Report on Audit of Financial Statements

South Carolina State Accident Fund

As of and for the year ended June 30, 2024

SCOTT COMPANY

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

October 1, 2024

Ms. Erin Farthing, Director
South Carolina State Accident Fund
Lexington, South Carolina

This report on the audit of the financial statements of the South Carolina State Accident Fund for the fiscal year ended June 30, 2024, was issued by Scott and Company, LLC, 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/trb

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Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the South Carolina State Accident Fund (the "Agency") as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the South Carolina State Accident Fund, as of June 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As described in Note 1, the financial statements of the South Carolina State Accident Fund are intended to present the financial position and changes in financial position of only that portion of the governmental activities, business-type activities and each major fund of the State of South Carolina that is attributable to the transactions of the South Carolina State Accident Fund. They do not purport to and do not present fairly the financial position of the State of South Carolina as of June 30, 2024, the changes in its financial position or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension, and other post-employment benefit information as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 October 1, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
October 1, 2024

STATE ACCIDENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Carolina State Accident Fund (the "Agency") presents a management's discussion and analysis of its financial statements for fiscal year 2024. The discussion includes an overview of the financial activity for the year. This report is prepared in accordance with Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This discussion should be read in conjunction with the Agency's financial statements and accompanying notes.

Overview of the Financial Statements and Financial Analysis

The State Accident Fund was established by Section 42-7-10 of the South Carolina Code of Laws, as amended, to provide workers' compensation coverage to state agencies and other governmental entities. The South Carolina Workers' Compensation Uninsured Employers' Fund was established by Section 42-7-200 to ensure payment of workers' compensation benefits to injured employees whose employers have failed to acquire necessary coverage for employees. The South Carolina legislature amended Section 42-7-200 of the South Carolina Code of Laws in 2007, allowing for the transfer of operations of the South Carolina Workers' Compensation Uninsured Employers' Fund (UEF) to the South Carolina State Accident Fund (SAF) effective July 1, 2013.

The financial statements which follow are the Statement of Net Position and Statement of Activities which are individual statements for both governmental activities (UEF) and business-type activities (SAF) of the Agency. Thereafter, the following individual statements are presented: Balance Sheet – Governmental Fund and Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund for UEF; Statement of Fund Net Position – Enterprise Fund; Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund; and the Statement of Cash Flows – Enterprise Fund for SAF. For this discussion, we will focus on the government-wide statements instead of the fund level statements.

Individual Statements

The Statement of Net Position presents information reflecting the Agency's assets, liabilities, and net position. This statement provides the reader with a snapshot view at a point in time. Net position represents the amount of total assets less liabilities. Assets and liabilities are shown as current and noncurrent. Current assets and liabilities are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position indicates the funds available for the Agency's operations along with the liabilities that will come due during the next fiscal year. The total assets on the Agency's Statement of Net Position: Business-Type Activities increased by $40.5 million from the prior fiscal year. As shown on the Statement of Net Position: Governmental Activities, UEF has $36.0 million in total assets compared to $30.7 million in the prior year. GASB 96 accounting and reporting was implemented in FY2023 for the Agency's new claims software implementation which is expected to go into service in January 2025. The line items reflecting the subscription information technology asset is included under assets on the Statement of Net Position for both SAF and UEF.

State Accident Fund
Condensed Statements of Net Position
June 30,

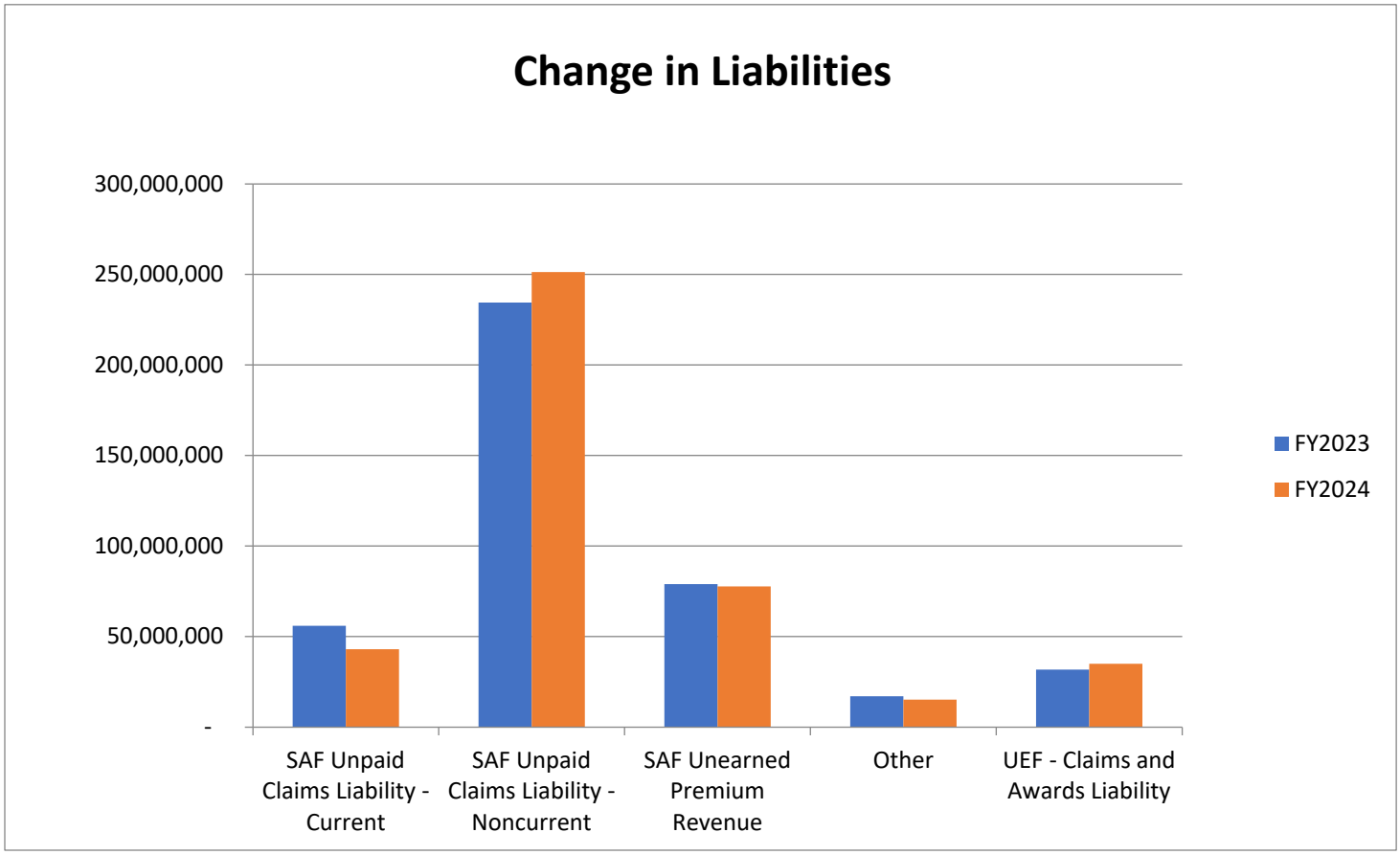
	2024 Business-Type Activities	2023 Business-Type Activities
ASSETS		
Current assets	$ 483,675,838	$ 446,799,306
Right to use leased assets, net	2,062,138	2,356,612
Subscription information technology assets, net	4,977,890	1,053,078
Capital assets, net of accumulated depreciation	217,614	254,665
Other noncurrent assets	103,525	112,857
Total assets	491,037,005	450,576,518
Deferred outflows of resources	2,900,806	3,650,373
Total assets and deferred outflows of resources	493,937,811	454,226,891
LIABILITIES		
Current liabilities	123,708,156	138,591,761
Noncurrent liabilities	263,490,466	247,770,659
Total liabilities	387,198,622	386,362,420
Deferred inflows of resources	3,480,158	3,418,124
Total liabilities and deferred inflows of resources	390,678,780	389,780,544
Net Position		
Net investment in capital assets	5,082,127	1,220,432
Unrestricted	98,176,904	63,225,915
Total net position	$ 103,259,031	$ 64,446,347

State Accident Fund
Uninsured Employers' Fund
Condensed Statements of Net Position
June 30,

	2024 Governmental Activities	2023 Governmental Activities
ASSETS		
Current assets	$ 34,994,552	$ 30,199,857
Right to use leased assets, net	281,201	321,356
Subscription information technology assets, net	678,803	143,601
Capital assets, net of accumulated depreciation	29,820	34,872
Total assets	35,984,376	30,699,686
Deferred outflows of resources	341,859	444,614
Total assets and deferred outflows of resources	36,326,235	31,144,300
LIABILITIES		
Current liabilities	6,834,470	6,617,837
Noncurrent liabilities	29,960,491	27,072,817
Total liabilities	36,794,961	33,690,654
Deferred inflows of resources	408,508	416,802
Total liabilities and deferred inflows of resources	37,203,469	34,107,456
Net Position		
Net investment in capital assets	693,163	166,567
Unrestricted	(1,570,397)	(3,129,723)
Total net position	$ (877,234)	$ (2,963,156)

Unpaid claims liabilities are a large part of the Agency's liabilities and have been separated into current (to be paid within one year) and noncurrent (to be paid after one year). SAF's current unpaid claim liabilities decreased about $12.9 million and non-current increased by $16.9 million compared to the prior year. The overall change in the total unpaid claims liabilities was due to an increase in the actuarial assessment of reserves. (See Change in Liabilities chart below.) The total SAF liabilities increased by about $836 thousand compared to last year due to a combination of the increase in reserves by $3.9 million along with a decrease of $1.3 million in unearned premium as well as smaller decreases in accrued refundable premiums, net OPEB liability, and lease liability. The increase in reserves from $290.4 million to $294.3 million is a result of SAF's ongoing effort to have sufficient reserves set aside for aged open cases. Unearned premium revenue represents the amount of premium billed, but not yet earned.

UEF's current and noncurrent unpaid claims liabilities increased to $35.0 million in 2024 from $31.7 million in fiscal year 2023. This slight increase was due to the actuarial assessment of reserves. (See Change in Liabilities chart below)



The chart above shows the breakdown of liabilities, and the change compared to the previous fiscal year.

State Accident Fund
Condensed Statements of Activities
June 30,

	2024 Business-Type Activities	2023 Business-Type Activities
Program Revenues		
Charges for services	$ 91,021,085	$ 71,238,333
Total program revenues	91,021,085	71,238,333
Operating grants		
Nonemployer contribution revenue	765	774
Total operating grants	765	774
General revenues		
Interest income	11,421,161	8,815,623
Investment income	7,589,720	472,472
Total general revenues	19,010,881	9,288,095
Total revenues	110,032,731	80,527,202
Program expenses		
Workers compensation claims	60,905,837	49,051,558
Change in claims estimates	3,792,708	8,635,729
Administrative and other expenses	6,521,502	6,138,157
Total expenses	71,220,047	63,825,444
Change in net position	$ 38,812,684	$ 16,701,758

State Accident Fund
Uninsured Employer's Fund
Condensed Statements of Activities
June 30,

	2024 Governmental Activities	2023 Governmental Activities
General revenues		
Payments from state agencies	$ 10,000,000	$ 10,400,000
Total program revenues	10,000,000	10,400,000
Operating grants		
Nonemployer contribution revenue	90	94
Total operating grants	90	94
Total revenues	10,000,090	10,400,094
Program expenses		
Workers compensation claims	3,852,483	8,472,310
Change in claims estimates	3,226,315	5,885,557
Administrative and other expenses	835,370	800,576
Total expenses	7,914,168	15,158,443
Change in net position	$ 2,085,922	$ (4,758,349)

Statement of Activities

This statement represents operating revenues and expenses, as well as the non-operating revenues and expenses during the operating year. The purpose of this statement is to present the reader with information relating to monies received and expenses paid during the year.

SAF is a proprietary fund entity; therefore, the Statement of Activities has been prepared on the accrual basis. Statements prepared using the accrual basis recognize revenues when earned and expenses when incurred. SAF's revenue comes primarily from premium income for workers' compensation insurance coverage provided to state agencies and political subdivisions. The major expenses are from incurred claim liabilities, which include medical costs and lost wages paid to injured workers, and the change in anticipated future payments. SAF is a quasi-governmental organization whose normal operation is similar to that of other property and casualty insurance companies. The SAF receives no general fund appropriations.

Funds to support UEF come from taxes collected by the Department of Insurance and certain funds collected by the Workers' Compensation Commission. Fiscal year 2024 saw a continuation of increased transfers of funds from the Department of Insurance and the Workers' Compensation Commission as was done in FY2023 to cover the increase in claims related payments.

The program revenue in SAF's statement includes primarily premiums billed based on policyholder payroll but also affected by their experience modifier. The experience modifier can either increase or decrease the policyholder's premium. There were a few agencies that saw significant increases to premium due to the experience modifier increasing as well as the agencies' payroll increasing. While SAF did not increase premium rates in FY2024, the effect of the 6.6% premium rate increase on state agencies from FY2023, and payroll increasing across the board resulted in program revenue increasing $19.8 million in fiscal year 2024. The non-operating revenue is dependent on the interest rates received on investments with the State Treasurer's Office. The investments are fixed-price securities. Although the federal target rates continued to increase during FY23, the curve had flattened out, and confidence was restored with investors, resulting in a small recovery in the value of investments of approximately $472,000, which was recognized as investment income for FY2023. The federal funds interest rates have remained within the target rate of 5.25 – 5.50%, increasing assurance of continued stability. Investment income rose to $7.6 million in FY24.

The operating expenses for SAF include administrative expenses, claims paid, and claims incurred during the year. Fiscal year 2023 had an increase in reserves of $8.6 million. Fiscal year 2024 had an increase of $3.8 million in reserves. This represents a continued focused effort within the claims department to provide adequate reserves for the older claim files while striving to close out claims quickly. The administrative cost ratio, the amount of premium dollars used to operate the Agency, during fiscal year 2024 was 7%. The South Carolina State Accident Fund continues to have one of the lowest administrative cost ratios in the workers' compensation industry.

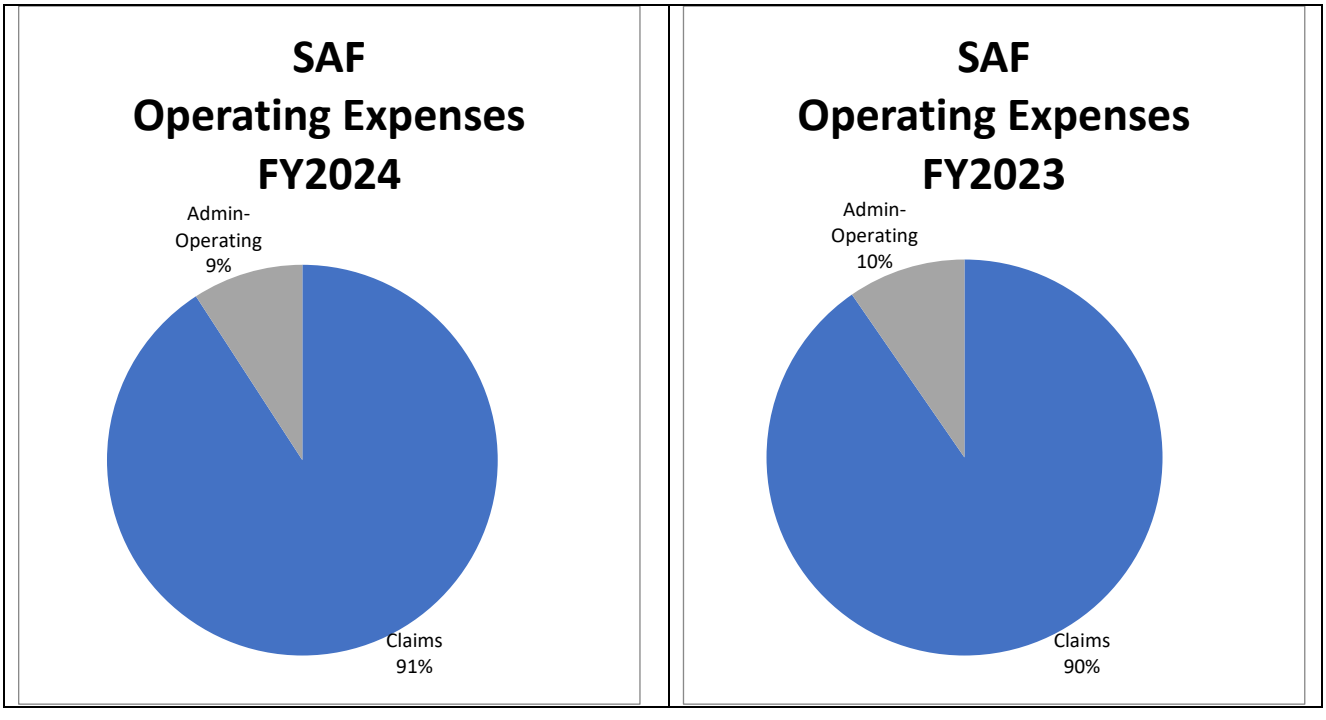
Operating expenses for UEF also include administrative expenses, claims paid, and claims incurred during the year. Operating expenses for UEF decreased $7.2 million from $15.2 million during fiscal year 2023 to $7.9 million during fiscal year 2024. The $7.2 million was due to a decrease in actual claim payments of $4.6 million compared to the prior year, and also due to an increase in reserves of $3.2 million for fiscal year 2024 while fiscal year 2023 had an increase in reserves of $5.9 million.

Note that due to the SAF being an enterprise fund, there are no differences between its statement of net position at the government-wide level and the statement of revenues, expenditures and changes in net position at the fund level.

State Accident Fund
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Enterprise Fund
June 30,

	2024	2023
Operating revenues	$ 91,021,085	$ 71,238,333
Operating expenses, net	71,220,047	63,825,444
Operating income	19,801,038	7,412,889
Nonoperating revenue	765	774
Interest income	11,421,161	8,815,623
Investment income	7,589,720	472,472
Nonoperating revenues	19,011,646	9,288,869
Change in net position	$ 38,812,684	$ 16,701,758

The charts below demonstrate the $8.6 million increase in SAF claims reserves in FY2023 versus the $3.8 million increase in claims reserves in FY2024. These resulted in 91% of operating expenses classified as claims related in FY2024 and 90% in FY2023.



State Accident Fund
Uninsured Employers' Fund
Condensed Statements of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
June 30,

	2024	2023
Payments from State Agencies	$ 10,000,000	$ 10,400,000
Expenditures	5,210,411	9,387,301
Net change in fund balance	4,789,589	1,012,699
Fund balance, beginning of year	30,157,605	29,144,906
Fund balance, end of year	$ 34,947,194	$ 30,157,605

UEF is a governmental fund entity; therefore, the Statement of Revenues, Expenditures, and Changes in Fund Balance is prepared using the modified accrual basis. Statements prepared using the modified accrual basis recognize revenues when available and measurable while expenses are recognized in the period in which they are incurred. Funds to support UEF come from taxes collected by the Department of Insurance and the Workers' Compensation Commission. The expenditures are primarily the payment of claims.

Capital Asset and Debt Activity

Total capital assets for both SAF and UEF decreased by $42,103, net of depreciation. The decrease in capital assets is primarily due to depreciation and no new capital assets being acquired during FY2024.

GASB 87 accounting and reporting was implemented in FY2022 for the Agency's building lease in Lexington, South Carolina. The Agency has the right to use this building until the end of the 10 year lease period. The line items reflecting the lease is included under assets (totaling $2.3 million in FY2024 and $2.7 million in FY2023) and liabilities (totaling $2.5 million in FY2024 and $2.8 million in FY2023) on the Statement of Net Position for both SAF and UEF. The lease liability is measured at a discount rate of 1.76%. See Notes 1, 7, and 15 in the accompanying notes to financial statements for further details on these amounts.

Additionally, during FY2023, the Agency implemented GASB 96 for the Agency's new claims software implementation which is now expected to go into service in January 2025. The line item reflecting the asset in the implementation stage is included under assets (totaling $5.7 million) on the Statement of Net Position for both SAF and UEF. See Notes 1 and 8 in the accompanying notes to financial statements for further details.

The Agency had no changes in credit rating or debt limitations that may affect future financing.

Economic Outlook

South Carolina has continued to see strong growth since the COVID pandemic in 2020. While this growth is expected to continue, it is expected to slow some. South Carolina's economic outlook remains positive, largely thanks to population growth, which remains among the country's highest, and continued strong economic development. In 2023, South Carolina had $10.27 billion in new investments, and 14,083 new jobs. This was the second most successful year in South Carolina's history for industry recruitment after 2022, which means South Carolina has had two continuous years of tremendous growth.

Additionally, inflation began dropping in 2023 and wage growth began outpacing inflation for the first time in over two years. Unemployment has continued to remain low in South Carolina. It dropped to 3.0% to end 2023, compared to a national unemployment rate of 3.7% but has started to rise during 2024. In June 2024, the unemployment rate was 3.6%, which was still below the national average of 4.1%. At the end of June 2024, there were 2.4 million people working in South Carolina.

While recruiting and retention has proven challenging in many workplaces, SAF has been able to maintain steady staffing with minimal turnover. SAF's voluntary turnover for FY 2023-2024 was 2.3%, and the average time to fill a vacant position was 33 days, which includes the length of time that was taken to fill a difficult vacant attorney position. This effort to retain staff, and promptly recruit for vacant positions, helps ensure the Agency can continue to provide excellent service to its policyholders and their injured workers.

Most of the focus of FY 2023-2024 for SAF has been the implementation of a new claim and policy management system. Configuration and implementation of the system began during FY 2022-2023 and continued throughout the whole of the past fiscal year. The new system will bring much needed modernization to our claim handling and policy processes and is expected to greatly improve efficiency, and give SAF new capabilities, including electronic payments to injured workers. While the initial expectation was that the system would go live in fall 2024, the challenges of replacing an almost 30-year-old system and converting the data contained within that system have pushed that timeline back. The system is now projected to go live in early 2025.

Leadership continues to encourage more collaboration between departments to improve efficiency and effectiveness. We continue to take efforts to ensure all pending claims are appropriately reserved and regularly provide training and explore other opportunities to improve our practices. We reinforce best practices agency-wide to ensure consistency in our claims handling. There is also an emphasis on pursuing swift and complete resolutions in all SAF claims to contain the future risk for SAF and our policyholders. The Agency is continuing to provide training to improve results for our policyholders, as well as to give employees growth opportunities.

SAF remains dedicated to providing our policyholders with better and more economically sound service. We continue to make improvements to our internal processes to improve claims handling and ensure that SAF remains financially stable year to year. SAF remains well positioned to serve the needs of our policyholders and their injured workers in the future.

SOUTH CAROLINA STATE ACCIDENT FUND

STATEMENT OF NET POSITION

AS OF JUNE 30, 2024

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets and deferred outflows of resources			
Current assets:			
Cash and cash equivalents	$ 34,983,598	$ 399,463,120	$ 434,446,718
Premiums receivable	-	78,490,842	78,490,842
Accrued interest receivable	-	5,127,533	5,127,533
Claims recoveries and reimbursement receivables, net	342	525,260	525,602
Prepaid expenses	10,612	69,083	79,695
Total current assets	34,994,552	483,675,838	518,670,390
Non-current assets:			
Investment in reinsurance annuity contract, net	-	103,525	103,525
Right to use leased assets, net	281,201	2,062,138	2,343,339
Subscription information technology assets, net	678,803	4,977,890	5,656,693
Capital assets, net	29,820	217,614	247,434
Total non-current assets	989,824	7,361,167	8,350,991
Total assets	**35,984,376**	**491,037,005**	**527,021,381**
Deferred outflows of resources			
Contributions to retirement plan after measurement date	77,552	648,595	726,147
Change in proportionate share of net pension liability	6,752	56,470	63,222
Change in actuarial assumptions on retirement plan	11,216	93,804	105,020
Difference between expected and actual retirement plan experience	12,710	106,295	119,005
Contributions to OPEB after measurement date	27,254	232,801	260,055
Change in actuarial assumptions on OPEB	99,069	846,243	945,312
Net difference between projected and actual earnings on OPEB plan investments	4,960	42,364	47,324
Change in proportionate share of OPEB	93,609	799,605	893,214
Difference between expected and actual OPEB experience	8,737	74,629	83,366
Total deferred outflows of resources	**341,859**	**2,900,806**	**3,242,665**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND

STATEMENT OF NET POSITION (continued)

AS OF JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	$ 439	$ 162,318	$ 162,757
Accrued compensated absences and related benefits	35,890	216,771	252,661
Accrued payroll and related liabilities	46,919	437,628	484,547
Accrued refundable premiums	-	1,887,967	1,887,967
Advanced under reinsurance annuity contract	-	9,331	9,331
Lease liability	38,526	282,523	321,049
Unearned premium revenue	-	77,706,292	77,706,292
Unpaid claims liability and claims adjustment	6,712,696	43,005,326	49,718,022
Total current liabilities	6,834,470	123,708,156	130,542,626
Noncurrent liabilities:			
Net pension liability	788,484	6,065,953	6,854,437
Net OPEB liability	661,491	4,050,659	4,712,150
Accrued compensated absences and related benefits	6,333	38,253	44,586
Advanced under reinsurance annuity contract	-	144,482	144,482
Lease liability, net of current portion	258,135	1,892,992	2,151,127
Unpaid claims liability and claims adjustment	28,246,048	251,298,127	279,544,175
Total non-current liabilities	29,960,491	263,490,466	293,450,957
Total liabilities	**36,794,961**	**387,198,622**	**423,993,583**
Deferred inflows of resources			
Difference between expected and actual retirement plan experience	2,030	16,978	19,008
Net difference between projected and actual earnings on retirement plan investments	1,002	8,380	9,382
Change in proportionate share of net pension liability	49,110	410,726	459,836
Difference between expected and actual OPEB experience	112,533	961,259	1,073,792
Change in actuarial assumptions on OPEB	158,663	1,355,293	1,513,956
Change in proportionate share of OPEB	85,170	727,522	812,692
Total deferred inflows of resources	**408,508**	**3,480,158**	**3,888,666**
Net position			
Net investment in capital assets	693,163	5,082,127	5,775,290
Unrestricted	(1,570,397)	98,176,904	96,606,507
Total net position	**$ (877,234)**	**$ 103,259,031**	**$ 102,381,797**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Change in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Totals
Primary Government						
Governmental Activities:						
Workers compensation claims, net	$ 7,914,168	$ -	$ 90	$ (7,914,078)	$ -	$ (7,914,078)
Total Governmental Activities	7,914,168	-	90	(7,914,078)	-	(7,914,078)
Business-Type Activities:						
Workers compensation claims, net	71,220,047	91,021,085	765	-	19,801,803	19,801,803
Total Business-Type Activities	71,220,047	91,021,085	765	-	19,801,803	19,801,803
Total Primary Government	$ 79,134,215	$ 91,021,085	$ 855	(7,914,078)	19,801,803	11,887,725
General revenues:						
Interest income				-	11,421,161	11,421,161
Investment income				-	7,589,720	7,589,720
Payments from State agencies				10,000,000	-	10,000,000
Total general revenues				10,000,000	19,010,881	29,010,881
Change in net position				**2,085,922**	**38,812,684**	**40,898,606**
Net position beginning of year				(2,963,156)	64,446,347	61,483,191
Net position end of year				**$ (877,234)**	**$ 103,259,031**	**$ 102,381,797**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
BALANCE SHEET
GOVERNMENTAL FUND
As of June 30, 2024

		Uninsured Employers Fund
Assets		
Current assets:		
Cash and cash equivalents	$	34,983,598
Claims accounts receivable		342
Prepaid items		10,612
Total assets	**$**	**34,994,552**
Liabilities		
Accounts payable	$	439
Accrued payroll and related liabilities		46,919
Total liabilities		**47,358**
Fund balances		
Restricted for workers' compensation claims		34,936,582
Non-spendable		10,612
Total fund balances		34,947,194
Total liabilities and fund balances	**$**	**34,994,552**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of June 30, 2024

		Uninsured Employers Fund
Governmental fund balance		$ 34,947,194
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Gross capital assets	68,000	
Accumulated depreciation	(38,180)	29,820
Right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Right to use assets	401,556	
Accumulated amortization	(120,355)	281,201
Subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		
Subscription IT assets in process	678,803	678,803
The net pension liability and related deferred inflows and outflows 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		(788,484)
Net OPEB liability		(661,491)
Deferred outflows of resources for contributions after the retirement plan's measurement date		77,552
Deferred outflows of resources for changes in proportionate share of net pension liability		6,752
Deferred outflows of resources for changes in actuarial assumptions on the retirement plan		11,216
Deferred outflows of resources for differences between expected and actual retirement plan experience		12,710
Deferred outflows of resources for contributions after OPEB's measurement date		27,254
Deferred outflows of resources for changes in actuarial assumptions on OPEB		99,069
Deferred outflows of resources for net differences between projected and actual earnings on OPEB investments		4,960
Deferred outflows of resources for changes in proportionate share of OPEB		93,609
Deferred outflows of resources for differences between expected and actual OPEB experience		8,737
Deferred inflows of resources for differences between expected and actual retirement plan experience		(2,030)
Deferred inflows of resources for differences between between net projected and actual earnings on retirement plan investments		(1,002)
Deferred inflows of resources for differences between changes in proportionate share of retirement plan		(49,110)
Deferred inflows of resources for differences between expected and actual OPEB experience		(112,533)
Deferred inflows of resources for changes in actuarial assumptions on OPEB		(158,663)
Deferred inflows of resources for differences between changes in proportionate share of OPEB		(85,170)
Long-term liabilities, including compensated absences, lease liability, accrued interest payable, and claims and awards are not due and payable in the current period and, therefore, are not reported in the fund.		
Compensated absences	42,223	
Lease liability	296,661	
Claims and adjustments	34,958,744	(35,297,628)
Net position of governmental activities		**$ (877,234)**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year ended June 30, 2024

	Uninsured Employers Fund
Revenue	
Payments from Workers' Compensation Commission	$ 1,131,000
Payments from South Carolina Department of Insurance	8,869,000
Total revenue	10,000,000
Expenditures	
Workers' Compensation Uninsured Employers' Fund claims	3,852,483
Personnel services	652,727
Contractual services	64,279
Rent and insurance	16,146
Supplies and materials	22,886
Other expenditures	24,513
Debt service:	
Principal	36,601
Interest	5,574
Capital outlay	535,202
Total expenditures	5,210,411
Net change in fund balance	**4,789,589**
Fund balance, beginning of year	30,157,605
Fund balance, end of year	**$ 34,947,194**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
Year ended June 30, 2024

		Uninsured Employers Fund
Net change in governmental fund balance		$ 4,789,589
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	(5,052)	(5,052)
Subscription IT asset expenditures which were capitalized	535,202	535,202
Right to use leased asset amortization expense	(40,155)	(40,155)
Amortization of pension expense is reported as expenses in the statement of activities		(3,406)
Amortization of OPEB expense is reported as expenses in the statement of activities		10,725
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Principal payments on long-term debt	36,601	36,601
Adjustment to compensated absences and claims and awards reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(11,267)	
Claims and adjustments	(3,226,315)	(3,237,582)
Change in net position of governmental activities		**$ 2,085,922**

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
STATEMENT OF FUND NET POSITION
ENTERPRISE FUND

As of June 30, 2024

	State Accident Fund
Assets and deferred outflows of resources	
Current assets:	
Cash and cash equivalents	$ 399,463,120
Premiums receivable	78,490,842
Accrued interest receivable	5,127,533
Claims recoveries and reimbursement receivables, net	525,260
Prepaid expenses	69,083
Total current assets	483,675,838
Noncurrent assets:	
Investment in reinsurance annuity contract, net	103,525
Right to use leased assets, net	2,062,138
Subscription information technology assets, net	4,977,890
Capital assets, net	217,614
Total noncurrent assets	7,361,167
Total assets	491,037,005
Deferred outflows of resources	
Contributions to retirement plan after measurement date	648,595
Change in proportionate share of net pension liability	56,470
Change in actuarial assumptions on retirement plan	93,804
Difference between expected and actual retirement plan experience	106,295
Contributions to OPEB after measurement date	232,801
Change in actuarial assumptions on OPEB	846,243
Net difference between projected and actual earnings on OPEB plan investments	42,364
Change in proportionate share of OPEB	799,605
Difference between expected and actual OPEB experience	74,629
Total deferred outflows of resources	2,900,806
Total assets and deferred outflows of resources	493,937,811

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
STATEMENT OF FUND NET POSITION (continued)
ENTERPRISE FUND

As of June 30, 2024

	State Accident Fund
Liabilities and deferred inflows of resources	
Current liabilities:	
Accounts payable	$ 162,318
Accrued compensated absences and related benefits	216,771
Accrued payroll and related liabilities	437,628
Accrued refundable premiums	1,887,967
Advanced under reinsurance annuity contract	9,331
Lease liability	282,523
Unearned premium revenue	77,706,292
Unpaid claims liability and claims adjustment expenses payable within one year	43,005,326
Total current liabilities	123,708,156
Noncurrent liabilities:	
Net pension liability	6,065,953
Net OPEB liability	4,050,659
Accrued compensated absences and related benefits, net	38,253
Advanced under reinsurance annuity contract	144,482
Lease liability, net of current portion	1,892,992
Unpaid claims liability and claims adjustment expenses, net	251,298,127
Total noncurrent liabilities	263,490,466
Total liabilities	387,198,622
Deferred inflows of resources	
Difference between expected and actual retirement plan experience	16,978
Net difference between projected and actual earnings on retirement plan investments	8,380
Change in proportionate share of net pension liability	410,726
Difference between expected and actual OPEB experience	961,259
Change in actuarial assumptions on OPEB	1,355,293
Change in proportionate share of OPEB	727,522
Total deferred inflows of resources	3,480,158
Total liabilities and deferred inflows of resources	390,678,780
Net position	
Net investment in capital assets	5,082,127
Unrestricted	98,176,904
Total net position	$ 103,259,031

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND

Year ended June 30, 2024

	State Accident Fund
Operating Revenues	
Premiums, net of reinsurance	$ 91,021,085
Operating Expenses	
Claims, net of changes in estimates	64,698,545
Administrative:	
Personnel services and employee benefits	5,476,736
Contract services	384,664
Rent and insurance	100,891
Supplies and materials	167,234
Depreciation	37,051
Amortization expense - right to use leased assets	294,474
Amortization expense - reinsurance annuity contract premium	9,331
Interest on lease liability	40,873
Other expenses	10,248
Total administrative expenses	6,521,502
Total operating expenses	71,220,047
Operating income	19,801,038
Nonoperating Revenues and Expenses	
Nonemployer contribution revenue	765
Interest income	11,421,161
Investment income	7,589,720
Total nonoperating revenues and expenses	19,011,646
Change in Net Position	38,812,684
Net Position at Beginning of Year	64,446,347
Net Position at End of Year	$ 103,259,031

The accompanying notes to the financial statements are an integral part of this statement.

SOUTH CAROLINA STATE ACCIDENT FUND
STATEMENT OF CASH FLOWS
ENTERPRISE FUND

YEAR ENDED JUNE 30, 2024

	State Accident Fund
Cash Flows from Operating Activities	
Cash received from State agencies	$ 80,860,927
Cash received from other entities	5,556,573
Payments for claims	(60,780,237)
Payments for salaries and related benefits	(5,474,674)
Payments for interest expense	(40,873)
Payments for administrative expenses	(158,730)
Net cash provided by operating activities	19,962,986
Cash Flows from Capital and Related Financing Activities	
Principal payments on lease liability	(268,408)
Payments for Subscription IT assets in progress	(3,924,812)
Net cash used in capital and related financing activities	(4,193,220)
Cash Flows from Investing Activities	
Interest/investment income	17,842,482
Net cash provided by investing activities	17,842,482
Net change in cash and cash equivalents	33,612,248
Cash and cash equivalents, beginning of year	365,850,872
Cash and cash equivalents, end of year	$ 399,463,120
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 19,801,038
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	340,857
Nonemployer contributions	765
Increase in premiums receivable	(3,085,453)
Decrease in claims recoveries and reimbursement receivables	356,204
Decrease in prepaid expenses	633,364
Decrease in deferred outflows of resources	745,527
Decrease in recoverable under reinsurance annuity contract	(2,866)
Decrease in accounts payable	(129,058)
Increase in accrued compensated absences and related benefits	27,866
Increase in accrued payroll and related liabilities	36,558
Decrease in accrued refundable premiums	(598,553)
Decrease in unearned premium revenue	(1,272,917)
Increase in deferred inflows of resources	66,074
Decrease in net pension liability	(116,261)
Decrease in net OPEB liability	(758,467)
Increase in estimate of unpaid claim liability	3,918,308
Net cash provided by operating activities	$ 19,962,986

The accompanying notes to the financial statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Reporting Entity – The South Carolina State Accident Fund (the "Agency"), is part of the State of South Carolina (the "State") and is included in the State's Annual Comprehensive Financial Report ("ACFR"). The Agency is made up of the State Accident Fund (the "SAF") and the Uninsured Employers Fund (the "UEF").

The SAF was established by Section 42-7-10 of the Code of Laws of South Carolina, as amended, to provide workers' compensation insurance coverage to State entities. Although the State is the SAF's predominant participant, counties, municipalities, and other political subdivisions of the State may elect to participate. The State assumes the full risk for the covered claims. The SAF is responsible for investigating, adjusting, and paying workers' compensation claims as awarded by the Workers' Compensation Commission for job related accidental injury, disease, or death to employees of participants.

The UEF was established by Section 42-7-200. Effective July 1, 2013 the UEF has the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund which are devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. The UEF was created to ensure payment of workers' compensation benefits to injured employees whose employers have failed to acquire necessary coverage for employees.

The Agency is administered by a director, appointed by the Governor, with the advice and consent of the Senate, for a term of six years. The accompanying financial statements present the financial position, results of operations, and cash flows solely of the Agency and do not include any other departments, institutions, component units, etc. of the State.

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

An organization can also be a component unit of another entity if the exclusion of that organization would be misleading to the users of the primary entity's financial statements. The organization is fiscally independent if it holds all three of those powers including 1) determine its budget without another government having the authority to approve and modify that budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government. Based on the criteria, the Agency has determined it is not a component of another entity and it has no component units.

The budget, personnel, procurement, and other laws of the State and the policies and procedures for State agencies are applicable to the activities of the Agency.

Fund Accounting – The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein which are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations.

Note 1. Summary of Significant Accounting Policies (continued)

Fund Accounting (continued) - The SAF is an enterprise fund of the proprietary fund type. The SAF is considered an internal service fund of the State within the State's Consolidated Annual Financial Report. Such funds account for the financing of goods and services that are used primarily by the State. The UEF is a special revenue fund.

Basis of Accounting

Government-wide Financial Statements - In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The Statement of Net Position discloses the financial position of the Agency and the Statement of Activities demonstrates the degree to which the direct expenses by function of the Agency's programs are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - The UEF, a special revenue fund, uses the modified accrual basis of accounting. The UEF is supported by payments from the South Carolina Department of Insurance and the South Carolina Workers' Compensation Commission. The revenues are recognized when they become available and measurable. Available means those amounts that will be received within 31 days of the date of the financial statements. The payments from the South Carolina Department of Insurance and the South Carolina Workers' Compensation Commission are recorded when received in cash because they are not considered available until the Fund requests the payment. The request from the Agency is the event that is considered necessary to trigger the recognition of the payment. Expenditures are recorded when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The accounting policies of the SAF conform to GAAP applicable to proprietary activities as prescribed by the Governmental Accounting Standards Board ("GASB"), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund entities use the accrual basis of accounting.

The SAF individual financial statements are prepared on the same basis of accounting as the government-wide financial statements; therefore, there is no reconciliation between the fund and government-wide statements.

Cash and Cash Equivalents – Cash and cash equivalents represent cash on deposit with the State's Treasurer, cash in banks, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool (the "Pool").

Because the Pool operates as a demand deposit account, amounts invested in the Pool are classified as cash and cash equivalents. The Pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

Note 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued) – The 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; however, all earnings on that account are credited to the General Fund of the State. Investments held by the Pool are carried at fair value. Interest earned on the Agency's special deposit account is posted to the Agency's account at the end of each month and is retained by the Agency. The Agency records and reports its deposits in the general deposit account at cost. The Agency reports its deposits in the special deposit accounts at fair value. Interest earnings are allocated based on the percentage of the Agency's accumulated daily income receivable to the total interest receivable of the Pool. Reported investment income includes interest earnings, realized gains/losses and unrealized gains/losses on investments in the Pool arising from changes in fair value. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the Pool. The Agency records accrued interest receivable for investment income earned but not yet received at the end of the Agency's fiscal year.

Information pertaining to carrying amounts, fair value, and credit risk of the State Treasurer's investments is disclosed in the ACFR of the State.

Capital Assets – Capital assets are recorded at cost at the date of acquisition. The Agency follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. The Agency capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and intangible assets including software costing in excess of $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 10 years.

Right to Use Leased Assets – The Agency has implemented GASB Statement No. 87, *Leases*. The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Agency has recorded right to use leased assets as a result of implementing GASB No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

See Note 15 for further information.

Note 1. Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements – The Agency has also implemented GASB Statement No, 96, *Subscription-Based Information Technology Arrangements*. The Agency is party to a single subscription-based information technology arrangement ("SBITA") which is currently in the implementation stage and expected to be put in service in Fiscal Year 2025.

As a result of the implementation of GASB No. 96, the Agency has recorded an intangible subscription information technology asset in process for its capitalizable initial implementation costs in the government-wide and proprietary financial statements. Once the asset is in service, the Agency will also recognize a related subscription liability in its government-wide and proprietary financial statements. UEF, as a governmental fund, reports SBITA current expenditures as part of capital outlay in the fund level statement of revenues, expenditures, and changes in fund balance.

The Agency recognizes subscription liabilities with an initial term greater than twelve months and an individual value of $100,000 or more. For SBITAs with a maximum possible term of 12 months or less at commencement, the Agency recognizes expenditures based on the provisions of the arrangement.

Once the SBITA is in service, the Agency will initially measure the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability will be reduced by the principal portion of subscription payments made. The subscription asset will be initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs which are currently being incurred during the implementation stage, less any vendor incentives to be received at the commencement of the subscription term. Subsequently, the subscription asset will be amortized on a straight-line basis over the shorter of the useful life of the IT asset or the subscription term.

Preliminary project stage outlays have been expensed as incurred. Operation and additional implementation stage activities will be expensed as incurred unless they meet specific capitalization criteria. See Note 8 for further information.

Unpaid Claims Liability – The Agency establishes unpaid claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The amount accrued includes estimated specific incremental claims adjustment expenses. Estimated amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims have been deducted from the liability for unpaid claims to the extent reasonably estimable. In addition, to the extent reasonably estimable, the liability for unpaid claims has been adjusted for amounts to be recovered or reimbursed from participants who retain the risk of loss for specific periods. This includes amounts recoverable from the State of South Carolina for state agency claims prior to July 1, 1986. See Note 10 for further explanation. Claims liabilities for claims of the South Carolina Department of Transportation ("DOT") prior to January 1, 1994, are not included in the State Accident Fund's claims liability. See below and Note 4 for further information. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed annually as of fiscal year end using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. While management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided.

Note 1. Summary of Significant Accounting Policies (continued)

Unpaid Claims Liability (continued) – The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current earnings. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

DOT and the South Carolina Department of Public Safety ("DPS") managed their own workers' compensation claims prior to the State's restructuring in 1993. When they became policyholders, the Agency agreed to provide claim services for their claims with a date of injury prior to January 1, 1994 for DOT and August 1, 1993 for DPS. Because the Agency was not the insurer and had not collected premiums to cover these losses, the agencies reimbursed the Agency for the cost of these claims. In the 1998-1999 Appropriations Bill 700, Proviso 44.4 stated, "(SAF: Workers' Compensation Claims) from the funds in the Workers' Compensation Trust Fund, the Agency shall purchase an annuity for the purpose of funding the future obligation for workers' compensation claims filed prior to restructuring by South Carolina Department of Highways and Public Transportation employees."

After June 30, 1998, the Agency was no longer reimbursed, as originally agreed upon. Instead, it used the funds received from the annuity purchased under the proviso to pay these claims. This annuity is being amortized over the life of the contract in proportion to annuity proceeds received. See Note 4 for further discussion.

Reinsurance – The SAF has obtained reinsurance coverage to reduce its exposure to losses on insured events. Losses in excess of $2,000,000 from an insured event are covered up to limits based on the type of injury as set by the workers' compensation statutes of the South Carolina Code of Laws, with the SAF retaining the risk for the first $2,000,000 of loss. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the SAF as direct insurer of the risks reinsured. The SAF does not report reinsured risks as liabilities, unless it is probable that those risks will not be covered by reinsurers. The prior policy covered losses in excess of $1,000,000. The reinsurance coverage also reduces its exposure to losses on insured events related to State owned aircrafts in excess of $1,000,000 per occurrence up to the limit of $9,000,000. Reinsurance expense was $3,480,245 and $3,071,748 for the years ended June 30, 2024 and 2023, respectively, and is netted against premiums revenue in the accompanying financial statements.

Recognition of Premium Revenue, Receivables, and Unearned Revenue – Premiums are recognized as revenue on a pro rata basis over the policy term. Policies are billed and issued on both the fiscal year and calendar year basis. Premiums are based on an actuarial method and are currently adjusted so that over a reasonable period of time expected revenues, including investment income, and anticipated expenses will be approximately equal. In addition, premium revenue includes accrued premium adjustments for additional premiums owed by policyholders as determined based on actual payrolls for the policy period which are in excess of estimated premiums billed. This premium revenue was based on estimated payroll costs. Revenue is reduced for refunds payable. Estimated premiums receivable and refunds payable are recorded as of year-end for future anticipated premium adjustments for the policy years which end within the Agency's fiscal year. A receivable is recorded at the time the annual estimated premium is billed, even though some/all of the amounts may not be currently due. Unearned revenue is recognized to the extent that the premiums billed and not yet received are for future periods. In addition, unearned revenue is recognized for unearned premiums received.

Note 1. Summary of Significant Accounting Policies (continued)

Budget Policy – The Agency's budget is included in the annual appropriations approval process by the South Carolina General Assembly (the "General Assembly"). However, there are no funds from the General Fund provided to UEF. The UEF is supported through taxes collected by the Department of Insurance and the Workers' Compensation Commission. The Appropriations Act, as enacted, becomes the legal operating budget for the Agency. The Appropriations Act authorizes expenditures from the General Fund of the State and authorizes expenditures of total funds. The General Assembly enacts the budget through passage of specific line-item appropriations by program within the budgetary unit, within budgetary fund category, the General Fund or other budgeted funds.

Budgetary control is maintained at the line-item level of the entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the Department of Administration or by the agency as set forth in the 2022-23 Appropriations 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 Comptroller General. No such transfer may exceed twenty percent of the program budget. Upon request, details of such transfers may be provided to members of the General Assembly on an agency by agency basis. Transfers of appropriations from personal service accounts to other operating accounts or from other operating accounts to personal service accounts may be restricted to any established standard level set by the State Fiscal Accountability Authority upon formal approval by a majority of the members of the State Fiscal Accountability Authority.

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Any unexpended appropriations as of June 30 automatically lapse on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not precisely define the budgetary basis of accounting. For each fiscal year, the level of legal control for each agency is reported in a publication by the State Comptroller General. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash basis for payroll expenses and certain non-State appropriations revenue.

The Agency's budget includes administrative expenses and specifically excludes claims expense. Amounts to be expended for capital assets are also budgeted. Expenses prepared on the accrual basis do not vary significantly from the budgetary basis. In accordance with GAAP applicable to business-type activities, a comparison of actual revenues and expenses to the budgeted amounts has not been presented.

Statement of Cash Flows – For purposes of cash flows, the Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Compensated Absences – Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the Agency's month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days 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. The compensated absences liability includes accrued annual leave and compensatory holiday and overtime leave earned for which the employees are entitled to paid time off or payment at termination. The Agency calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is determined by using fiscal year-end current salary costs and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the personal services and employee benefits expense category.

Note 1. Summary of Significant Accounting Policies (continued)

Operating and Nonoperating Revenues and Expenses – The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The Agency's primary operating revenues are from premium revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include interest/investment income and other revenues.

Net Position – The Agency reports the following classifications of net position in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*:

Net investment in capital assets: This represents the Agency's total investment in capital assets, net of depreciation and outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of investment in capital assets, net of related debt and depreciation.

***Restricted net position*:** Restricted net position consists of assets with constraints placed on the use of those assets either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. As of June 30, 2024, the Agency did not have any restricted net position.

***Unrestricted net position*:** Unrestricted net position represents the remainder of the Agency's liabilities in excess of assets excluding net position reported in other categories.

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance – The UEF reports the following classifications of fund balance, as applicable, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

Nonspendable fund balance - The nonspendable 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 prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets.

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. All of the UEF's fund balance, with the exception of the nonspendable fund balance mentioned previously, is presented as restricted as all fund balance is required to be used for worker's compensation claims.

Note 1. Summary of Significant Accounting Policies (continued)

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 UEF's highest level of decision-making authority, which is the General Assembly. The General Assembly would have to pass a formal resolution to commit fund balance. Those committed amounts cannot be used for any other purpose unless the UEF 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. The UEF recognizes committed fund balances that have been approved for specific purposes by the UEF's General Assembly before the fiscal year end. As of June 30, 2024, the UEF did not have any committed fund balance.

Assigned fund balance - The assigned fund balance classification includes amounts that are constrained by the UEF'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 UEF'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 UEF's highest level of authority. The UEF's Director can choose to assign fund balance for a specific purpose. Assigned fund balance amounts in the Agency's financial statements represent amounts approved by the General Assembly to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. As of June 30, 2024, the UEF did not have any assigned fund balance.

Based on the UEF's policies regarding fund balance classifications as noted above, the UEF considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the General Assembly or donors has been made.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate affecting these financial statements is the unpaid claims liability.

Pending Implementation of GASB Statements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement enhances information for users of the financial statements by updating the recognition and measurement guidance for compensated absences. GASB Statement No. 101 aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of GASB Statement No. 101 are effective for fiscal years beginning after December 15, 2023. The adoption of GASB Statement No. 101 by the Agency is not expected to have a significant effect on the Agency's financial statements.

Note 2. Risk Management

Insurance Coverage – The Agency, an administrative agency, is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from prior years except for the increase in the base before reinsurance is received as discussed in Note 1. Historically, the cost of settled claims and claim losses has not exceeded this coverage. The Agency pays insurance premiums to itself and certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following type of claims:

1. Claims of State employees for unemployment compensation benefits. This type of claim is handled through the South Carolina Department of Employment and Workforce;
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries. This type of claim is handled by the Agency;
3. Claims of covered public employees for health and dental insurance benefits. This type of claim is handled by South Carolina Public Employee Benefit Authority ("PEBA") Insurance Benefits; and
4. Claims of covered public employees for long-term disability and group-life insurance benefits. This type of claim is handled through PEBA-Insurance Benefits. Employees have health coverage through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan, except dependent and optional life premiums are remitted to commercial carriers.

The Agency 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. Theft of, damage to, or destruction of assets – building contents;
2. General tort claims; and
3. Data processing equipment.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property insurance. Also, the IRF purchases reinsurance for catastrophic property insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The Agency has not reported an estimated claims loss expense and the related liability at June 30, 2024, based on the requirements of GASB Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and No. 30, *Risk Financing Omnibus – An Amendment of GASB Statement No. 10*, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2024, and the amount of loss is reasonably estimable. In management's opinion, claims losses in excess of insurance coverage, if any, are unlikely and, if incurred, would be insignificant to the Agency's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss should be recorded. Therefore, no loss accrual has been recorded.

Note 3. Deposits and Investments

Cash and cash equivalents consist of deposits under the control of the State Treasurer, who by law, has sole authority for investing State funds and deposits under the control of the Agency. However, as authorized by the State Treasurer's Office, certain funds used to pay claims are deposited with financial institutions.

Deposits – State law requires full collateralization of all State Treasurer's bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. With respect to investments in the State's Pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the carrying amounts, market values, credit and other risks as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, of the State Treasurer's investments is disclosed in the ACFR of the State. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at http://www.cg.sc.gov.

At June 30, 2024, cash and cash equivalents for the UEF and SAF were $34,983,598 and $399,463,120, respectively. At June 30, 2024, the bank balance in financial institutions and in the Pool were $35,271,383 and $401,790,540, respectively. The bank balances were fully covered by insurance and collateralized with securities held by the Agency, or by its agent in the Agency's name. The Agency's collateralized securities are held in fixed-price type securities which are volatile to rising interest rates. During the year ended June 30, 2024, the Agency recorded $7,589,720 in investment income on its pooled balances.

Investments – All of the Agency's investments are stated at amortized cost as described below. Therefore, GASB statement No. 72, *Fair Value Measurement and Application,* is not applicable to the Agency as the type of investment held by the fund is scoped out of GASB No. 72. The Agency had an investment in reinsurance annuity contract of $103,525 at June 30, 2024. Further details of this investment are found in Note 4.

Note 4. Investment in Reinsurance Annuity Contract

Under the 1993 Restructuring Act, the DOT and the DPS were created and were charged with responsibilities of the former Department of Highways and Public Transportation effective July 1, 1993. Proviso 44.4 of the 1998-1999 Appropriation Act passed by the General Assembly required the Agency to purchase an annuity for the purpose of funding the future obligation for workers' compensation claims filed prior to restructuring by the Department of Highways and Public Transportation employees using funds from the Workers' Compensation Trust Fund. While the State believes the annuity will provide funding adequate to cover this liability, the Agency has ultimate responsibility to pay these claims should the annuity funding be inadequate. On March 11, 1999 the Agency purchased a Type One annuity that will pay a fixed amount quarterly for a period of forty years. The annuity was effective as of January 1, 1999. The SAF received its first quarterly annuity payment on April 5, 1999. For the year ended June 30, 2024 the SAF paid approximately $17,800 of the DOT claims covered by this annuity.

For the year ended June 30, 2024, the amount of approximately $154,000 shown on the statement of net position as current and long-term advanced under reinsurance annuity contract represents amounts due under the annuity that will be paid in the future for cumulative annuity receipts in excess of cumulative claims payments. The estimated future claims for DOT are $266,000, which is not included in the unpaid claims liability and claims adjustment expenses payable on the statement of net position.

Under the terms of the annuity, the SAF will receive 160 quarterly payments. For the first forty payments the SAF will receive $30,091 per quarter, the next forty payments will be for $15,022, the next forty payments will be for $3,726, and the last forty payments will be for $2,364. The total amount received under the annuity over the forty year period will be approximately $2,048,000.

Note 4. Investment in Reinsurance Annuity Contract (continued)

The total price of the annuity was $1,282,294 and was paid in a single premium. The amount of the annuity to purchase was determined actuarially. The amount remaining to be received by the Agency at June 30, 2024 was approximately $166,000, which has been discounted to a net present value of $103,525 as shown on the statement of net position.

The liability for these claims is not reported by either the Agency or the DOT because the State estimates that the proceeds from the annuity contract will provide adequate funding to pay these claims and the risk of loss is remote. The annuity is being amortized over the life of the annuity in proportion to annuity proceeds received. The amount of amortization charged for the year ended June 30, 2024 was $9,331, and is included as amortization expense in the statement of revenues, expenses and changes in fund net position.

Note 5. Premiums Receivable

Premiums receivable related to business-type activities at June 30, 2024 consisted of amounts receivable from the following:

County and municipal governments and agencies	$	2,945,070
State agencies		75,545,772
	$	78,490,842

The majority of premiums receivable represent billings for future periods which have not been collected as of year-end. The unearned portion of the premium is presented as a liability. Collectability is reasonably assured due to the nature of the entities and the premiums receivable should be collected within one year. As such, management has determined that no allowance for uncollectible accounts is considered necessary.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance July 1, 2023	Increases	Decreases	Ending Balance June 30, 2024
Governmental Activities:				
Capital assets, being depreciated:				
Computer & technical equipment	$ 30,097	$ -	$ -	$ 30,097
Office furniture & equipment	37,903	-	-	37,903
Total capital assets being depreciated	68,000	-	-	68,000
Less accumulated depreciation for:				
Computer & technical equipment	(24,573)	(1,331)	-	(25,904)
Office furniture & equipment	(8,555)	(3,721)	-	(12,276)
Total accumulated depreciation	(33,128)	(5,052)	-	(38,180)
Governmental activities capital assets, net	$ 34,872	$ (5,052)	$ -	$ 29,820

Note 6. Capital Assets (continued)

	Beginning Balance July 1, 2023	Increases	Decreases	Ending Balance June 30, 2024
Business-type Activities:				
Capital assets, being depreciated:				
Computer & technical equipment	$ 395,237	$ -	$ -	$ 395,237
Office furniture & equipment	287,822	-	-	287,822
Total capital assets being depreciated	683,059	-	-	683,059
Less accumulated depreciation for:				
Computer & technical equipment	(342,096)	(4,670)	-	(346,766)
Office furniture & equipment	(86,298)	(32,381)	-	(118,679)
Total accumulated depreciation	(428,394)	(37,051)	-	(465,445)
Business-type activities capital assets, net	$ 254,665	$ (37,051)	$ -	$ 217,614

Depreciation expense was $37,051 and $5,052 for Business-Type and Governmental Activities respectively for the year ended June 30, 2024.

Note 7. Right to Use Leased Assets

The Agency has recorded a right to use leased asset for leased property. For further information, see Note 15. In accordance with Agency policy, 88% of the leased asset is allocated to the SAF and 12% of the leased asset is allocated to the UEF. Right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use leased asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance July 1, 2023	Increases	Decreases	Ending Balance June 30, 2024
Governmental Activities:				
Right to use assets, being amortized:				
Leased property	$ 401,556	$ -	$ -	$ 401,556
Less accumulated amortization for:				
Leased property	(80,200)	(40,155)	-	(120,355)
Governmental activities right to use assets, net	$ 321,356	$ (40,155)	$ -	$ 281,201
Business-type Activities:				
Right to use assets, being amortized:				
Leased property	$ 2,944,743	$ -	$ -	$ 2,944,743
Less accumulated amortization for:				
Leased property	(588,131)	(294,474)	-	(882,605)
Business-type activities right to use assets, net	$ 2,356,612	$ (294,474)	$ -	$ 2,062,138

Note 8. Software-Based Information Technology Arrangements

The Agency has recorded a subscription information technology ("IT") asset in process for capitalizable costs during the implementation stage of a new claims and premium processing system, which is expected to be put into service in January 2025 as previously noted in Note 1. In accordance with Agency policy, 88% of the subscription IT asset is allocated to the SAF and 12% of the subscription IT asset is allocated to the UEF.

Subscription IT asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance July 1, 2023	Increases	Decreases	Ending Balance June 30, 2024
Governmental Activities:				
Subscription IT assets in progress, not being amortized	$ 143,601	$ 535,202	$ -	$ 678,803
Governmental activities subscription IT assets, net	$ 143,601	$ 535,202	$ -	$ 678,803
Business-type Activities:				
Subscription IT assets in progress, not being amortized	$ 1,053,078	$ 3,924,812	$ -	$ 4,977,890
Business-type activities subscription IT assets, net	$ 1,053,078	$ 3,924,812	$ -	$ 4,977,890

Note 9. Accrued Refundable Premiums

Policyholders are billed annually for estimated premiums based on the policyholder's estimated payroll. After the policy period ends, policyholders submit the details of the actual salaries paid, and the Agency adjusts the premium based on the actual payroll and a rating modifier based on claims experience. The amount the Agency owed policyholders for estimated premiums in excess of actual adjusted premiums at June 30, 2024 was $239,758 for county and municipal policyholders. An additional $1,648,209 was due to State agencies, for a total of $1,887,967.

Note 10. Unpaid Claims Liability and Claims Adjustment Expenses

Business-Type Activities

The amount accrued for unpaid claims liability and claims adjustment expenses is an actuarially determined amount, based on the SAF's historical claims expenses adjusted for current factors, for the estimated ultimate cost of settling claims for events which occurred on or before year-end but were unpaid at the end of the year. To the extent claims were incurred on behalf of state agencies prior to July 1, 1986, reimbursement will be due from the State when the claims are paid. Estimated amounts recoverable from subrogation have been deducted from the claims liability.

The estimated reimbursement due from the State for claims prior to July 1, 1986, which is included in unpaid claims liability and claims liability adjustment expense, is as follows:

Due within one year	$ 38,548
Due after one year	219,595
Total	$ 258,143

Note 10. Unpaid Claims Liability and Claims Adjustment Expenses (continued)

The amounts accrued for unpaid claims liability and claims adjustment expenses, net of amounts recoverable from the State, for the year ended June 30, 2024 are as follows:

Unpaid claims liability and claim adjustment expenses payable at beginning of year	$ 290,385,145
Current year claims and changes in estimates	64,698,545
Claims payments	(60,780,237)
Total unpaid claims liability and claim adjustment expenses payable at the end of year	$ 294,303,453
This claims liability is further categorized as follows:	
State Agencies	$ 231,643,556
Counties and Municipalities	62,659,897
Total	$ 294,303,453

Governmental Activities

The amount accrued for unpaid claims liability and claims adjustment expenses is an actuarially determined amount, based on the UEF's historical claims expenses adjusted for current factors, for the estimated ultimate cost of settling claims for events which occurred on or before year-end but were unpaid at the end of the year.

The amounts accrued for unpaid claims liability and claims adjustment expenses for the year ended June 30, 2024 are as follows:

Unpaid claims liability and claim adjustment expenses payable at beginning of year	$ 31,732,429
Current year claims and changes in estimates	7,078,798
Claims payments	(3,852,483)
Total unpaid claims liability and claim adjustment expenses payable at the end of year	$ 34,958,744

Note 11. Second Injury Fund

Prior to 2019, the Agency was required to pay an annual assessment to the Second Injury Fund ("SIF") of the State. The assessment was usually billed in the first quarter of the fiscal year based on a specified percentage of total claims paid by the SIF for pro rata claims paid for all years prior to June 30, 2013. The SIF handles claims for workers who have permanent physical impairments and incur subsequent disability from injury by accidents arising out of and in the course of employment. Prior to the year ended June 30, 2019, an independent analysis of the SIF's remaining claims was performed, and it was determined that the SIF had sufficient remaining funds to pay outstanding claims, and therefore future assessments of the Agency would not be necessary. Therefore, there was no assessment during fiscal year 2024.

The SAF continues to receive reimbursements of claims expense from the SIF. The total amount recovered during fiscal year 2024 was $2,189,131 which is reported as a reduction of claims expense.

Note 12. Pension Plan

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission ("Commission" as the governing body, "RSIC" as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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 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.

PEBA issues an ACFR containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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 a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR 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 teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

• The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

• The Fund does not have employees that participate in the Police Officers Retirement System ("PORS").

Note 12. Pension Plan (continued)

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, teachers, and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider 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.

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/current annual salary. 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.

Note 12. Pension Plan (continued)

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2024	Fiscal Year 2023
SCRS		
Employee Class Two	**9.00%**	9.00%
Employee Class Three	**9.00%**	9.00%
State ORP	**9.00%**	9.00%

Required employer contribution rates[1] are as follows:

SCRS		
Employer Class Two	**18.41%**	17.41%
Employer Class Three	**18.41%**	17.41%
Employer Incidental Death Benefit	**0.15%**	0.15%
State ORP		
Employer Contribution[2]	**18.41%**	17.41%
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 service provider to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Note 12. Pension Plan (continued)

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan 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. Amounts determined regarding the net pension liability are subject to continual revision as actual results 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 on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2023, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by a consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023:

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return[1]	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) [1]
Benefit adjustments	lesser of 1% or $500 annually

[1] *Includes inflation at 2.25%*

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC") was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2023 TPL are as follows:

Former Job Class	**Males**	**Females**
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Note 12. Pension Plan (continued)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2023, 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 Total Pension Liability
SCRS	$58,464,402,454	$34,286,961,942	$ 24,177,440,512	58.6%

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 No. 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 Agency's net pension liability at June 30, 2024 was $6,854,437.

The Agency's proportionate share of the net pension liability for SCRS is as follows for the years ended June 30, 2024 and 2023:

System	June 30, 2024	June 30, 2023	Change
SCRS	0.028351%	0.028816%	(0.000465)%

The Agency's change in proportionate share of the net pension liability and related deferred inflows and outflows of the resources will be amortized into pension expense over the respective average remaining service lives of the system.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent 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 2023 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 below. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Note 12. Pension Plan (continued)

Asset Class	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.62%	3.04%
Bonds	26.0	0.31	0.08
Private Equity[1]	9.0	10.91	0.98
Private Debt[1]	7.0	6.16	0.43
Real Assets:	**12.0**		
Real Estate[1]	9.0	6.41	0.58
Infrastructure[1]	3.0	6.62	0.20
Total Expected Return[2]	100.0%		5.31
Inflation for Actuarial Purposes			2.25
Total Expected Nominal Return			7.56%

[1]RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.
[2] Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 15% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

The discount rate used to measure the TPL was 7.00 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.

Sensitivity Analysis

The following table presents the Agency's proportional share of the collective NPL of the participating employers calculated using the discount rate of 7.00 percent, as well as what the Agency's proportional share of the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	**1.00% Decrease (6.00%)**	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
SCRS	$ 8,856,586	$ 6,854,437	$ 5,190,319

Note 12. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2024, the Agency recognized pension expense of $758,040 which is included in personnel services and employee benefits in the accompanying SAF financial statements and personnel services in the accompanying UEF financial statements. At June 30, 2024, the Agency reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 726,147	$ -
Change in proportionate share of net pension liability and differences between actual contributions and the Agency's proportionate share of contributions	63,222	(459,836)
Change in actuarial assumptions	105,020	-
Net differences between projected and actual earnings on plan investments	-	(9,382)
Differences in actual and expected retirement plan experience	119,005	(19,008)
	$ 1,013,394	$ (488,226)

The Agency reported $726,147 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Agency's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2024. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2023 was 3.678 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2024	2025	$ (55,693)
2025	2026	(322,607)
2026	2027	181,341
2027	2028	(4,020)
		$ (200,979)

The Agency's contributions to SCRS and ORP for the fiscal years ended June 30, 2024, 2023 and 2022 were $726,147, $625,240, and $564,997, respectively.

Note 13. Post-Employment Benefits Other than Pensions

PEBA is a state agency responsible for the administration and management of South Carolina's employee insurance programs and 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").

Note 13. Post-Employment Benefits Other than Pensions (continued)

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 in 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 Division ("IBD"), a part of PEBA. 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.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment benefits to be funded through non-employer and employer contributions for active employees and retirees to the IBD.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the years ended June 30, 2024, 2023, and 2022 was 6.25%. The Agency paid approximately $260,000, $232,000, and $221,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2023, 2022 and 2021, respectively. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF 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. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from the IBD. However, due to the COVID-19 pandemic and the impact it has had on the IBD reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

Note 13. Post-Employment Benefits Other than Pensions (continued)

Contributions and Funding Policies (continued)

For the SCRHITF, the allocation percentage of OPEB amounts is based on the covered payroll surcharge contribution for each employer. In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

The IBD issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through PEBA's website at 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 ACFR of the state.

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 of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Note 13. Post-Employment Benefits Other than Pensions (continued)

Actuarial Assumptions and Methods (continued)

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2023 valuations for SCRHITF:

Actuarial Cost Method:	Individual Entry – Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.86% as of June 30, 2023
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-district South Carolina Retirees 2020 Mortality Tables are used with multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements.
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 13 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:	The discount rate changed from 3.69% as of June 30, 2022 to 3.86% as of June 30, 2023

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2022. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2023.

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 as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2023:

OPEB Trust Fund	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
SCRHITF	$14,749,639,155	$1,658,152,923	$ 13,091,486,232	11.24%

Note 13. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability (continued)

The Agency's proportionate share of the net OPEB liability for SCRHITF is as follows for the years ended June 30, 2024 and 2023:

OPEB Trust Fund	June 30, 2024	June 30, 2023	Change
SCRHITF	0.035994%	0.036534%	(0.000540)%

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, 2024, the Agency reported a liability of $4,712,150 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward to June 30, 2023. The Agency's proportion of the net OPEB liability was based on a projection of the Agency's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the Agency's proportion was 0.035994%.

Single Discount Rate

The Single Discount Rate of 3.86% 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:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash equivalents	20.00	0.35	0.07
Total Expected Real Return	100.00%		0.83
Expected Inflation			2.25
Total Return			3.08%
Investment Return Assumption			2.75%

Note 13. Post-Employment Benefits Other than Pensions (continued)

Sensitivity Analysis

The following table presents the Agency's proportional share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.86%, as well as what the Agency's proportional share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1.00% Decrease (2.86%)	Current Discount Rate (3.86%)	1.00% Increase (4.86%)
SCRHITF Net OPEB Liability	$ 5,562,502	$ 4,712,150	$ 4,026,334

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

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF Net OPEB Liability	$ 3,912,689	$ 4,712,150	$ 5,739,283

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2024, the Agency recognized OPEB expense of $158,571 which is included in personnel services and employee benefits in the accompanying SAF financial statements and personnel services in the accompanying UEF financial statements. At June 30, 2024, the Agency reported deferred outflows (inflows) of resources related to OPEB from the following sources:

SCRHITF

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 260,055	$ -
Change in actuarial assumptions	945,312	(1,513,956)
Net differences between projected and actual earnings on OPEB plan investments	47,324	-
Differences in actual and expected investment experience	83,366	(1,073,792)
Change in proportionate share	893,214	(812,692)
	$ 2,229,271	$ (3,400,440)

Note 13. Post-Employment Benefits Other than Pensions (continued)

Contributions subsequent to the measurement date of $260,055 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, 2025. 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, 2023 measurement date were 6.8430 years for SCRHITF:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2024	2025	$ (178,052)
2025	2026	(144,182)
2026	2027	(158,510)
2027	2028	(266,566)
2028	2029	(556,524)
Thereafter		(127,390)
		$ (1,431,224)

Note 14. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Agency have elected to participate. 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 ACFR of the State. Compensation deferred under the plans is placed in trust for the contributing employees.

The State 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.

Note 15. Leases

The Agency leases its office space from an unrelated party. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The lease for the office space expires March 2, 2031 and the rental rate at June 30, 2024 was $29,868 per month, increasing annually from the date of inception. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.76%, which was the applicable federal rate for long-term mortgages at the time of the lease commencement.

The Agency also leases office equipment and vehicles under short-term and/or cancelable operating leases. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Note 15. Leases (continued)

Future minimum lease obligations for other than short-term leases and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

	Principal	Interest	Total
Governmental Activities			
Fiscal year ended June 30,:			
2025	$ 38,526	$ 4,914	$ 43,440
2026	40,523	4,220	44,743
2027	42,595	3,490	46,085
2028	44,745	2,723	47,468
2029	46,974	1,918	48,892
2030-2031	83,298	2,146	85,444
	$ 296,661	$ 19,411	$ 316,072

	Principal	Interest	Total
Business-type Activities			
Fiscal year ended June 30,:			
2025	$ 282,523	$ 36,036	$ 318,559
2026	297,169	30,946	328,115
2027	312,365	25,594	337,959
2028	328,127	19,971	348,098
2029	344,476	14,065	358,541
2030-2031	610,855	9,515	620,370
	$ 2,175,515	$ 136,127	$ 2,311,642

Operating lease expenses under short-term and cancelable operating leases for the fiscal year ended June 30, 2024 were approximately $117,000 and consisted of office equipment and vehicles.

Note 16. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024 are as follows:

	June 30, 2023	Additions	Reductions	June 30, 2024	Due within one year
Governmental Activities					
Net pension liability	$ 803,387	$ -	$ (14,903)	$ 788,484	$ -
Net OPEB liability	748,368	-	(86,877)	661,491	-
Accrued compensated absences and related benefits	30,956	37,277	(26,010)	42,223	35,890
Lease liability	333,262	-	(36,601)	296,661	38,526
Unpaid claims liability and claims adjustment expenses payable	31,732,429	7,078,798	(3,852,483)	34,958,744	6,712,696
Total	$ 33,648,402	$ 7,116,075	$ (4,016,874)	$ 36,747,603	$ 6,787,112

Note 16. Long-term Liabilities (continued)

	June 30, 2023	Additions	Reductions	June 30, 2024	Due within one year
Business-type Activities					
Net pension liability	$ 6,182,214	$ -	$ (116,261)	$ 6,065,953	$ -
Net OPEB liability	4,809,126	-	(758,467)	4,050,659	-
Accrued compensated absences and related benefits	227,158	280,738	(252,872)	255,024	216,771
Lease liability	2,443,923	-	(268,408)	2,175,515	282,523
Unpaid claims liability and claims adjustment expenses payable	290,385,145	64,698,545	(60,780,237)	294,303,453	43,005,326
Total	$ 304,047,566	$ 64,979,283	$ (62,176,245)	$ 306,850,604	$ 43,504,620

Note 17. Transactions with State Entities

The Agency has significant transactions with the State and various State agencies. Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General's Office; check preparation, banking, and investment functions from the State Treasurer; legal services from the Attorney General's Office; and record storage from the Department of Archives and History. Other services received at no cost include pension plan administration, insurance plans administration provided by PEBA; audit services contracted out by the Office of the State Auditor; and personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments, procurement services, and other centralized functions provided by the SFAA.

Total revenues from other State agencies based on the agency classification chart prepared by the South Carolina Comptroller General's Office were as follows for the Agency for the year ended June 30, 2024:

Administration of Justice	$ 25,141,328
Higher Education Component Units	17,737,015
Transportation	11,795,590
Health and Environment	9,205,477
External Component Units	3,859,863
General Government	3,819,710
Education	3,772,967
Social Services	3,522,824
Resource and Economic Development	1,908,829
Other Business Types	52,881
Housing Authority	44,443
	$ 80,860,927

Note 17. Transactions with State Entities (continued)

The Agency had financial transactions with various State agencies during the year ended June 30, 2024. Significant payments were made to PEBA for pension, SFAA Insurance Reserve Fund for insurance plan contributions, and to the South Carolina Department of Administration for vehicle rental, insurance coverage, telephone, and data processing services. Payments were also made for unemployment coverage for employees to the Department of Employment and Workforce. The amount of expenses applicable to these transactions is not readily determinable. The Agency provided no services free of charge to other State agencies during the year ended June 30, 2024. Total payments to other State agencies by the Agency were as follows for the year ended June 30, 2024:

Medical University Hospital Authority	$	1,663,143
MUSC Community Physicians		157,981
Workers Compensation Commission		34,000
MUSC Health Columbia Northeast Neurosurgery		30,670
Medical University Hospital		1,601
University of South Carolina		388
	$	1,887,783

Note 18. Concentrations of Credit Risk and Other Concentrations

The Agency has reinsurance contracts with providers which share or limit the Agency's exposure to losses. However, should the reinsurance providers be unable to meet their obligations for the settlement of these amounts, the Agency will ultimately be responsible. The Agency provides services to South Carolina governmental entities. The limited make-up of the membership group, as well as the limited geographic region in which the Agency operates, increases the Agency's exposure to business concentrations.

Note 19. Commitments and Contingencies

From time to time, the Agency is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have a material effect on the results of operations, liquidity, or net position.

Note 20. Subsequent Events

The Agency has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2024 for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through October 1, 2024, the date these financial statements were available for issuance, and there were no subsequent events that required recognition or disclosure in these financial statements.

South Carolina State Accident Fund
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis, Unaudited)
Uninsured Employers Fund
For the Fiscal Year Ended June 30, 2024

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Uninsured Employers Fund				
Classified positions	$ 480,670	$ 480,670	$ 402,396	$ 78,274
Employer contributions	299,025	299,025	250,331	48,694
Other operating	667,434	667,434	663,026	4,408
Total Expenditures	$ 1,447,129	$ 1,447,129	$ 1,315,753	$ 131,376

See accompanying independent auditor's report and notes to budgetary comparison schedule.

South Carolina State Accident Fund
Notes to the Required Supplementary Information
Budgetary Comparison Schedule
June 30, 2024

Note 1. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets on the GAAP basis. 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.

The UEF's legally adopted budget is part of the Total Funds budget for the State. It is presented for the UEF at the program level.

Note 2. Original and Final Budgeted Amounts; Basis of Presentation

The original appropriations presented in the accompanying schedule for the UEF 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 schedule for the department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the UEF. However, Section 115 (*Recapitulations)* of the Appropriation 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 Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the UEF is presented as required supplementary information.

As operating conditions change, the UEF may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

Note 3. Legal Level of Budgetary Control

The UEF 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 schedule.

Note 4. Basis of Budgeting

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

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

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14th.
- The gasoline and motor fuel taxes are recorded on the modified accrual basis in accordance with State law.
- All other revenues are recorded only when the State receives the related cash.

Note 5. Reconciliation of Budget to GAAP Reporting Differences

There are no adjustments of the GAAP basis of accounting to the budgetary basis of accounting for the UEF. The actual amounts in the budgetary comparison schedule agree in total to the UEF expenditure on its statement of revenues, expenditures, and changes in fund balance with the exception of claims and debt service expenditures.

South Carolina State Accident Fund
Schedule of the South Carolina State Accident Fund's
Proportionate Share of the Net Pension Liability
South Carolina Retirement System
As of June 30,
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
SAF's proportion of the net pension liability	0.028351 %	0.028816 %	0.032301 %	0.031138 %	0.026395 %
SAF's proportionate share of the net pension liability	$ 6,854,437	$ 6,985,601	$ 6,990,308	$ 7,956,250	$ 6,027,122
SAF's covered payroll	$ 3,871,049	$ 3,595,476	$ 3,816,391	$ 3,587,649	$ 2,908,567
SAF's proportionate share of the net pension liability as percentage of covered payroll	177.07 %	194.29 %	183.17 %	221.77 %	207.22 %
Plan fiduciary net position as a percentage of the total pension liability	58.65 %	57.06 %	60.75 %	50.71 %	54.40 %

	2019	2018	2017	2016	2015
SAF's proportion of the net pension liability	0.026790 %	0.027730 %	0.027578 %	0.029917 %	0.030111 %
SAF's proportionate share of the net pension liability	$ 6,002,836	$ 6,242,365	$ 5,890,620	$ 5,673,903	$ 5,184,116
SAF's covered payroll	$ 2,624,189	$ 2,597,007	$ 2,670,579	$ 2,960,786	$ 2,733,726
SAF's proportionate share of the net pension liability as percentage of covered payroll	228.75 %	240.37 %	220.57 %	191.64 %	180.39 %
Plan fiduciary net position as a percentage of the total pension liability	54.10 %	53.34 %	52.91 %	56.99 %	59.92 %

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

See accompanying Independent Auditor's Report

South Carolina State Accident Fund
Schedule of the South Carolina State Accident Fund's
Contributions
South Carolina Retirement System
As of June 30,
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	$ 726,147	$ 625,240	$ 564,997	$ 565,345	$ 538,517
Contributions in relation to the contractually required contribution	726,147	625,240	564,997	565,345	538,517
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered payroll	$ 4,157,473	$ 3,871,049	$ 3,595,476	$ 3,816,391	$ 3,587,649
Contributions as a percentage of the covered payroll	18.41%	17.41%	16.41%	15.41%	15.41%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 405,041	$ 355,840	$ 300,214	$ 295,366	$ 322,726
Contributions in relation to the contractually required contribution	405,041	355,840	300,214	295,366	322,726
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered payroll	$ 2,908,567	$ 2,624,189	$ 2,597,007	$ 2,670,579	$ 2,960,786
Contributions as a percentage of the covered payroll	14.41%	13.41%	11.41%	10.91%	10.75%

See accompanying Independent Auditor's Report

South Carolina State Accident Fund
Schedule of the South Carolina State Accident Fund's
Proportionate Share of the Collective Net OPEB Liability
South Carolina Retiree Health Insurance Trust Fund
As of June 30,
Last Eight Fiscal Years

	2024	2023	2022	2021	2020
SAF's proportion of the collective net OPEB liability	0.035994 %	0.036534 %	0.040287 %	0.030988 %	0.033220 %
SAF's proportionate share of the collective net OPEB liability	$ 4,712,150	$ 5,557,494	$ 8,501,480	$ 5,593,782	$ 5,023,370
SAF's covered payroll	$ 3,718,192	$ 3,537,488	$ 3,748,176	$ 3,545,712	$ 2,879,818
SAF's proportionate share of the collective net OPEB liability as percentage of covered payroll	126.73 %	157.10 %	226.82 %	157.76 %	174.43 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.24 %	9.64 %	7.48 %	8.39 %	8.44 %

	2019	2018	2017
SAF's proportion of the collective net OPEB liability	0.033872 %	0.034921 %	0.034921 %
SAF's proportionate share of the collective net OPEB liability	$ 4,799,860	$ 4,730,071	$ 5,052,591
SAF's covered payroll	$ 2,700,600	$ 2,734,053	$ 2,818,218
SAF's proportionate share of the collective net OPEB liability as percentage of covered payroll	177.73 %	173.01 %	179.28 %
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.

See accompanying Independent Auditor's Report

South Carolina State Accident Fund
Schedule of the South Carolina State Accident Fund's Contributions
South Carolina Retiree Health Insurance Trust Fund
As of June 30,
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	$ 260,055	$ 232,387	$ 221,093	$ 234,261	$ 221,607
Contributions in relation to the contractually required contribution	260,055	232,387	221,093	234,261	221,607
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered payroll	$ 4,160,880	$ 3,718,192	$ 3,537,488	$ 3,748,176	$ 3,545,712
Contributions as a percentage of the covered payroll	6.25%	6.25%	6.25%	6.25%	6.25%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 174,229	$ 148,533	$ 145,725	$ 150,211	$ 148,040
Contributions in relation to the contractually required contribution	174,229	148,533	145,725	150,211	148,040
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered-employee payroll	$ 2,879,818	$ 2,700,600	$ 2,734,053	$ 2,818,218	$ 2,670,579
Contributions as a percentage of the covered payroll	6.05%	5.50%	5.33%	5.33%	5.00%

See accompanying Independent Auditor's Report

Independent Auditors' 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*

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

We have audited, in accordance with the 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, business-type activities, and each major fund of the South Carolina State Accident Fund (the "Agency") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statements. 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 purposes.

Scott and Company LLC

Columbia, South Carolina
October 1, 2024