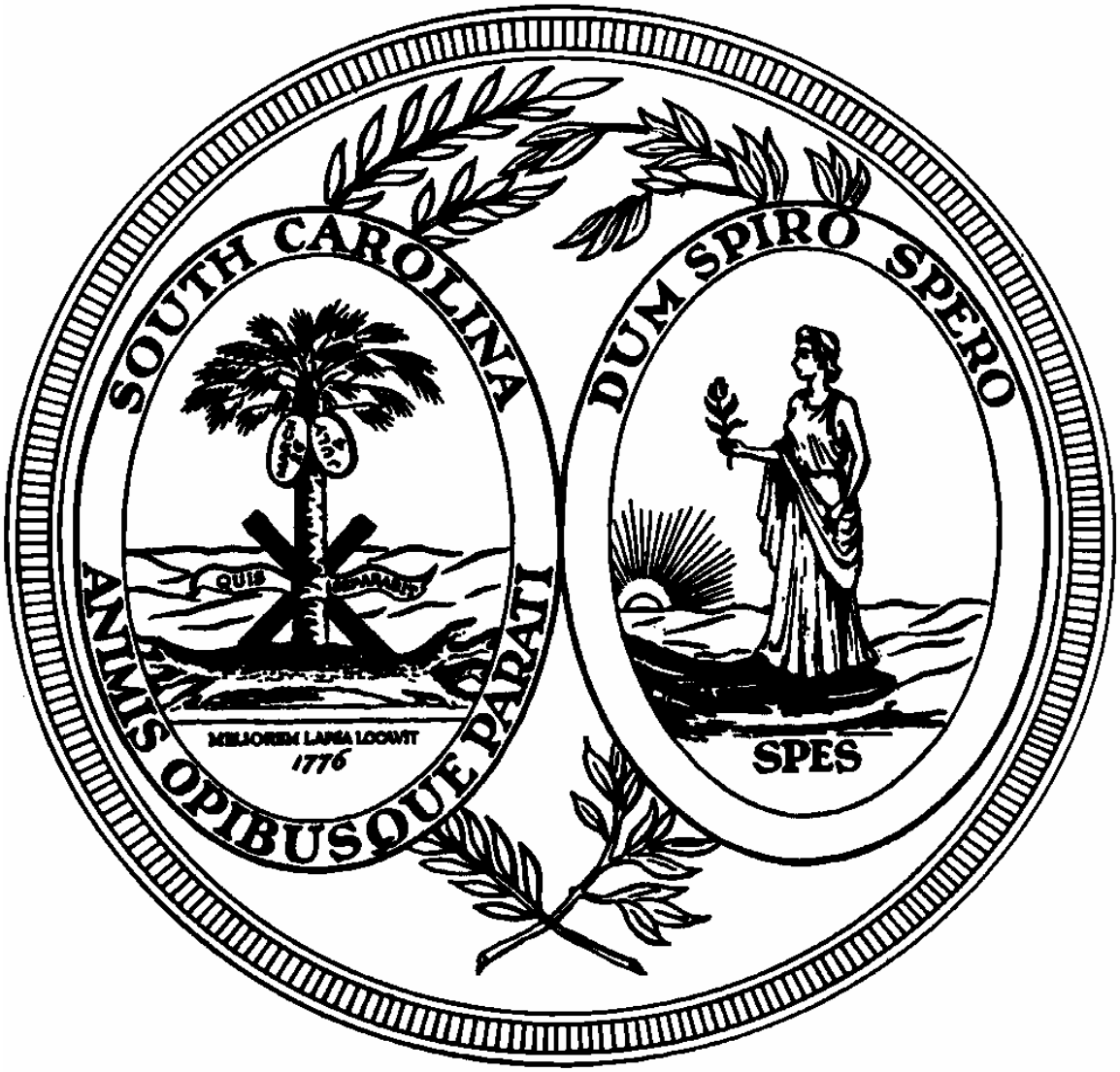
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the State of South Carolina's SCNG Net Pension Liability and Related Ratios
(Expressed in Thousands)

Last 10 Fiscal Years*

SCNG - South Carolina National Guard Supplemental Retirement Plan

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 696	$ 689	$ 690	$ 697
Interest	4,589	4,594	4,481	4,417
Difference Between Actual and Expected Experience	(843)	(992)	612	(262)
Assumption Changes	4,161	—	—	—
Benefit Payments	(4,426)	(4,310)	(4,249)	(4,248)
Net Change in Total Pension Liability	4,177	(19)	1,534	604
Total Pension Liability - Beginning	63,045	63,064	61,530	60,926
Total Pension Liability - Ending (a)	$ 67,222	$ 63,045	$ 63,064	$ 61,530
Plan Fiduciary Net Position				
Contributions - Employer	$ 4,591	$ 4,591	$ 4,591	$ 4,586
Retirement Benefits	(4,425)	(4,310)	(4,249)	(4,248)
Net Investment Income (Loss)	2,533	(121)	313	2,806
Administrative Expense	(13)	(12)	(11)	(10)
Net Change in Plan Fiduciary Net Position	2,686	148	644	3,134
Plan Fiduciary Net Position - Beginning	23,350	23,202	22,558	19,424
Plan Fiduciary Net Position - Ending (b)	$ 26,036	$ 23,350	$ 23,202	$ 22,558
Net Pension Liability - Ending (a) - (b)	$ 41,186	$ 39,695	$ 39,862	$ 38,972
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.73%	37.04%	36.79%	36.66%
Covered-Employee Payroll	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A

* - The State implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, only the last four years' information is available.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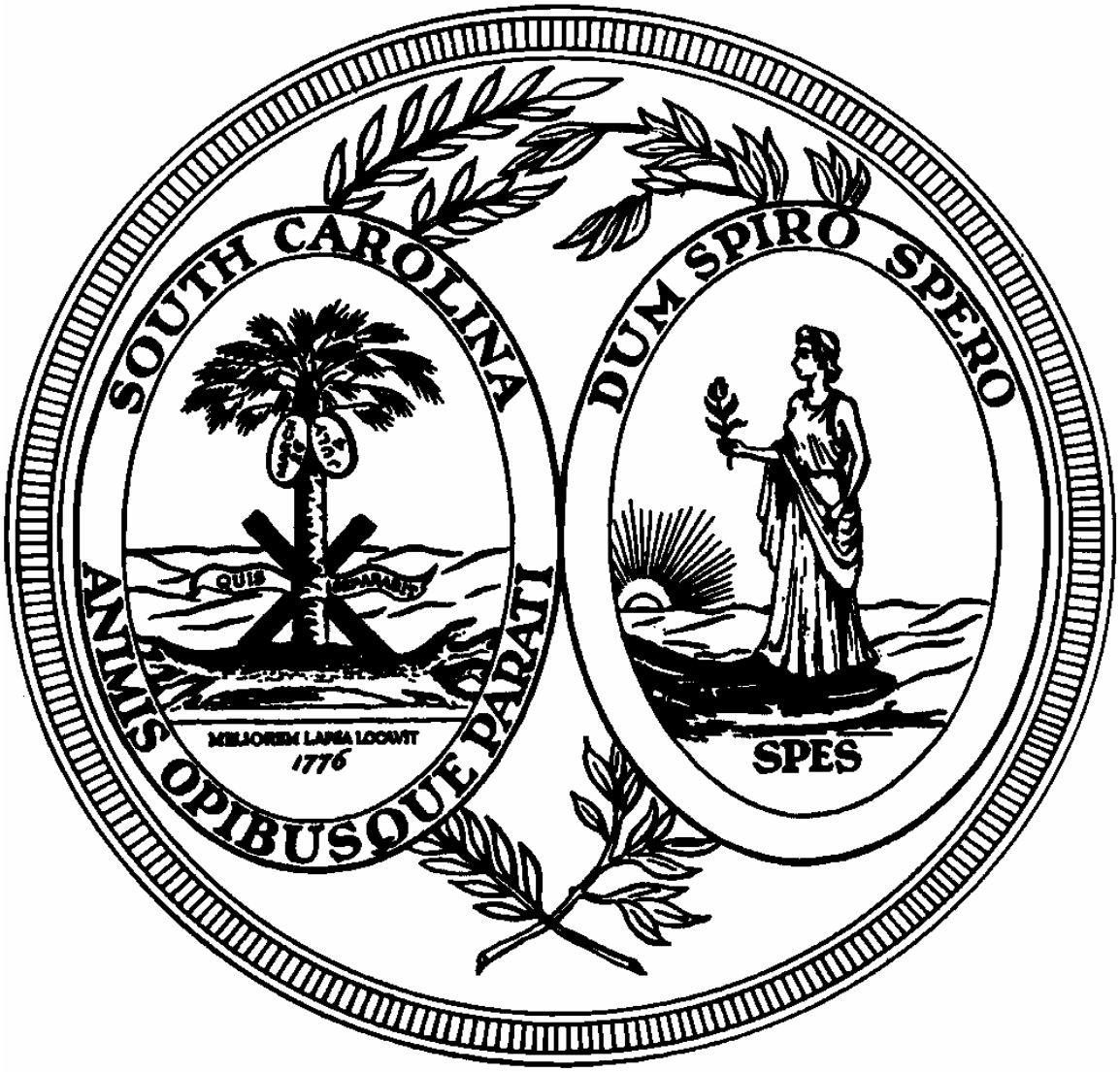
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's Proportionate Share of the Net OPEB Liability
(Expressed in Thousands)

Last 10 Fiscal Years

SCRHI - The South Carolina Retiree Health Insurance Trust Fund

	2018	2017
State's Proportion of the Net OPEB Liability	20.95%	20.95%
State's Proportionate Share of the Net OPEB Liability	$ 2,837,273	$ 3,030,783
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.60%	6.62%

* - The State implemented GASB 75 in fiscal year 2018, which changed prior calculations of the total OPEB liabilities. As such, only the last two years' information is available.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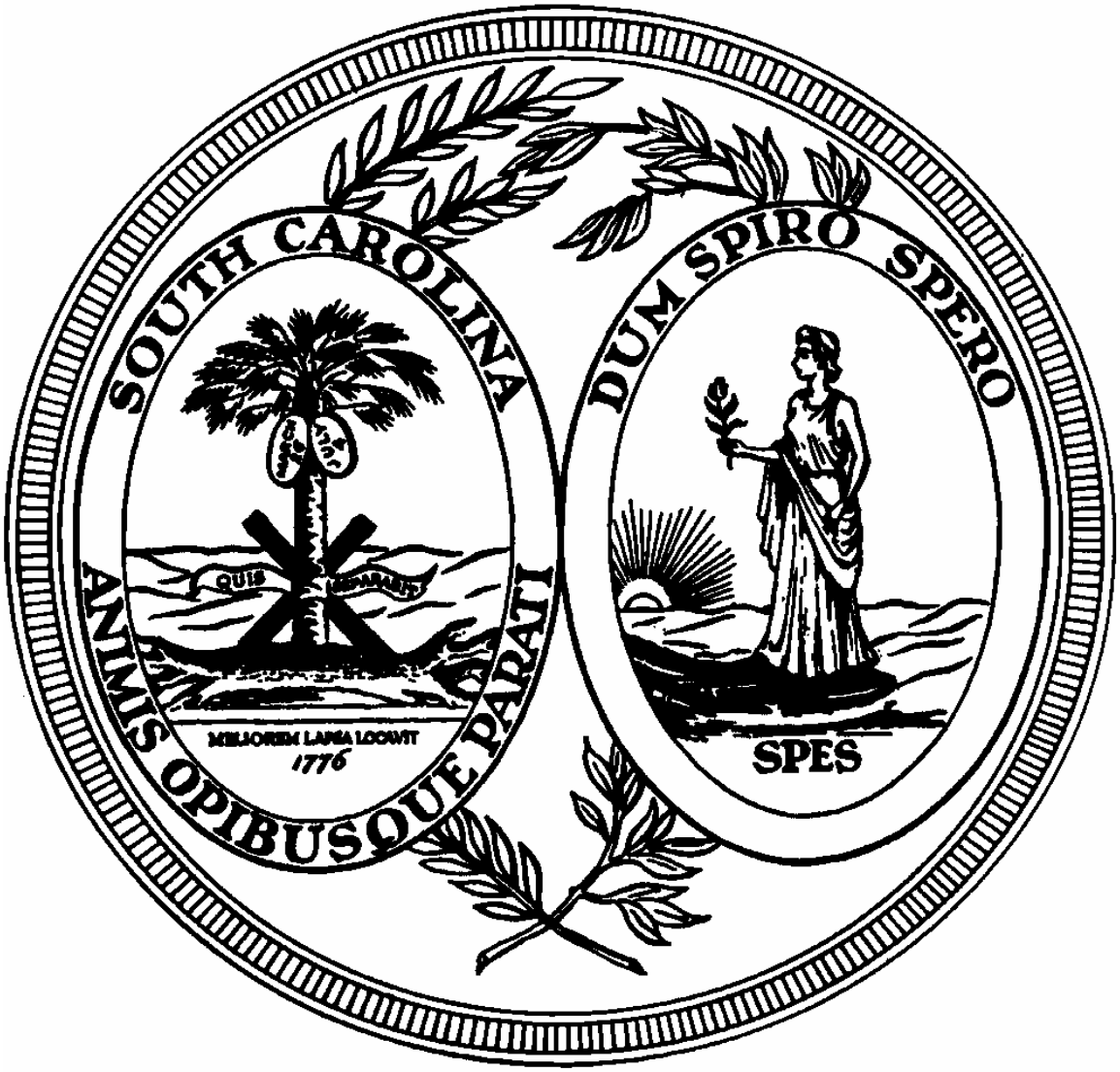
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCRHI Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

SCRHI - The South Carolina Retiree Health Insurance Trust Fund

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 102,826	$ 166,834	$ 157,065	$ 156,653	$ 163,194
Contributions in Relation to the Contractually Required Contribution	(102,826)	(102,887)	(95,903)	(119,745)	(99,102)
Contribution Deficiency/(Excess)	$ —	$ 63,947	$ 61,162	$ 36,908	$ 64,092

2013	2012	2011	2010	2009
$ 171,551	$ 164,938	$ 170,915	$ 164,510	$ 152,323
(85,810)	(87,782)	(63,427)	(62,117)	(77,482)
$ 85,741	$ 77,156	$ 107,488	$ 102,393	$ 74,841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REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's Proportionate Share of the Net OPEB Liability
(Expressed in Thousands)

Last 10 Fiscal Years

LTDIHF - The Long Term Disability Insurance Trust Fund

	2018	2017
State's Proportion of the Net OPEB Liability	21.71%	21.71%
State's Proportionate Share of the Net OPEB Liability	$ 394	$ 151
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	95.29%	98.15%

* - The State implemented GASB 75 in fiscal year 2018, which changed prior calculations of the total OPEB liabilities. As such, only the last two years' information is available.

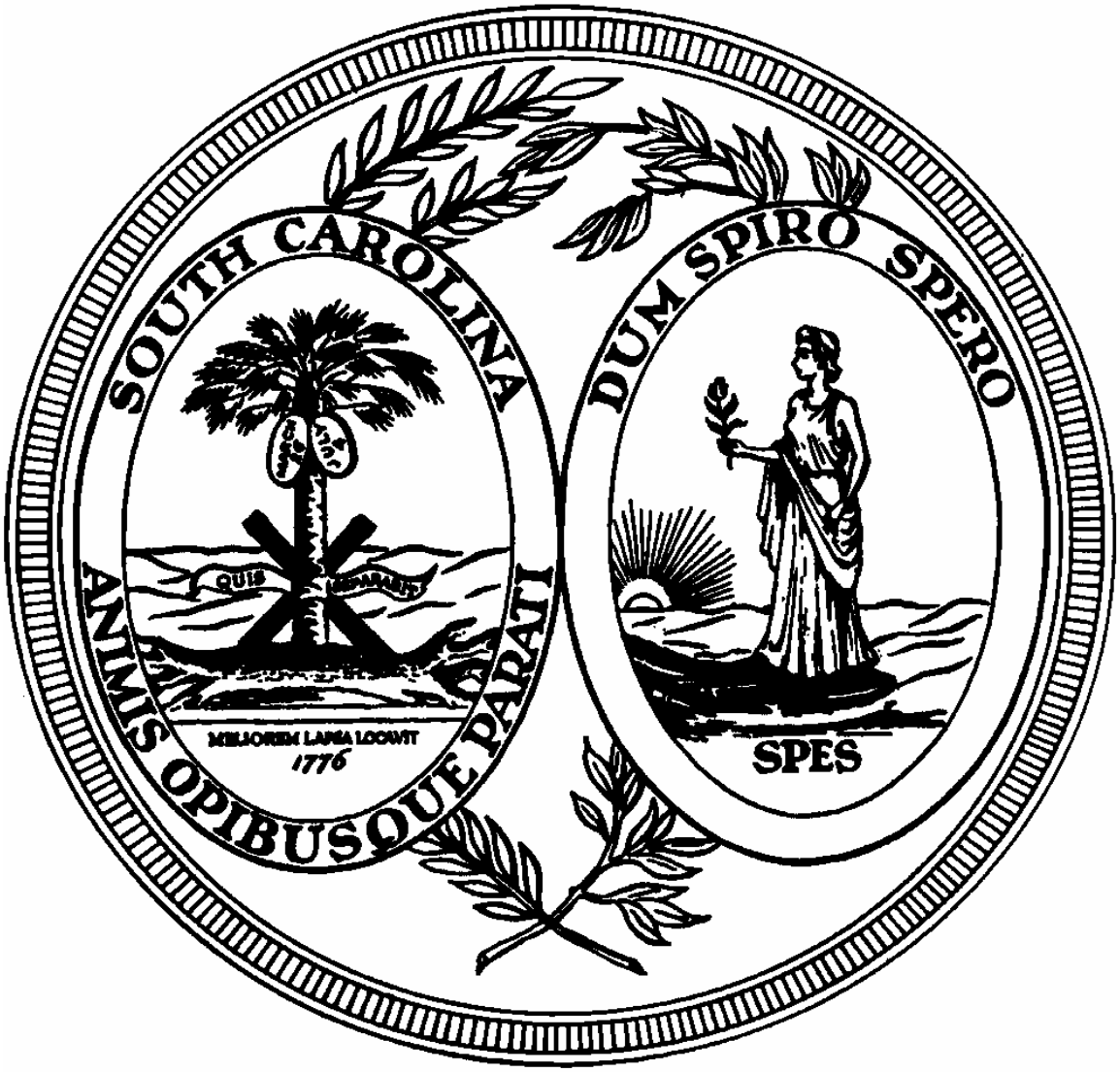
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's LTDIHF Contributions
(Expressed in Thousands)

Last 10 Fiscal Years

LTDIHF - The Long Term Disability Insurance Trust Fund

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,976	$ 2,918	$ 2,845	$ 2,256	$ 1,574
Contributions in Relation to the Contractually Required Contribution	(1,658)	(1,669)	(1,547)	(1,520)	(1,508)
Contribution Deficiency/(Excess)	$ 318	$ 1,249	$ 1,298	$ 736	$ 66

2013	2012	2011	2010	2009
$ 2,043	$ 2,004	$ 2,053	$ 2,082	$ 2,056
(1,476)	(1,465)	(1,465)	(1,487)	(1,512)
$ 567	$ 539	$ 588	$ 595	$ 544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SUPPLEMENTARY INFORMATION

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's governmental funds:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds
- General Reserve Fund Activity—Budgetary General Fund

Generally accepted accounting principles (GAAP) for governments require that a Comprehensive Annual Financial Report (CAFR) include budgetary comparison schedules for "individual nonmajor special revenue funds and other governmental funds of the primary government (including its blended component units)." Such schedules would be included as supplementary information in this subsection of the CAFR if they were applicable. The State of South Carolina, however, does not prepare separate budgets for its individual special revenue funds or for its other governmental funds. Accordingly, this subsection includes no budgetary comparison schedules. (Also see the budgetary comparison schedules within the Required Supplementary Information section of this report.)

Note 1b in the notes to the financial statements describes the State's major governmental funds. The paragraphs below describe all other individual governmental funds that the State uses.

a. Nonmajor Special Revenue Funds

Special revenue funds account for specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The State uses the nonmajor special revenue funds described below:

Waste Management Fund. This fund accounts for fees collected from consumers, generators of solid and hazardous wastes, and owners and operators of solid waste and hazardous waste storage facilities. These fees must be used for the purposes set forth in the State's Solid Waste Policy and Management Act of 1991 and to cover the State's costs in governmental actions involving uncontrolled hazardous waste sites.

Accommodations and Local Option Sales Tax Fund. This fund accounts for: (1) a special additional 2% sales tax on the gross proceeds on the rental of transient accommodations and (2) a special 1% sales tax applicable in some localities within the State. The State allocates these revenues to counties and municipalities in accordance with State law.

Education Lottery Fund. State law requires the Lottery Commission, a major discretely presented component unit, to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund. The Fund distributes these monies for education purposes and programs as stipulated in State law. These programs include tuition assistance, needs-based grants, scholarships for the State's universities and technical colleges and acquisition or improvement of physical resources for education.

Tobacco Settlement Revenue Management Authority Fund. The Tobacco Settlement Revenue Management Authority was created to issue bonds that securitized future payments received under the multi-state legal settlement with the tobacco industry. The State transferred to the Authority, from its General Fund, all of its rights to the future tobacco settlement revenues.

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority. Various healthcare and local government programs use these funds and the related interest.

Public Telecommunications Fund. The Public Telecommunications Fund of the State's Office of Regulatory Staff accounts for revenues collected from telephone companies within the State and redistributed to certain telephone companies in an effort to align prices and cost recovery with costs. This program also is intended to ensure basic telephone service at affordable rates is available to all citizens. Other revenues of the Fund include telephone customer surcharges for the 911 emergency system mandated by the FCC. These monies are collected from the telephone companies and distributed to local governments for their 911 emergency telephone systems.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues that must be used for specific purposes. These funds include operations of various employment services, water recreation, agricultural boards, forest renewal programs, medical and dental scholarships, energy-related programs, and certain programs administered by the Department of Probation, Parole, and Pardon Services.

b. Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds are accounted for through the Capital Projects Fund.

c. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs—that is, for the benefit of the State or its citizenry.

Bequests Fund. Sometimes private citizens make bequests of specific assets within their wills to the State. Typically, these gifts provide that the State may expend the earnings, but not the principal, to support certain State agencies or certain programs within a specific State agency. The Bequests Fund accounts for these funds.

*Children's Education Endowment Fund***.** This fund accounts for low-level radioactive waste fees collected from the Barnwell waste facility that are not required to be deposited to the General Fund or remitted to Barnwell County. These funds are to be used for public school facilities assistance and higher education scholarship grants.

Wildlife Endowment Fund. The Wildlife Endowment Fund accounts for funds received from private citizens as gifts and contributions, as well as fees for certain lifetime hunting and fishing licenses. The State may expend the earnings, but not the principal, in furthering the conservation of wildlife resources and the efficient operation of the State's Department of Natural Resources.

Combining Balance Sheet

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Tele-commun-ications
ASSETS						
Cash and cash equivalents	$ 33,373	$ 110,022	$ 31,662	$ 5,241	$ 5,819	$ 5,964
Investments	138,878	64,313	68,589	—	2,649	7,277
Invested securities lending collateral	134	62	66	—	3	7
Receivables, net:						
Accounts	—	—	24,559	—	—	3
Accrued interest	864	261	601	—	36	42
Sales and other taxes	139	120,662	—	—	—	—
Due from Federal government and other grantors	—	—	—	—	—	—
Due from component units	—	—	13,851	—	—	—
Restricted assets:						
Other	—	—	—	35,500	—	—
Prepaid items	—	—	—	—	—	—
Total assets	**$ 173,388**	**$ 295,320**	**$ 139,328**	**$ 40,741**	**$ 8,507**	**$ 13,293**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	948	4,720	779	—	—	114
Accrued salaries and related expenditures	26	—	30	—	—	11
Retainages payable	—	—	—	—	—	—
Tax refunds payable	—	49	—	—	—	—
Intergovernmental payables	—	97,552	49	—	—	—
Due to other funds	8	—	12	—	—	5
Due to component units	—	—	6,101	—	—	—
Securities lending collateral	134	62	66	—	3	7
Total liabilities	**1,116**	**102,383**	**7,037**	**—**	**3**	**137**
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	172,272	192,937	132,291	40,741	8,504	13,156
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Total fund balances	**172,272**	**192,937**	**132,291**	**40,741**	**8,504**	**13,156**
Total liabilities and fund balances	**$ 173,388**	**$ 295,320**	**$ 139,328**	**$ 40,741**	**$ 8,507**	**$ 13,293**

Exhibit D-1

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ 44,933	$ 237,014	$ 83,688	$ —	$ 180	$ 1,314	$ 290	$ 1,784	$ 322,486
42,164	323,870	53,960	—	1,271	6,035	5,905	13,211	391,041
38	310	52	—	1	6	1	8	370
78	24,640	—	—	—	2	2	4	24,644
272	2,076	483	—	11	15	54	80	2,639
652	121,453	—	—	—	—	—	—	121,453
—	—	112	—	—	—	—	—	112
—	13,851	8,332	—	—	—	—	—	22,183
—	35,500	—	—	—	—	—	—	35,500
1	1	—	—	—	—	—	—	1
$ 88,138	**$ 758,715**	**$ 146,627**	**$ —**	**$ 1,463**	**$ 7,372**	**$ 6,252**	**$ 15,087**	**$ 920,429**
1,460	8,021	1,797	—	—	—	—	—	9,818
190	257	—	—	—	—	6	6	263
—	—	3,045	—	—	—	—	—	3,045
—	49	—	—	—	—	—	—	49
5,116	102,717	—	—	—	—	—	—	102,717
60	85	—	—	—	—	3	3	88
—	6,101	2,167	—	—	—	—	—	8,268
38	310	52	—	1	6	1	8	370
6,864	**117,540**	**7,061**	**—**	**1**	**6**	**10**	**17**	**124,618**
1	1	—	—	689	7,366	3,179	11,234	11,235
46,185	606,086	114,076	—	773	—	3,063	3,836	723,998
30,870	30,870	25,490	—	—	—	—	—	56,360
4,218	4,218	—	—	—	—	—	—	4,218
81,274	**641,175**	**139,566**	**—**	**1,462**	**7,366**	**6,242**	**15,070**	**795,811**
$ 88,138	**$ 758,715**	**$ 146,627**	**$ —**	**$ 1,463**	**$ 7,372**	**$ 6,252**	**$ 15,087**	**$ 920,429**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Tele-commun-ications
Revenues:						
Taxes:						
Retail sales and use	$ 2,221	$ 948,160	$ —	$ —	$ —	$ —
Other	—	3	—	—	—	—
Licenses, fees, and permits	1,076	—	—	—	—	46,403
Interest and other investment income	1,424	148	1,264	—	48	53
Federal	—	—	—	—	—	—
Departmental services	1	—	—	—	—	—
Contributions	—	—	434,800	—	—	—
Fines and penalties	6	—	—	—	81,106	—
Tobacco legal settlement	—	—	—	81,605	—	—
Other	429	—	175	—	—	—
Total revenues	**5,157**	**948,311**	**436,239**	**81,605**	**81,154**	**46,456**
Expenditures:						
Current:						
General government	2,185	—	—	2,070	42	43,816
Education	—	—	371,020	—	—	—
Health and environment	1,233	—	21	—	79,000	—
Administration of justice	—	—	77	—	—	—
Resources and economic development	—	—	—	—	—	—
Capital outlay	3	—	20,625	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	1
Interest and fiscal charges	—	—	—	—	—	—
Intergovernmental	2,219	930,287	14,421	—	—	—
Total expenditures	**5,640**	**930,287**	**406,164**	**2,070**	**79,042**	**43,817**
Excess of revenues over (under) expenditures	**(483)**	**18,024**	**30,075**	**79,535**	**2,112**	**2,639**
Other financing sources (uses):						
Capital leases	—	—	—	—	—	3
Transfers in	—	—	—	—	79,077	—
Transfers out	—	—	(2,500)	(79,077)	(81,105)	—
Total other financing sources (uses)	**—**	**—**	**(2,500)**	**(79,077)**	**(2,028)**	**3**
Net change in fund balances	**(483)**	**18,024**	**27,575**	**458**	**84**	**2,642**
Fund balances at beginning of year	**172,755**	**174,913**	**104,716**	**40,283**	**8,420**	**10,514**
Fund balances at end of year	**$ 172,272**	**$ 192,937**	**$ 132,291**	**$ 40,741**	**$ 8,504**	**$ 13,156**

Exhibit D-2

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ —	$ 950,381	$ —	$ —	$ —	$ —	$ —	$ —	$ 950,381
2,880	2,883	—	—	—	—	—	—	2,883
15,700	63,179	—	—	—	—	511	511	63,690
553	3,490	971	—	7	82	25	114	4,575
—	—	1,962	—	—	—	—	—	1,962
12,524	12,525	—	—	—	—	—	—	12,525
249	435,049	669	—	—	—	—	—	435,718
7,058	88,170	—	—	—	—	—	—	88,170
—	81,605	—	—	—	—	—	—	81,605
59	663	2,987	—	—	229	—	229	3,879
39,023	**1,637,945**	**6,589**	**—**	**7**	**311**	**536**	**854**	**1,645,388**
26,356	74,469	—	—	—	—	—	—	74,469
—	371,020	—	—	—	—	—	—	371,020
62	80,316	—	—	7	—	—	7	80,323
—	77	—	—	—	—	—	—	77
177	177	—	—	—	—	108	108	285
50	20,678	95,878	—	—	—	88	88	116,644
3	4	—	—	—	—	—	—	4
1	1	—	—	—	—	—	—	1
15,952	962,879	—	—	—	—	—	—	962,879
42,601	**1,509,621**	**95,878**	**—**	**7**	**—**	**196**	**203**	**1,605,702**
(3,578)	**128,324**	**(89,289)**	**—**	**—**	**311**	**340**	**651**	**39,686**
25	28	—	—	—	—	—	—	28
10,719	89,796	90,799	—	—	—	—	—	180,595
—	(162,682)	(1,889)	(14,243)	—	—	—	—	(178,814)
10,744	**(72,858)**	**88,910**	**(14,243)**	**—**	**—**	**—**	**—**	**1,809**
7,166	**55,466**	**(379)**	**(14,243)**	**—**	**311**	**340**	**651**	**41,495**
74,108	**585,709**	**139,945**	**14,243**	**1,462**	**7,055**	**5,902**	**14,419**	**754,316**
$ 81,274	**$ 641,175**	**$ 139,566**	**$ —**	**$ 1,462**	**$ 7,366**	**$ 6,242**	**$ 15,070**	**$ 795,811**

General Reserve Fund Activity

Exhibit D-3

BUDGETARY GENERAL FUND

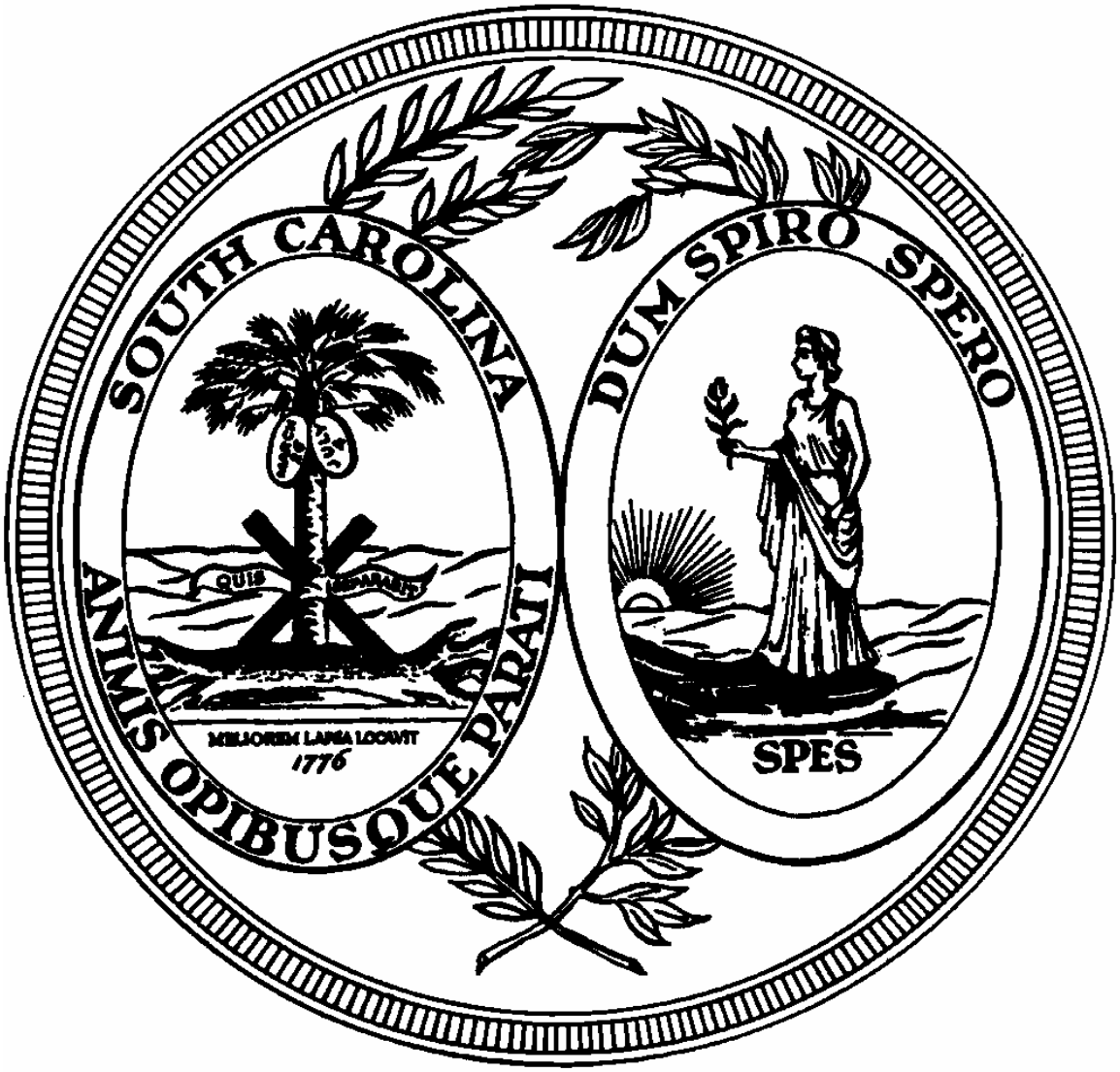
Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund (Reserve). The Reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012, that requires the amount in the Reserve to be gradually increased one-half of one percent annually until the Reserve is five percent of the Budgetary General Fund revenue of the previous fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts for the General Reserve Fund for the last ten fiscal years are (dollars in thousands):

Fiscal Year Ended June 30	Start-of-Year Balance	Deposits	Withdrawals	End-of-Year Balance	Full-Funding Amount	Actual End-of-Year % Funded
2018	348,019	15,533	—	363,552	363,552	100%
2017	327,619	20,400	—	348,019	348,019	100%
2016	319,479	8,140	—	327,619	327,619	100%
2015	292,890	26,589	—	319,479	319,479	100%
2014	281,641	11,249	—	292,890	263,601	111%
2013	183,466	98,175	—	281,641	225,313	125%
2012	166,325	17,141	—	183,466	183,466	100%
2011	110,883	55,442	—	166,325	166,325	100%
2010	—	110,883	—	110,883	191,772	58%
2009	95,123	12,974	(108,097)	—	199,755	—


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

Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Position—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Position—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

Patients' Compensation Fund. This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

Canteen Fund. This fund accounts for the operations of canteens at various correctional institutions.

Tuition Prepayment Program Fund. This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

Palmetto Railways Fund. The Public Railways Division of the Department of Commerce d/b/a Palmetto Railways consists of two divisions: the Ports Utilities Commission and Port Terminal Railroad, which operates the railroad yard at the Charleston Harbor; and the East Cooper and Berkeley Railroad, which operates the railroad line in Berkeley County.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development of the South Carolina Department of Commerce, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

b. Internal Service Funds

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

Insurance Reserve Fund. This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Employee Insurance Programs Fund. This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

Prison Industries Fund. This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

Other Internal Service Funds. These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS

June 30, 2018
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,338	$ 3,934	$ 260	$ 10,074
Investments	7,545	—	51,931	—
Invested securities lending collateral	—	—	—	1
Receivables, net:				
Accounts	—	3	360	2,260
Participants	—	—	312	—
Accrued interest	50	—	—	4
Inventories	—	1,401	—	730
Restricted assets:				
Cash and cash equivalents	—	—	—	238
Prepaid items	290	—	—	246
Total current assets	10,223	5,338	52,863	13,553
Long-term assets:				
Receivables, net:				
Participants	—	—	603	—
Restricted assets:				
Cash and cash equivalents	—	—	—	35
Non-depreciable capital assets	—	—	—	264,848
Depreciable capital assets, net	917	437	—	13,521
Total long-term assets	917	437	603	278,404
Total assets	**11,140**	**5,775**	**53,466**	**291,957**
DEFERRED OUTFLOWS OF RESOURCES	**$ 108**	**$ 828**	**$ —**	**$ 2,657**

Exhibit E-1

Other Enterprise	Totals
$ 3,281	$ 19,887
30	59,506
—	1
105	2,728
—	312
—	54
—	2,131
—	238
—	536
3,416	85,393
—	603
—	35
508	265,356
981	15,856
1,489	281,850
4,905	**367,243**
$ 243	**$ 3,836**

Continued on Next Page

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2018
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
LIABILITIES				
Current liabilities:				
Accounts payable	$ —	$ 498	$ 40	$ 2,495
Accrued salaries and related expenses	29	113	—	797
Accrued interest payable	—	—	—	97
Tuition benefits payable	—	—	14,118	—
Policy claims	5,801	—	—	—
Due to other funds	—	52	—	—
Unearned revenues	3,443	—	—	54
Deposits	—	—	—	300
Securities lending collateral	—	—	—	1
Revenue bonds payable	—	—	—	180
Compensated absences payable	13	82	—	173
Other current liabilities	—	—	—	35
Total current liabilities	9,286	745	14,158	4,132
Long-term liabilities:				
Tuition benefits payable	—	—	75,373	—
Policy claims	41,019	—	—	—
Interfund payables	—	—	—	51,000
Other liabilities payable from restricted assets	135	—	—	—
Notes payable	—	—	—	6,500
Revenue bonds payable	—	—	—	5,375
Compensated absences payable	—	100	—	66
Net pension liability	612	3,771	—	10,622
Net OPEB liability	440	2,435	—	—
Total long-term liabilities	42,206	6,306	75,373	73,563
Total liabilities	**51,492**	**7,051**	**89,531**	**77,695**
DEFERRED INFLOWS OF RESOURCES	**$ 56**	**$ 345**	**$ —**	**$ 7**
NET POSITION				
Net investment in capital assets	$ 917	$ 437	$ —	$ 215,314
Unrestricted	(41,217)	(1,230)	(36,065)	1,598
Total net position (deficit)	**$ (40,300)**	**$ (793)**	**$ (36,065)**	**$ 216,912**

Exhibit E-1

Other Enterprise	Totals
$ 93	$ 3,126
79	1,018
—	97
—	14,118
—	5,801
33	85
—	3,497
—	300
—	1
—	180
41	309
—	35
246	28,567
—	75,373
—	41,019
—	51,000
—	135
—	6,500
—	5,375
50	216
1,106	16,111
714	3,589
1,870	199,318
2,116	**227,885**
$ 101	**$ 509**
$ 1,489	$ 218,157
1,442	(75,472)
$ 2,931	**$ 142,685**

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

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program
Operating revenues:			
Charges for services	$ 9,228	$ 20,847	$ —
Contributions	—	—	465
Interest and other investment income	—	—	15,136
Other operating revenues	—	—	—
Total operating revenues	**9,228**	**20,847**	**15,601**
Operating expenses:			
General operations and administration	1,580	17,432	177
Benefits and claims	5,135	—	—
Tuition plan disbursements	—	—	14,683
Depreciation and amortization	127	134	—
Other operating expenses	—	—	—
Total operating expenses	**6,842**	**17,566**	**14,860**
Operating income (loss)	**2,386**	**3,281**	**741**
Nonoperating revenues (expenses):			
Interest income	—	—	—
Interest expense	(9)	—	—
Net other nonoperating revenues (expenses)	—	—	—
Total nonoperating revenues (expenses)	**(9)**	**—**	**—**
Income (loss) before transfers	**2,377**	**3,281**	**741**
Transfers in	—	—	—
Transfers out	—	(8,795)	—
Change in net position	**2,377**	**(5,514)**	**741**
Net position (deficit), at beginning of year, as restated	**(42,677)**	**4,721**	**(36,806)**
Net position (deficit) at end of year	**$ (40,300)**	**$ (793)**	**$ (36,065)**

Exhibit E-2

Palmetto Railways	Other Enterprise	Totals
$ 18,513	$ 5,051	$ 53,639
—	—	465
1	—	15,137
119	—	119
18,633	**5,051**	**69,360**
16,441	3,210	38,840
—	—	5,135
—	—	14,683
1,075	115	1,451
—	33	33
17,516	**3,358**	**60,142**
1,117	**1,693**	**9,218**
34	—	34
(97)	—	(106)
4,457	51	4,508
4,394	**51**	**4,436**
5,511	**1,744**	**13,654**
—	44	44
—	—	(8,795)
5,511	**1,788**	**4,903**
211,401	**1,143**	**137,782**
$ 216,912	**$ 2,931**	**$ 142,685**

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Cash flows from operating activities:				
Receipts from customers, patients, and third-party payers	$ 9,115	$ 20,844	$ —	$ 18,437
Tuition plan contributions received	—	—	1,545	—
Claims and benefits paid	(6,677)	—	(30,218)	—
Payments to suppliers for goods and services	(1,450)	(14,853)	—	(12,312)
Payments to employees	(349)	(1,531)	—	(4,003)
Other operating cash receipts	—	—	(962)	419
Net cash provided by (used in) operating activities	**639**	**4,460**	**(29,635)**	**2,541**
Cash flows from noncapital financing activities:				
Miscellaneous revenue cash receipts	—	3	—	1,738
Transfers in	—	—	—	—
Transfers out	—	(8,795)	—	—
Net cash provided by (used in) noncapital financing activities	**—**	**(8,792)**	**—**	**1,738**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9)	—	—	(26,607)
Proceeds from issuance of note	—	—	—	6,500
Principal payments on capital debt	—	—	—	(175)
Proceeds from sale or disposal of capital assets	—	—	—	2,898
Net cash provided by (used in) capital and related financing activities	**(9)**	**—**	**—**	**(17,384)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	4,655	—	13,877	—
Purchase of investments	(5,357)	—	—	—
Interest and dividends on investments	9	—	15,136	32
Net cash provided by (used in) investing activities	**(693)**	**—**	**29,013**	**32**
Net increase (decrease) in cash and cash equivalents	**(63)**	**(4,332)**	**(622)**	**(13,073)**
Cash and cash equivalents at beginning of year	**2,401**	**8,266**	**882**	**23,420**
Cash and cash equivalents at end of year	**$ 2,338**	**$ 3,934**	**$ 260**	**$ 10,347**

Exhibit E-3

Other Enterprise	Totals
$ 4,950	$ 53,346
—	1,545
—	(36,895)
(1,556)	(30,171)
(1,415)	(7,298)
—	(543)
1,979	**(20,016)**
105	1,846
44	44
—	(8,795)
149	**(6,905)**
(8)	(26,624)
—	6,500
—	(175)
—	2,898
(8)	**(17,401)**
—	18,532
(2)	(5,359)
(4)	15,173
(6)	**28,346**
2,114	**(15,976)**
1,167	**36,136**
$ 3,281	**$ 20,160**

Continued on Next Page

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 2,386	$ 3,281	$ 741	$ 1,117
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	127	134	—	1,075
Provision for bad debts	—	—	—	—
Realized gains and losses on sale of assets	—	—	—	2,899
Interest and dividends on investments and interfund loans	—	—	(15,136)	(63)
Other nonoperating revenues	36	—	—	—
Other nonoperating expenses	—	—	—	(9,261)
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	—	1,079	(26)
Due from other funds	—	—	—	(3)
Inventories	—	(39)	—	(30)
Other assets	9	—	—	348
Deferred outflows	(55)	(388)	—	253
Accounts payable	(225)	490	(784)	(1,261)
Accrued salaries and related expenses	3	(9)	—	(8)
Tuition benefits payable	—	—	(15,535)	—
Policy claims	(1,543)	—	—	—
Due to other funds	—	(2)	—	—
Unearned revenues	(112)	—	—	(41)
Compensated absences payable	3	(26)	—	(4)
Other liabilities	(20)	632	—	7,550
Deferred inflows	30	387	—	(4)
Net cash provided by (used in) operating activities	**$ 639**	**$ 4,460**	**$ (29,635)**	**$ 2,541**
Noncash capital, investing, and financing activities:				
Increase (decrease) in fair value of investments	$ (111)	$ —	$ (236)	$ —

Exhibit E-3

Other Enterprise	Totals
$ 1,693	$ 9,218
115	1,451
(26)	(26)
—	2,899
4	(15,195)
—	36
(31)	(9,292)
(38)	1,015
—	(3)
—	(69)
156	513
(114)	(304)
92	(1,688)
(53)	(67)
—	(15,535)
—	(1,543)
(13)	(15)
—	(153)
(105)	(132)
185	8,347
114	527
$ 1,979	**$ (20,016)**
$ —	$ (347)

Combining Statement of Net Position

INTERNAL SERVICE FUNDS

June 30, 2018
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,869	$ 542,752	$ 305,692	$ 27,935	$ 17,258
Investments	—	—	—	1,741	—
Invested securities lending collateral	—	411	—	2	—
Receivables, net:					
Accounts	19,704	107,057	59,798	1,740	778
Accrued interest	3,265	7	1,572	11	—
Due from other funds	9,839	—	—	3,673	276
Due from component units	13,406	—	—	—	—
Inventories	—	—	—	619	—
Prepaid items	18,469	1,284	21	10	—
Total current assets	71,552	651,511	367,083	35,731	18,312
Long-term assets:					
Investments	455,833	—	—	—	—
Accounts receivable, net	—	—	—	—	—
Interfund receivables	—	—	—	—	400
Prepaid items	—	—	—	11	—
Other long-term assets	—	—	181	—	—
Non-depreciable capital assets	—	—	—	6,339	—
Depreciable capital assets, net	—	61	134	65,164	38,424
Total long-term assets	455,833	61	315	71,514	38,824
Total assets	**527,385**	**651,572**	**367,398**	**107,245**	**57,136**
DEFERRED OUTFLOWS OF RESOURCES	**4,172**	**3,356**	**941**	**6,328**	**423**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 4,302	$ 1,372	$ 906,180
—	—	1,741
—	—	413
735	—	189,812
—	—	4,855
—	—	13,788
—	—	13,406
2,209	—	2,828
—	—	19,784
7,246	1,372	1,152,807
—	—	455,833
321	—	321
—	—	400
—	—	11
—	—	181
—	—	6,339
3,916	—	107,699
4,237	—	570,784
11,483	**1,372**	**1,723,591**
4,405	**56**	**19,681**

Continued on Next Page

Combining Statement of Net Position

INTERNAL SERVICE FUNDS (Continued)

June 30, 2018
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
LIABILITIES					
Current liabilities:					
Accounts payable	$ 100	$ 1	$ 102	$ 4,037	$ 883
Accrued salaries and related expenses	353	812	290	1,289	94
Accrued interest payable	—	—	—	4	28
Retainages payable	—	—	—	9	—
Intergovernmental payables	—	—	—	—	—
Policy claims	292,050	246,713	94,577	—	—
Due to other funds	—	—	—	1,047	38
Unearned revenues	79,111	21,043	64,604	—	—
Deposits	—	—	139	—	—
Securities lending collateral	—	411	—	2	—
Notes payable	—	—	—	978	4,852
Capital leases payable	—	—	25	—	—
Compensated absences payable	153	601	160	1,072	65
Other current liabilities	—	—	3,056	—	—
Total current liabilities	371,767	269,581	162,953	8,438	5,960
Long-term liabilities:					
Policy claims	—	—	157,413	—	—
Interfund payables	—	—	—	142	—
Notes payable	—	—	—	1,504	15,073
Capital leases payable	—	—	55	—	—
Compensated absences payable	79	225	35	546	33
Net pension liability	6,947	13,479	5,491	28,301	1,887
Net OPEB liability	3,920	10,430	4,082	21,290	1,452
Total long-term liabilities	10,946	24,134	167,076	51,783	18,445
Total liabilities	**382,713**	**293,715**	**330,029**	**60,221**	**24,405**
DEFERRED INFLOWS OF RESOURCES	**375**	**993**	**604**	**2,871**	**195**
NET POSITION					
Net investment in capital assets	—	61	54	69,021	18,499
Restricted:					
Expendable:					
Insurance programs	148,469	360,159	—	—	—
Unrestricted	—	—	37,652	(18,540)	14,460
Total net position (deficit)	**$ 148,469**	**$ 360,220**	**$ 37,706**	**$ 50,481**	**$ 32,959**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 174	$ 2	$ 5,299
896	9	3,743
—	—	32
—	—	9
1	—	1
—	—	633,340
171	4	1,260
—	—	164,758
—	—	139
—	—	413
—	—	5,830
—	—	25
247	13	2,311
—	—	3,056
1,489	28	820,216
—	—	157,413
—	—	142
—	—	16,577
—	—	55
126	7	1,051
21,544	256	77,905
5,126	197	46,497
26,796	460	299,640
28,285	**488**	**1,119,856**
1,137	**27**	**6,202**
3,916	—	91,551
—	—	508,628
(17,450)	913	17,035
$ (13,534)	**$ 913**	**$ 617,214**

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

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Operating revenues:				
Charges for services	$ 125,462	$ 2,486,241	$ 70,531	$ 64,705
Other operating revenues	—	386,795	—	—
Total operating revenues	**125,462**	**2,873,036**	**70,531**	**64,705**
Operating expenses:				
General operations and administration	44,498	352,973	5,266	57,300
Benefits and claims	106,365	2,486,176	49,722	12
Depreciation and amortization	—	126	71	6,787
Other operating expenses	—	—	99	408
Total operating expenses	**150,863**	**2,839,275**	**55,158**	**64,507**
Operating income (loss)	**(25,401)**	**33,761**	**15,373**	**198**
Nonoperating revenues (expenses):				
Interest income	4,724	9,218	2,339	73
Contributions	—	—	—	38
Federal grants and contracts	—	—	—	17
Interest expense	—	—	—	(72)
Net other nonoperating revenues (expenses)	63	—	70	3,202
Losses on sale of capital assets	—	—	—	(2,920)
Total nonoperating revenues (expenses)	**4,787**	**9,218**	**2,409**	**338**
Income (loss) before transfers	**(20,614)**	**42,979**	**17,782**	**536**
Transfers in	—	—	—	2,258
Transfers out	—	—	—	(7,805)
Change in net position	**(20,614)**	**42,979**	**17,782**	**(5,011)**
Net position (deficit), at beginning of year, as restated	**169,083**	**317,241**	**19,924**	**55,492**
Net position (deficit) at end of year	**$ 148,469**	**$ 360,220**	**$ 37,706**	**$ 50,481**

Exhibit E-5

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 32,333	$ 17,149	$ 3,093	$ 2,799,514
—	—	—	386,795
32,333	**17,149**	**3,093**	**3,186,309**
20,114	30,973	931	512,055
—	—	—	2,642,275
10,530	282	—	17,796
1	2	—	510
30,645	**31,257**	**931**	**3,172,636**
1,688	**(14,108)**	**2,162**	**13,673**
—	—	—	16,354
—	—	—	38
—	—	—	17
(300)	—	—	(372)
2,152	1,709	(2,763)	4,433
(377)	—	—	(3,297)
1,475	**1,709**	**(2,763)**	**17,173**
3,163	**(12,399)**	**(601)**	**30,846**
—	—	—	2,258
(2,329)	—	—	(10,134)
834	**(12,399)**	**(601)**	**22,970**
32,125	**(1,135)**	**1,514**	**594,244**
$ 32,959	**$ (13,534)**	**$ 913**	**$ 617,214**

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Cash flows from operating activities:				
Receipts from customers	$ 78,388	$ 2,489,101	$ 13,041	$ —
Internal activity–payments from other funds	58,360	—	57,157	65,918
Other operating cash receipts	—	440,870	—	—
Claims paid	(97,050)	(104,573)	(48,526)	—
Payments to suppliers for goods and services	(40,651)	(2,700,674)	(1,236)	(33,589)
Payments to employees	(3,491)	(9,191)	(3,490)	(20,361)
Internal activity–payments to other funds	—	—	(3,277)	—
Other operating cash payments	—	—	—	—
Net cash provided by (used in) operating activities	**(4,444)**	**115,533**	**13,669**	**11,968**
Cash flows from noncapital financing activities:				
Payment of bond issuance costs for other funds	—	—	—	—
Miscellaneous revenue cash receipts	63	—	—	3,291
Transfers in	—	—	—	2,258
Transfers out	—	—	—	(7,805)
Net cash provided by (used in) noncapital financing activities	**63**	**—**	**—**	**(2,256)**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	—	(76)	(6)	(948)
Proceeds from issuance of capital debt	—	—	—	—
Principal payments on capital debt	—	—	—	(3,218)
Interest payments on capital debt	—	—	—	(130)
Proceeds from sale or disposal of capital assets	—	—	—	—
Net cash used in capital and related financing activities	**—**	**(76)**	**(6)**	**(4,296)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	145,497	—	—	—
Purchase of investments	(155,529)	—	—	(177)
Interest on investments	10,658	9,278	1,478	69
Net cash provided by (used in) investing activities	**626**	**9,278**	**1,478**	**(108)**
Net increase (decrease) in cash and cash equivalents	**(3,755)**	**124,735**	**15,141**	**5,308**
Cash and cash equivalents at beginning	**10,624**	**418,017**	**290,551**	**22,627**
Cash and cash equivalents at end of year	**$ 6,869**	**$ 542,752**	**$ 305,692**	**$ 27,935**

Exhibit E-6

Motor Pool	Prison Industries	Other Internal Service	Totals
$ —	$ 17,356	$ —	$ 2,597,886
32,266	—	3,095	216,796
—	—	—	440,870
—	—	—	(250,149)
(18,521)	(4,717)	(558)	(2,799,946)
(1,367)	(13,410)	(186)	(51,496)
—	—	—	(3,277)
(1)	—	—	(1)
12,377	**(771)**	**2,351**	**150,683**
—	—	(2,762)	(2,762)
721	1,708	—	5,783
—	—	—	2,258
(2,329)	—	—	(10,134)
(1,608)	**1,708**	**(2,762)**	**(4,855)**
(17,231)	(111)	—	(18,372)
12,890	—	—	12,890
(3,543)	—	—	(6,761)
(27)	—	—	(157)
1,382	—	—	1,382
(6,529)	**(111)**	**—**	**(11,018)**
—	—	—	145,497
—	—	—	(155,706)
—	—	—	21,483
—	**—**	**—**	**11,274**
4,240	**826**	**(411)**	**146,084**
13,018	**3,476**	**1,783**	**760,096**
$ 17,258	**$ 4,302**	**$ 1,372**	**$ 906,180**

Continued on Next Page

Combining Statement of Cash Flows

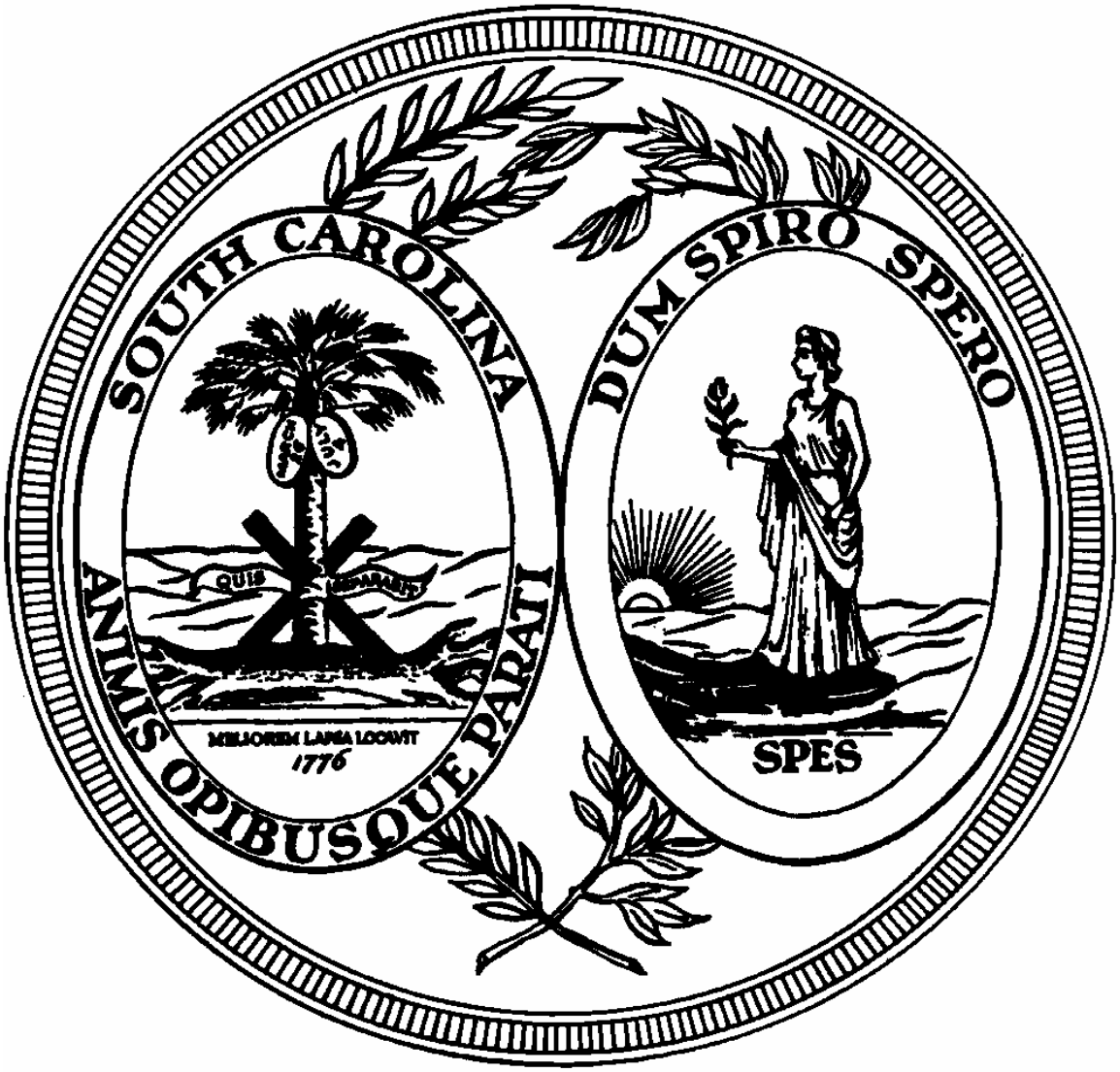
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (25,401)	$ 33,761	$ 15,373	$ 198
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	—	126	71	6,787
Interest payments reclassified as capital and related financing activities	—	—	—	(72)
Interest and dividends on investments and interfund loans	—	—	—	72
Realized losses on sale of assets	—	—	—	(2,920)
Other nonoperating revenues	—	—	31	2,960
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	54,517	(537)	(276)
Due from other funds	(951)	—	—	1,490
Inventories	—	—	—	(105)
Other assets	(1,561)	(53)	401	1
Deferred outflows	565	(558)	(198)	(2,159)
Accounts payable	86	(480)	(103)	2,751
Accrued salaries and related expenses	63	61	3	18
Policy claims	9,315	24,096	(2,024)	—
Due to other funds	—	—	—	244
Unearned revenues	12,151	2,417	(322)	—
Compensated absences payable	(40)	(81)	(26)	(500)
Other liabilities	961	747	700	515
Deferred inflows	368	980	300	2,964
Net cash provided by (used in) operating activities	**$ (4,444)**	**$ 115,533**	**$ 13,669**	**$ 11,968**
Noncash capital, investing, and financing activities:				
Disposal of capital assets	$ —	$ —	$ —	$ 9,222
Borrowing under capital leases	—	—	(80)	—
Increase in fair value of investments	(6,689)	(492)	(352)	—
Total noncash capital, investing, and financing activities	**$ (6,689)**	**$ (492)**	**$ (432)**	**$ 9,222**

Exhibit E-6

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 1,688	$ (14,108)	$ 2,162	$ 13,673
10,530	282	—	17,796
—	—	—	(72)
—	—	—	72
(377)	—	—	(3,297)
—	—	—	2,991
(84)	207	—	53,827
8	—	2	549
—	(111)	—	(216)
—	—	—	(1,212)
(164)	(4,316)	(67)	(6,897)
438	163	—	2,855
19	(20)	(12)	132
—	—	—	31,387
6	(1)	(3)	246
—	—	—	14,246
(26)	(130)	3	(800)
133	15,245	226	18,527
206	2,018	40	6,876
$ 12,377	**$ (771)**	**$ 2,351**	**$ 150,683**
$ 7,736	$ 53	$ —	$ 17,011
—	—	—	(80)
—	—	—	(7,533)
$ 7,736	**$ 53**	**$ —**	**$ 9,398**


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

Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's fiduciary funds:

- Combining Statement of Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

a. Pension and Other Post-Employment Benefit Trust Funds

South Carolina Retirement System. This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

Police Officers' Retirement System. This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

General Assembly Retirement System. This is a single-employer pension system that benefits members of the South Carolina General Assembly.

Judges' and Solicitors' Retirement System. This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

National Guard Retirement System. The State administers this single-employer pension system that provides a supplemental retirement benefit to members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

South Carolina Retiree Health Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

Long-term Disability Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

b. Private-Purpose Trust Funds

College Savings Plan Fund. The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

Other Private-Purpose Trust Funds. This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

c. Agency Funds

Agency Funds are used to account for resources held by the State in a short-term custodial capacity for individuals, private organizations, and other governments. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, miscellaneous clearing accounts, and other deposits.

Combining Statement of Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2018
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
ASSETS					
Cash and cash equivalents	$ 2,002,590	$ 331,698	$ 5,389	$ 13,768	$ 4,648
Receivables:					
Contributions	303,213	32,357	32	810	—
Accrued interest	39,429	6,763	49	236	42
Unsettled investment sales	520,220	89,148	592	3,081	502
Other investment receivables	986	169	1	6	1
Total receivables	863,848	128,437	674	4,133	545
Due from other funds	—	278	—	—	—
Investments, at fair value:					
Short-term investments	497,097	85,186	566	2,944	479
Debt-domestic	4,482,965	768,228	5,104	26,549	4,322
Equity-international	11,761,071	2,015,451	13,391	69,650	11,338
Alternatives	8,054,600	1,380,287	9,170	47,700	7,765
Financial and other	—	—	—	—	—
Total investments	24,795,733	4,249,152	28,231	146,843	23,904
Invested securities lending collateral	29,348	5,029	33	174	28
Capital assets, net	2,126	220	6	10	—
Prepaid items	3,075	492	4	18	3
Total assets	**27,696,720**	**4,715,306**	**34,337**	**164,946**	**29,128**
LIABILITIES					
Accounts payable	10,783	1,848	12	64	10
Accounts payable–unsettled investment purchases	728,900	124,909	830	4,317	703
Policy claims	—	—	—	—	—
Due to other funds	66,065	1,282	—	—	—
Deferred retirement benefits	377,263	—	—	—	—
Securities lending collateral	69,180	11,855	79	410	67
Other liabilities	29,613	4,981	22	119	21
Total liabilities	**1,281,804**	**144,875**	**943**	**4,910**	**801**
NET POSITION					
Held in trust for pension and other post-employment benefits	**$ 26,414,916**	**$ 4,570,431**	**$ 33,394**	**$ 160,036**	**$ 28,327**

Exhibit F-1

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 9,415	$ 980	$ 2,368,488
—	—	336,412
7,195	298	54,012
—	—	613,543
—	—	1,163
7,195	298	1,005,130
67,069	—	67,347
—	—	586,272
1,036,786	30,286	6,354,240
—	—	13,870,901
—	—	9,499,522
96,224	5,164	101,388
1,133,010	35,450	30,412,323
7,386	728	42,726
—	—	2,362
—	—	3,592
1,224,075	**37,456**	**33,901,968**
—	—	12,717
—	—	859,659
—	512	512
—	—	67,347
—	—	377,263
7,544	744	89,879
—	—	34,756
7,544	**1,256**	**1,442,133**
$ 1,216,531	**$ 36,200**	**$ 32,459,835**

Combining Statement of Changes in Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
Additions:					
Contributions:					
Employer	$ 1,300,832	$ 211,806	$ 5,428	$ 11,043	$ 4,814
Employee	868,681	138,652	287	3,016	—
Nonemployer	104,974	13,122	—	—	—
Total contributions	2,274,487	363,580	5,715	14,059	4,814
Investment income:					
Interest income and net appreciation in investments	2,302,681	385,492	2,737	13,592	2,205
Securities lending income	1,693	286	2	10	2
Total investment income	2,304,374	385,778	2,739	13,602	2,207
Less investment expense:					
Investment expense	317,426	54,249	363	1,879	305
Securities lending expense	—	—	—	—	—
Net investment income	1,986,948	331,529	2,376	11,723	1,902
Assets moved between pension trust funds	—	1,534	—	—	—
Total additions	**4,261,435**	**696,643**	**8,091**	**25,782**	**6,716**
Deductions:					
Regular retirement benefits	2,718,718	369,536	6,452	17,655	4,411
Supplemental retirement benefits	355	13	—	—	—
Deferred retirement benefits	707,932	—	—	—	—
Refunds of retirement contributions to members	113,867	23,899	—	—	—
Death benefit claims	22,284	2,751	16	156	—
Accidental death benefits	—	1,734	—	—	—
Other post-employment benefits	—	—	—	—	—
Depreciation	190	25	—	1	—
Administrative expense	14,468	2,377	18	85	14
Assets moved between pension trust funds	1,534	—	—	—	—
Total deductions	**3,579,348**	**400,335**	**6,486**	**17,897**	**4,425**
Change in net position	**682,087**	**296,308**	**1,605**	**7,885**	**2,291**
Net position at beginning of year	**25,732,829**	**4,274,123**	**31,789**	**152,151**	**26,036**
Net position at end of year	**$ 26,414,916**	**$ 4,570,431**	**$ 33,394**	**$ 160,036**	**$ 28,327**

Exhibit F-2

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 460,478	$ 7,480	$ 2,001,881
—	—	1,010,636
106,949	—	225,045
567,427	7,480	3,237,562
467	51	2,707,225
54	2	2,049
521	53	2,709,274
—	—	374,222
5	—	5
516	53	2,335,047
—	—	1,534
567,943	**7,533**	**5,574,143**
—	—	3,116,772
—	—	368
—	—	707,932
—	—	137,766
—	—	25,207
—	—	1,734
466,122	8,020	474,142
—	—	216
65	10	17,037
—	—	1,534
466,187	**8,030**	**4,482,708**
101,756	**(497)**	**1,091,435**
1,114,775	**36,697**	**31,368,400**
$ 1,216,531	**$ 36,200**	**$ 32,459,835**

Combining Statement of Fiduciary Net Position — Exhibit F-3

PRIVATE-PURPOSE TRUST FUNDS

June 30, 2018
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
ASSETS			
Cash and cash equivalents	$ 963	$ 13,564	$ 14,527
Receivables, net:			
Accrued interest	2,530	31	2,561
Unsettled investment sales	6,793	—	6,793
Investments	3,549,399	4,504	3,553,903
Invested securities lending collateral	—	3	3
Other assets	—	4,464	4,464
Total assets	**3,559,685**	**22,566**	**3,582,251**
LIABILITIES			
Accounts payable	2,125	9	2,134
Accounts payable–unsettled investment purchases	6,359	—	6,359
Securities lending collateral	—	3	3
Total liabilities	**8,484**	**12**	**8,496**
NET POSITION			
Held in trust for other purposes	**$ 3,551,201**	**$ 22,554**	**$ 3,573,755**

Combining Statement of Changes in Fiduciary Net Position

Exhibit F-4

PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
Additions:			
Licenses, fees, and permits	$ —	$ 63	$ 63
Tuition plan deposits	700	26	726
Contributions	258,517	5,406	263,923
Interest income	230,252	34	230,286
Total additions	**489,469**	**5,529**	**494,998**
Deductions:			
Administrative expense	12,097	65	12,162
Other expenses	600	985	1,585
Total deductions	**12,697**	**1,050**	**13,747**
Change in net position	**476,772**	**4,479**	**481,251**
Net position at beginning of year	**3,074,429**	**18,075**	**3,092,504**
Net position at end of year	**$ 3,551,201**	**$ 22,554**	**$ 3,573,755**

Combining Statement of Changes in Assets and Liabilities

Exhibit F-5

AGENCY FUNDS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets:				
Cash and cash equivalents	$ 474,015	$ 34,560,758	$ 34,641,836	$ 392,937
Accounts receivable	4,667	242,409	234,065	13,011
Accrued interest receivable	1,467	2,392	1,528	2,331
Taxes receivable	590	4,754	4,596	748
Loans and notes receivable	51	51	89	13
Due from other funds	13,313	202,113	204,253	11,173
Investments	15,116	45,092	41,568	18,640
Invested securities lending collateral	876	15,870	16,563	183
Total assets	**$ 510,095**	**$ 35,073,439**	**$ 35,144,498**	**$ 439,036**
Liabilities:				
Accounts payable	$ 24,199	$ 2,785,897	$ 2,770,572	$ 39,524
Due to other funds	—	42,560	42,560	—
Intergovernmental payables	34,993	104,296	106,853	32,436
Deposits	3,320	596	840	3,076
Amounts held in custody for others	446,334	361,349	444,129	363,554
Securities lending collateral	1,247	21,385	22,449	183
Due to participants	2	43	28	17
Other liabilities	—	246	—	246
Total liabilities	**$ 510,095**	**$ 3,316,372**	**$ 3,387,431**	**$ 439,036**

Nonmajor Discretely Presented Component Units

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Position—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units

The following entities are nonmajor discretely presented component units of the State:

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 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, 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,* and *York Technical College*.

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 *South Carolina Education Assistance Authority* 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 *South Carolina Jobs-Economic Development Authority* is a legally separate entity that promotes and develops business and economic welfare in the state.

The *South Carolina Research Authority* was created through an act of the General Assembly 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 *Patriots Point Development Authority* was 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.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association* was established to provide medical malpractice insurance on a self-supporting basis.

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 *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.

Combining Statement of Net Position

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018
(Expressed in Thousands)

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University	South Carolina State University
ASSETS						
Cash and cash equivalents	$ 49,720	$ 52,241	$ 60,105	$ 22,392	$ 9,742	$ 13,767
Investments	116,141	—	6,748	4,851	13,769	117
Invested securities lending collateral	25	49	54	7	4	4
Receivables, net:						
Accounts	11,300	4,885	907	833	173	1,042
Contributions	17,858	—	7,492	29	2	—
Accrued interest	91	387	156	64	151	—
Student accounts	1,179	930	1,033	571	601	4,290
Loans and notes	—	—	—	—	89	—
Due from Federal government and other grantors	2,145	6,839	5,361	679	1,105	2,237
Due from primary government	—	—	—	1,016	—	512
Inventories	2,074	518	258	—	510	—
Restricted assets:						
Cash and cash equivalents	14,602	55,589	97,810	5,923	3,944	25,110
Investments	179,267	554	100,274	21,825	2,013	—
Loans receivable	510	1,094	1,393	1,813	1,259	3,111
Other	1,310	—	—	—	—	—
Prepaid items	1,031	2,685	6,133	954	247	168
Other assets	9,800	—	1,168	—	155	4,049
Capital assets-nondepreciable	7,767	55,509	65,995	7,181	9,636	3,530
Capital assets-depreciable, net	116,771	409,756	361,597	85,603	73,119	105,672
Total assets	531,591	591,036	716,484	153,741	116,519	163,609
DEFERRED OUTFLOWS OF RESOURCES	$ 14,655	$ 39,490	$ 32,788	$ 10,617	$ 8,500	$ 9,741
LIABILITIES						
Accounts payable	$ 11,290	$ 3,128	$ 5,564	$ 664	$ 734	$ 4,167
Accrued salaries and related expenses	2,504	12,016	8,890	365	710	1,438
Accrued interest payable	281	1,045	1,995	402	176	426
Retainages payable	115	242	1,827	—	13	10
Intergovernmental payables	—	—	—	—	—	—
Due to primary government	—	1,644	1,435	—	364	7,426
Unearned revenues and deferred credits	4,525	3,632	4,657	584	2,805	1,242
Deposits	3,177	—	2,284	—	—	—
Amounts held in custody for others	5,818	240	222	233	5	585
Securities lending collateral	25	49	54	7	4	4
Liabilities payable from restricted assets	—	—	—	—	—	—
Other liabilities	11,345	1,822	1,737	1,677	1,706	859
Long-term liabilities:						
Due within one year	3,389	9,697	11,616	2,486	3,004	4,899
Due in more than one year	176,869	548,365	538,282	135,391	107,522	146,838
Total liabilities	219,338	581,880	578,563	141,809	117,043	167,894
DEFERRED INFLOWS OF RESOURCES	$ 7,381	$ 14,372	$ 21,796	$ 6,083	$ 3,442	$ 13,790
NET POSITION						
Net investment in capital assets	104,531	232,727	214,997	66,471	49,957	53,378
Restricted:						
Expendable:						
Education	107,426	—	54,947	15,957	12,036	17,305
Transportation	—	—	—	—	—	—
Capital projects	8,998	37,930	57,546	1,371	664	393
Debt service	33	1,945	8,665	—	1,365	6,990
Loan programs	—	—	—	—	—	—
Other	—	—	—	—	—	—
Nonexpendable:						
Education	119,846	157	60,807	14,946	4,872	906
Unrestricted	(21,307)	(238,485)	(248,049)	(82,279)	(64,360)	(87,306)
Total net position (deficit)	**$ 319,527**	**$ 34,274**	**$ 148,913**	**$ 16,466**	**$ 4,534**	**$ (8,334)**

Exhibit G-1

Winthrop University	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
$ 23,516	$ 19,138	$ 6,228	$ 1,057	$ 2,026	$ 32,818	$ 22,030	$ 11,687	$ 11,345	$ 2,461	$ 6,155	$ 23,885
—	—	1,917	—	—	27,588	26,435	—	56,325	—	3,598	4,209
23	—	—	—	—	—	—	—	5	—	—	—
1,155	300	—	121	1,301	203	—	234	1,006	52	278	2
—	—	—	—	—	1,163	—	—	—	—	—	57
68	79	12	—	—	110	100	11	—	—	13	—
2,852	679	619	90	2,692	132	5,445	2,782	3,712	1,703	108	869
—	—	—	—	—	406	51	241	—	—	—	—
1,135	1,099	738	901	700	2,467	2,489	818	873	908	665	145
1,105	—	—	2,900	—	3,338	2,181	—	161	166	2,001	424
359	503	255	97	1,211	2,586	—	159	—	83	171	—
14,634	19	5,497	—	10,558	3,326	169	6	5,908	407	—	—
57,045	—	243	—	—	—	—	—	—	—	—	1,034
2,268	—	—	—	232	—	—	—	—	—	—	—
—	—	—	—	—	2,316	—	—	—	—	—	—
1,502	129	593	—	147	64	125	75	403	24	152	167
—	—	—	—	—	—	—	—	—	—	4	—
5,738	1,312	1,896	188	3,478	24,270	7,071	3,587	5,431	1,582	5,558	3,560
95,080	23,665	38,308	4,202	45,745	117,713	70,729	13,473	78,056	7,344	12,037	28,274
206,480	46,923	56,306	9,556	68,090	218,500	136,825	33,073	163,225	14,730	30,740	62,626
$ 21,787	$ 3,311	$ 5,515	$ 1,801	$ 8,046	$ 17,101	$ 7,975	$ 3,497	$ 19,338	$ 1,414	$ 4,494	$ 6,436
$ 2,015	$ 387	$ 132	$ 232	$ 88	$ 2,092	$ 1,384	$ 178	$ 1,951	$ 53	$ 1,006	$ 388
3,792	62	586	119	811	1,781	1,322	616	3,012	102	318	480
471	—	12	—	174	300	—	8	271	—	—	—
41	—	—	—	—	—	—	—	—	—	202	—
—	—	—	—	—	—	—	—	—	—	—	—
62	—	114	—	240	—	232	108	—	—	—	—
5,180	1,686	7,394	636	1,817	7,721	3,215	3,480	5,188	1,543	1,155	1,460
250	—	—	—	—	—	—	—	173	—	—	56
5,991	—	29	79	252	959	858	7	180	33	—	—
23	—	—	—	—	—	—	—	5	—	—	—
1,803	5	—	—	—	—	—	—	—	—	—	—
2,161	—	—	—	367	2,109	—	11	—	—	—	1
7,611	40	463	54	1,556	5,986	212	197	1,746	65	108	527
222,566	31,290	50,945	17,798	88,417	222,438	78,546	34,735	198,077	15,807	44,236	63,284
251,966	33,470	59,675	18,918	93,722	243,386	85,769	39,340	210,603	17,603	47,025	66,196
$ 12,541	$ 1,816	$ 2,940	$ 1,977	$ 3,799	$ 9,740	$ 3,643	$ 1,640	$ 7,485	$ 1,237	$ 2,376	$ 5,048
57,816	24,976	39,474	4,390	35,353	78,975	77,800	16,331	63,058	8,926	17,595	31,833
2,766	62	164	—	20	6,094	219	14	—	33	—	1,199
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	2,900	—	767	12,745	—	45,609	373	373	9,037
1,097	—	—	—	10,538	—	—	—	12,568	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
55,836	—	252	—	—	9,718	—	—	—	—	—	1,034
(153,755)	(10,090)	(40,684)	(16,828)	(67,296)	(113,079)	(35,376)	(20,755)	(156,760)	(12,028)	(32,135)	(45,285)
$ (36,240)	**$ 14,948**	**$ (794)**	**$ (9,538)**	**$ (21,385)**	**$ (17,525)**	**$ 55,388**	**$ (4,410)**	**$ (35,525)**	**$ (2,696)**	**$ (14,167)**	**$ (2,182)**

Continued on Next Page

Combining Statement of Net Position (Continued)

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2018
(Expressed in Thousands)

	Spartanburg Community College	Tri-county Technical College	Trident Technical College	Williamsburg Technical College	York Technical College	Connector 2000	South Carolina Education Assistance Authority
ASSETS							
Cash and cash equivalents	$ 24,323	$ 51,261	$ 49,587	$ 9,567	$ 22,078	$ 1,870	$ 92,052
Investments	6,323	—	6,905	—	15,248	—	—
Invested securities lending collateral	—	—	—	—	—	—	—
Receivables, net:							
Accounts	561	457	626	—	73	4	40,321
Contributions	171	224	—	—	933	—	—
Accrued interest	—	—	—	122	—	—	561
Student accounts	585	854	6,907	182	2,433	—	—
Loans and notes	4,221	—	—	—	—	—	51,961
Due from Federal government and other grantors	475	698	3,013	344	1,796	—	—
Due from primary government	105	—	7,935	—	194	—	—
Inventories	388	324	1,062	46	—	283	—
Restricted assets:							
Cash and cash equivalents	1,169	—	—	—	—	10,735	3,622
Investments	—	24,444	—	7	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Prepaid items	178	974	879	10	—	62	5
Other assets	—	192	—	—	34	120,042	—
Capital assets-nondepreciable	7,668	4,812	34,534	461	3,579	—	—
Capital assets-depreciable, net	59,330	72,304	87,737	627	28,816	1,363	—
Total assets	105,497	156,544	199,185	11,366	75,184	134,359	188,522
DEFERRED OUTFLOWS OF RESOURCES	$ 7,663	$ 8,882	$ 16,525	$ 1,215	$ 7,297	$ —	$ —
LIABILITIES							
Accounts payable	$ 3,713	$ 4,833	$ 5,592	$ 37	$ 1,327	$ 97	$ 5,401
Accrued salaries and related expenses	492	63	904	36	535	—	—
Accrued interest payable	82	—	45	—	—	—	—
Retainages payable	—	—	723	8	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—
Due to primary government	—	—	—	—	144	327	185
Unearned revenues and deferred credits	2,388	3,570	4,746	2,057	3,303	563	8
Deposits	—	—	—	—	—	—	—
Amounts held in custody for others	26	—	257	—	44	—	—
Securities lending collateral	—	—	—	—	—	—	—
Liabilities payable from restricted assets	—	—	46	—	—	—	403
Other liabilities	—	—	74	—	—	—	—
Long-term liabilities:							
Due within one year	829	1,618	1,655	30	500	6,902	1,220
Due in more than one year	84,625	101,801	175,435	11,926	66,298	198,568	31,121
Total liabilities	92,155	111,885	189,477	14,094	72,151	206,457	38,338
DEFERRED INFLOWS OF RESOURCES	$ 3,835	$ 3,296	$ 14,487	$ 807	$ 3,449	$ —	$ —
NET POSITION							
Net investment in capital assets	51,535	54,649	115,813	1,088	32,395	1,363	—
Restricted:							
Expendable:							
Education	7,681	10,765	—	—	7,427	—	—
Transportation	—	—	—	—	—	1,461	—
Capital projects	6,634	283	31,594	—	—	—	—
Debt service	—	—	—	—	—	—	7,130
Loan programs	—	—	—	—	—	—	61,229
Other	—	—	—	—	—	—	—
Nonexpendable:							
Education	—	14,406	—	7	3,582	—	—
Unrestricted	(48,680)	(29,858)	(135,661)	(3,415)	(36,523)	(74,922)	81,825
Total net position (deficit)	**$ 17,170**	**$ 50,245**	**$ 11,746**	**$ (2,320)**	**$ 6,881**	**$ (72,098)**	**$ 150,184**

Exhibit G-1

South Carolina Jobs-Economic Development Authority	South Carolina Research Authority	Patriots Point Development Authority	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
$ 772	$ 7,576	$ 4,296	$ 3,457	$ 13,147	$ 2,177	$ 652,476
3,604	43,945	—	16,224	—	1,391	355,338
—	—	—	—	—	—	171
3,317	2,297	559	1,361	—	14	73,382
—	3,051	—	—	—	—	30,980
20	—	—	102	—	—	2,047
—	—	—	—	—	—	41,248
—	293	—	—	—	—	57,262
—	—	—	—	1,334	1,841	40,805
—	604	—	—	—	796	23,438
—	—	292	—	—	—	11,179
—	2	11	—	—	—	259,041
—	2,445	—	—	—	—	389,151
—	—	—	—	—	—	11,680
—	—	—	—	—	—	3,626
—	289	9	—	—	308	17,313
—	—	—	1,030	—	—	136,474
—	7,174	4,993	59	—	—	276,569
—	26,770	15,215	—	350	18	1,979,674
7,713	94,446	25,375	22,233	14,831	6,545	4,361,854
$ 149	$ —	$ 1,954	$ —	$ 4,015	$ —	$ 264,206
$ —	$ 347	$ 9	$ 450	$ 415	$ 1,695	$ 59,369
—	119	478	—	—	—	41,551
—	—	—	—	—	—	5,688
—	—	—	—	—	—	3,181
—	—	—	—	—	638	638
—	—	8,451	—	—	—	20,732
—	659	893	7,283	—	938	84,328
—	—	—	—	—	—	5,940
—	—	—	73	—	—	15,891
—	—	—	—	—	—	171
—	—	—	—	—	—	2,257
55	67	—	—	352	86	24,429
21	910	249	12,000	132	—	79,722
850	14,290	15,259	47,246	19,075	66	3,487,966
926	16,392	25,339	67,052	19,974	3,423	3,831,863
$ 34	$ —	$ 609	$ —	$ 728	$ —	$ 148,351
—	18,745	12,008	—	350	18	1,466,552
—	—	—	—	10,927	—	255,042
—	—	—	—	—	—	1,461
—	—	—	—	—	—	217,217
—	—	—	—	—	—	50,331
—	—	—	—	—	—	61,229
3,300	53,811	—	2,284	—	—	59,395
—	—	—	—	—	—	286,369
3,602	5,498	(10,627)	(47,103)	(13,133)	3,104	(1,751,750)
$ 6,902	**$ 78,054**	**$ 1,381**	**$ (44,819)**	**$ (1,856)**	**$ 3,122**	**$ 645,846**

Combining Statement of Activities

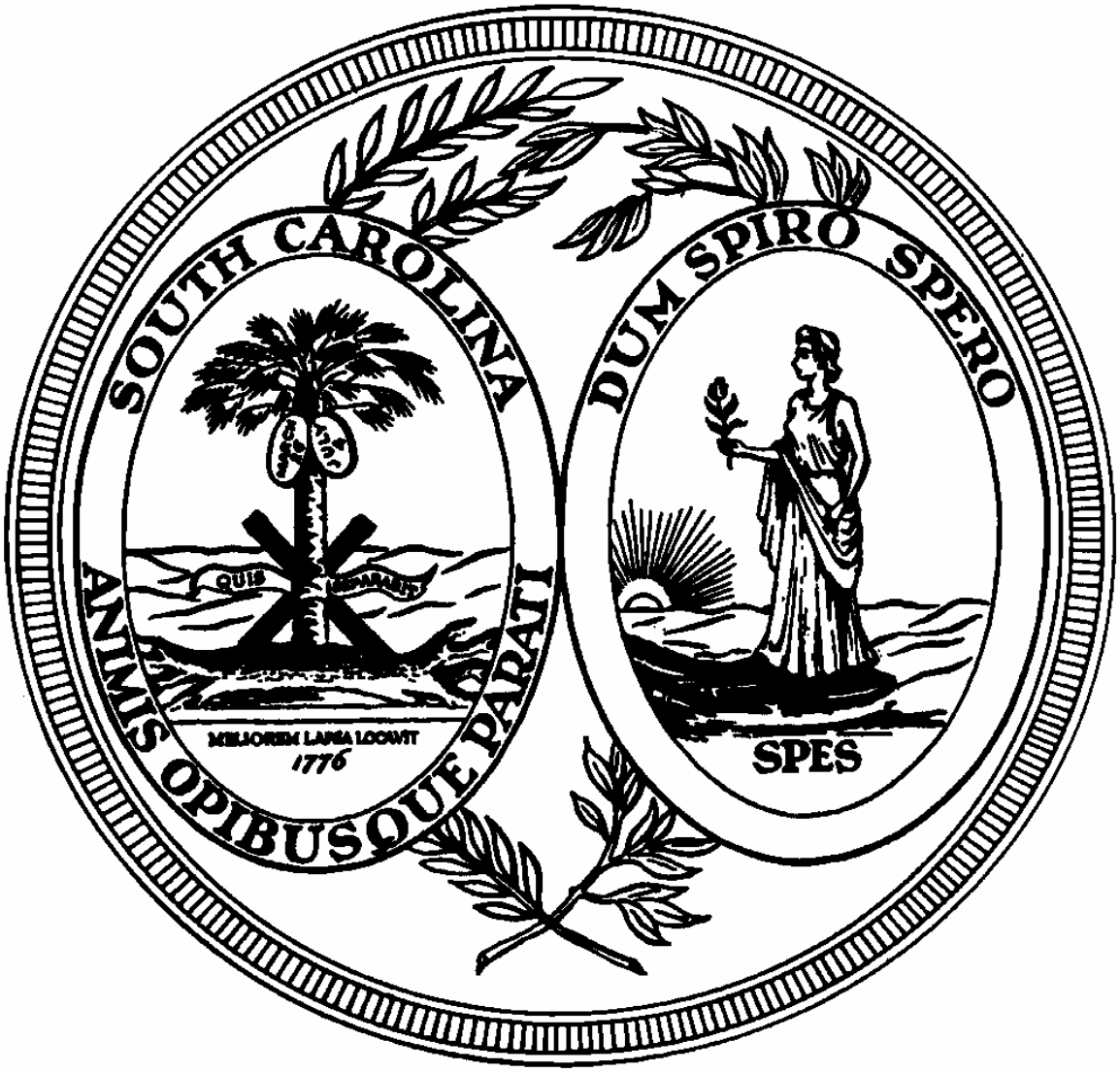
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

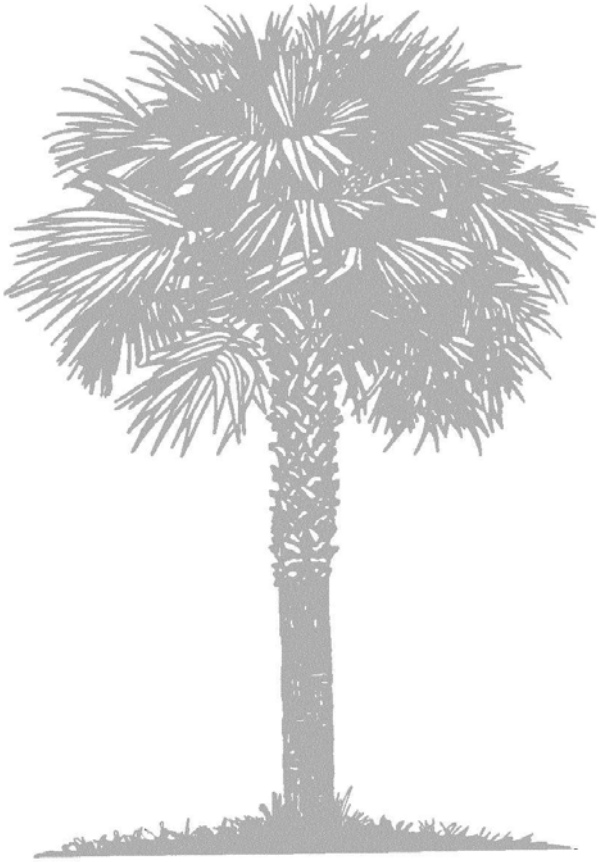
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expenses)
The Citadel	$ 133,767	$ 94,029	$ 56,022	$ 4,673	$ 20,957
Coastal Carolina University	241,705	192,301	23,071	12,480	(13,853)
College of Charleston	274,331	226,225	34,437	6,201	(7,468)
Francis Marion University	72,963	43,414	16,743	—	(12,806)
Lander University	60,792	38,989	9,670	—	(12,133)
South Carolina State University	84,308	55,332	12,979	328	(15,669)
Winthrop University	141,233	105,807	22,452	631	(12,343)
Aiken Technical College	22,735	10,646	7,485	844	(3,760)
Central Carolina Technical College	39,591	13,040	13,001	1,150	(12,400)
Denmark Technical College	10,394	4,784	1,974	8	(3,628)
Florence- Darlington Technical College	54,135	19,873	19,435	68	(14,759)
Greenville Technical College	111,325	53,571	40,775	1,849	(15,130)
Horry- Georgetown Technical College	64,233	31,824	20,617	5,742	(6,050)
Technical College of the Lowcountry	22,991	9,370	6,919	380	(6,322)
Midlands Technical College	98,732	50,593	32,292	2,947	(12,900)
Northeastern Technical College	11,373	4,275	3,127	1,267	(2,704)
Orangeburg- Calhoun Techncial College	23,144	8,444	8,257	5,018	(1,425)
Piedmont Technical College	39,204	17,343	15,418	1,065	(5,378)
Spartanburg Community College	53,088	21,400	18,197	5,362	(8,129)
Tri-county Technical College	68,969	32,583	18,755	2,018	(15,613)
Trident Technical College	113,277	56,022	37,029	26,130	5,904
Williamsburg Technical College	7,432	1,776	2,793	1,149	(1,714)
York Technical College	44,212	21,687	13,421	1,482	(7,622)
Connector 2000	20,878	11,234	73	—	(9,571)
South Carolina Education Assistance Authority	3,383	2,839	984	—	440
South Carolina Jobs- Economic Development Authority	516	989	59	248	780
South Carolina Research Authority	33,763	5,343	7,942	—	(20,478)
Patriots Point Development Authority	14,151	12,460	59	415	(1,217)
South Carolina Medical Malpractice Liability Joint Underwriting Association	10,813	13,500	287	—	2,974
South Carolina First Steps to School Readiness Board of Trustees	42,801	—	7,839	—	(34,962)
Children's Trust Fund of S.C., Inc.	14,631	—	15,123	—	492
Totals	**$ 1,934,870**	**$ 1,159,693**	**$ 467,235**	**$ 81,455**	**$ (226,487)**

Exhibit G-2

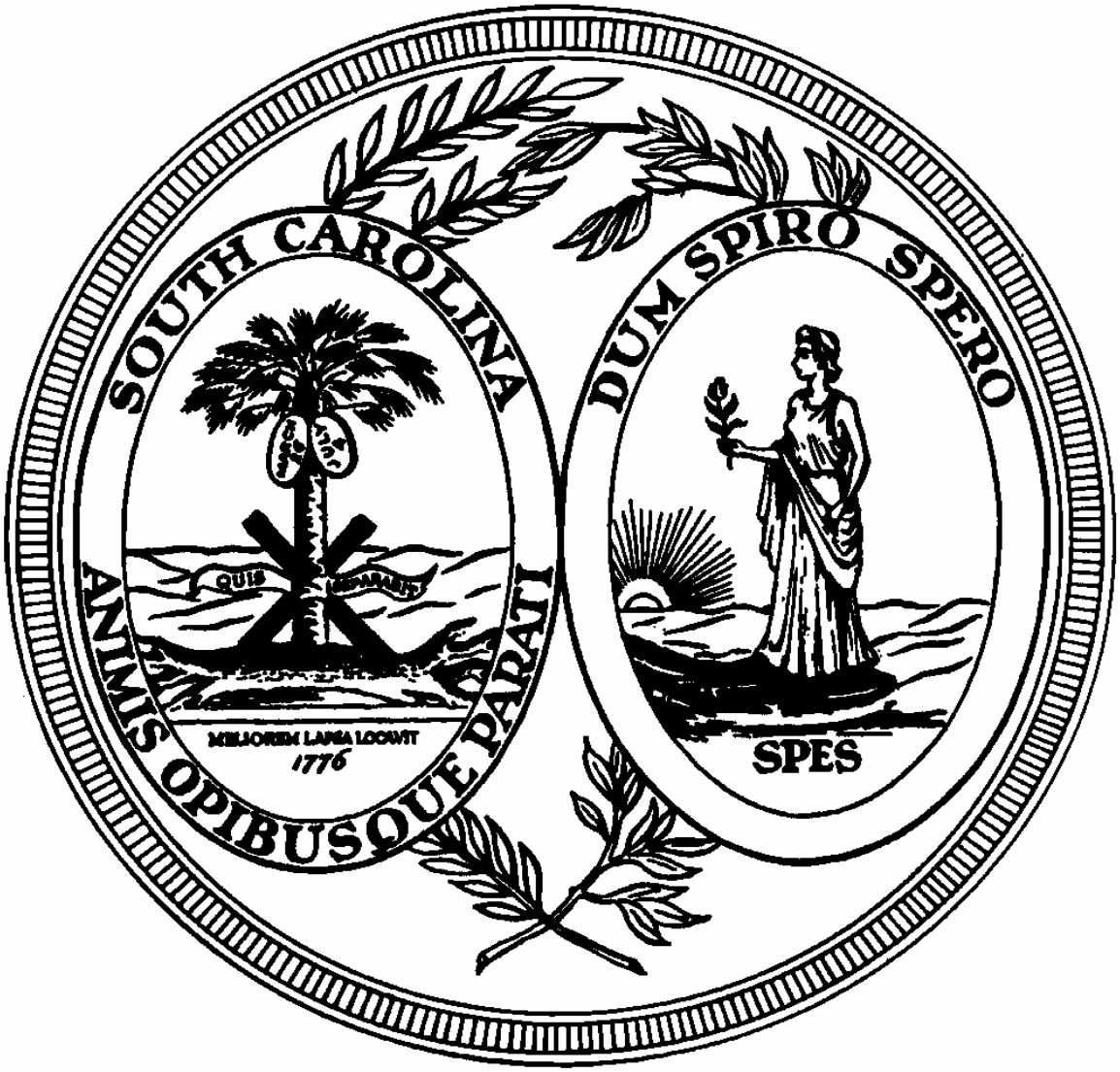
Additions to Endowments	State Appropriations	Net Position (Deficit) Beginning (as Restated)	Net Position (Deficit) Ending
$ 10,026	$ 11,028	$ 277,516	$ 319,527
—	13,302	34,825	34,274
2,684	25,664	128,033	148,913
147	16,253	12,872	16,466
257	9,241	7,169	4,534
—	23,151	(15,816)	(8,334)
1,063	16,432	(41,392)	(36,240)
—	4,332	14,376	14,948
—	11,481	125	(794)
—	2,660	(8,570)	(9,538)
—	10,873	(17,499)	(21,385)
320	18,581	(21,296)	(17,525)
—	10,598	50,840	55,388
—	6,315	(4,403)	(4,410)
—	18,549	(41,174)	(35,525)
—	3,293	(3,285)	(2,696)
—	5,499	(18,241)	(14,167)
32	8,922	(5,758)	(2,182)
—	8,241	17,058	17,170
503	10,938	54,417	50,245
—	19,741	(13,899)	11,746
—	2,212	(2,818)	(2,320)
61	7,657	6,785	6,881
—	—	(62,527)	(72,098)
—	—	149,744	150,184
—	—	6,122	6,902
—	—	98,532	78,054
—	—	2,598	1,381
—	—	(47,793)	(44,819)
—	35,904	(2,798)	(1,856)
—	—	2,630	3,122
$ 15,093	**$ 300,867**	**$ 556,373**	**$ 645,846**


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

Statistical Section (Unaudited)



This section presents certain economic and social data and financial trends over a ten-year period.


SOUTH CAROLINA
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QUIS SEPARABIT
MELIOREM LANIA LOCAVIT
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Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina's overall financial health.

CONTENTS

Page

Financial Trends 268

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity 278

These schedules contain information to help the reader assess the State's most significant revenue sources, the personal income tax and the retail sales tax.

Debt Capacity 284

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information 293

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information 298

These schedules contain service and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

SOURCES

Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

Net Position by Component

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
Governmental activities				
Net Investment in capital assets	$ 15,079,318	$ 14,133,938	$ 13,088,862	$ 12,667,605
Restricted	6,068,437	8,204,123	6,691,147	6,062,068
Unrestricted	(3,578,770)	(6,445,213)	(2,261,569)	(2,687,165)
Total governmental activities net position	**$ 17,568,985**	**$ 15,892,848**	**$ 17,518,440**	**$ 16,042,508**
Business-type activities				
Net Investment in capital assets	$ 218,157	$ 216,697	$ 203,351	$ 146,739
Restricted	1,023,083	792,899	584,700	337,834
Unrestricted	(75,472)	(94,601)	(177,149)	(251,392)
Total business-type activities net position	**$ 1,165,768**	**$ 914,995**	**$ 610,902**	**$ 233,181**
Primary government				
Net Investment in capital assets	$ 15,297,475	$ 14,350,635	$ 13,292,213	$ 12,814,344
Restricted	7,091,520	8,997,022	7,275,847	6,399,902
Unrestricted	(3,654,242)	(6,539,814)	(2,438,718)	(2,938,557)
Total primary government net position	**$ 18,734,753**	**$ 16,807,843**	**$ 18,129,342**	**$ 16,275,689**

For fiscal year 2018, the State implemented GASB Statement No. 75 (GASB 75). The implementation resulted in the restatement of prior year OPEB-related expenses and related net position balances. Amounts for fiscal years prior to 2017 have not been restated.

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses and related net position balances. Amounts for fiscal years prior to 2014 have not been restated.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 1

Ended June 30					
2014 (as restated)	**2013 (as restated)**	**2012 (as restated)**	**2011 (as restated)**	**2010 (as restated)**	**2009 (as restated)**
$ 11,892,515	$ 11,455,604	$ 11,251,603	$ 10,766,855	$ 10,966,666	$ 10,276,019
5,488,629	5,323,431	3,158,419	3,273,224	3,202,747	3,351,417
(2,121,995)	332,163	1,763,505	762,150	(374,030)	(163,495)
$ 15,259,149	**$ 17,111,198**	**$ 16,173,527**	**$ 14,802,229**	**$ 13,795,383**	**$ 13,463,941**
$ 124,223	$ 72,497	$ 2,742,733	$ 2,628,292	$ 2,539,652	$ 2,429,521
185,732	56	1,438,402	1,443,470	1,225,352	1,123,060
(413,206)	(541,375)	974,730	707,961	322,575	399,730
$ (103,251)	**$ (468,822)**	**$ 5,155,865**	**$ 4,779,723**	**$ 4,087,579**	**$ 3,952,311**
$ 12,016,738	$ 11,528,101	$ 13,994,336	$ 13,395,147	$ 13,506,318	$ 12,705,540
5,674,361	5,323,487	4,596,821	4,716,694	4,428,099	4,474,477
(2,535,201)	(209,212)	2,738,235	1,470,111	(51,455)	236,235
$ 15,155,898	**$ 16,642,376**	**$ 21,329,392**	**$ 19,581,952**	**$ 17,882,962**	**$ 17,416,252**

Changes in Net Position

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
Expenses				
Governmental activities:				
General government	$ 6,819,685	$ 5,507,990	$ 4,697,228	$ 5,352,363
Education	4,745,126	4,991,282	4,906,919	4,742,995
Health and environment	8,156,138	8,156,599	7,683,019	7,832,147
Social services	1,695,379	1,766,719	1,832,743	1,821,016
Administration of justice	986,839	938,748	883,458	873,450
Resources and economic development	393,575	484,902	463,630	389,814
Transportation	1,620,126	1,481,762	1,310,449	1,118,603
Unallocated interest expense	18,335	25,865	23,537	33,322
Total governmental activities expenses	**24,435,203**	**23,353,867**	**21,800,983**	**22,163,710**
Business-type activities:				
Higher education	—	—	—	—
Higher education institution support	—	—	—	—
Unemployment compensation benefits	182,537	199,409	208,710	226,470
Second injury fund benefits	285	600	27	7,461
Financing of housing facilities	—	—	—	—
Medical malpractice insurance	—	—	—	—
Financing of student loans	—	—	—	—
Tuition prepayment program	—	—	—	—
State maritime museum	—	—	—	—
Insurance claims processing	—	—	—	—
Other	60,142	52,900	45,855	55,325
Total business-type activities expenses	**242,964**	**252,909**	**254,592**	**289,256**
Total primary government expenses	**24,678,167**	**23,606,776**	**22,055,575**	**22,452,966**
Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,055,388	2,797,733	2,732,909	2,592,512
Other activities	672,590	608,357	543,485	657,266
Operating grants and contributions	9,253,825	9,127,975	8,823,007	8,388,996
Capital grants and contributions	977,834	813,622	582,940	680,842
Total governmental activities program revenues	**13,959,637**	**13,347,687**	**12,682,341**	**12,319,616**
Business-type activities:				
Charges for services:				
Higher education	—	—	—	—
Higher education institution support	—	—	—	—
Unemployment compensation benefits	344,552	385,759	422,479	442,545
Second injury fund benefits	60,291	59,848	59,874	60,000
Other activities	53,758	51,405	46,759	44,208
Operating grants and contributions	5,660	22,708	11,909	14,335
Capital grants and contributions	—	18,998	39,480	12,567
Total business-type activities program revenues	**464,261**	**538,718**	**580,501**	**573,655**
Total primary government activities program revenues	**14,423,898**	**13,886,405**	**13,262,842**	**12,893,271**
Net Revenues (Expenses)				
Governmental activities	(10,475,566)	(10,006,180)	(9,118,642)	(9,844,094)
Business-type activities	221,297	285,809	325,909	284,399
Total primary government net revenues (expense)	**(10,254,269)**	**(9,720,371)**	**(8,792,733)**	**(9,559,695)**

Table 2

Ended June 30					
2014 (as restated)	2013 (as restated)	2012 (as restated)	2011 (as restated)	2010 (as restated)	2009 (as restated)
$ 5,381,542	$ 5,307,714	$ 4,688,917	$ 4,466,170	$ 4,478,249	$ 4,333,524
4,250,632	4,243,187	4,163,313	4,004,703	4,400,125	4,109,666
7,071,800	6,403,284	5,778,883	6,584,487	6,007,179	5,825,749
1,977,904	2,087,077	2,066,923	1,900,026	1,847,028	1,533,666
830,536	719,891	658,925	746,462	760,379	774,533
334,898	281,763	207,810	221,075	351,882	372,073
1,159,917	931,980	1,194,222	1,203,952	1,179,611	940,226
36,896	44,451	87,929	90,848	81,838	98,728
21,044,125	**20,019,347**	**18,846,922**	**19,217,723**	**19,106,291**	**17,988,165**
—	—	3,844,159	3,684,769	3,520,564	3,396,191
—	—	1,359,870	1,321,213	1,252,222	1,200,456
342,741	616,064	1,066,105	2,171,063	2,026,866	1,332,402
2,547	52,656	1,564	1,648	1,720	1,699
—	—	197,555	272,880	238,191	180,555
—	—	9,705	2,591	2,324	(6,724)
—	—	15,336	21,847	36,694	52,699
—	—	737	4,750	910	10,598
—	—	9,883	8,614	9,300	8,622
—	—	1,830	1,648	1,720	1,699
35,194	54,061	27,753	23,630	23,843	28,935
380,482	**722,781**	**6,534,497**	**7,514,653**	**7,114,354**	**6,207,132**
21,424,607	**20,742,128**	**25,381,419**	**26,732,376**	**26,220,645**	**24,195,297**
2,426,885	2,327,752	2,039,415	1,929,867	1,945,319	1,654,616
790,717	551,319	584,966	533,342	411,485	463,801
7,661,223	7,328,281	7,366,197	8,118,411	8,274,731	7,045,052
806,657	716,702	646,148	615,292	570,743	382,979
11,685,482	**10,924,054**	**10,636,726**	**11,196,912**	**11,202,278**	**9,546,448**
—	—	2,688,543	2,579,679	2,377,719	2,454,076
—	—	1,376,960	1,363,957	1,314,062	1,201,181
507,907	467,256	438,115	2,298,971	1,575,257	791,037
60,043	1,520	1,560	1,473	1,645	2,091
45,815	42,790	133,133	133,195	154,051	189,406
90,107	323,321	1,553,432	1,115,603	1,042,850	409,628
210	3	84,654	94,893	99,239	50,718
704,082	**834,890**	**6,276,397**	**7,587,771**	**6,564,823**	**5,098,137**
12,389,564	**11,758,944**	**16,913,123**	**18,784,683**	**17,767,101**	**14,644,585**
(9,358,643)	(9,095,293)	(8,210,196)	(8,020,811)	(7,904,013)	(8,441,717)
323,600	112,109	(258,100)	73,118	(549,531)	(1,108,995)
(9,035,043)	**(8,983,184)**	**(8,468,296)**	**(7,947,693)**	**(8,453,544)**	**(9,550,712)**

Continued on Next Page

Changes in Net Position (Continued)

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Individual income	$ 4,408,772	$ 4,143,217	$ 3,884,855	$ 3,741,800
Retail sales and use	4,688,789	4,436,958	4,279,959	4,357,672
Corporate income	404,164	340,327	408,297	377,329
Gas and motor vehicle	1,084,630	883,891	698,090	666,772
Insurance	191,016	168,974	156,766	152,314
Hospital	260,715	267,235	265,689	263,557
Other	711,502	661,573	666,017	645,783
Unrestricted grants and contributions	38	—	90	1
Unrestricted investment income	160,636	191,486	109,748	67,343
Tobacco legal settlement	81,605	73,533	71,119	70,419
Other revenues	150,635	154,778	53,026	280,491
Transfers	9,201	2,559	918	3,972
Total governmental activities	**12,151,703**	**11,324,531**	**10,594,574**	**10,627,453**
Business-type activities:				
Unrestricted investment income	34,132	22,777	28,952	16,306
Other revenues	4,545	1,802	8,946	3,141
Additions to endowments	—	—	—	—
Gain on early extinguishment of debt	—	—	—	—
Transfers	(9,201)	(2,559)	(918)	(3,972)
Total business-type activities	**29,476**	**22,020**	**36,980**	**15,475**
Total primary government	**12,181,179**	**11,346,551**	**10,631,554**	**10,642,928**
Change in Net Position				
Governmental activities	1,676,137	1,318,351	1,475,932	783,359
Business-type activities	250,773	307,829	362,889	299,874
Total primary government	**$ 1,926,910**	**$ 1,626,180**	**$ 1,838,821**	**$ 1,083,233**

For fiscal years 2018, the State implemented GASB Statement No. 75 (GASB 75). The implementation resulted in the restatement of prior year OPEB-related expenses. Prior year amounts have not been restated.

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses. Prior year amounts have not been restated.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Source: South Carolina Comptroller General's Office

Table 2

Ended June 30					
2014 (as restated)	2013 (as restated)	2012 (as restated)	2011 (as restated)	2010 (as restated)	2009 (as restated)
$ 3,422,532	$ 3,479,143	$ 3,101,861	$ 2,880,504	$ 2,659,728	$ 2,805,998
4,178,102	3,988,918	4,148,010	3,969,218	3,855,095	3,908,318
327,809	390,527	N/A	N/A	N/A	N/A
636,216	557,209	N/A	N/A	N/A	N/A
138,037	139,240	N/A	N/A	N/A	N/A
262,962	263,435	N/A	N/A	N/A	N/A
601,692	568,040	2,003,804	1,836,876	1,616,347	1,682,300
1	159	93,970	223,959	205,965	23,896
120,171	68,899	78,232	22,186	43,513	87,483
109,113	73,326	74,122	69,808	68,709	95,115
684,412	587,729	509,742	571,998	433,166	301,321
(47,900)	(60,968)	(640,774)	(546,892)	(653,389)	(685,972)
10,433,147	**10,055,657**	**9,368,967**	**9,027,657**	**8,229,134**	**8,218,459**
26,107	8,632	6,953	—	—	—
204	85	62	—	—	—
—	—	20,171	36,945	30,480	31,934
—	—	119	35,189	—	—
47,900	60,968	640,774	546,892	653,389	685,972
74,211	**69,685**	**668,079**	**619,026**	**683,869**	**717,906**
10,507,358	**10,125,342**	**10,037,046**	**9,646,683**	**8,913,003**	**8,936,365**
1,074,504	960,364	1,158,771	1,006,846	325,121	(223,258)
397,811	181,794	409,979	692,144	134,338	(391,089)
$ 1,472,315	**$ 1,142,158**	**$ 1,568,750**	**$ 1,698,990**	**$ 459,459**	**$ (614,347)**

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
General Fund				
Reserved [1]	$ —	$ —	$ —	$ —
Non-spendable	128,937	120,194	94,624	74,743
Restricted	1,134,704	604,959	530,698	502,620
Committed	505,425	2,137,028	1,142,072	976,846
Assigned	252,357	397,688	416,089	369,967
Unassigned, previously unreserved	2,186,155	482,198	1,359,456	1,067,829
Total General Fund	**4,207,578**	**3,742,067**	**3,542,939**	**2,992,005**
All other governmental funds				
Reserved [1]	—	—	—	—
Non-spendable	33,767	35,322	24,897	800,713
Restricted	4,253,086	3,796,996	3,652,234	2,581,099
Committed	496,120	588,668	465,712	475,586
Assigned	22,572	11,099	5,311	6,842
Special revenue funds	a	a	a	a
Capital projects fund	a	a	a	a
Permanent funds	a	a	a	a
Unassigned, previously unreserved	(678,731)	(672,008)	(608,503)	(656,236)
Total all other governmental funds	**4,126,814**	**3,760,077**	**3,539,651**	**3,208,004**
Total fund balances, governmental funds	**$ 8,334,392**	**$ 7,502,144**	**$ 7,082,590**	**$6,200,009**

Note: Certain fiscal year data has been restated for consistency.
Balances were not restated for GASB 54 effects in this presentation.

[a] Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal year 2010-2011.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

Source: South Carolina Comptroller General's Office

Table 3

Ended June 30					
2014 (as restated)	**2013 (as restated)**	**2012 (as restated)**	**2011 (as restated)**	**2010 (as restated)**	**2009 (as restated)**
$ —	$ —	$ —	$ —	$ 190,886	$ 231,201
68,128	67,717	67,842	86,993	a	a
359,073	337,687	1,335	1,077	a	a
967,245	650,545	384,252	582,085	a	a
444,630	996,539	495,878	349,619	a	a
1,140,840	545,007	998,002	531,699	—	(102,521)
2,979,916	**2,597,495**	**1,947,309**	**1,551,473**	**190,886**	**128,680**
—	—	—	—	2,167,253	2,124,977
775,675	771,168	795,761	790,205	a	a
2,624,909	2,045,302	2,330,297	2,297,364	a	a
346,688	166,205	145,613	127,220	a	a
5,387	156,918	132,045	104,298	a	a
a	a	a	a	726,389	806,524
a	a	a	a	362,097	248,130
a	a	a	a	1,473	1,502
(748,859)	(366,066)	(635,940)	(1,000,102)	1,089,959	1,056,156
3,003,800	**2,773,527**	**2,767,776**	**2,318,985**	**3,257,212**	**3,181,133**
$5,983,716	**$5,371,022**	**$4,715,085**	**$3,870,458**	**$3,448,098**	**$3,309,813**

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
Revenues				
Taxes:				
Individual income	$ 4,408,772	$ 4,143,217	$ 3,884,855	$ 3,741,800
Retail sales and use	4,688,789	4,436,958	4,279,959	4,357,672
Corporate Income	404,164	340,327	408,297	377,329
Gas and motor vehicle	1,084,630	883,891	698,090	666,772
Insurance	191,016	168,974	156,766	152,314
Hospital	260,715	267,235	265,689	263,557
Other	711,502	661,573	666,017	645,783
Licenses, fees, and permits	517,788	552,790	614,339	588,594
Interest and other investment income	144,282	150,870	99,540	47,926
Federal	8,944,281	8,934,219	8,311,023	8,434,117
Local and private grants	66,549	70,056	62,100	57,977
Departmental services	956,978	927,982	841,391	808,512
Contributions	589,190	503,409	531,825	448,014
Fines and penalties	167,951	165,561	180,244	187,524
Tobacco legal settlement	81,605	73,533	71,119	70,419
Other	638,490	562,690	468,076	338,467
Total revenues	**23,856,702**	**22,843,285**	**21,539,330**	**21,186,777**
Expenditures				
Current:				
General government	688,451	822,078	749,510	771,349
Education	1,114,861	1,102,649	1,028,316	971,961
Health and environment	8,820,524	8,563,572	8,112,805	8,090,340
Social services	1,673,808	1,740,666	1,816,736	1,802,517
Administration of justice	891,487	845,291	805,266	814,443
Resources and economic development	313,350	269,758	246,418	221,350
Transportation	1,149,334	1,044,346	694,038	768,196
Capital outlay	1,012,966	985,878	656,003	599,316
Debt service:				
Principal retirement	254,783	261,033	261,979	278,729
Interest and fiscal charges	126,883	127,391	161,055	171,106
Intergovernmental	7,027,182	6,726,753	6,168,555	6,509,788
Total expenditures	**23,073,629**	**22,489,415**	**20,700,681**	**20,999,095**
Excess of revenues over (under) expenditures	**783,073**	**353,870**	**838,649**	**187,682**
Other financing sources (uses)				
Bonds and notes issued	15,065	51,103	115,370	18,110
Refunding bonds issued	188,725	213,595	573,505	—
Premiums on bonds issued	30,041	22,464	44,852	3,070
Discounts on bonds issued	—	—	—	—
Capital leases	1,847	47	411	—
Payments to refunded bond escrow agent	(203,580)	(229,205)	(692,095)	—
Redemption of refunded bonds	—	—	—	—
Transfers in	380,842	449,624	851,955	270,402
Transfers out	(363,765)	(441,944)	(850,066)	(262,971)
Total other financing sources (uses)	**49,175**	**65,684**	**43,932**	**28,611**
Net change in fund balances	**$ 832,248**	**$ 419,554**	**$ 882,581**	**$ 216,293**
Debt service as a percentage of noncapital expenditures	**1.7%**	**1.8%**	**2.1%**	**2.2%**

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

Source: South Carolina Comptroller General's Office

Table 4

Ended June 30					
2014 (as restated)	2013 (as restated)	2012 (as restated)	2011 (as restated)	2010 (as restated)	2009 (as restated)
$ 3,422,532	$ 3,480,213	$ 3,114,888	$ 2,898,388	$ 2,658,700	$ 2,828,668
4,178,102	3,961,867	4,148,009	3,969,218	3,855,095	3,908,318
327,809	390,527	N/A	N/A	N/A	N/A
636,216	557,209	N/A	N/A	N/A	N/A
138,037	139,240	N/A	N/A	N/A	N/A
262,962	263,435	N/A	N/A	N/A	N/A
601,692	591,992	2,049,900	1,755,228	1,586,023	1,653,678
543,558	500,684	474,826	511,818	468,758	502,811
99,575	50,674	140,701	87,033	174,519	224,967
7,812,816	7,464,240	7,615,387	8,404,416	8,475,813	6,801,787
57,589	51,766	54,098	55,466	40,287	50,523
950,754	776,895	989,677	625,124	232,079	746,106
433,931	390,124	371,989	437,570	434,832	379,042
146,722	131,236	115,161	122,790	163,389	120,705
109,113	73,326	74,122	69,808	68,709	95,115
741,857	523,672	672,398	572,361	446,384	376,747
20,463,265	**19,347,100**	**19,821,156**	**19,509,220**	**18,604,588**	**17,688,467**
788,764	667,014	636,359	679,904	695,583	754,767
948,137	993,174	946,054	809,161	820,352	811,215
7,323,555	6,646,790	6,397,669	6,867,229	5,963,035	6,219,832
1,978,585	2,075,475	2,056,782	1,878,099	1,831,650	1,529,925
798,031	698,055	720,769	681,808	686,975	716,476
203,833	138,793	189,366	173,047	163,858	205,489
692,243	731,793	835,064	867,372	902,784	655,964
702,651	454,053	400,354	568,225	470,201	384,197
270,081	270,223	324,456	313,261	713,643	353,204
183,008	201,304	217,890	205,811	200,409	220,309
6,043,436	5,763,966	5,602,752	5,705,721	6,109,264	5,869,496
19,932,324	**18,640,640**	**18,327,515**	**18,749,638**	**18,557,754**	**17,720,874**
530,941	**706,460**	**1,493,641**	**759,582**	**46,834**	**(32,407)**
100,235	—	810	205,507	301,672	91,521
86,575	424,910	398,665	676,115	388,450	—
30,389	53,560	47,398	37,581	49,600	4,541
—	—	—	(5,314)	(87)	—
7,466	—	230	166	—	19
(101,062)	(476,620)	(422,456)	(528,423)	—	—
—	—	(19,834)	(184,087)	—	—
808,132	431,827	167,133	311,010	735,715	759,447
(849,982)	(484,200)	(820,960)	(849,777)	(1,383,899)	(1,443,304)
81,753	**(50,523)**	**(649,014)**	**(337,222)**	**91,451**	**(587,776)**
$ 612,694	**$ 655,937**	**$ 844,627**	**$ 422,360**	**$ 138,285**	**$ (620,183)**
2.4%	**2.6%**	**3.0%**	**2.9%**	**5.1%**	**3.3%**

Personal Income by Industry

Last Ten Calendar Years
(expressed in millions)

Sources	Calendar Year 2017	2016	2015
Farm earnings	$ 187	$ 102	$ 148
Agricultural services, forestry, fishing, and other	413	392	377
Mining	146	127	106
Construction	8,996	8,064	7,261
Manufacturing	18,417	18,118	17,753
Transportation and public utilities	5,711	5,518	5,273
Wholesale trade	6,084	5,870	5,784
Retail trade	9,164	9,020	8,694
Finance, insurance, and real estate	10,006	9,595	9,153
Services	47,888	46,030	44,403
Federal government, civilian	3,391	3,236	3,158
Military	3,588	3,493	3,578
State and local government	20,696	20,152	19,541
Other [a]	68,401	66,332	64,607
Total personal income	**$ 203,088**	**$196,049**	**$ 189,836**
Average effective rate [b]	[c]	1.9%	1.8%

Information has been updated when modifications are provided by the Federal Government Sources.

[a] Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[b] The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

[c] Information not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 5

2014	2013	2012	2011	2010	2009	2008
$ 221	$ 732	$ 515	$ 284	$ 407	$ 462	$ 424
351	307	304	289	288	275	281
80	77	78	81	77	73	102
6,725	6,071	5,652	5,071	5,128	5,713	6,612
16,936	15,818	15,201	14,629	13,367	12,977	14,694
4,900	4,580	4,314	4,215	3,954	3,893	4,105
5,409	5,048	4,886	4,671	4,429	4,461	4,987
8,336	8,054	7,698	7,546	7,222	7,217	7,647
8,612	8,175	9,593	7,007	6,705	6,135	6,536
42,105	39,480	37,828	36,234	34,024	32,612	33,276
3,000	2,972	2,945	2,869	2,798	2,609	2,501
3,532	3,633	3,691	3,611	3,589	3,540	3,302
18,283	17,550	17,229	17,020	16,619	16,731	16,555
60,230	55,771	56,464	54,426	50,486	48,504	47,877
$ 178,720	**$ 168,268**	**$ 166,398**	**$ 157,953**	**$ 149,093**	**$ 145,202**	**$ 148,899**
1.8%	1.9%	1.9%	1.8%	1.9%	1.8%	1.9%

Taxable Sales by Industry

Last Ten Fiscal Years
(expressed in millions)

Sources	For the Fiscal Year 2018 [b]	2017 [b]	2016 [b]	2015 [b]
Retail trade	$ 43,852	$ 42,980	$ 48,777	$ 45,579
Services	12,534	11,773	12,479	11,661
Transportation, communication, and utilities.	10,093	10,206	5,379	5,027
Wholesale trade	3,234	3,033	3,132	2,927
Other	5,955	7,344	1,711	1,599
Total taxable sales	**$ 75,668**	**$ 75,336**	**$ 71,478**	**$ 66,793**

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year 2018	2017	2016	2015
Retail trade	58.0%	57.1%	68.2%	68.2%
Services	16.6%	15.6%	17.5%	17.5%
Transportation, communication, and utilities.	13.3%	13.5%	7.5%	7.5%
Wholesale trade	4.3%	4.0%	4.4%	4.4%
Other	7.8%	9.8%	2.4%	2.4%
Total taxable sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sales tax rate[a]	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[a] Excludes the 2% accommodations tax and the local option sales tax; includes the 5% retail sales tax and 1% Education Improvement Act sales tax.

[b] Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

Table 6

Ended June 30					
2014 [b]	2013 [b]	2012 [b]	2011	2010	2009
$ 42,828	$ 40,817	$ 32,435	$ 31,293	$ 37,132	$ 38,129
10,957	10,443	15,923	14,990	4,976	5,189
4,724	4,502	2,139	2,125	5,403	5,292
2,751	2,621	1,988	2,041	2,338	2,519
1,502	1,432	925	933	1,276	1,539
$ 62,762	**$ 59,815**	**$ 53,410**	**$ 51,382**	**$ 51,125**	**$ 52,668**

Table 7

Ended June 30					
2014	2013	2012	2011	2010	2009
68.2%	68.2%	60.7%	60.9%	72.6%	72.4%
17.5%	17.5%	29.8%	29.2%	9.7%	9.9%
7.5%	7.5%	4.0%	4.1%	10.6%	10.0%
4.4%	4.4%	3.7%	4.0%	4.6%	4.8%
2.4%	2.4%	1.8%	1.8%	2.5%	2.9%
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
6.0%	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**

Personal Income Tax Rates

Table 8

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets Low	Income Brackets High	Average Effective Rate[a]
2017	0.0% - 7.0%	6	2,930	14,670	b
2016	0.0% - 7.0%	6	2,920	14,600	1.9%
2015	0.0% - 7.0%	6	2,910	14,550	1.8%
2014	0.0% - 7.0%	6	2,880	14,400	1.8%
2013	0.0% - 7.0%	6	2,850	14,250	1.9%
2012	0.0% - 7.0%	6	2,800	14,000	1.9%
2011	0.0% – 7.0%	6	2,760	13,800	1.8%
2010	0.0% – 7.0%	6	2,740	13,700	1.9%
2009	0.0% – 7.0%	6	2,740	13,700	1.8%
2008	0.0% – 7.0%	6	2,670	13,350	1.9%

[a] The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

[b] Not yet available.

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

Personal Income Tax Filers and Liability by Income Level

Table 9

Calendar Years 2016 and 2007
(dollars, except income level, expressed in thousands)

2016 [a]

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	133,540	5.7%	$ 1,725,437	45.8%
$75,001 - $100,000	88,770	3.8%	456,291	12.1%
$50,001 - $75,000	165,315	7.1%	586,583	15.6%
$25,001 - $50,000	335,634	14.4%	643,985	17.1%
$10,001 - $25,000	386,601	16.6%	260,324	6.9%
$10,000 and lower	1,223,767	52.4%	98,671	2.5%
Total	**2,333,627**	**100.0%**	**$ 3,771,291**	**100.0%**

2007

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	81,416	3.9%	$ 1,282,822	42.2%
$75,001 - $100,000	62,537	3.0%	329,742	10.8%
$50,001 - $75,000	139,581	6.7%	503,748	16.6%
$25,001 - $50,000	304,282	14.7%	595,006	19.6%
$10,001 - $25,000	374,382	18.1%	267,905	8.8%
$10,000 and lower	1,108,583	53.6%	60,416	2.0%
Total	**2,070,781**	**100.0%**	**$ 3,039,639**	**100.0%**

[a] Information for 2017 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2018	2017 (as restated)	2016 (as restated)	2015 (as restated)
Governmental Activities				
General obligation bonds	$ 564,811	$ 756,172	$ 962,196	$1,126,138
Limited obligation bonds	—	—	—	185
Tobacco Authority bonds	—	—	—	—
Infrastructure Bank bonds	1,729,005	1,788,232	1,854,451	1,942,456
Revenue bonds	41,109	44,270	14,144	17,680
Notes payable	105,045	86,971	66,875	61,185
Capital leases	1,745	1,871	3,395	4,493
Total governmental activities	2,441,715	2,677,516	2,901,061	3,152,137
Business-Type Activities				
Revenue bonds	5,555	5,730	5,895	6,055
Notes payable	6,500	—	—	—
Total business-type activities	12,055	5,730	5,895	6,055
Total primary government	**$2,453,770**	**$2,683,246**	**$2,906,956**	**$3,158,192**
Debt as a percentage of personal income	1.2%	1.4%	1.5%	1.8%
Debt per capita expressed in actual dollars	[a]	$ 534	$ 586	$ 646

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Fiscal years 2009 through 2017 have been restated for the addition of InvestSC, Inc. See Note 15 on pages 145 and 146 for details.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 10

Ended June 30					
2014 (as restated)	2013 (as restated)	2012 (as restated)	2011 (as restated)	2010 (as restated)	2009 (as restated)
$1,320,532	$1,376,697	$1,571,957	$1,756,397	$1,950,048	$1,857,510
919	2,408	3,822	5,161	6,435	7,629
—	—	—	63,161	120,653	176,180
2,016,518	2,003,486	2,074,308	2,135,772	2,051,545	2,091,864
21,072	24,318	27,424	30,400	33,251	35,982
68,265	77,126	91,430	100,172	110,944	70,820
6,004	349	318	261	242	404
3,433,310	3,484,384	3,769,259	4,091,324	4,273,118	4,240,389
6,210	6,360	—	—	—	—
—	—	—	—	—	—
6,210	6,360	—	—	—	—
$3,439,520	**$3,490,744**	**$3,769,259**	**$4,091,324**	**$4,273,118**	**$4,240,389**
2.0%	2.1%	2.4%	2.7%	2.9%	2.8%
$ 713	$ 732	$ 799	$ 876	$ 922	$ 924

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2018	**2017**	**2016**	**2015**
Governmental Activities				
Capital improvement bonds	$ 8,698	$ 26,564	$ 55,629	$ 99,296
State highway bonds	162,628	213,686	263,083	311,034
State school facilities bonds	—	9,021	31,500	76,909
Infrastructure Bank bonds	33,725	36,630	39,326	42,061
State economic development bonds	251,837	342,669	426,280	427,646
Research university infrastructure bonds	81,348	97,783	113,410	133,165
Air carrier hub terminal facilities bonds	26,575	29,819	32,968	36,027
Total governmental activities	564,811	756,172	962,196	1,126,138
Total primary government	**$ 564,811**	**$ 756,172**	**$ 962,196**	**$ 1,126,138**
Debt as a percentage of personal income	a	0.4%	0.5%	0.6%
Debt per capita expressed in actual dollars	a	$ 151	$ 194	$ 230

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 11

Ended June 30					
2014	2013	2012	2011	2010	2009
$ 148,642	$ 191,926	$ 243,248	$ 294,497	$ 355,264	$ 424,080
358,484	390,046	433,266	470,125	510,365	548,278
143,868	204,120	264,245	321,243	375,742	427,355
44,533	44,052	45,953	48,055	50,026	51,921
436,379	356,623	377,809	398,026	417,633	206,371
149,609	147,989	162,626	176,817	190,594	199,505
39,017	41,941	44,810	47,634	50,424	—
1,320,532	1,376,697	1,571,957	1,756,397	1,950,048	1,857,510
$ 1,320,532	**$ 1,376,697**	**$ 1,571,957**	**$ 1,756,397**	**$ 1,950,048**	**$ 1,857,510**
0.8%	0.8%	1.0%	1.2%	1.3%	1.2%
$ 274	$ 289	$ 333	$ 376	$ 421	$ 405

Computation of Legal Debt Margin

June 30, 2018
(Expressed in Thousands)

Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

HIGHWAY BONDS

2016-2017 Budgetary General Fund revenues pledged for highway bonds	$ 11,050
2016-2017 other revenues pledged for highway bonds	692,809
2016-2017 revenues pledged for highway bonds	703,859
15% of 2016-2017 revenues pledged for highway bonds	105,579
Less: maximum annual debt service for highway bonds [a]	53,171
Legal debt service margin at June 30, 2018--highway bonds	**$ 52,408**

GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)[d]

2016-2017 Budgetary General Fund revenues	$ 7,582,470
Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds [b]	11,050
2016-2017 net Budgetary General Fund revenues	7,571,420
6% of 2016-2017 net Budgetary General Fund revenues	454,285
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes [a]	52,936
Legal debt service margin at June 30, 2018--general obligation bonds excluding institution and highway bonds and bond anticipation notes	**$ 401,349**

Table 12

ECONOMIC DEVELOPMENT BONDS[e]	
2016-2017 Budgetary General Fund revenues	$ 7,582,470
Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds[b]	11,050
2016-2017 net Budgetary General Fund revenues	7,571,420
0.5% of 2016-2017 net Budgetary General Fund revenues	37,857
Less: maximum annual debt service for economic development bonds[a]	4,489
Legal debt service margin at June 30, 2018--economic development bonds	**$ 33,368**
RESEARCH UNIVERSITY INFRASTRUCTURE BONDS	
2016-2017 Budgetary General Fund revenues	$ 7,582,470
Less: 2016-2017 Budgetary General Fund revenues pledged for highway bonds[b]	11,050
2016-2017 net Budgetary General Fund revenues	7,571,420
0.5% of 2016-2017 net Budgetary General Fund revenues	37,857
Less: maximum annual debt service for research university infrastructure bonds[c]	19,375
Legal debt service margin at June 30, 2018--research university infrastructure bonds	**$ 18,482**

[a] As of June 30, 2018, the maximum annual debt service will occur in the fiscal year ending June 30, 2019.

[b] For the fiscal year ended June 30, 2018, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

[c] As of June 30, 2018, the maximum annual debt service will occur in the fiscal year ending June 30, 2020.

[d] During the fiscal year ended June 30, 2010, the State issued $50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than $50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

[e] During the fiscal year ended June 30, 2010, the State issued $170 million of Economic Development bonds, during the fiscal year ended June 30, 2014, the State issued an additional $85 million of Economic Development bonds, during the fiscal year ended June 30, 2015, the State issued an additional $18.11 million of Economic Development bonds, which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. The $170 million, $85 million, and $18.11 million bond issues have been excluded from the debt service limit calculations.

Source: South Carolina Comptroller General's Office

Legal Debt Margin Information

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2018	**2017**	**2016**	**2015**
State Highway Bonds				
Debt service limitation	$ 105,579	$ 104,142	$ 99,210	$ 96,244
Debt service applicable to limit	53,171	53,915	54,646	56,534
Legal debt margin at June 30	**$ 52,408**	**$ 50,227**	**$ 44,564**	**$ 39,710**
Legal debt margin as a percentage of debt service limitation	**49.6%**	**48.2%**	**44.9%**	**41.3%**
General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes				
Debt service limitation	$ 454,285	$ 440,260	$ 416,987	$ 392,469
Debt service applicable to limit	52,936	83,191	111,150	141,006
Legal debt margin at June 30	**$ 401,349**	**$ 357,069**	**$ 305,837**	**$ 251,463**
Legal debt margin as a percentage of debt service limitation	**88.3%**	**81.1%**	**73.3%**	**64.1%**
Economic Development Bonds				
Debt service limitation	$ 37,857	$ 36,688	$ 34,749	$ 32,706
Debt service applicable to limit	4,489	17,678	22,771	24,473
Legal debt margin at June 30	**$ 33,368**	**$ 19,010**	**$ 11,978**	**$ 8,233**
Legal debt margin as a percentage of debt service limitation	**88.1%**	**51.8%**	**34.5%**	**25.2%**
Research University Infrastructure Bonds				
Debt service limitation	$ 37,857	$ 36,688	$ 34,749	$ 32,706
Debt service applicable to limit	19,375	19,375	19,375	21,521
Legal debt margin at June 30	**$ 18,482**	**$ 17,313**	**$ 15,374**	**$ 11,185**
Legal debt margin as a percentage of debt service limitation	**48.8%**	**47.2%**	**44.2%**	**34.2%**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Source: South Carolina Comptroller General's Office

Table 13

Ended June 30					
2014	**2013**	**2012**	**2011**	**2010**	**2009**
$ 93,314	$ 95,326	$ 95,525	$ 93,729	$ 93,382	$ 98,037
57,365	57,717	58,390	58,831	60,997	64,078
$ 35,949	**$ 37,609**	**$ 37,135**	**$ 34,898**	**$ 32,385**	**$ 33,959**
38.5%	**39.5%**	**38.9%**	**37.2%**	**34.7%**	**34.6%**
$ 382,796	$ 350,844	$ 337,073	$ 313,772	$ 331,738	$ 382,086
175,354	173,992	180,387	183,438	199,556	198,074
$ 207,442	**$ 176,852**	**$ 156,686**	**$ 130,334**	**$ 132,182**	**$ 184,012**
54.2%	**50.4%**	**46.5%**	**41.5%**	**39.8%**	**48.2%**
$ 31,900	$ 29,237	$ 28,089	$ 26,148	$ 27,645	$ 31,841
24,493	24,521	24,521	24,655	24,655	21,229
$ 7,407	**$ 4,716**	**$ 3,568**	**$ 1,493**	**$ 2,990**	**$ 10,612**
23.2%	**16.1%**	**12.7%**	**5.7%**	**10.8%**	**33.3%**
$ 31,900	$ 29,237	$ 28,089	$ 26,148	$ 27,645	$ 31,841
21,663	20,452	20,624	20,820	21,019	21,019
$ 10,237	**$ 8,785**	**$ 7,465**	**$ 5,328**	**$ 6,626**	**$ 10,822**
32.1%	**30.0%**	**26.6%**	**20.4%**	**24.0%**	**34.0%**

Pledged Revenue Coverage

Table 14

Last Ten Fiscal Years
(expressed in thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Department of Administration—Revenue Bonds					
2018	$ 2,373	$ 2,260	$ 113	$ 2,373	1.00
2017	2,376	2,155	221	2,376	1.00
2016	2,379	2,055	324	2,379	1.00
2015	2,387	1,965	422	2,387	1.00
2014	2,385	1,870	515	2,385	1.00
2013	2,384	1,780	604	2,384	1.00
2012	2,384	1,695	689	2,384	1.00
2011	2,382	1,620	762	2,382	1.00
2010	2,371	1,540	831	2,371	1.00
2009	2,367	1,470	897	2,367	1.00
Infrastructure Bank Bonds					
2018	$ 230,447	$ 79,744	$ 74,222	$ 153,966	1.50
2017	236,635	60,754	80,734	141,488	1.67
2016	288,284	78,125	87,548	165,673	1.74
2015	219,487	67,125	89,129	156,254	1.40
2014	208,256	71,550	92,522	164,072	1.27
2013	212,078	60,730	95,789	156,519	1.35
2012	217,883	54,410	103,703	158,113	1.38
2011	246,542	48,418	96,606	145,024	1.70
2010	213,689	46,275	99,624	145,899	1.46
2009	207,747	40,750	99,446	140,196	1.48
Tobacco Settlement Revenue Management Authority Bonds					
2018	$ 81,605	$ —	$ —	$ —	N/A
2017	73,533	—	—	—	N/A
2016	71,119	—	—	—	N/A
2015	70,419	—	—	—	N/A
2014	109,113	—	—	—	N/A
2013	73,326	—	—	—	N/A
2012	74,122	71,700	3,585	75,285	0.98
2011	69,808	65,265	3,585	68,850	1.01
2010	68,709	63,035	10,000	73,035	0.94
2009	95,115	75,730	13,787	89,517	1.06

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Demographic Statistics

Table 15

Last Ten Calendar Years

Year	Population at July 1 [a]	Per Capita Income [b]	Average Annual Unemployment Rate [c]
2017	5,024,369	$ 40,421	4.1%
2016	4,959,822	39,527	4.9%
2015	4,892,423	38,802	5.9%
2014	4,824,758	37,042	6.4%
2013	4,765,862	35,307	7.5%
2012	4,719,009	35,261	9.1%
2011	4,672,744	33,803	10.4%
2010	4,635,834	32,161	11.1%
2009	4,589,872	31,635	11.3%
2008	4,528,996	32,877	7.0%

Information has been updated when modifications are provided by the Federal Government Sources.

[a] Source: U.S. Census Bureau

[b] Source: U.S. Department of Commerce, Bureau of Economic Statistics

[c] Source: U.S. Department of Commerce, Bureau of Economic Statistics

Employment by Industry

Table 16

Latest Completed Calendar Year and Nine Years Prior

Sources	2017 Number of Employees	2017 Percent of Total	2008 Number of Employees	2008 Percent of Total
Services	898,374	41.3%	763,157	37.9%
State and local	323,013	14.9%	315,002	15.6%
Retail trade	248,446	11.4%	238,804	11.9%
Manufacturing	240,799	11.1%	243,276	12.1%
Finance, insurance, and real estate	103,793	4.8%	102,484	5.1%
Construction	103,350	4.8%	113,785	5.7%
Transportation and public utilities	78,521	3.6%	64,886	3.2%
Wholesale trade	72,740	3.3%	71,529	3.6%
Military	52,804	2.4%	55,351	2.7%
Federal government, civilian	33,770	1.6%	30,466	1.5%
Farming	9,290	0.4%	6,439	0.3%
Agricultural services, forestry, fishing, and other	7,231	0.3%	6,774	0.3%
Mining	1,684	0.1%	1,482	0.1%
Total wage and salary employment	**2,173,815**	**100.0%**	**2,013,435**	**100.0%**

Note: Pursuant to the provisions of Section 41-29-150 of the South Carolina Code of Laws, the number of employee for individual companies within the State is not available. The employers are instead listed alphabetically rather than in order of size.

Source: U.S. Department of Commerce, Bureau of Economic Statistics

Ten Largest Employers

Table 17

Latest Completed Calendar Year and Nine Years Prior
(Listed alphabetically)

2017	2008
Bi-Lo, Inc.	Bi-Lo, Inc.
BMW Manufacturing Corporation	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Health System	Greenville Hospital System
Michelin North America, Inc.	Michelin North America, Inc.
Palmetto Health Alliance, Inc.	Palmetto Health Alliance, Inc.
Publix Super Markets, Inc.	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
University of South Carolina	University of South Carolina
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc.

Note: Pursuant to the provisions of Section 41-29-150 of the South Carolina Code of Laws, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

Government Employees by Function

Last Ten Fiscal Years

Function	Permanent Employees			
	2018 [a]	2017 [a]	2016 [a]	2015 [a]
General government	6,265	6,243	6,102	6,068
Education	2,898	2,974	2,898	2,857
Higher education	—	—	—	—
Health and environment	9,818	9,493	9,489	9,741
Social services	4,062	3,730	3,675	3,438
Administration of justice	8,755	8,659	8,578	8,886
Resources and economic development	1,742	1,630	1,607	1,612
Transportation	4,342	4,530	4,602	4,361
Other	81	82	76	66
Totals	**37,963**	**37,341**	**37,027**	**37,029**

[a] Beginning with fiscal year 2012-2013, the following entities are reported as discretely presented component units rather than as part of the primary government: Higher education institutions, Housing Authority, Education Assistance Authority, Jobs-Economic Development Authority, and Patriots Point Development Authority.

Source: South Carolina Comptroller General's Office

Table 18

as of June 30					
2014 [a]	**2013 [a]**	**2012**	**2011**	**2010**	**2009**
6,023	5,748	5,927	5,915	6,108	6,307
2,773	2,717	2,726	2,772	2,968	2,990
—	—	29,518	28,547	28,414	28,271
9,683	9,675	9,875	10,399	10,998	11,487
3,294	3,222	3,150	3,235	3,689	3,990
9,205	9,261	9,295	9,442	9,631	9,954
1,525	1,477	1,410	1,437	1,675	1,738
4,291	4,417	4,471	4,536	5,006	5,050
56	66	300	307	314	317
36,850	**36,583**	**66,672**	**66,590**	**68,803**	**70,104**

Operating Indicators by Function

Last Ten Fiscal Years

	For the Fiscal Year			
	2018	2017	2016	2015
General government				
Individual income tax returns processed	2,433,317	3,058,609	2,995,483	2,582,598
Corporate income tax returns processed	133,959	126,000	129,511	212,072
Department of Motor Vehicles transactions	15,447,021	14,681,110	14,113,064	13,401,505
Workers' compensation cases reviewed	67,255	64,802	63,480	63,164
Education				
Public school enrollment	774,004	769,130	760,500	753,485
Average operating miles per school bus	14,400	14,600	14,798	14,715
State Museum visitors	208,300	161,335	161,372	181,284
Health and environment				
Medicaid eligible participants	1,424,134	1,413,345	1,424,039	1,336,550
Women, Infant and Children (WIC) participants	109,864	101,563	107,257	114,562
Community mental health center clients	84,528	82,560	82,241	80,792
Social services				
Average food stamp households per month	345,511	342,551	371,331	382,054
Child Protective Services investigations	37,837	26,347	24,980	19,784
Administration of justice				
Adult prison average daily population	19,097	20,105	20,593	20,948
Juvenile facility average daily population	435	514	534	560
Resources and economic development				
Dept of Commerce capital investment projects	157	132	150	146
Welcome Center visitors	3,232,816	2,954,241	3,018,376	2,054,310
Hunting and fishing licenses processed	845,333	875,912	918,677	995,773
Watercraft registrations	505,817	499,512	500,687	481,144
Transportation				
Miles of surface repairs	143,334	139,399	171,818	160,674
Miles of roadway inspections	349,335	364,882	198,161	178,761
Unemployment compensation benefits				
Initial claims	139,336	114,951	159,186	179,984
Total benefit weeks claimed	863,828	964,485	1,197,550	956,586
Medical malpractice insurance				
Membership total	2,614	2,686	2,833	2,988
Tuition prepayment program				
Individual accounts	5,317	5,486	5,575	5,662
Insurance claims processing				
Second Injury Fund claims paid	1,380	1,336	1,567	1,759
Other				
Public railway carloads (calendar year)	106,490	135,267	133,147	117,550

Source: South Carolina Comptroller General's Office

Table 19

Ended June 30					
2014	2013	2012	2011	2010	2009
2,514,090	2,444,843	2,406,252	2,482,647	2,379,693	2,393,919
209,677	208,208	194,680	197,608	183,224	185,200
12,767,033	11,541,043	10,522,707	9,898,064	11,989,686	12,430,183
63,541	53,683	44,327	43,464	53,407	63,493
742,325	731,679	719,201	714,421	712,240	707,739
14,862	16,041	15,048	15,950	15,795	15,600
127,943	143,199	185,124	136,346	156,810	154,487
1,246,546	1,162,210	1,069,195	1,019,508	975,275	934,090
112,131	125,368	130,646	130,097	133,942	134,618
78,825	89,510	83,880	85,244	88,726	88,999
403,281	415,475	444,268	384,936	346,807	287,867
14,606	11,924	15,803	17,763	18,805	17,621
21,581	22,152	22,776	23,358	24,105	24,081
523	508	532	635	739	858
127	151	149	172	161	190
2,001,594	2,046,582	2,158,943	2,023,488	2,323,877	2,123,161
962,561	938,736	965,598	996,890	958,014	840,956
460,300	462,926	450,935	442,057	429,233	429,532
166,174	150,859	137,479	150,590	178,084	162,938
354,953	341,907	325,930	361,226	448,492	401,426
225,420	264,447	278,714	310,528	386,818	545,137
1,365,992	1,787,530	2,402,387	2,992,594	4,331,564	4,206,476
3,311	3,020	3,374	3,570	4,230	4,568
5,758	5,841	5,935	6,052	6,135	6,239
1,964	2,190	3,312	3,224	3,118	3,404
122,475	105,775	88,746	66,618	64,554	92,136

Capital Assets by Function

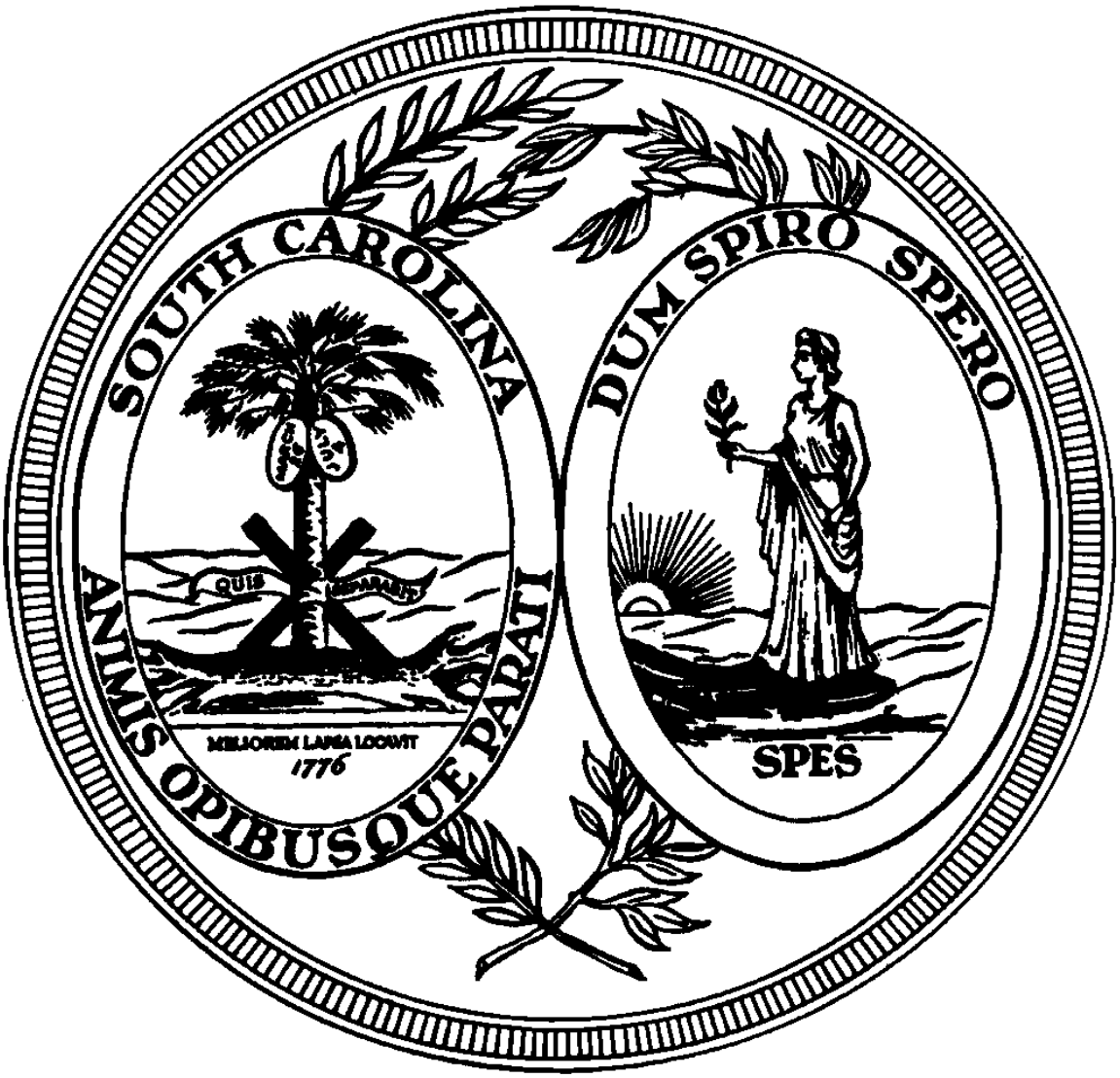
Last Ten Fiscal Years

	For the Fiscal Year			
	2018	2017	2016	2015
General government				
Buildings and facilities	44	45	49	49
State armories	59	57	57	58
Fleet vehicles	3,607	3,325	3,000	3,029
Motor vehicle district offices	66	67	67	66
Education				
School buses	5,681	5,671	5,617	5,776
Television transmitters	11	11	11	11
Vocational training/client centers	34	34	35	35
Health and environment				
Mental health buildings	127	139	141	144
Community mental health centers	71	68	64	64
Regional special needs centers	5	5	5	5
Social services				
Buildings and facilities	65	67	69	69
Administration of justice				
Adult correctional institutions	21	23	23	24
Juvenile correctional facilities	5	5	5	5
Highway patrol district offices	6	6	6	6
Highway patrol vehicles	1,628	1,551	1,442	1,442
Resources and economic development				
Acres of State parks	91,144	86,445	86,445	86,445
Acres of State forests	94,462	94,462	94,462	94,462
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
DNR vehicles and boats	1,732	1,753	1,645	1,169
Transportation				
Miles of State highways (calendar year)	41,330	41,358	41,377	41,391
Weigh stations	8	8	8	8
Traffic cameras	447	379	359	360
Miles of cable median barriers	490	490	490	480
Other				
Rail yards	4	3	3	3
State-owned locomotives	12	12	12	10

Source: South Carolina Comptroller General's Office

Table 20

Ended June 30					
2014	2013	2012	2011	2010	2009
49	46	33	33	32	32
59	66	63	63	63	65
3,093	2,991	3,092	2,957	3,316	3,599
66	67	67	68	69	69
5,640	5,705	5,630	5,636	5,677	6,117
11	11	11	11	11	11
35	35	35	35	35	35
149	148	149	150	151	150
64	51	48	48	47	49
5	5	5	5	5	5
69	65	66	66	66	66
25	26	27	28	28	28
5	5	5	5	5	5
6	6	6	6	7	7
1,351	1,050	1,054	1,060	1,162	1,162
86,445	86,370	84,604	83,118	83,118	82,813
94,245	94,215	94,215	94,215	92,552	92,552
53	53	53	53	53	53
3	3	3	3	3	3
1,292	1,081	1,223	841	1,121	1,203
41,414	41,432	41,448	41,470	41,460	41,468
8	8	8	8	9	9
360	360	360	350	350	320
480	480	480	480	476	476
3	3	3	3	3	3
10	10	10	10	10	10



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information:
Total printing cost was $309.00; 100 copies were printed at a cost of $3.09 each.