

South Carolina Office of the State Treasurer

Report on Financial Statements

For the Year Ended June 30, 2023



December 15, 2023

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

This report on the audit of the financial statements of the South Carolina Office of the State Treasurer for the fiscal year ended June 30, 2023, was issued by The Hobbs Group, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-9
Basic Financial Statements:	
Statement of Net Position.....	10-11
Statement of Activities.....	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to the Financial Statements	19-47
Required Supplementary Information – Budgetary Comparison Schedules.....	48-50
Notes to Required Supplementary Information – Budgetary Comparison Schedules	51-52
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Proportionate Share of the Net Pension Liability – South Carolina Retirement System	53
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Contributions – South Carolina Retirement System.....	54
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Proportionate Share of the Net OPEB Liability – South Carolina Health Insurance Trust Fund.....	55
Required Supplementary Information – Schedule of the South Carolina Office of the State Treasurer’s Contributions – South Carolina Health Insurance Trust Fund.....	56
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Schedule of Findings and Responses	59
Summary Schedule of Prior Audit Findings	60

1704 Laurel Street
Columbia, SC 29201

P.O. Box 2411
Columbia, SC 29202

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



The Hobbs Group
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS, PA

125 W. Stone Avenue
Greenville, SC 29609

Phone (864) 271-7503
Fax (864) 751-5889

www.hobbscpa.com

INDEPENDENT AUDITORS' REPORT

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Carolina Office of the State Treasurer (the "Office"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office, as of June 30, 2023, and the respective changes in financial position 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 (GAAS) 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 Office 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

The Office's 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 Office'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 GAAS 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 GAAS, 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 Office'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 Office'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: Reporting Entity

As described in Note 1.A., the accompanying financial statements of the Office are intended to present the financial position and the respective changes in financial position of certain governmental activities and fiduciary funds comprising the reporting entity as defined by the Office. The accompanying financial statements exclude the South Carolina Tuition Prepayment Program, South Carolina Future

Scholar 529 College Savings Plan, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the “Related Entities”), and all debt service transactions related to obligations of the State of South Carolina, its agencies, departments, and political subdivisions. They do not purport to, and do not present fairly, the financial position of the State of South Carolina as of June 30, 2023 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 schedules, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, and schedule of OPEB contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 December 15, 2023 on our consideration of the Office’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office’s internal control over financial reporting and compliance.

Columbia, South Carolina
December 15, 2023

The Hollar Group, P.A.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Management's Discussion and Analysis ("MD&A") of the South Carolina Office of the State Treasurer (the "Office") provides an overview of the Office's financial activities for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

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

These financial statements do not include the transactions or balances from the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Tobacco Settlement Revenue Management Authority, or South Carolina Local Government Investment Pool (the "Related Entities") and all debt service transactions related to obligations of the State of South Carolina (the "State"), its agencies, departments, and political subdivisions. The financial statements of the Related Entities were audited by other auditors as of and for the fiscal year ended June 30, 2023.

As of and for the fiscal year ended June 30, 2023:

- The Office's total net deficit increased by \$676,959, and its liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net deficit) by \$18,771,773.
- The Office received \$342,783,158 in appropriations from the State, substantially all of which was disbursed for general operations, student loans, and aid to subdivisions.
- The Office held \$2,039,315,787 of cash in a custodial capacity.

USING THESE AUDITED FINANCIAL STATEMENTS

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

South Carolina Office of the State Treasurer
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

Statement of Net Position and Statement of Activities:

The Statement of Net Position provides a summary of the Office’s financial condition at June 30, 2023 and reports all assets and liabilities using the accrual basis of accounting. The Statement of Activities reports the revenues and expenses for the fiscal year ended June 30, 2023 using the accrual basis of accounting.

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF NET POSITION

	2023	2022
Current Assets	\$ 1,884,513	\$ 2,820,005
Noncurrent Assets	346,947	154,118
Total Assets	2,231,460	2,974,123
Deferred Outflows of Resources	4,952,141	5,962,776
Current Liabilities	1,531,732	1,821,422
Noncurrent Liabilities	20,215,141	23,129,765
Total Liabilities	21,746,873	24,951,187
Deferred Inflows of Resources	4,208,501	2,080,526
Net Investment in Capital Assets	7,114	12,990
Restricted Net Position	714,531	1,127,560
Unrestricted Net Deficit	(19,493,418)	(19,235,364)
Total Net Deficit	\$ (18,771,773)	\$ (18,094,814)

For the fiscal year ended June 30, 2023, current assets decreased by \$935,492 due to expenditure of cash balances shortly after the year ended June 30, 2022 in compliance with budgetary provisions. Current liabilities decreased by \$289,690 primarily due to the timing of disbursements for aid to subdivisions. Noncurrent liabilities decreased by \$2,914,624 due to decreases in the Office’s net OPEB liability, which is based on the Office’s proportionate share of pension related amounts associated with the State’s retirement and health plans. In addition, the Office was required to implement Governmental Accounting Standards Board (“GASB”) Statement 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2023, which resulted in the Office recording a liability for subscription-based information technology arrangements (“SBITAs”) previously recognized as expenses when paid.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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

SOUTH CAROLINA OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES

	2023	2022
Expenses		
Personnel Services	\$ 8,472,378	\$ 8,469,282
Travel	62,114	25,852
Supplies and Materials	281,579	494,085
Contracted Services	2,301,726	1,898,230
Depreciation and Amortization	282,794	39,913
Student Loans – Student Loan Corporation	5,033,131	6,040,040
Tuition Prepayment Program	-	31,900,000
Short-term Rent Expense	307,474	264,319
Interest Expense	19,187	3,296
Aid to Subdivisions	334,593,096	290,859,414
Total Expenses	351,353,479	339,994,431
General Revenues		
State Appropriations	342,783,158	331,857,828
Fines and Penalties	95,515	96,319
Investment Management Fees	2,625,000	2,600,000
Grant Revenue	-	40,000
Revenue from Other State Agencies	6,004,032	5,843,607
Total General Revenues	351,507,705	340,437,754
Transfers		
Remission to State General Fund	(831,185)	(836,680)
Total General Revenues and Transfers	350,676,520	339,601,074
Change in Net Deficit	(676,959)	(393,357)
Net Deficit, July 1	(18,094,814)	(17,701,457)
Net Deficit, June 30	\$ (18,771,773)	\$ (18,094,814)

General revenues of the Office are largely dependent upon appropriations from the State Legislature. For the fiscal year ended June 30, 2023, appropriations for aid to subdivisions were increased overall, even with the absence of one time appropriations received during the year ended June 30, 2022. As a result, State Appropriations revenues increased by approximately \$11,000,000 as compared to the year ended June 30, 2022. Expenditures for the Tuition Prepayment Program were a one-time occurrence for the year ended June 30, 2022, as a result of the additional appropriations. Lastly, expenditures for aid to subdivisions increased from the fiscal year ended June 30, 2022 as a result of the additional State appropriations that were received by the Office.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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

The Office received \$342,783,158 in appropriations from the State Legislature. These appropriations were spent for three purposes. The amount of \$2,323,537 was spent primarily on the operations of the Office. The amount of \$334,593,096 was disbursed as aid to various governmental subdivisions throughout the State. The amount of \$5,033,131 was spent on student loans. This resulted in \$831,185 of appropriations unspent, which were remitted to the State General Fund.

Capital, Intangible Right-of-Use, and SBITA Assets:

There were no capital asset additions during the year ended June 30, 2023. Depreciation expense was \$4,075 for the year ended June 30, 2023. Amortization expense associated with lease related intangible right of use assets, was \$50,420 for the year ended June 30, 2023. Lastly, due to the previously discussed implementation of GASB Statement No. 96, SBITA assets of \$475,623 were recorded with associated amortization expense of \$228,299.

Noncurrent Liabilities:

The Office's noncurrent liabilities consist of lease and SBITA liabilities, compensated absences, and its proportionate share of the State of South Carolina's net pension and net OPEB liabilities related to the South Carolina Retirement System ("SCRS"). The Office made principal payments on its lease liabilities and SBITA liabilities of \$48,619 and \$217,942, respectively. The compensated absences liability includes accrued annual leave earned for which employees are entitled to paid time off or payment at termination. Compensated absences used or transferred to another agency during the fiscal year were \$452,587 while another \$425,298 were accrued which caused the balance to decrease from \$841,212 at June 30, 2022 to \$813,924 at June 30, 2023.

The Office's net pension liability has been recorded in accordance with GASB Statement No. 68 and represents the Office's share of the State's net pension liability related to the SCRS. The net pension liability as of June 30, 2022 was \$10,002,260 and at June 30, 2023, it had increased to \$10,736,427. The increase is due to the underlying activity of the pension investments, related actuarial assumptions, and proportion of the Office to the State's pension plan participants. GASB Statement No. 68 does not affect the Office's required contributions to the net pension liability. See Note 9 to the financial statements for additional information regarding the Office's pension plan.

The Office is also required to record its proportionate share of the net OPEB liability in accordance with GASB Statement No. 75 and represents the Office's share of the State's net OPEB liability related to the State's Retiree Health Insurance Trust Fund. The net OPEB liability as of June 30, 2022 was \$12,271,933 and decreased to \$8,676,350 at June 30, 2023, also due to the activity of the OPEB investments and related actuarial assumptions. See Note 10 to the financial statements for additional information regarding the Office's OPEB plan.

Fund Highlights:

Governmental Funds

The focus of the Office's governmental funds is to provide information regarding actual inflows and outflows of spendable resources. The General Fund is the chief operating fund of the Office. The General Fund's operating revenues are provided through appropriations from the State Legislature. Revenues are not budgeted by the Office; therefore, expenditures are typically matched with appropriations so long as expenditures do not exceed budgeted appropriations.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Fund Highlights (Continued):

There are two major special revenue funds: the Aid to Subdivisions Fund and the State Treasurer's Office Earmarked Fund. The Aid to Subdivisions Fund distributes funds to various political subdivisions of the State based on amounts budgeted by the State. There was a surplus of \$831,185 in State appropriations in the Aid to Subdivisions Fund that were not distributed during the fiscal year ended June 30, 2023. Of this surplus, all was remitted back to the State General Fund after the end of the fiscal year, resulting in no change in fund balance and an ending fund balance of \$0. The State Treasurer's Office Earmarked Fund accounts for revenues and transfers of appropriations earmarked for specific Office operations. As required by the earmark provisions, these amounts can only be spent on specific operational expenditures of the Office, and therefore, the remaining fund balance is considered restricted. Expenditures exceeded revenues and other financing sources exceeded expenditures by \$413,029 during the fiscal year ended June 30, 2023 resulting in an ending fund balance of \$714,531.

Budget Highlights:

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

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

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

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriations Act are referred to as *Other Budgeted Funds*.

The Office's budget for E160 General Funds was originally \$2,221,695 for the fiscal year ended June 30, 2023. This compares to a final budgeted amount of \$2,325,746. Actual expenditures, on the budgetary basis, totaled \$2,325,746. These actual expenditures were in line with the final budgeted amount.

The Office's budget for E160 Other Budgetary Funds was originally \$10,062,809 for the fiscal year ended June 30, 2023. This compares to a final budgeted amount of \$14,345,940. The increase in the final budgeted amount was primarily due to additional appropriations for student loan payments to the South Carolina Student Loan Corporation in the budgeted amount of \$5,033,131. Actual expenditures, on the budgetary basis, totaled \$14,179,539. These actual expenditures were under budget by \$166,401 due to personnel service expenditures being less than budgeted.

The Office's budget for X220 General Funds was originally \$301,402,059 for the fiscal year ended June 30, 2023. This compares to a final budgeted amount of \$335,424,281. The primary reason for the increase from the original to final budgeted amount was an increase in amounts budgeted to be distributed as aid to various subdivisions. Actual expenditures, on the budgetary basis, totaled \$334,593,096. These actual expenditures were \$831,185 less than the final budgeted amount. The Office's Aid to Subdivisions Fund only receives General Fund appropriations. Therefore, amounts are not budgeted for X220 Other Budgetary Funds.

South Carolina Office of the State Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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

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

South Carolina Office of the State Treasurer
Statement of Net Position
June 30, 2023

Assets

Current Assets:

Cash	\$ 1,884,513
Total Current Assets	<u>1,884,513</u>

Right of Use Lease Assets, Net	88,897
SBITA Assets, Net	247,324
Capital Assets, Net	<u>10,726</u>
Total Assets	<u>2,231,460</u>

Deferred Outflows of Resources

Deferred Outflows of Resources Related to Pensions	1,778,531
Deferred Outflows of Resources Related to OPEB	<u>3,173,610</u>
Total Deferred Outflows of Resources	<u>4,952,141</u>

continued

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

South Carolina Office of the State Treasurer
Statement of Net Position (Continued)
June 30, 2023

Liabilities

Current Liabilities:

Accounts Payable	\$	338,797
Due to State General Fund		831,185
Leases Liabilities, Current		48,619
SBITA Liabilities, Current		237,436
Compensated Absences, Current		75,695
Total Current Liabilities		1,531,732

Noncurrent Liabilities:

Net Pension Liability		10,736,427
Net OPEB Liability		8,676,350
Leases Liabilities, Net of Current Portion		43,890
SBITA Liabilities, Net of Current Portion		20,245
Compensated Absences		738,229
Total Noncurrent Liabilities		20,215,141
Total Liabilities		21,746,873

Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions		376,908
Deferred Inflows of Resources Related to OPEB		3,831,593
Total Deferred Inflows of Resources		4,208,501

Net Deficit

Net Investment in Capital Assets		(3,243)
Restricted		714,531
Unrestricted		(19,483,061)
Total Net Deficit	\$	(18,771,773)

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

South Carolina Office of the State Treasurer
Statement of Activities
For the Year Ended June 30, 2023

Expenses

Personnel Services	\$ 8,472,378
Travel	62,114
Supplies and Materials	281,579
Contracted Services	2,301,726
Student Loans – Student Loan Corporation	5,033,131
Short-term Rent Expense	307,474
Interest Expense	19,187
Depreciation and Amortization	282,794
Aid to Subdivisions	<u>334,593,096</u>
Total Expenses	<u>351,353,479</u>

General Revenues

State Appropriations	342,783,158
Fines and Penalties	95,515
Investment Management Fees	2,625,000
Revenue from Other State Agencies	<u>6,004,032</u>
Total General Revenues	<u>351,507,705</u>

Transfers

Remission to State General Fund	<u>(831,185)</u>
Total General Revenues and Transfers	<u>350,676,520</u>

Change in Net Deficit	(676,959)
Net Deficit, July 1, 2022	<u>(18,094,814)</u>
Net Deficit, June 30, 2023	<u><u>\$ (18,771,773)</u></u>

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

South Carolina Office of the State Treasurer
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Aid to Subdivisions Fund</u>	<u>State Treasurer's Office Earmarked Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 6,934	\$ 831,185	\$ 1,046,394	\$ 1,884,513
Due from Other Fund	-	-	1,142	1,142
Total Assets	<u>\$ 6,934</u>	<u>\$ 831,185</u>	<u>\$ 1,047,536</u>	<u>\$ 1,885,655</u>
Liabilities				
Accounts Payable	\$ 5,792	\$ -	\$ 333,005	\$ 338,797
Due to Other Fund	1,142	-	-	1,142
Due to State General Fund	-	831,185	-	831,185
Total Liabilities	<u>6,934</u>	<u>831,185</u>	<u>333,005</u>	<u>1,171,124</u>
Fund Balances				
Restricted:				
State Provisos	-	-	714,531	714,531
Total Fund Balances	<u>-</u>	<u>-</u>	<u>714,531</u>	<u>714,531</u>
Total Liabilities and Fund Balances	<u>\$ 6,934</u>	<u>\$ 831,185</u>	<u>\$ 1,047,536</u>	<u>\$ 1,885,655</u>

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

South Carolina Office of the State Treasurer
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2023

Total fund balance, governmental funds	\$	714,531
Amounts reported for governmental activities in the Statement of Net Position are different because:		
<p>Capital, and right-of-use assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities on the statement of net position. This amount reflects gross capital and right-of-use assets of \$360,895 net of accumulated depreciation and amortization of \$261,272.</p>		
		99,623
<p>SBITA assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities on the statement of net position. This amount reflects gross SBITA assets of \$475,623 net of accumulated amortization of \$228,299.</p>		
		247,324
<p>The net pension and net OPEB liabilities and related deferred outflows and inflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities on the Statement of Net Position.</p>		
Net pension liability		(10,736,427)
Deferred outflows of resources related to pensions		1,778,531
Deferred inflows of resources related to pensions		(376,908)
Net OPEB liability		(8,676,350)
Deferred outflows of resources related to OPEB		3,173,610
Deferred inflows of resources related to OPEB		(3,831,593)
<p>Lease liabilities are not due and payable in the current year and are not included in the fund statements.</p>		
		(92,509)
<p>SBITA liabilities are not due and payable in the current year and are not included in the fund statements.</p>		
		(257,681)
<p>Compensated absences are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities on the Statement of Net Position.</p>		
		(813,924)
Net deficit of governmental activities on the Statement of Net Position	\$	<u><u>(18,771,773)</u></u>

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

South Carolina Office of the State Treasurer
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Aid to Subdivisions Fund</u>	<u>State Treasurer's Office Earmarked Fund</u>	<u>Total Governmental Funds</u>
Revenues				
State Appropriations	\$ 2,325,746	\$ 335,424,281	\$ 5,033,131	\$ 342,783,158
Fines and Penalties	—	—	95,515	95,515
Investment Management Fees	—	—	2,625,000	2,625,000
Revenue from Other State Agencies	—	—	6,004,032	6,004,032
Total Revenues	<u>2,325,746</u>	<u>335,424,281</u>	<u>13,757,678</u>	<u>351,507,705</u>
Expenditures				
Personnel Services	2,023,136	—	6,199,336	8,222,472
Travel	14,883	—	47,231	62,114
Supplies and Materials	61,860	—	219,719	281,579
Contracted Services	159,431	—	2,142,295	2,301,726
Debt Service, Principal	11,809	—	254,752	266,561
Debt Service, Interest	1,620	—	17,567	19,187
Student Loans – Student Loan Corporation	—	—	5,033,131	5,033,131
Rent	50,798	—	256,676	307,474
Aid to Subdivisions	—	334,593,096	—	334,593,096
Total Expenditures	<u>2,323,537</u>	<u>334,593,096</u>	<u>14,170,707</u>	<u>351,087,340</u>
Revenues Over (Under) Expenditures	<u>2,209</u>	<u>831,185</u>	<u>(413,029)</u>	<u>420,365</u>
Other Financing Uses				
Remission to State General Fund	—	(831,185)	—	(831,185)
Total Other Financing Uses	<u>—</u>	<u>(831,185)</u>	<u>—</u>	<u>(831,185)</u>
Net Change In Fund Balance	2,209	—	(413,029)	(410,820)
Fund Balance, July 1, 2022	(2,209)	—	1,127,560	1,125,351
Fund Balance, June 30, 2023	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 714,531</u>	<u>\$ 714,531</u>

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

South Carolina Office of the State Treasurer
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2023

Total change in fund balance, governmental funds	\$	(410,820)
Amounts reported for governmental activities on the Statement of Activities are different because:		
Current year pension plan contributions are considered a deferred outflow of resources rather than a current year expense.		1,031,021
Current year OPEB plan contributions are considered a deferred outflow of resources rather than a current year expense.		366,964
Repayment of lease and SBITA liabilities are reported as expenditures in the governmental funds while governmental activities reports these payments as reductions in liabilities.		266,561
Some expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation and amortization		(282,794)
Increase in pension expense due to changes in the net pension liability and related deferred outflows and inflows of resources		(1,024,117)
Increase in OPEB expense due to changes in the net OPEB liability and related deferred outflows and inflows of resources		(651,062)
Decrease in compensated absences		27,288
		27,288
Increase in net deficit, governmental activities	\$	(676,959)

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

South Carolina Office of the State Treasurer
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private Purpose Trust Funds	Custodial Funds
Assets		
Current Assets:		
Cash	\$ 32,979,374	\$ 2,039,315,787
Amounts Due from Other State Agencies	340,085	198,539,106
Total Current Assets	33,319,459	2,237,854,893
Noncurrent Assets:		
Land and Land Improvements	3,874,100	-
Total Noncurrent Assets	3,874,100	-
Total Assets	\$ 37,193,559	\$ 2,237,854,893
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 884,401	\$ -
Amounts Due to Local Governments and State Agencies	-	391,603,493
Unclaimed Property Refunds	-	266,831,228
Total Current Liabilities	884,401	658,434,721
Total Liabilities	884,401	658,434,721
Net Position		
Net Investment in Capital Assets	3,874,100	-
Restricted for:		
Individuals, Organizations, and Other Governments	-	1,579,420,172
Disaster Relief	14,798,733	-
Springdale Fund	1,050,653	-
Aid to Subdivisions	371,766	-
Other Purposes	16,213,906	-
Total Net Position	36,309,158	1,579,420,172
Total Liabilities and Net Position	\$ 37,193,559	\$ 2,237,854,893

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

South Carolina Office of the State Treasurer
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private Purpose Trust Funds	Custodial Funds
Additions:		
Fines, Fees, and Settlements	\$ 33,196	\$ 71,915,284
State Appropriations	10,000,000	-
Sales and Use Taxes	3,112,967	2,046,469,639
Interest and Investment Income	457,027	7,665,598
Additions from Other State Agencies	800,000	301,991,223
Total Additions	14,403,190	2,428,041,744
Deductions:		
State Allocations	3,112,968	2,088,384,136
Disbursements to Individuals, Organizations, and Other Governments	-	1,145,995,195
Contracted Services	45,311	2,290,352
Disbursement to Devisee	35,190	-
Loss on disposal of capital assets	399,012	-
Other Expenses	1,328	-
Total Deductions	3,593,809	3,236,669,683
Change in Net Position	10,809,381	(808,627,939)
Net Position, July 1, 2022	25,499,777	2,388,048,111
Net Position, June 30, 2023	\$ 36,309,158	\$ 1,579,420,172

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State that is attributable to transactions of the Office, and exclude the South Carolina Tuition Prepayment Program, South Carolina Future Scholar 529 College Savings Plan, South Carolina Tobacco Settlement Revenue Management Authority, and South Carolina Local Government Investment Pool (the “Related Entities”), and all debt service transactions related to obligations of the State, its agencies, departments, and political subdivisions. The financial statements of the Related Entities were audited by other auditors as of and for the fiscal year ended June 30, 2023.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements

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

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

Additionally, the Office receives reimbursement from the unclaimed property funds for certain costs incurred in connection with the recovery, advertisement, and sale of unclaimed property. The Office holds unclaimed property refunds, or escheated property, in a custodial capacity. A liability is recorded for amounts expected to be reclaimed and paid to claimants. This liability is satisfied by the State's General Fund. For the fiscal year ended June 30, 2023, the Office received \$2,160,000 of unclaimed property receipts to offset certain capital and administrative costs incurred in connection with the administration of the State's Unclaimed Property Program. The Unclaimed Property Program is accounted for as a custodial fund.

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Types

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

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

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

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

- *Private Purpose Trust Funds* – These funds include a trust fund with assets set aside for site stabilization and closure of a nuclear waste site operated by a private company within the State’s borders in the event that the company ceases operations or loses its license to operate as well as a trust fund with assets set aside for the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation). The Private-Purpose Trust Funds also include miscellaneous other trust agreements holding assets that benefit non-State parties.
- *Custodial Funds* – These funds are used to account for assets held by the Office in a custodial capacity. The Office is the official depository for agencies of the State and, accordingly, administers the significant majority of State agency receipts and disbursements.

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

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

Cash

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

Cash Management Pool – Allocation of Interest

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

Capital Assets

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

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at acquisition value on the donation date. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized.

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

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Right of Use Lease Assets

The Office reports right of use lease assets as a result of certain lease agreements to which the Office is a party. The right of use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right of use lease assets are amortized on a straight line basis over the life of the related lease. Amortization expense is included with depreciation expense in the Statement of Activities.

Subscription Based Information Technology Arrangement (“SBITA”) Assets

The Office implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, during the year ended June 30, 2023. The Agency is party to a single subscription-based information technology arrangement (“SBITA”) which expires in 2024. As a result of the implementation of GASB No. 96, the Office has recorded an intangible SBITA asset and recognized a related SBITA liability. There was no impact on the Office’s net position as a result of implementing GASB Statement No. 96 as the net SBITA asset and liability would yield an immaterial impact to the Office’s net position. As such, all SBITA activity was recorded during the year ended June 30, 2023.

The Office recognizes SBITA liabilities with an initial term greater than twelve months. For SBITAs with a maximum possible term of 12 months or less at commencement, the Office recognizes expenditures based on the provisions of the arrangement. The Office initially measures the SBITA 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 SBITA asset is 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. Subsequently, the SBITA asset will be amortized on a straight-line basis over the shorter of the useful life of the SBITA asset or the subscription term. Amortization expense is included with depreciation expense in the Statement of Activities. See Note 12 for further information.

Compensated Absences

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

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Due to Local Governments and State Agencies

Due to Local Governments and State Agencies reported in the Statement of Fiduciary Net Position – Fiduciary Funds represents amounts held by the Office in its Custodial Funds for the benefit of other State agencies, local governments, and State boards. The Office collects various taxes, fines, and fees on behalf of these entities until the funds are needed for use or are distributed under applicable State provisos. This liability represents amounts held by the Office and the beneficiary has made a demand for the funds or there is no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

Unclaimed Property Refunds

The Office holds unclaimed property refunds, or escheated property, in a custodial capacity; unclaimed property refunds are reported in the Custodial Funds. Each year, the Unclaimed Property Program receives millions of dollars from companies that cannot locate the owners of the funds. The Unclaimed Property Program does not include tangible property like land or vehicles. A liability is recorded for amounts expected to be reclaimed and paid to claimants. See Note 16 for more information on unclaimed property refunds and the respective Unclaimed Property Program.

Net Position and Fund Balance

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

Net Position

Net investment in capital assets

The net investment in capital assets portion of net position consists of capital assets (including intangible right of use lease assets), net of accumulated depreciation and/or amortization, reduced by any outstanding liability balances associated with these assets.

Restricted net position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or laws through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of June 30, 2023, the Office reported \$714,531 of restricted net position in its governmental funds. The Office reported \$32,435,058 of restricted net position in its private purpose trust funds as of June 30, 2023 which is restricted based on the terms of the trust agreement. Finally, the Office reported \$1,579,420,172 of restricted net position in its custodial funds as of June 30, 2023, which is restricted for the individuals, organizations, or other governments that are the beneficiaries for the funds held by the Office.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Net Position and Fund Balance (Continued)

Unrestricted net position

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

Fund Balance

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

Non-spendable fund balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaids. It also includes the long-term amount of loans and notes receivable, as well as other assets. As of June 30, 2023, the Office did not have any non-spendable fund balance.

Restricted fund balance

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

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Office’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2023, the Office did not have any committed fund balance.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Net Position and Fund Balance (Continued)

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Office's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Office's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Office's highest level of authority. As of June 30, 2023, the Office did not have any assigned fund balance.

Unassigned fund balance

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

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

Deficit Net Position

The Office reported unrestricted net deficit of \$19,493,418 which is due primarily to its proportionate share of the net pension and OPEB liabilities of \$19,412,777 (see Notes 9 and 10 for more details). The Office does not anticipate funding these liabilities and will continue to contribute to the pension and OPEB plans at State required contribution rates.

Deferred Outflows and Inflows of Resources

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

Revenue from Other State Agencies

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

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

Contracted Services

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

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

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

Student Loans – Student Loan Corporation

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

State Allocations

State Allocations expenses in the Private Purpose Trust Funds generally consist of payments to municipalities for their allocated share of State collected fees, such as the solid waste fee. State Allocations expenses in the Custodial Funds generally consist of payments to municipalities or other local governments for their allocated share of various taxes and fees.

Disbursements to Devisee

Disbursements to Devisee in the Private Purpose Trust Funds represent payments to the Carolina Cup Racing Association, Inc. The Office distributes the investment and interest income on the Springdale Fund, one of the Private Purpose Trust Funds, which is held for the benefit of the Springdale Race Course in Camden, South Carolina. The corpus of the fund is \$1,050,653 as of the fiscal year ended June 30, 2023.

2. Budget Policy

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

2. Budget Policy (continued)

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

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

3. Deposits

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

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

Custodial Credit Risk

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

4. Investment Management Fees

Under Proviso 98.5, the Office may charge a fee for the operating and management costs associated with the investment management and support operations of various State funds and programs and, further, may retain and expend the fees to provide these services. The fees assessed may not exceed the actual cost of the provision of these services or the earnings on these investments. The total amount the Office received in investment management fees for the fiscal year ended June 30, 2023 was \$2,625,000.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

5. Amounts Due from Other State Agencies

At June 30, 2023, the Private Purpose Trust Funds and Custodial Funds held receivables due from other State agencies. The following is a summary of the amounts due from other State agencies:

	Private Purpose Trust Funds	Custodial Funds
Selective Sales and Use Taxes	\$ 306,828	\$ 36,449,719
Accommodations Tax / Tourism Fee	—	42,036,797
Local Option Sales Tax	—	76,730,654
Motor Carrier / Road Use Fees	—	7,166,169
Tobacco Products Playing Card Tax	—	10,514,474
Mini-bottle Tax	—	1,529,508
Miscellaneous Revenue	33,257	395,823
Contingency Reserve Deposits	—	23,715,962
Total Amounts Due from Other State Agencies	\$ 340,085	\$ 198,539,106

6. Capital Assets and Right-of-Use-Assets

Capital asset activity for the fiscal year ended June 30, 2023 for Governmental Activities was as follows:

	Beginning Balance June 30, 2022	Increases	Decreases	Ending Balance June 30, 2023
Governmental Activities:				
Capital assets being depreciated:				
Office Equipment	\$ 201,094	\$ -	\$ -	\$ 201,094
Less accumulated depreciation for:				
Office Equipment	(186,293)	(4,075)	-	(190,368)
Total capital assets being depreciated, net	<u>\$ 14,801</u>	<u>\$ (4,075)</u>	<u>\$ -</u>	<u>\$ 10,726</u>

Right-of -use asset activity for the fiscal year ended June 30, 2023 for Governmental Activities was as follows:

	Beginning Balance June 30, 2022	Increases	Decreases	Ending Balance June 30, 2023
Governmental Activities:				
Right-of-Use Lease Assets				
Leased equipment	\$ 159,801	\$ -	\$ -	\$ 159,801
Less accumulated amortization for:				
Leased equipment	(20,484)	(50,420)	-	(70,904)
Total, net of accumulated amortization	<u>\$ 139,317</u>	<u>\$ (50,420)</u>	<u>\$ -</u>	<u>\$ 88,897</u>

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

6. Capital Assets and Right-of-Use Assets (Continued)

SBITA asset activity for the fiscal year ended June 30, 2023 for Governmental Activities was as follows:

	Beginning Balance June 30, 2022	Increases	Decreases	Ending Balance June 30, 2023
Governmental Activities:				
SBITA Assets	\$ 475,623	\$ -	\$ -	\$ 475,623
Less accumulated amortization for:				
SBITA assets	-	(228,299)	-	(228,299)
Total, net of accumulated amortization	<u>\$ 475,623</u>	<u>\$ (228,299)</u>	<u>\$ -</u>	<u>\$ 247,324</u>

Capital asset activity for the fiscal year ended June 30, 2023 for the Private Purpose Trust Funds was as follows:

	Beginning Balance June 30, 2022	Increases	Decreases	Ending Balance June 30, 2023
Private purpose trust funds:				
Capital assets not being depreciated:				
Land and land improvements	\$ 3,874,100	\$ -	\$ -	\$ 3,874,100
Total capital assets not being depreciated	3,874,100	-	-	3,874,100
Capital assets being depreciated:				
Buildings and improvements	1,643,925	-	(1,643,925)	-
Equipment	499,485	-	(499,485)	-
Vehicles	113,222	-	(113,222)	-
Total capital assets being depreciated	2,256,632	-	(2,256,632)	-
Less accumulated depreciation for:				
Buildings and improvements	(1,321,184)	-	1,321,184	-
Equipment	(423,214)	-	423,214	-
Vehicles	(113,222)	-	113,222	-
Total accumulated depreciation	<u>(1,857,620)</u>	<u>-</u>	<u>1,857,620</u>	<u>-</u>
Total capital assets being depreciated, net	<u>399,012</u>	<u>-</u>	<u>(399,012)</u>	<u>-</u>
Total capital assets for private purpose trust funds, net	<u>\$ 4,273,112</u>	<u>\$ -</u>	<u>\$ (399,012)</u>	<u>\$ 3,874,100</u>

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

7. Amounts Due to Local Governments and State Agencies

At June 30, 2023, the Custodial Funds held amounts due to local governments. The following is a summary of the amounts due to local governments:

	Custodial Funds
Local Option, Sales, and Accommodation Taxes	\$ 360,649,508
Motor Carrier Fees	12,690,836
Tourism Fee	11,582,884
Mini Bottle Tax	3,676,707
Political Subdivision Withheld Funds	2,707,949
Miscellaneous Amounts	295,609
Total Amounts Due to Local Governments	\$ 391,603,493

8. Long-term Liabilities

Long-term liabilities not otherwise disclosed in the Office’s notes to financial statements, consist of compensated absences. Long-term liability activity for the year ended June 30, 2023 for the primary government was as follows:

	Beginning Balance June 30, 2022	Increases	Decreases	Ending Balance June 30, 2023	Current Portion
Compensated absences	\$ 841,212	\$ 425,298	\$ (452,586)	\$ 813,924	\$ 75,695
	\$ 841,212	\$ 425,298	\$ (452,586)	\$ 813,924	\$ 75,695

9. 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 various Retirement Systems and benefit 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 generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

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

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 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, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state employees, public institutions of higher education institutions and public school district employees, as well as first-term individuals elected to the S.C. General Assembly. 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.

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Plan Descriptions (Continued)

Membership (Continued)

- State ORP - As an alternative to membership in SCRS, certain newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the S.C. General Assembly 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.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Plan Descriptions (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 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. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

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 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 may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Plan Descriptions (Continued)

Contributions (Continued)

Required employer contribution rates¹ are as follows:

	Fiscal Year 2023	Fiscal Year 2022
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
	Fiscal Year 2023	Fiscal Year 2022
State ORP		
Employer Contribution ²	17.41%	16.41%
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 the SCRS.

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, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Actuarial Assumptions and Methods (Continued)

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return ¹	7.00%
Projected salary increases ¹	3.0% to 11.0% (varies by service)
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, 2022 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%

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, 2022, for SCRS is presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Net Pension Liability (Continued)

The Office's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2022, the Office's percentage of the SCRS net pension liability was 0.04622%. For the year ending June 30, 2023, the Office's percentage of the SCRS net pension liability was 0.04428%. The Office's proportionate share is determined by its percentage of total contributions to SCRS during the respective fiscal year. The change in percentage resulted in the Office recognizing a change in its proportionate share of the SCRS net pension liability at related deferred outflows and inflows of resources.

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.

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 rates of return 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 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00 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.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity ¹	9.0%	8.75%	0.79%
Private Debt ¹	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ¹	9.0%	4.12%	0.37%
Infrastructure ¹	3.0%	5.88%	0.18%
Total Expected Real Return ²	<u>100.0%</u>		<u>4.79%</u>
Inflation for Actuarial			<u>2.25%</u>
Total Expected Nominal			<u>7.04%</u>

¹ RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30% of total plan assets.

² Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.00 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 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	\$ 13,765,424	\$ 10,736,427	\$ 8,218,209

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2023, the Office recognized pension expense of \$1,024,117 which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2023, the Office reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2022 was 3.767 years for SCRS:

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

9. Pension Plan (Continued)

Net Pension Liability (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,031,021	\$ —
Differences in actual and expected plan experience	93,280	46,789
Change in proportionate share and differences between the Office's contributions and proportionate share of contributions	293,330	330,119
Changes in assumptions	344,342	—
Net differences between projected and actual earnings on plan investments	16,558	—
	\$ 1,778,531	\$ 376,908

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2023	2024	\$ 332,800
2024	2025	103,173
2025	2026	(345,372)
2026	2027	280,001

The Office reported \$1,031,021 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

10. Post-Employment Benefits Other Than Pensions

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

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

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

10. 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 on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

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

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

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits.

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 year ended June 30, 2020 was 6.25 percent. The covered payroll surcharge for the year ending June 30, 2024 was increased to 6.35 percent. 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 include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

Contributions and Funding Policies (continued)

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.

Actuarial Assumptions and Methods

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

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.69% as of June 30, 2022
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-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% 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 15 years
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 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2021. Update procedures were used to roll forward the total OPEB liability to June 30, 2022.

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.

The following table represents the components of the net OPEB liability as of June 30, 2022:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	\$ 16,835,502,593	\$ 1,623,661,403	\$ 15,211,841,190	9.64%

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, 2023, the Office reported a liability of \$8,676,350 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022. The Office's proportion of the net OPEB liability was based on a projection of the Office's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2023 and 2022, the Office's proportion was 0.05704% and 0.05893%, respectively.

Single Discount Rate

The Single Discount Rate of 3.69% 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).

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

Net OPEB Liability (continued)

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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation Weighted Long Term Expected Portfolio Real Rate of Return</u>
US Domestic Fixed Income	80.00%	0.95%	0.76%
Cash	20.00%	0.35%	0.07%
Total Expected Real Return	<u>100.0%</u>		<u>0.83%</u>
Expected Inflation			<u>2.25%</u>
Total Return			<u>3.08%</u>
Investment Return Assumption			<u>2.75%</u>

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.69%, as well as what 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:

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Single Discount Rate			
OPEB Trust	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
SCRHITF	\$ 10,258,005	\$ 8,676,350	\$ 7,405,600

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

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
OPEB Trust	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF	\$ 7,135,598	\$ 8,676,350	\$ 10,475,652

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the Office recognized OPEB expense of \$651,062. At June 30, 2023, the Office reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 366,964	\$ —
Differences in actual and expected plan experience	186,231	762,911
Changes in assumptions	1,956,334	2,789,033
Changes in proportion and differences in contributions	595,858	279,649
Net differences between projected and actual earnings on plan investments	68,223	—
	\$ 3,173,610	\$ 3,831,593

Contributions subsequent to the measurement date of \$366,964 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, 2024. 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, 2022 was 6.915 years for SCRHITF:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2023	2024	\$ (86,977)
2024	2025	4,253
2025	2026	1,958
2026	2027	(68,355)
2027	2028	(325,498)
Thereafter		(550,328)

Other Employee Benefits

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

11. Leases

The Office leases equipment from unrelated parties and these leases have terms of 60 months requiring monthly payments. The Office has used discount rates of 5.04% to 5.26% to present value future lease payments to calculate its lease liabilities.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

11. Leases (continued)

Lease liability activity for the fiscal year ended June 30, 2023, for the primary government was as follows:

	Beginning Balance July 1, 2022	Increases	Decreases	Ending Balance June 30, 2023
Equipment leases	\$ 141,128	\$ —	\$ (48,619)	\$ 92,509
Total	<u>\$ 141,128</u>	<u>\$ —</u>	<u>\$ (48,619)</u>	<u>\$ 92,509</u>

As of June 30, 2023, the principal and interest requirements to maturity for the lease liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2024	\$ 48,619	\$ 3,574	\$ 52,193
2025	39,107	1,124	40,231
2026	4,783	131	4,914
	<u>\$ 92,509</u>	<u>\$ 4,829</u>	<u>\$ 97,338</u>

The Office also leases real estate and equipment from agencies of the State under leases that have terms of 12 months or less and are cancellable by either the Office or lessor. The future payments of such leases are not included in the above schedules as a result. Rent expense associated with these leases was \$256,389 for the year ended June 30, 2023.

12. SBITA Assets and Liabilities

As of May 21, 2020, the Office entered into a subscription-based information technology arrangement (“SBITA”) with a vendor for its unclaimed property system. The system went live August 1, 2017 and is discounted at a rate of 3.50%. Under the SBITA, the Office makes monthly payments of \$18,417 through July 2024. For the year ended June 30, 2023, the Office reported a SBITA liability in the amount of \$257,681. For the year ended June 30, 2023, there was a principal reduction of \$217,942. Future payments under the SBITA are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2024	\$ 237,436	\$ 5,250	\$ 242,686
2025	20,245	59	20,304
	<u>\$ 257,681</u>	<u>\$ 5,309</u>	<u>\$ 262,990</u>

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

13. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Office's financial statements. Compensation deferred under the plans is placed in trust for the contributing employee. The Office has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. The Office made no contributions for the fiscal year ended June 30, 2023.

14. Risk Management

The Office is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts and maintains State insurance coverage for non-owned motor vehicles and general torts. The Office did not incur any losses during the fiscal year ended June 30, 2023, 2022, or 2021.

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

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

The IRF is self-insured and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. The Office paid \$33,029 to the IRF for insurance premiums during the fiscal year ended June 30, 2023.

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

15. Transactions with State Entities / Related Parties

The Office had significant transactions with the State and various State agencies. The Office purchases goods and services from various State agencies. Total purchases from State agencies were \$1,820,073 for the fiscal year ended June 30, 2023. Workers' compensation insurance premiums of \$13,878 were paid to the State Accident Fund during fiscal year 2023. As discussed in Note 11, the Office incurred rent expense of \$256,389 to State agencies during the year ended June 30, 2023.

The Office is statutorily mandated to provide services or perform duties related to court fines, Local Government Investment Pool, decommissioning trusts, debt, investments, unclaimed property and college savings plans. Total revenues earned by the Office for those services were \$8,724,547 for the fiscal year ended June 30, 2023.

South Carolina Office of the State Treasurer
Notes to the Financial Statements
For the Year Ended June 30, 2023

The Office provided no material services free of charge to other State agencies during the fiscal year ended June 30, 2023. The Office participates in the statewide dual employment program.

16. Unclaimed Property Program

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

The Office receives an actuarial valuation for the liability it has to refund the unclaimed property it has received. The liability for the unclaimed property refund is based on historical and expected payout frequencies and other relative factors. For the fiscal year ended June 30, 2023, the estimated liability was \$266,831,228. The amount of cash held by the UPP was \$324,062,663. In addition to the cash held by the UPP, securities are also subject to unclaimed property regulations. The Office does not take control of the securities until those securities are liquidated into cash. As a result, the securities and corresponding liability are not recorded by the Office. As of June 30, 2023, the amount of securities that have been remitted to the UPP, but not controlled by the Office, was \$41,828,299 with an associated actuarial liability of \$24,971,494.

17. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through December 15, 2023, the date these financial statements were available to be issued.

South Carolina Office of the State Treasurer
Required Supplementary Information
Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
E160 - State Treasurer's Office Budgetary General Funds
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Administration				
Personnel Services				
State Treasurer	\$ 92,007	\$ 122,958	\$ 122,958	\$ -
Classified Positions	66,122	97,129	97,129	-
Other Personal Services	-	3,000	3,000	-
Other Operating Expenditures	14,115	14,115	14,115	-
Total Administration	<u>172,244</u>	<u>237,202</u>	<u>237,202</u>	<u>-</u>
Programs and Services				
Personnel Services				
Classified Positions	1,318,267	1,017,510	1,017,510	-
Unclassified Positions	-	178,937	178,937	-
Other Personnel Services	-	31,542	31,542	-
Other Operating Expenditures	127,641	288,495	288,495	-
Total Programs and Services	<u>1,445,908</u>	<u>1,516,484</u>	<u>1,516,484</u>	<u>-</u>
Employee Benefits – Employer Contributions	603,543	572,060	572,060	-
Total Expenditures	<u>\$ 2,221,695</u>	<u>\$ 2,325,746</u>	<u>\$ 2,325,746</u>	<u>\$ -</u>

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

South Carolina Office of the State Treasurer
Required Supplementary Information
Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
X220 - State Treasurer's Office Budgetary General Funds
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Aid to Subdivisions				
Fire Districts	\$ 16,496,453	\$ -	\$ -	\$ -
Aid to County	283,505	-		
Local Government Fund	264,244,675	261,685,461	261,685,461	-
Planning Districts	1,556,253	2,695,316	2,695,316	-
County Veterans' Offices	-	289,119	289,119	-
Rural County	12,000,000	12,000,000	12,000,000	-
State Agencies	-	3,199,015	3,199,015	-
Fire Departments – Premium Tax	-	14,217,968	14,217,968	-
Fire Departments – Brokers Premium	-	8,302,023	8,302,023	-
Miscellaneous Operations	-	26,077,481	25,246,296	831,185
Total Aid to Subdivisions	<u>294,580,886</u>	<u>328,466,383</u>	<u>327,635,198</u>	<u>831,185</u>
Aid to Subdivisions - Grants				
Clerks of Court	690,000	690,000	690,000	-
Probate Judges	690,000	690,000	690,000	-
Sheriffs	690,000	690,000	690,000	-
Register of Deeds	33,075	36,225	36,225	-
Coroners	72,450	72,450	72,450	-
Auditors	1,027,324	1,038,298	1,038,298	-
Treasurers	1,027,324	1,041,673	1,041,673	-
Local	1,600,000	1,600,000	1,600,000	-
Employer Contributions	991,000	1,099,252	1,099,252	-
Total Aid to Subdivisions - Grants	<u>6,821,173</u>	<u>6,957,898</u>	<u>6,957,898</u>	<u>-</u>
Total Expenditures	<u>\$ 301,402,059</u>	<u>\$ 335,424,281</u>	<u>\$ 334,593,096</u>	<u>\$ 831,185</u>

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

South Carolina Office of the State Treasurer
Required Supplementary Information
Budgetary Comparison Schedule (Non-GAAP) Budgetary Basis
E160 - State Treasurer's Office Budgetary Other Funds
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Programs and Services				
Personnel Services				
Classified Positions	\$ 3,713,578	\$ 4,029,449	\$ 3,967,039	\$ 62,410
Unclassified Positions	376,144	416,144	335,443	80,701
Other Personnel Services	118,500	162,629	162,629	-
Other Operating Expenditures	4,100,087	2,960,087	2,947,073	13,014
Total Programs and Services	<u>8,308,309</u>	<u>7,568,309</u>	<u>7,412,184</u>	<u>156,125</u>
Employee Benefits – Employer Contributions	1,754,500	1,744,500	1,734,224	10,276
Special Items – Student Loans -				
Student Loan Corporation	<u>-</u>	<u>5,033,131</u>	<u>5,033,131</u>	<u>-</u>
Total Expenditures	<u><u>\$ 10,062,809</u></u>	<u><u>\$ 14,345,940</u></u>	<u><u>\$ 14,179,539</u></u>	<u><u>\$ 166,401</u></u>

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

South Carolina Office of the State Treasurer
Notes to Required Supplementary Information
Budgetary Comparison Schedules
For the Year Ended June 30, 2023

1. Budgetary Funds

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

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

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

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

As operating conditions change, the Office may transfer appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personnel services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA. Due to the Office's ability to transfer appropriations, the budgetary comparison schedule for the State Treasurer's Office Budgetary General Funds shows no variance between final budgeted amounts and actual expenditures on the budgetary basis of accounting. The overall increase in appropriations for the E160 - State Treasurer's Office Budgetary General Funds, E160 - State Treasurer's Office Budgetary Other Funds, and X220 - State Treasurer's Office Budgetary General Funds were approved by the SFAA.

2. Original and Final Budgeted Amounts; Basis of Presentation

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

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

3. Legal Level of Budgetary Control

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

South Carolina Office of the State Treasurer
Notes to Required Supplementary Information
Budgetary Comparison Schedules
For the Year Ended June 30, 2023

4. Basis of Budgeting

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

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

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

5. Reconciliation of Budget to GAAP Reporting Differences

The accompanying budgetary comparison schedules compare the Office’s legally adopted budget with actual information in accordance with the legal basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the Statement of Revenues, Expenditures, and Changes in Fund Balances. In the current fiscal year, there are basis differences for the Office’s General Fund and State Treasurer’s Office Earmarked Fund, which consist primarily of prepaids.

Reconciliation of Budgetary Basis to GAAP Basis Expenditures
For the Year Ended June 30, 2023

	General Fund	State Treasurer’s Office Earmarked Fund	Aid to Subdivisions Fund
Total expenditures, budgetary basis	\$ 2,325,746	\$ 14,179,539	\$ 334,593,096
Basis of accounting differences:			
Accounts payable considered expenditures of the period the expenditure was incurred	(2,209)	(7,669)	-
Other basis differences	-	(1,163)	-
Total expenditures, GAAP basis	\$ 2,323,537	\$ 14,170,707	\$ 334,593,096

South Carolina Office of the State Treasurer
Schedule of the South Carolina Office of the State Treasurer's
Proportionate Share of the Net Pension Liability -
South Carolina Retirement System
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
The Office's proportion of the net pension liability	0.04429%	0.04622%	0.04475%	0.04247%	0.04228%
The Office's proportionate share of the net pension liability	\$ 10,736,427	\$ 10,002,260	\$ 11,434,388	\$ 9,697,767	\$ 9,473,601
The Office's covered employee payroll during the measurement period	\$ 5,382,017	\$ 5,250,000	\$ 5,182,686	\$ 4,671,216	\$ 4,567,183
The Office's proportionate share of the net pension liability as percentage of covered payroll	199.49%	190.52%	220.63%	207.61%	207.43%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.70%	50.70%	54.40%	54.10%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Office's proportion of the net pension liability	0.04262%	0.03812%	0.03788%	0.03706%	0.03706%
The Office's proportionate share of the net pension liability	\$ 9,594,898	\$ 8,143,017	\$ 7,183,556	\$ 6,380,503	\$ 6,647,242
The Office's covered employee payroll during the measurement period	\$ 4,659,256	\$ 3,802,026	\$ 3,628,165	\$ 3,364,584	\$ 3,321,241
The Office's proportionate share of the net pension liability as percentage of covered payroll	205.93%	214.18%	197.99%	189.64%	200.14%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.91%	56.99%	59.90%	56.40%

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

South Carolina Office of the State Treasurer
Schedule of the South Carolina Office of the State Treasurer's Contributions -
South Carolina Retirement System
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 1,031,021	\$ 891,262	\$ 816,900	\$ 806,426	\$ 680,129
Contributions in relation to the contractually required contribution	1,031,021	891,262	816,900	806,426	680,129
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Office's covered payroll	\$ 5,871,418	\$ 5,382,017	\$ 5,250,000	\$ 5,182,686	\$ 4,671,216
Contributions as a percentage of covered payroll	17.56%	16.56%	15.56%	15.56%	14.56%
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 619,310	\$ 538,610	\$ 420,503	\$ 395,470	\$ 356,646
Contributions in relation to the contractually required contribution	619,310	538,610	420,503	395,470	356,646
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Office's covered payroll	\$ 4,567,183	\$ 4,659,256	\$ 3,802,026	\$ 3,628,165	\$ 3,364,584
Contributions as a percentage of covered-employee payroll	13.56%	11.56%	11.06%	10.90%	10.60%

South Carolina Office of the State Treasurer
 Required Supplementary Information -
 Schedule of the South Carolina Office of the State Treasurer's
 Proportionate Share of the Net OPEB Liability –
 South Carolina Health Insurance Trust Fund
 For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
The Office's proportion of the net OPEB liability	0.05704%	0.05893%	0.05697%	0.05424%	0.05347%	0.05171%	0.05171%
The Office's proportionate share of the net OPEB liability	\$ 8,676,350	\$ 12,271,933	\$ 10,283,006	\$ 8,201,310	\$7,576,870	\$7,003,745	\$7,481,295
The Office's covered employee payroll during the measurement period	\$ 5,382,017	\$ 5,250,000	\$ 5,182,688	\$ 4,671,216	\$4,567,183	\$4,659,256	\$3,802,026
The Office's proportionate share of the net OPEB liability as percentage of covered payroll	161.21%	233.75%	198.41%	175.57%	165.90%	150.32%	196.77%
Plan fiduciary net position as a percentage of the total OPEB liability	9.64%	7.48%	8.39%	8.44%	7.91%	7.60%	6.62%

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

This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2014 through 2016 is not readily available.

South Carolina Office of the State Treasurer
 Required Supplementary Information -
 Schedule of the South Carolina Office of the State Treasurer's Contributions –
 South Carolina Health Insurance Trust Fund
 For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 366,964	\$ 336,376	\$ 328,125	\$ 323,918	\$ 282,608	\$ 245,628	\$ 212,813
Contributions in relation to the contractually required contribution	<u>366,964</u>	<u>336,376</u>	<u>328,125</u>	<u>323,918</u>	<u>282,608</u>	<u>245,628</u>	<u>212,813</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 The Office's covered payroll	 \$ 5,871,418	 \$ 5,382,016	 \$ 5,250,000	 \$ 5,182,688	 \$ 4,671,207	 \$ 4,567,183	 \$4,659,256
Contributions as a percentage of covered payroll	6.25%	6.25%	6.25%	6.25%	6.05%	5.38%	4.57%

This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2014 through 2016 is not readily available.

1704 Laurel Street
Columbia, SC 29201

P.O. Box 2411
Columbia, SC 29202

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



125 W. Stone Avenue
Greenville, SC 29609

Phone (864) 271-7503
Fax (864) 751-5889

www.hobbscpa.com

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Office of the State Treasurer (the "Office") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 15, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 purpose.

Columbia, South Carolina
December 15, 2023

The Halle Group, P.A.

South Carolina Office of the State Treasurer
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Financial Statement Findings:

None noted.

Compliance Findings:

None noted.

South Carolina Office of the State Treasurer
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Finding 2022-001: Material Weakness in Internal Control over Financial Reporting: Material Adjustments to Financial Statements Needed

Condition: Audit procedures detected a material adjustment to correctly report accounts payable at year end.

Recommendation: We recommend management revisit procedures for closing out accounts payable at the end of the year.

Status: No material adjustments were noted during the current audit.