

South Carolina Office of the State Treasurer

Report on Financial Statements

For the Year Ended June 30, 2019



December 18, 2019

The Honorable Curtis M. Loftis, Jr., State Treasurer
State of South Carolina
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Office of the State Treasurer for the fiscal year ended June 30, 2019, was issued by The Hobbs Group, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/cmw

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Statement of Net Position.....	9
Statement of Activities	10
Balance Sheet-Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position.....	16
Notes to the Financial Statements	17-44
Required Supplementary Information – Budgetary Comparison Schedules.....	45-47
Notes to Required Supplementary Information – Budgetary Comparison Schedules	48-49
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Proportionate Share of the Net Pension Liability – South Carolina Retirement System	50
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurers’ Contributions – South Carolina Retirement System	51
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Proportionate Share of the Net OPEB Liability – South Carolina Health Insurance Trust Fund.....	52
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurers’ Contributions – South Carolina Health Insurance Trust Fund.....	53
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55

1704 Laurel Street
Columbia, SC 29201

P.O. Box 2411
Columbia, SC 29202



Phone (803) 799-0555
Fax (803) 799-4212

www.hobbsscpa.com

INDEPENDENT AUDITORS' REPORT

The Honorable Curtis M. Loftis, Jr.
South Carolina Office of the State Treasurer
And
Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer (the "Office"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Office's 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office, as of June 30, 2019, 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.

OTHER MATTERS

Reporting Entity

As described in Note 1.A., the accompanying financial statements of the Office are intended to present the financial position and the respective changes in financial position of certain governmental activities and fiduciary funds comprising the reporting entity as defined by the Office. The accompanying financial statements exclude the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the "Related Entities"), and all debt service transactions related to obligations of the State of South Carolina, its agencies, departments, and political subdivisions. They do not purport to, and do not present fairly, the financial position of the State of South Carolina as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, and schedule of OPEB contributions 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 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the Office's internal control over financial reporting and on 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 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 Office's internal control over financial reporting and compliance.

Columbia, South Carolina
December 18, 2019

The Halle Group, P.A.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Management's Discussion and Analysis ("MD&A") of the South Carolina Office of the State Treasurer (the "Office") provides an overview of the Office's financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

The Office prepared its financial statements on the Generally Accepted Accounting Principles ("GAAP") basis and follows pronouncements from the Governmental Accounting Standards Board ("GASB").

These financial statements do not include the transactions or balances from the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the "Related Entities") and all debt service transactions related to obligations of the State of South Carolina (the "State"), its agencies, departments, and political subdivisions. The financial statements of the Related Entities were audited by other auditors as of and for the fiscal year ended June 30, 2019.

As of and for the fiscal year ended June 30, 2019:

- The Office's total net deficit increased by \$435,016, and its liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net deficit) by \$15,637,389.
- The Office received \$252,648,298 in appropriations from the State, substantially all of which was disbursed for general operations, student loans, and aid to subdivisions.
- The Office held \$1,361,849,442 of cash in an agency capacity.

USING THESE AUDITED FINANCIAL STATEMENTS

The audited basic financial statements presented in this document include both government-wide and fund financial statements.

Government-wide Financial Statements:

Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements display information about the Office as a whole. The government-wide financial statements of the Office are presented on the accrual basis of accounting and provide short-term and long-term information about the Office. The residual measure of the government is net position (deficit) and represents assets and deferred outflows of resources that are greater (less) than liabilities and deferred inflows of resources.

Fund Financial Statements:

The fund financial statements include the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The governmental fund financial statements are presented on the modified accrual basis of accounting which focuses on the near-term inflows and outflows of resources available for expenditure for the current fiscal year.

The Office provides banking and investment services for state agencies. The assets held by the Office on behalf of the State and local governments are reported in the Fiduciary Funds along with amounts held in trust for private purposes. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented on the accrual basis of accounting.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Statement of Net Position and Statement of Activities:

The Statement of Net Position provides a summary of the Office's financial condition at June 30, 2019; and reports all assets and liabilities using the accrual basis of accounting. The Statement of Activities reports the revenues and expenses for the fiscal year ended June 30, 2019 using the accrual basis of accounting.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF NET POSITION

	2019	2018*
Current Assets	\$ 3,795,227	\$ 1,338,907
Capital Assets	145,150	-
Total Assets	<u>3,940,377</u>	<u>1,338,907</u>
Deferred Outflows of Resources	<u>2,318,495</u>	<u>2,470,375</u>
Current Liabilities	3,537,525	1,284,004
Noncurrent Liabilities	17,644,816	17,060,283
Total Liabilities	<u>21,182,341</u>	<u>18,344,287</u>
Deferred Inflows of Resources	<u>713,920</u>	<u>667,368</u>
Net Investment in Capital Assets	(3,321)	-
Restricted Net Position	374,790	-
Unrestricted Net Deficit	(16,008,858)	(15,202,373)
Total Net Deficit	<u>\$ (15,637,389)</u>	<u>\$ (15,202,373)</u>

* As restated

For the fiscal year ended June 30, 2019, current assets increased by \$2,456,321 primarily due to retained cash balances that had not yet been distributed as aid to subdivisions but will be in the succeeding fiscal year. Current liabilities increased by \$2,253,521 primarily due to additional funds being held by the Office that will be distributed to qualifying fire districts. The funds are being held until State legislation clarifies proper distribution of the funds. Noncurrent liabilities increased by \$584,533 due to increases in the Office's net pension and OPEB liabilities, which is based on the Office's proportionate share of pension related amounts associated with the State's retirement and health plans. See Note 15 to the financial statements for information regarding the restatement noted above for 2018.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Statement of Net Position and Statement of Activities (Continued):

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES

	2019	2018*
Expenses		
Personnel Services	\$ 7,334,277	\$ 7,115,681
Travel	39,996	35,396
Supplies and Materials	397,591	347,939
Contracted Services	2,123,411	2,422,058
Depreciation	51,852	-
Student Loans – Student Loan Corporation	5,357,840	4,694,880
Rent	308,974	332,566
Interest Expense	9,002	-
Aid to Subdivisions	244,616,613	244,441,226
Total Expenses	260,239,556	259,389,746
General Revenues		
State Appropriations	252,648,298	251,431,754
Fines and Penalties	96,652	99,722
Investment Management Fees	2,500,000	2,700,000
Revenue from Other State Agencies	5,207,627	4,692,011
Total General Revenues	260,452,577	258,923,487
Transfers		
Remission to State General Fund	(648,037)	(301,965)
Total General Revenues and Transfers	259,804,540	258,621,522
Change in Net Deficit	(435,016)	(768,224)
Net Deficit, July 1	(15,202,373)	(14,434,149)
Net Deficit, June 30	\$ (15,637,389)	\$ (15,202,373)

*As restated

General revenues of the Office are largely dependent upon appropriations from the State Legislature. For the fiscal year ended June 30, 2019, appropriations to the Office for Aid to Subdivisions were increased by the State Legislature, and as a result State Appropriations revenues and Aid to Subdivisions expenses both increased. The Office also added several members to its staff which, along with an increase in pension expense, increased personnel services expense for the fiscal year ended June 30, 2019. Lastly, remissions to the State General Fund increased from the fiscal year ended June 30, 2018 as the Aid to Subdivisions Fund was required to remit a portion of unspent appropriations to the State General Fund for the year ended June 30, 2019, which amounted to \$648,037, which was greater than the amount of unspent appropriations for the year ended June 30, 2018. See Note 15 to the financial statements for information regarding the restatement noted above for 2018.

Statement of Net Position and Statement of Activities (Continued):

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2019

The Office received \$252,648,298 in appropriations from the State Legislature. These appropriations were spent for three purposes. The amount of \$2,025,808 was spent primarily on the operations of the Office. The amount of \$244,616,613 was disbursed as aid to various governmental subdivisions throughout the State. The amount of \$5,357,840 was spent on student loans. This resulted in \$648,037 of appropriations unspent, which were remitted to the State General Fund.

Fund Highlights:

Governmental Funds

The focus of the Office's governmental funds is to provide information regarding actual inflows and outflows of spendable resources. The General Fund is the chief operating fund of the Office. The General Fund's operating revenues are provided through appropriations from the State Legislature. Revenues are not budgeted by the Office; therefore, expenditures are typically matched with appropriations so long as expenditures do not exceed budgeted appropriations. Due to differences in budgetary cutoff dates and the modified accrual basis of accounting, there was a deficit fund balance of \$79 for the General Fund.

There are two major special revenue funds: the Aid to Subdivisions Fund and the State Treasurer's Office Earmarked Fund. The Aid to Subdivisions Fund distributes funds to various political subdivisions of the State based on amounts budgeted by the State. There was a surplus of \$648,037 in State appropriations in the Aid to Subdivisions Fund that were not distributed during the fiscal year ended June 30, 2019. Of this surplus, all was remitted back to the State General Fund after the end of the fiscal year, resulting in no change in fund balance and an ending fund balance of \$0. The State Treasurer's Office Earmarked Fund accounts for revenues and transfers of appropriations earmarked for specific Office operations. As required by the earmark provisions, these amounts can only be spent on specific operational expenditures of the Office, and therefore, the remaining fund balance is considered restricted. Revenues exceeded expenditures by \$272,552 during the fiscal year ended June 30, 2019 resulting in an ending fund balance of \$374,790.

Budget Highlights:

The State's Annual Appropriations Act, its legally adopted budget, does not present budgets by GAAP fund; instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

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 Appropriations Act are referred to as *Other Budgeted Funds*.

The Office's budget for E16 General Funds was originally \$1,993,683 for the fiscal year ended June 30, 2019. This compares to a final budgeted amount of \$2,026,106. The increase was primarily due to a budgeted increase in other operating expenditures of \$258,417, a decrease in personnel services of \$162,126, and a decrease in employer contributions of \$57,075. Actual expenditures, on the budgetary basis, totaled \$2,026,106. These actual expenditures were in line with the final budgeted amount.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Budget Highlights (Continued):

The Office's budget for E16 Other Budgetary Funds was originally \$7,495,061 for the fiscal year ended June 30, 2019. This compares to a final budgeted amount of \$12,852,899. The increase in the final budgeted amount was primarily due to additional appropriations for student loan payments to the South Carolina Student Loan Corporation in the budgeted amount of \$5,357,840. Actual expenditures, on the budgetary basis, totaled \$12,832,898. These actual expenditures were in line with the final budgeted amount with the exception of other operating expenditures which were \$20,001 under budget.

The Office's budget for X22 General Funds was originally \$243,092,525 for the fiscal year ended June 30, 2019. This compares to a final budgeted amount of \$244,616,612. The primary reason for the increase from the original to final budgeted amount was an increase in amounts budgeted to be distributed as aid to various subdivisions. Actual expenditures, on the budgetary basis, totaled \$243,756,210. These actual expenditures were \$860,402 less than the final budgeted amount. The Office's Aid to Subdivisions Fund only receives General Fund appropriations. Therefore, amounts are not budgeted for X22 Other Budgetary Funds.

This MD&A is designed to provide a general overview of the Office's finances for all of the State's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Office's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Office of the State Treasurer
1200 Senate Street, Suite 214
Wade Hampton Office Building
Columbia, South Carolina 29201

South Carolina Office of the State Treasurer
Statement of Net Position
June 30, 2019

Assets

Current Assets:

Cash	\$ 3,336,881
Due from Other State Agencies	458,346
Total Current Assets	3,795,227

Capital Assets, Net	145,150
Total Assets	3,940,377

Deferred Outflows of Resources

Deferred Outflows of Resources Related to Pensions	1,669,333
Deferred Outflows of Resources Related to OPEB	649,162
Total Deferred Outflows of Resources	2,318,495

Liabilities

Current Liabilities:

Accounts Payable	2,772,479
Due to State General Fund	648,037
Capital Leases Payable, Current	64,661
Compensated Absences	52,348
Total Current Liabilities	3,537,525

Noncurrent Liabilities:

Net Pension Liability	9,473,601
Net OPEB Liability	7,576,870
Capital Leases Payable	83,810
Compensated Absences	510,535
Total Noncurrent Liabilities	17,644,816
Total Liabilities	21,182,341

Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions	94,211
Deferred Inflows of Resources Related to OPEB	619,709
Total Deferred Inflows of Resources	713,920

Net Deficit

Net Investment in Capital Assets	(3,321)
Restricted	374,790
Unrestricted	(16,008,858)
Total Net Deficit	\$ (15,637,389)

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Activities
For the Year Ended June 30, 2019

Expenses

Personnel Services	\$ 7,334,277
Travel	39,996
Supplies and Materials	397,591
Contracted Services	2,123,411
Student Loans – Student Loan Corporation	5,357,840
Rent	308,974
Interest Expense	9,002
Depreciation	51,852
Aid to Subdivisions	244,616,613
Total Expenses	<u>260,239,556</u>

General Revenues

State Appropriations	252,648,298
Fines and Penalties	96,652
Investment Management Fees	2,500,000
Revenue from Other State Agencies	5,207,627
Total General Revenues	<u>260,452,577</u>

Transfers

Remission to State General Fund	<u>(648,037)</u>
Total General Revenues and Transfers	<u>259,804,540</u>

Change in Net Deficit	(435,016)
Net Deficit, July 1, 2018, as restated	<u>(15,202,373)</u>
Net Deficit, June 30, 2019	<u>\$ (15,637,389)</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Aid to Subdivisions Fund</u>	<u>State Treasurer's Office Earmarked Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 26,422	\$ 2,495,688	\$ 814,771	\$ 3,336,881
Due from Other State Agencies	-	454,866	3,480	458,346
Total Assets	<u>\$ 26,422</u>	<u>\$ 2,950,554</u>	<u>\$ 818,251</u>	<u>\$ 3,795,227</u>
Liabilities				
Accounts Payable	\$ 26,501	\$ 2,302,517	\$ 443,461	\$ 2,772,479
Due to State General Fund	-	648,037	-	648,037
Total Liabilities	<u>26,501</u>	<u>2,950,554</u>	<u>443,461</u>	<u>3,420,516</u>
Fund Balances				
Restricted:				
Aid to Subdivisions	-	-	-	-
State Provisos	-	-	374,790	374,790
Unassigned	(79)	-	-	(79)
Total Fund Balances (Deficits)	<u>(79)</u>	<u>-</u>	<u>374,790</u>	<u>374,711</u>
Total Liabilities and Fund Balances	<u>\$ 26,422</u>	<u>\$ 2,950,554</u>	<u>\$ 818,251</u>	<u>\$ 3,795,227</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2019

Total fund balance, governmental funds \$ 374,711

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. This amount reflects gross capital assets of \$197,002 net of accumulated depreciation of \$51,852 145,150

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Net pension liability	(9,473,601)
Deferred outflows of resources related to pensions	1,669,333
Deferred inflows of resources related to pensions	(94,211)
Net OPEB liability	(7,576,870)
Deferred outflows of resources related to OPEB	649,162
Deferred inflows of resources related to OPEB	(619,709)

Capital lease liabilities are not due and payable in the current year and are not included in the fund statements (148,471)

Compensated absences are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. (562,883)

Net deficit of governmental activities in the Statement of Net Position \$ (15,637,389)

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Aid to Subdivisions Fund	State Treasurer's Office Earmarked Fund	Total Governmental Funds
Revenues				
State Appropriations	\$ 2,025,808	\$ 245,264,650	\$ 5,357,840	\$ 252,648,298
Fines and Penalties	—	—	96,652	96,652
Investment Management Fees	—	—	2,500,000	2,500,000
Revenue from Other State Agencies	13,986	—	5,191,626	5,205,612
Total Revenues	<u>2,039,794</u>	<u>245,264,650</u>	<u>13,146,118</u>	<u>260,450,562</u>
Expenditures				
Personnel Services	1,715,520	—	4,912,574	6,628,094
Travel	10,501	—	29,495	39,996
Supplies and Materials	47,833	—	349,758	397,591
Contracted Services	167,536	—	1,955,875	2,123,411
Capital Outlay	174,708	—	22,294	197,002
Debt service, principal	15,881	—	32,650	48,531
Debt service, interest	3,566	—	5,436	9,002
Student Loans – Student Loan Corporation	—	—	5,357,840	5,357,840
Rent	79,036	—	229,938	308,974
Aid to Subdivisions	—	244,616,613	—	244,616,613
Total Expenditures	<u>2,214,581</u>	<u>244,616,613</u>	<u>12,895,860</u>	<u>259,727,054</u>
Revenues Over (Under) Expenditures	<u>(174,787)</u>	<u>648,037</u>	<u>250,258</u>	<u>723,508</u>
Other Financing Sources (Uses)				
Capital lease proceeds	174,708	—	22,294	197,002
Remission to State General Fund	—	(648,037)	—	(648,037)
Total Other Financing Sources (Uses)	<u>174,708</u>	<u>(648,037)</u>	<u>22,294</u>	<u>(451,035)</u>
Net Change In Fund Balance	(79)	—	272,552	272,473
Fund Balance, July 1, 2018, as restated	—	—	102,238	102,238
Fund Balance, June 30, 2019	<u>\$ (79)</u>	<u>\$ —</u>	<u>\$ 374,790</u>	<u>\$ 374,711</u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2019

Total change in fund balance, governmental funds	\$	272,473
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report those expenditures as capital assets		197,002
Proceeds from the issuance of capital leases are reported as other financing sources in the governmental funds while governmental activities report those proceeds as liabilities		(197,002)
Current year pension plan contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities		680,129
Current year OPEB plan contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities		282,608
Nonemployer contributions to the OPEB plan are recognized in the Statement of Activities as revenues		57,183
Repayment of capital lease liabilities are reported as expenditures in the governmental funds while governmental activities reports these payments as reductions in liabilities		48,531
Some expenses 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:		
Depreciation		(51,852)
Increase in pension expense due to changes in the net pension liability and related deferred outflows and inflows of resources		(1,191,105)
Increase in OPEB expense due to changes in the net OPEB liability and related deferred outflows and inflows of resources		(479,075)
Increase in compensated absences		(53,908)
Increase in net deficit, governmental activities	\$	<u><u>(435,016)</u></u>

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Current Assets:		
Cash	\$ 2,681,544	\$ 1,361,849,442
Amounts Due from Other State Agencies	440,128	201,357,946
Total Current Assets	3,121,672	1,563,207,388
Noncurrent Assets:		
Capital Assets:		
Land and Land Improvements	3,874,100	-
Buildings and Improvements	1,643,925	-
Equipment	439,451	-
Vehicles	113,222	-
Accumulated Depreciation	(1,672,140)	-
Total Noncurrent Assets	4,398,558	-
Total Assets	\$ 7,520,230	\$ 1,563,207,388
Liabilities		
Current Liabilities:		
Due to Depositors	\$ -	\$ 1,099,187,433
Accounts Payable	983,141	-
Amounts Due to Local Governments	-	224,146,208
Unclaimed Property Refunds	-	239,873,747
Total Current Liabilities	983,141	1,563,207,388
Total Liabilities	983,141	\$ 1,563,207,388
Net Position		
Net Investment in Capital Assets	4,398,558	
Held in Trust for:		
Aid to Subdivisions	639,784	
Springdale Fund	1,050,653	
Other Purposes	448,094	
Total Net Position	6,537,089	
Total Liabilities and Net Position	\$ 7,520,230	

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Private Purpose Trust
Additions:	
Service Fees	\$ 49,191
Sales and Use Taxes	2,996,263
Net Receipts from Political Subdivisions	156,740
Interest and Investment Income	44,797
Total Additions	3,246,991
Deductions:	
State Allocations	2,991,280
Depreciation	71,050
Contracted Services	60,736
Disbursement to Devisee	39,467
Other Expenses	1,627
Total Deductions	3,164,160
Change in Net Position	82,831
Net Position, July 1, 2018	6,454,258
Net Position, June 30, 2019	\$ 6,537,089

The notes to the financial statements are an integral part of these financial statements.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies

The financial statements of the South Carolina Office of the State Treasurer (the “Office”) have been prepared in conformity with United States Generally Accepted Accounting Principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Office’s accounting policies are described below.

A. Reporting Entity

The Office is established under the authority of the Constitution of South Carolina (the “Constitution”) as an agency of the State of South Carolina (the “State”). The Office performs duties as designated by the Constitution or prescribed by law. The Office is a part of the primary government of the State.

The State Treasurer is elected every four years and is inaugurated the second Monday in January following the election for the position in November. In January 2011, the Honorable Curtis M. Loftis, Jr. became the State Treasurer.

The primary functions of the Office are acting as Custodian for State funds, maintaining bank accounts for the receipt and disbursement of State funds, prudent investing of certain State funds, and administering the State’s Unclaimed Property Program. Additionally, the Office performs safekeeping and investment functions for State agencies and other entities as authorized by State statute. Various activities of the Office include receipt of documents, management of cash and investments, management of debt service for various State entities, and the reconciliation of account balances and transactions with the various State agencies. The Office is also responsible for accounting functions associated with the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool.

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State that is attributable to transactions of the Office, and exclude the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Resources Authority, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the “Related Entities”), and all debt service transactions related to obligations of the State, its agencies, departments, and political subdivisions. The financial statements of the Related Entities were audited by other auditors as of and for the fiscal year ended June 30, 2019.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are presented under GAAP using the accrual basis of accounting and pronouncements issued by the GASB.

All of the functions available to finance the Office are presented together as general government activities. Financial information for funds that are not available to finance these activities are not included; consequently, the government-wide financial statements exclude fiduciary assets and liabilities.

Additionally, the Office receives reimbursement from the unclaimed property funds for certain costs incurred in connection with the recovery, advertisement, and sale of unclaimed property. The Office holds unclaimed property refunds, or escheated property, in an agency capacity. A liability is recorded for amounts expected to be reclaimed and paid to claimants. This liability is satisfied by the State's General Fund. For the fiscal year ended June 30, 2019, the Office received \$1,900,000 of unclaimed property receipts to offset certain capital and administrative costs incurred in connection with the administration of the State's Unclaimed Property Program. The Unclaimed Property Program is accounted for as an agency fund.

Fund Financial Statements

The fund financial statements are used to report the Office's financial position and results of operations as well as to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The governmental fund financial statements are presented on the modified accrual basis of accounting and the fiduciary fund financial statements are presented on the accrual basis. These methods of accounting are described below.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the Office considers major sources of revenue to be available if they are collected within sixty days of the end of the current fiscal year.

Financial resources of fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Types

General Fund – The General Fund is the primary operating fund of the Office. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, state appropriations, and other revenue sources that are designated to finance particular functions or activities of the Office. Special Revenue Funds include:

- *Aid to Subdivisions Fund* – The Aid to Subdivisions Fund is a special revenue fund that accounts for appropriations set by the General Assembly from the State General Fund for aid to governmental subdivisions. Actual distributions are formula funded based on actual collections of the specific State General Fund revenue types.
- *State Treasurer’s Office Earmarked Fund* – This special revenue fund accounts for revenues and transfers of appropriations earmarked for specific Office operations or restricted for student loan expenditures.

Fiduciary Funds – Transactions related to assets held by the Office as an agent of other governmental agencies or private organizations are accounted for in the Fiduciary Funds. These are presented separately in the financial statements. The Office’s Fiduciary Funds include:

- *Private Purpose Trust Funds* – These funds include a trust fund with assets set aside for site stabilization and closure of a nuclear waste site operated by a private company within the State’s borders in the event that the company ceases operations or loses its license to operate as well as a trust fund with assets set aside for 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). The Private-Purpose Trust Funds also include miscellaneous other trust agreements holding assets that benefit non-State parties.
- *Agency Funds* – These funds are used to account for assets held by the Office in an agency capacity. The Office is the official depository for agencies of the State and, accordingly, administers the significant majority of State agency receipts and disbursements.

The fund financial statements focus on major funds. Each major fund is presented in a separate column. Major funds include (a) the Office’s primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and (c) any other fund that Office officials believe is particularly important to financial statement users. The Office reports the following major governmental funds which are discretely presented in the governmental fund financial statements:

- General Fund
- Aid to Subdivisions Fund
- State Treasurer’s Office Earmarked Fund

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Cash

The amounts shown in the accompanying financial statements as cash represents cash on deposit in banks and cash held in various instruments as a part of the State's cash management pool. Since the cash management pool operates as a demand deposit account, amounts held in the pool are classified as cash. The Office administers the cash management pool.

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 State General Fund. In contrast, each special deposit account retains its own earnings.

Capital Assets

The Office's capital assets are reported in its governmental activities and fiduciary type activities. The Office's capital assets reported in its governmental activities consist primarily of equipment for the day to day operations of the Office. The capital assets reported in the fiduciary type activities are managed in trust for the benefit of others are reported in the Statement of Fiduciary Net Position – Fiduciary Funds.

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 acquisition value on the donation date. 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.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost of more than \$5,000 for buildings and improvements, equipment, and vehicles. All land and non-depreciable land improvements with a cost of more than \$100,000 are capitalized and reported. Once the Office places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings and Improvements	5-55
Equipment	2-25
Vehicles	3-20

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the Office's working days of the month are entitled to accrue and carry forward, at calendar year-end maximums, 180 days of sick leave and 45 days of annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum but are not entitled to any payment for unused sick leave.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Compensated Absences (Continued)

The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The entire unpaid liability for which the Office expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end, current salary costs, and the cost of the salary-related benefit payments, is recorded as a liability. The General Fund is used to liquidate the liability for compensated absences.

Due to Depositors

Due to Depositors reported in the Statement of Fiduciary Net Position – Fiduciary Funds represents amounts held by the Office in its Agency Funds for the benefit of other State agencies, local governments, and State boards. The Office collects various taxes, fines, and fees on behalf of these entities until the funds are needed for use or are distributed under applicable State provisions. The balance of this liability was \$1,099,187,433 as of June 30, 2019.

Unclaimed Property Refunds

The Office holds unclaimed property refunds, or escheated property, in an agency capacity; unclaimed property refunds are reported in the Agency Funds. Each year, the Unclaimed Property Program receives millions of dollars from companies that cannot locate the owners of the funds. The Unclaimed Property Program does not include tangible property like land or vehicles. A liability is recorded for amounts expected to be reclaimed and paid to claimants. See Note 14 for more information on unclaimed property refunds and the respective Unclaimed Property Program.

Net Position and Fund Balance

Net position is the residual measure of governmental activities while fund balance is the residual measure of governmental funds. A description of the various classifications of net position and fund balance are as follows:

Net Position

Net investment in capital assets

The net investment in capital assets portion of net position consists of capital assets, net of accumulated depreciation and outstanding liability balances associated with the capital assets. As of June 30, 2019, the Office held \$145,150 of capital assets, however, the associated capital lease balances exceeded the value of the capital assets, thus there was a deficit balance of \$3,321. The Office also reported net investment in capital assets of \$4,398,558 in the Private Purpose Trust Funds.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Net Position and Fund Balance (Continued)

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of June 30, 2019, the Office reported \$374,790 of restricted net position.

Net position held in trust

Net position held in trust consists of assets that are held by the Office in a fiduciary capacity for the decommissioning of a nuclear plant, aid to subdivisions, the Springdale Fund which benefits the Springdale Race Course, or other specific purposes as defined by the trust. As of June 30, 2019, net position held in trust was only reported in the Office's Private Purpose Trust Funds.

Unrestricted net position

All other assets that do not meet the definition of "restricted" are considered "unrestricted". The Office's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

The Office follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following categories of fund balance are used in the fund level financial statements of the governmental funds:

Non-spendable fund balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaids. It also includes the long-term amount of loans and notes receivable, as well as other assets. As of June 30, 2019, the Office did not have any non-spendable fund balance.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Nearly all of the Office's fund balance is presented as restricted as all fund balance is restricted as to use for specific purposes under State provisions. These purposes are primarily to pay costs for the management of the Unclaimed Property Program and investment and debt management.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Net Position and Fund Balance (Continued)

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Office's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2019, the Office did not have any committed fund balance.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Office's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Office's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Office's highest level of authority. As of June 30, 2019, the Office did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes within the General Fund.

Based on the Office's policies regarding fund balance classifications as noted above, it considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure has been designated by the State or donor stipulations have been made. After these fund balances have been depleted, unassigned fund balances will be considered to have been spent. As of June 30, 2019, the Office reported a deficit unassigned fund balance of \$79.

Deficit Net Position and Fund Balance

The Office reported unrestricted net deficit of \$16,008,858 which is due primarily to its proportionate share of the net pension and OPEB liabilities of \$17,050,471 (see Notes 9 and 10 for more details). The Office does not anticipate funding these liabilities and will continue to contribute to the pension and OPEB plans at State required contribution rates. The Office also reported deficit fund balance in its General Fund of \$79 which will be funded by revenues and State appropriations in the year ending June 30, 2020.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Deferred Outflows and Inflows of Resources

A deferred outflow or inflow of resources is a consumption or acquisition of net position that is applicable to a future reporting period. The Office has recorded deferred outflows and inflows of resources in connection with the retirement plan contributions made subsequent to the measurement date, the difference between projected and actual investment earnings on retirement plan assets, the difference between actual and expected retirement plan experience, and changes in proportion and differences between the Office's actual contributions and its proportionate share of contributions.

Revenue from Other State Agencies

Revenue from Other State Agencies in the State Treasurer's Office Earmarked Fund generally consists of revenue earned for administering State programs such as the Unclaimed Property Program and the South Carolina Future Scholar 529 College Savings Plan as well as fees for administering the State's and State agencies' long-term debt.

Contracted Services

Contracted services expenditures in the General Fund generally consist of payments for professional and data processing services.

Contracted services expenditures in the State Treasurer's Office Earmarked Fund generally consist of payments for asset and debt management consulting fees, custodial fees, and other investment consulting services.

Contracted services expenses in the Private Purpose Trust Funds generally consist of payments for the administration and decommissioning of a nuclear plant.

Student Loans – Student Loan Corporation

Student Loans – Student Loan Corporation expenditures in the State Treasurer's Office Earmarked Fund are payments to the South Carolina Student Loan Corporation for its loan disbursements under its South Carolina Teachers Loan Program. These payments are funded through State Appropriations.

State Allocations

State Allocations expenses in the Private Purpose Trust Funds generally consist of payments to municipalities for their allocated share of State collected fees, such as the solid waste fee.

Disbursements to Devisee

Disbursements to Devisee in the Private Purpose Trust Funds represent payments to the Carolina Cup Racing Association, Inc. The Office distributes the investment and interest income on the Springdale Fund, one of the Private Purpose Trust Funds, which is held for the benefit of the Springdale Race Course in Camden, South Carolina. The corpus of the fund is \$1,050,653 as of the fiscal year ended June 30, 2019.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. Budget Policy

The Office is granted an annual appropriation for operating purposes by the General Assembly. The appropriation, as enacted, becomes the legal operating budget for the Office. The Appropriation Act authorizes expenditures from funds appropriated from the State General Fund and authorizes expenditures of total funds. The “Total Funds” column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement documents in the State’s budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Fiscal Accountability Authority (the “SFAA”) under its authority or by the agency as set forth in Appropriation Act Proviso 117.9 as follows: Agencies and institutions shall be authorized to transfer appropriations within programs and within the agency with notification to the Executive Budget Office and the Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such personnel transfers may be provided to members of the General Assembly on an agency by agency basis. Transfers of appropriations from personnel service accounts to other operating accounts or from other operating accounts to personnel service accounts may be restricted to any established standard levels set by the SFAA upon formal approval by a majority of the members of the SFAA.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year’s appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the State General Fund on July 1 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year.

3. Deposits

By law, all deposits are under the control of the Office 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 Office. Typically, these agencies follow the deposit and investment policies of the Office in an effort to minimize deposit and investment risks.

Deposits include cash on deposit in banks. The State’s policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the Office, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. All deposit and investment transactions of the Office are under the control of the Office who, by law, has sole authority for the investment of such funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution’s failure, the Office will not be able to recover collateral securities that are in the possession of an outside party. Deposits include cash on deposit in banks. All deposits under the control of the Office are fully insured or collateralized.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

4. Investment Management Fees

Under Proviso 98.5, the Office may charge a fee for the operating and management costs associated with the investment management and support operations of various State funds and programs and, further, may retain and expend the fees to provide these services. The fees assessed may not exceed the actual cost of the provision of these services or the earnings on these investments. The total amount the Office received in investment management fees for the fiscal year ended June 30, 2019 was \$2,500,000.

5. Amounts Due from Other State Agencies

At June 30, 2019, the Private Purpose Trust Funds and Agency Funds held receivables due from other State agencies. The following is a summary of the amounts due from other State agencies:

	Private Purpose Trust	Agency
Selective Sales and Use Taxes	\$ 438,504	\$ 23,745,383
Accommodations Tax	—	20,459,675
Local Option Sales Tax	—	65,335,136
Motor Carrier / Road Use Fees	—	2,661,635
911 Surcharge	—	2,817,259
Tobacco Products Playing Card Tax	—	9,184,934
Unclaimed Property	—	75,640,991
Mini Bottle Tax	—	954,004
Miscellaneous Revenue	1,624	558,929
Total Amounts Due from Other State Agencies	\$ 440,128	\$ 201,357,946

Subsequent to the fiscal year ended June 30, 2019, an additional \$2 million of the original \$12 million due from South Carolina State University was forgiven per the terms of Act 286. As such, an allowance against the remaining balance of \$2 million was recorded and reduced the receivable to a net realizable value of \$0. These amounts have been reported in the Agency Funds.

6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 for Governmental Activities was as follows:

	Beginning Balance June 30, 2018	Increases	Decreases	Ending Balance June 30, 2019
Governmental Activities:				
Capital assets being depreciated:				
Office Equipment	\$ -	\$ 197,002	\$ -	\$ 197,002
Less accumulated depreciation for:				
Office Equipment	-	(51,852)	-	(51,852)
Total capital assets being depreciated, net	\$ -	\$ 145,150	\$ -	\$ 145,150

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

6. Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2019 for the Private Purpose Trust Funds was as follows:

	Beginning Balance <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>June 30, 2019</u>
Private purpose trust funds:				
Capital assets not being depreciated:				
Land and land improvements	\$ 3,874,100	\$ -	\$ -	\$ 3,874,100
Total capital assets not being depreciated	3,874,100	-	-	3,874,100
Capital assets being depreciated:				
Buildings and improvements	1,643,925	-	-	1,643,925
Equipment	439,451	-	-	439,451
Vehicles	113,222	-	-	113,222
Total capital assets being depreciated	2,196,598	-	-	2,196,598
Less accumulated depreciation for:				
Buildings and improvements	(1,102,384)	(53,150)	-	(1,155,534)
Equipment	(385,484)	(17,900)	-	(403,384)
Vehicles	(113,222)	-	-	(113,222)
Total accumulated depreciation	(1,601,090)	(71,050)	-	(1,672,140)
Total capital assets being depreciated, net	595,508	(71,050)	-	524,458
Total capital assets for private purpose trust funds, net	<u>\$ 4,469,608</u>	<u>\$ (71,050)</u>	<u>\$ -</u>	<u>\$ 4,398,558</u>

7. Amounts Due to Local Governments

At June 30, 2019, the Agency Funds held amounts due to local governments. The following is a summary of the amounts due to local governments:

	<u>Agency</u>
Local Option Sales and Accommodation Taxes	\$ 210,554,174
Motor Carrier Fees	2,115,188
911 Surcharge	7,008,932
Mini Bottle Tax	1,615,899
Unclaimed Property	2,416,666
Miscellaneous Amounts	435,349
Total Amounts Due to Local Governments	<u>\$ 224,146,208</u>

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

8. Long-term Liabilities

Long-term liabilities consist of compensated absences and capital leases. Long-term liability activity for the year ended June 30, 2019 for the primary government was as follows:

	Beginning Balance June 30, 2018	Increases	Decreases	Ending Balance June 30, 2019	Current Portion
Compensated absences	\$ 508,975	\$ 477,070	\$ (423,162)	\$ 562,883	\$ 52,348
Capital leases	-	197,002	(48,531)	148,471	64,661
	<u>\$ 508,975</u>	<u>\$ 674,072</u>	<u>\$ (471,693)</u>	<u>\$ 711,354</u>	<u>\$ 117,009</u>

The Office entered into several capital leases for the use of office and data processing equipment during the year ended June 30, 2019. The gross balance of the assets purchased under capital leases was \$197,002. Current year and accumulated amortization of those assets was \$51,852 for the year ended June 30, 2019. Amortization of these assets is reported as depreciation expense in the Statement of Activities. Interest rates on the capital leases range from 6.29% to 7.29%. Estimated future rental payments under the capital leases are as follows:

Fiscal Year Ending June 30,	
2020	\$ 72,680
2021	70,421
2022	17,035
Total lease payments	<u>160,136</u>
Less portion of payments representing interest	<u>(11,665)</u>
Total capital lease principal	<u>\$ 148,471</u>

9. Pension Plan

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

Plan Descriptions

- 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 employees of the state, its public school districts, and political subdivisions.
- The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired State, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - 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. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

9. Pension Plan (Continued)

Plan Descriptions (Continued)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more 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 Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying 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 Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. 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.

Contributions

Contributions are prescribed by Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. 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.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Plan Descriptions (Continued)

Contributions (Continued)

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent for SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	13.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Plan Descriptions (Continued)

Contributions (Continued)

The Office has contributed \$680,129 and \$619,310 to the SCRS and ORP for the years ended June 30, 2019 and 2018, respectively.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report was most recently issued as of July 1, 2015.

The June 30, 2018, total pension liability (TPL), the net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return ¹	7.25%
Projected salary increases ¹	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually
¹ <i>Includes inflation at 2.25%</i>	

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Actuarial Assumptions and Methods (Continued)

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

Former Job Class	Males	Females
Educators	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 and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The net pension liability (“NPL”) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. The NPL amounts for SCRS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

The Office’s proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2018, the Office’s percentage of the SCRS net pension liability was 0.04262%. For the year ending June 30, 2019, the Office’s percentage of the SCRS net pension liability was 0.04228% which is an increase of 0.0003%. The Office’s proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in the Office recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

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

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 12,105,503	\$ #VALUE!	\$ 7,592,043

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

9. Pension Plan (Continued)

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2019, the Office recognized pension expense of \$1,191,105 which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2019, the Office reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2018 was 4.073 years for SCRS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ #VALUE!	\$ —
Differences in actual and expected plan experience	#VALUE!	#VALUE!
Change in proportionate share and differences between the Office's contributions and proportionate share of contributions	#VALUE!	38,461
Changes in assumptions	#VALUE!	—
Net differences between projected and actual earnings on plan investments	#VALUE!	—
	\$ 1,669,333	\$ 94,211

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2019	2020	\$ 601,910
2020	2021	427,910
2021	2022	(118,140)
2022	2023	(16,687)

The Office reported \$680,129 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

10. Post-Employment Benefits Other Than Pensions

PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts. By law, the SFAA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB). See Note 9 for more details on PEBA and the SFAA.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

PEBA, Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Fund. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Post-Employment Benefits Trust Fund (OPEB Trust), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the OPEB Trust is administered by the PEBA, Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public-school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. 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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 was 5.50 percent and for the year ended June 30, 2019 was 6.05 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

Actuarial Assumptions and Methods (continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.62% as of June 30, 2018
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to June 30, 2018.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

Net OPEB Liability (Continued)

The following table represents the components of the net OPEB liability as of June 30, 2018:

<u>OPEB Trust</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>	<u>Plan Fiduciary Net Position as a % of Total OPEB Liability</u>
SCRHITF	\$ 15,387,115,010	\$ 1,216,530,062	\$ 14,170,584,948	7.91%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2019, the Office reported a liability of \$#VALUE! for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2018. the Office's proportion of the net OPEB liability was based on a projection of the Office's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Office's proportion was 0.051707% and at June 30, 2019, the Office's proportion was 0.053469%.

Single Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. 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).

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

Long-term Expected Rate of Return (continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation Weighted Long Term Expected Portfolio Real Rate of Return
US Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total Expected Real Return	<u>100.0%</u>		<u>1.84%</u>
Expected Inflation			<u>2.25%</u>
Total Return			<u>4.09%</u>
Investment Return Assumption			<u>4.00%</u>

Sensitivity Analysis

The following table represents the Office’s proportionate share of the SCRHITF’s net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the Office’s proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate			
OPEB Trust	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
SCRHITF	\$ 8,926,281	\$ #VALUE!	\$ 6,489,138

Regarding the sensitivity of the Office’s proportionate share of SCRHITF’s net OPEB liability to changes in the healthcare cost trend rates, the following table presents the Office’s proportionate share of the net OPEB liability, calculated using the assumed trend rates as well as what the Office’s proportionate share of the net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
OPEB Trust	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF	\$ 6,234,541	\$ #VALUE!	\$ 9,312,253

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

10. Post-Employment Benefits Other Than Pensions (Continued)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Office recognized OPEB expense of \$#VALUE!. At June 30, 2019, the Office reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 282,608	\$ —
Differences in actual and expected plan experience	113,505	2,640
Changes in assumptions	—	616,986
Changes in proportion and differences in contributions	223,996	83
Net differences between projected and actual earnings on plan investments	29,053	—
	\$ 649,162	\$ 619,709

Contributions subsequent to the measurement date of \$282,608 were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining services lives of all employees provided with OPEB through the June 30, 2018 was 7.203 years for SCRHITF:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2019	2020	\$ (54,351)
2020	2021	(54,351)
2021	2022	(54,351)
2022	2023	(57,462)
2023	2024	(62,392)
Thereafter		29,752

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the Office. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by the Insurance Benefits Division of PEBA.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

11. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Office's financial statements. Compensation deferred under the plans is placed in trust for the contributing employee. The Office has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. The Office made no contributions for the fiscal year ended June 30, 2019.

12. Risk Management

The Office is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts and maintains State insurance coverage for non-owned motor vehicles and general torts. The Office did not incur any losses during the fiscal year ended June 30, 2019, 2018, or 2017.

The Office and other entities pay premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities and / or events:

1. Motor vehicles (non-owned);
2. Torts;
3. Building and content;
4. Inland marine; and
5. Data processing.

The IRF is self-insured and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Office paid \$#VALUE! to the IRF for insurance premiums during the fiscal year ended June 30, 2019.

The Office has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a State or commercial insurer.

13. Transactions with State Entities / Related Parties

The Office had significant transactions with the State and various State agencies. The Office purchases goods and services from various State agencies. Total purchases from State agencies were \$2,579,396 for the fiscal year ended June 30, 2019. Payments totaling \$1,251 for the fiscal year ended June 30, 2019 were also made to another agency for unemployment insurance.

The Office is statutorily mandated to provide services or perform duties related to court fines, Local Government Investment Pool, decommissioning trusts, debt, investments, unclaimed property and college savings plans. Total revenues earned by the Office for those services were \$7,691,626 for the fiscal year ended June 30, 2019.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2019

13. Transactions with State Entities / Related Parties (Continued)

The Office provided no material services free of charge to other State agencies during the fiscal year ended June 30, 2019. The Office participates in the statewide dual employment program. Workers' compensation insurance premiums of \$12,583 were paid to the State Accident Fund during fiscal year 2019.

14. Unclaimed Property Program

The Unclaimed Property Program ("UPP") is administered by the Office. The property transferred to the UPP for safekeeping is held indefinitely for the benefit of the rightful owners. Until claimed, the funds are used for the good of all South Carolina citizens.

The Office receives an actuarial valuation for the liability it has to refund the unclaimed property it has received. The liability for the unclaimed property refund is based on historical and expected payout frequencies and other relative factors. For the fiscal year ended June 30, 2019, the estimated liability was \$#VALUE!. The amount of cash held by the UPP was \$164,232,756. In the event that the amount of refunds requested exceeds the amount of cash in the UPP, the State would be required to fund the difference. Therefore, the Office has recorded a receivable in the amount of \$75,640,991 from the State's General Fund which represents the excess of the liability over the amount of cash held by the UPP. This receivable is recorded in Amounts Due from Other State Agencies in the Agency Funds in the Statement of Fiduciary Net Position – Fiduciary Funds.

15. Restatement - Correction of Error

During the year ended June 30, 2019, the Office determined that it had incorrectly reported \$863,942 as restricted fund balance (and restricted net position) at June 30, 2018. The amount was associated with cash balances held in the Aid to Subdivisions Fund and should have been reported as a payable under the respective State legislation that requires the funds to be distributed to fire districts. As such, the Office has restated fund balance and net position as detailed below:

Fund balance at June 30, 2018, as originally reported	\$ 966,180
Reduction in fund balance due to increase in payables	<u>(863,942)</u>
Fund balance at June 30, 2018, as restated	<u>\$ 102,238</u>
Net deficit at June 30, 2018, as originally reported	\$ (14,338,431)
Increase in net deficit due to increase in payables	<u>(863,942)</u>
Net deficit at June 30, 2018, as restated	<u>\$ (15,202,373)</u>

16. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through December 18, 2019, the date these financial statements were available to be issued.

South Carolina Office of the State Treasurer
 Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
 E16 - State Treasurer's Office Budgetary General Funds
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Administration				
Personnel Services				
State Treasurer	\$ 92,007	\$ 92,007	\$ 92,007	\$ -
Classified Positions	66,122	59,329	59,329	-
Other Operating Expenditures	14,115	14,115	14,115	-
Total Administration	172,244	165,451	165,451	-
Programs and Services				
Personnel Services				
Classified Positions	1,239,371	940,976	940,976	-
Unclassified Positions	-	79,802	79,802	-
Other Personnel Services	-	56,467	56,467	-
Other Operating Expenditures	52,641	311,058	311,058	-
Total Programs and Services	1,292,012	1,388,303	1,388,303	-
Employee Benefits – Employer Contributions	529,427	472,352	472,352	-
Total Expenditures	<u>\$ 1,993,683</u>	<u>\$ 2,026,106</u>	<u>\$ 2,026,106</u>	<u>\$ -</u>

See accompanying independent auditor's report and notes to the required supplementary information.

South Carolina Office of the State Treasurer
 Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
 E16 - State Treasurer's Office Budgetary Other Funds
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Programs and Services				
Personnel Services				
Classified Positions	\$ 2,644,387	\$ 3,080,362	\$ 3,080,362	\$ -
Unclassified Positions	221,340	318,008	318,008	-
Other Personnel Services	75,000	207,155	207,155	-
Other Operating Expenditures	3,403,339	2,623,669	2,603,668	20,001
Total Programs and Services	6,344,066	6,229,194	6,209,193	20,001
Employee Benefits – Employer Contributions	1,150,995	1,265,865	1,265,865	-
Special Items – Student Loans -				
Student Loan Corporation	-	5,357,840	5,357,840	-
Total Expenditures	<u>\$ 7,495,061</u>	<u>\$ 12,852,899</u>	<u>\$ 12,832,898</u>	<u>\$ 20,001</u>

See accompanying independent auditor's report and notes to the required supplementary information.

South Carolina Office of the State Treasurer
 Supplementary Information
 Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
 X22 - State Treasurer's Office Budgetary General Funds
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Aid to Subdivisions				
Fire Districts	\$ 16,496,453	\$ 1,819,462	\$ 959,060	\$ 860,402
Local Government Fund	222,619,411	220,306,729	220,306,729	-
Planning Districts	556,253	556,253	556,253	-
County Veterans' Offices	268,482	268,482	268,482	-
State Agencies	-	2,312,682	2,312,682	-
Fire Departments – Premium Tax	-	4,422,001	4,422,001	-
Fire Departments – Brokers Premium	-	11,764,671	11,764,671	-
Classified Positions	-	130	130	-
Total Aid to Subdivisions	<u>239,940,599</u>	<u>241,450,410</u>	<u>240,590,008</u>	<u>860,402</u>
Aid to Subdivisions - Grants				
Clerks of Court	72,450	72,450	72,450	-
Probate Judges	72,450	72,450	72,450	-
Sheriffs	72,450	72,450	72,450	-
Register of Deeds	33,075	36,225	36,225	-
Coroners	72,450	72,450	72,450	-
Auditors	1,388,087	967,700	967,700	-
Treasurers	1,388,086	966,312	966,312	-
Employer Contributions	52,878	906,165	906,165	-
Total Aid to Subdivisions - Grants	<u>3,151,926</u>	<u>3,166,202</u>	<u>3,166,202</u>	<u>-</u>
Total Expenditures	<u>\$ 243,092,525</u>	<u>\$ 244,616,612</u>	<u>\$ 243,756,210</u>	<u>\$ 860,402</u>

See accompanying independent auditor's report and notes to the required supplementary information.

South Carolina Office of the State Treasurer
Notes to Required Supplementary Information
Budgetary Comparison Schedules
For the Year Ended June 30, 2019

1. Budgetary Funds

The State's Annual Appropriations Act, its legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

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 Appropriations Act are referred to within these notes and in the accompanying schedules as *Other Budgetary Funds*.

As operating conditions change, the Office may transfer appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personnel services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA. Due to the Office's ability to transfer appropriations, the budgetary comparison schedule for the State Treasurer's Office Budgetary General Funds shows no variance between final budgeted amounts and actual expenditures on the budgetary basis of accounting. The overall increase in appropriations for the E16 - State Treasurer's Office Budgetary General Funds, E16 - State Treasurer's Office Budgetary Other Funds, and X22 - State Treasurer's Office Budgetary General Funds were approved by the SFAA.

2. Original and Final Budgeted Amounts; Basis of Presentation

The original appropriations presented in the accompanying schedules for the General Fund, Aid to Subdivisions Fund and State Treasurer's Office Earmarked Fund include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedules are substantively the same as for the legally adopted budget.

The General Assembly does not approve estimated revenue or fund balance amounts for Budgeted Other Funds which include the Office's General Fund, State Treasurer's Office Earmarked Fund, and Aid to Subdivisions Fund. However, Section 115 (*Recapitulations*) of the Appropriations Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Budgeted Other Funds: Federal, Earmarked, and Restricted.

3. Legal Level of Budgetary Control

The Office maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedules.

South Carolina Office of the State Treasurer
Notes to Required Supplementary Information
Budgetary Comparison Schedules
For the Year Ended June 30, 2019

4. Basis of Budgeting

Current legislation states that the South Carolina 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 used, while the accrual basis is used for other expenditures.

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

- Departments and agencies shall charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 12.
- Revenues are recorded only when the State receives the related cash with the exception of certain tax amounts, such as motor fuel taxes and gas taxes, which are not received by the Office's General Fund, State Treasurer's Office Earmarked Fund, or Aid to Subdivisions Fund in the accompanying schedules.

5. Reconciliation of Budget to GAAP Reporting Differences

The accompanying budgetary comparison schedules compare the Office's legally adopted budget with actual information in accordance with the legal basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. 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. In the current fiscal year, there are basis differences for the Office's General Fund and State Treasurer's Office Earmarked Fund, which consist primarily of prepaids.

Reconciliation of Budgetary Basis to GAAP Basis Expenditures
For the Year Ended June 30, 2019

	General Fund	State Treasurer's Office Earmarked Fund	Aid to Subdivisions Fund
Total expenditures, budgetary basis	\$ 2,026,106	\$ 12,832,898	\$ 243,756,210
Basis of accounting differences:			
Accounts payable considered expenditures of the period the expenditure was incurred	(489)	(517)	860,404
Nonemployer OPEB contributions are considered expenditures for GAAP	14,708	41,183	-
Certain expenditures are unbudgeted	174,708	22,294	-
Other basis differences	(452)	2	(1)
Total expenditures, GAAP basis	\$ 2,214,581	\$ 12,895,860	\$ 244,616,613

South Carolina Office of the State Treasurer
Schedule of the South Carolina Office of the State Treasurer's
Proportionate Share of the Net Pension Liability -
South Carolina Retirement System
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Office's proportion of the net pension liability	0.04228%	0.04262%	0.03812%	0.03788%	0.03706%
The Office's proportionate share of the net pension liability	\$ 9,473,601	\$ 9,594,898	\$ 8,143,017	\$ 7,183,556	\$ 6,380,503
The Office's covered employee payroll during the measurement period	\$ 4,567,183	\$ 4,659,256	\$ 3,802,026	\$ 3,628,165	\$ 3,364,584
The Office's proportionate share of the net pension liability as percentage of covered payroll	207.43%	205.93%	214.18%	197.99%	189.64%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%	52.91%	56.99%	59.90%
	<u>2014</u>				
The Office's proportion of the net pension liability	0.03706%				
The Office's proportionate share of the net pension liability	\$ 6,647,242				
The Office's covered employee payroll during the measurement period	\$ 3,321,241				
The Office's proportionate share of the net pension liability as percentage of covered payroll	200.14%				
Plan fiduciary net position as a percentage of the total pension liability	56.40%				

Note: The amounts presented above were determined as of June 30th of the preceding year. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2013 is not readily available.

South Carolina Office of the State Treasurer
Schedule of the South Carolina Office of the State Treasurer's Contributions -
South Carolina Retirement System
For the Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 680,129	\$ 619,310	\$ 538,610	\$ 420,503	\$ 395,470
Contributions in relation to the contractually required contribution	680,129	619,310	538,610	420,503	395,470
Contribution deficiency (excess)	<u>\$ -</u>				
The Office's covered payroll	\$ 4,671,216	\$ 4,567,183	\$ 4,659,256	\$ 3,802,026	\$ 3,628,165
Contributions as a percentage of covered payroll	14.56%	13.56%	11.56%	11.06%	10.90%
	2014	2013	2012		
Contractually required contribution	\$ 356,646	\$ 352,051	\$ 299,385		
Contributions in relation to the contractually required contribution	356,646	352,051	299,385		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
The Office's covered payroll	\$ 3,364,584	\$ 3,321,241	\$ 3,139,861		
Contributions as a percentage of covered-employee payroll	10.60%	10.60%	9.54%		

This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2011 is not readily available.

South Carolina Office of the State Treasurer
 Required Supplementary Information -
 Schedule of the South Carolina Office of the State Treasurer's
 Proportionate Share of the Net OPEB Liability –
 South Carolina Health Insurance Trust Fund
 For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
The Office's proportion of the net OPEB liability	0.05347%	0.05171%	0.05171%
The Office's proportionate share of the net OPEB liability	\$ 7,576,870	\$ 7,003,745	\$ 7,481,295
The Office's covered employee payroll during the measurement period	\$ 4,465,964	\$ 3,992,739	\$ 3,802,026
The Office's proportionate share of the net OPEB liability as percentage of covered payroll	169.66%	160.62%	196.77%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.60%	6.62%

Note: The amounts presented above were determined as of June 30th of the preceding year.

This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2016 is not readily available.

South Carolina Office of the State Treasurer
 Required Supplementary Information -
 Schedule of the South Carolina Office of the State Treasurer's Contributions –
 South Carolina Health Insurance Trust Fund
 For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 282,608	\$ 245,628	\$ 212,813
Contributions in relation to the contractually required contribution	<u>282,608</u>	<u>245,628</u>	<u>212,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Office's covered payroll	\$ 4,671,207	\$ 4,465,964	\$ 3,992,739
Contributions as a percentage of covered payroll	6.05%	5.50%	5.33%

This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2016 is not readily available.

1704 Laurel Street
Columbia, SC 29201

PO. Box 2411
Columbia, SC 29202



Phone (803) 799-0555
Fax (803) 799-4212

www.hobbscpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Curtis M. Loftis, Jr.
South Carolina Office of the State Treasurer

And

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer (the "*Office*") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 18, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbia, South Carolina
December 18, 2019

The Hall Group, P.A.