Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance (continued) –

Assigned fund balance **-** The assigned fund balance classification includes amounts that are constrained by the UEF's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the UEF's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the UEF's highest level of authority. The UEF's Director can choose to assign fund balance for a specific purpose. Assigned fund balance amounts in the Agency's financial statements represent amounts approved by the General Assembly to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. As of June 30, 2019, the UEF did not have any assigned fund balance.

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

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

Implementation of New Accounting Standards

The Agency implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* ("GASB No. 88") during the year ended June 30, 2019. GASB No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The implementation of this new standard did not have a material impact on the Agency's financial statements.

Pending Implementation of GASB Statements

The GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Agency will implement the new guidance with the 2021 financial statements. Management has not yet determined the impact implementation of these standards will have on the Agency's financial statements.

Note 2. Risk Management

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

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

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

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

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

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

The Agency has not reported an estimated claims loss expense and the related liability at June 30, 2019, based on the requirements of GASB Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and No. 30, *Risk Financing Omnibus – An Amendment of GASB Statement No. 10*, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2019, and the amount of loss is reasonably estimable. In management's opinion, claims losses in excess of insurance coverage, if any, are unlikely and, if incurred, would be insignificant to the Agency's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss should be recorded. Therefore, no loss accrual has been recorded.

Note 3. Deposits and Investments

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

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

At June 30, 2019, cash and cash equivalents for the UEF and SAF were $25,318,108 and $332,361,424, respectively. At June 30, 2019, the bank balance in financial institutions and in the Pool were $25,455,581 and $332,925,312 respectively. The bank balances were fully covered by insurance and collateralized with securities held by the Agency, or by its agent in the Agency's name.

Investments – All of the Agency's investments are stated at amortized cost as described below. Therefore, GASB statement No. 72, *Fair Value Measurement and Application,* is not applicable to the Agency as the type of investment held by the fund is scoped out of GASB No. 72. The Agency had an investment in reinsurance annuity contract of $150,181 at June 30, 2019. Further details of this investment are found in Note 4.

Note 4. Investment in Reinsurance Annuity Contract

Under the 1993 Restructuring Act, the DOT and the DPS were created and were charged with responsibilities of the former Department of Highways and Public Transportation effective July 1, 1993. Proviso 44.4 of the 1998-1999 Appropriation Act passed by the General Assembly required the Agency to purchase an annuity for the purpose of funding the future obligation for workers' compensation claims filed prior to restructuring by the Department of Highways and Public Transportation employees using funds from the Workers' Compensation Trust Fund. While the State believes the annuity will provide funding adequate to cover this liability, the Agency has ultimate responsibility to pay these claims should the annuity funding be inadequate. On March 11, 1999 the Agency purchased a Type One annuity that will pay a fixed amount quarterly for a period of forty years. The annuity was effective as of January 1, 1999. The SAF received its first quarterly annuity payment on April 5, 1999. For the year ended June 30, 2019 the SAF paid approximately $20,000 of the DOT claims covered by this annuity.

For the year ended June 30, 2019, the amount of approximately $168,000 shown on the statement of net position as current and long-term advanced under reinsurance annuity contract represents amounts due under the annuity that will be paid in the future for cumulative annuity receipts in excess of cumulative claims payments. The estimated future claims for DOT are $204,000 which is not included in the unpaid claims liability and claims adjustment expenses payable on the statement of net position.

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

Note 4. Investment in Reinsurance Annuity Contract (continued)

The total price of the annuity was $1,282,294 and was paid in a single premium. The amount of the annuity to purchase was determined actuarially. The amount remaining to be received by the Agency at June 30, 2019 was $239,874, which has been discounted to a net present value of $150,181 as shown on the statement of net position.

The liability for these claims is not reported by either the Agency or the DOT because the State estimates that the proceeds from the annuity contract will provide adequate funding to pay these claims and the risk of loss is remote. The annuity is being amortized over the life of the annuity in proportion to annuity proceeds received. The amount of amortization charged for the year ended June 30, 2019 was $30,548, and is included as amortization expense in the statement of revenues, expenses and changes in fund net position.

Note 5. Premiums Receivable

Premiums receivable at June 30, 2019 consisted of amounts receivable from the following:

County and municipal governments and agencies	$	3,455,886
State agencies		55,755,887
	$	59,211,773

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

Note 6. Capital Assets

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

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Governmental Activities:				
Capital assets, being depreciated:				
Computer & technical equipment	$ 20,785	$ 1,841	$ -	$ 22,626
Office furniture & equipment	15,682	-	-	15,682
Total capital assets being depreciated	36,467	1,841	-	38,308
Less accumulated depreciation for:				
Computer & technical equipment	(8,670)	(6,740)	-	(15,410)
Office furniture & equipment	(7,448)	(1,568)	-	(9,016)
Total accumulated depreciation	(16,118)	(8,308)	-	(24,426)
Governmental activities capital assets, net	$ 20,349	$ (6,467)	$ -	$ 13,882

Note 6. Capital Assets (continued)

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Business-type Activities:				
Capital assets, being depreciated:				
Computer & technical equipment	$ 1,170,240	$ 13,500	$ -	$ 1,183,740
Office furniture & equipment	129,419	-	-	129,419
Total capital assets being depreciated	1,299,659	13,500	-	1,313,159
Less accumulated depreciation for:				
Computer & technical equipment	(1,071,675)	(34,549)	-	(1,106,224)
Office furniture & equipment	(94,292)	(7,300)	-	(101,592)
Total accumulated depreciation	(1,165,967)	(41,849)	-	(1,207,816)
Business-type activities capital assets, net	$ 133,692	$ (28,349)	$ -	$ 105,343

Depreciation expense was $41,849 and $8,308 for Business-Type and Governmental respectively for the year ended June 30, 2019.

Note 7. Accrued Refundable Premiums

Policyholders are billed annually for estimated premiums based on the policyholder's estimated payroll. After the policy period ends, policyholders submit the details of the actual salaries paid, and the Agency adjusts the premium based on the actual payroll and a rating modifier based on claims experience. The amount the Agency owed policyholders for estimated premiums in excess of actual adjusted premiums at June 30, 2019 was $466,198 for county and municipal policyholders. An additional $1,594,671 was due to State agencies, for a total of $2,060,869.

Note 8. Unpaid Claims Liability and Claims Adjustment Expenses

Business-Type Activities

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

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

Due within one year	$ 8,255
Due after one year	159,072
Total	$ 167,327

Note 8. Unpaid Claims Liability and Claims Adjustment Expenses (continued)

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

	2019
Unpaid claims liability and claim adjustment expenses payable at beginning of year	$ 251,990,000
Current year claims and changes in estimates	9,376,658
Claims payments	(50,376,573)
Total unpaid claims liability and claim adjustment expenses payable at the end of year	$ 210,990,085
This claims liability is further categorized as follows:	
State Agencies	$ 158,609,161
Counties and Municipalities	52,380,924
Total	$ 210,990,085

Governmental Activities

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

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

	2019
Unpaid claims liability and claim adjustment expenses payable at beginning of year	$ 34,207,000
Current year claims and changes in estimates	(5,893,702)
Claims payments	(5,843,430)
Total unpaid claims liability and claim adjustment expenses payable at the end of year	$ 22,469,868

Note 9. Second Injury Fund

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

The SAF continues to receive reimbursements of claims expense from the SIF. The total amount recovered during fiscal year 2019 was $2,937,831, which is reported as a reduction of claims expense.

Note 10. Pension Plan

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

Plan Descriptions

• The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

• The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general elected in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third-party record keepers.

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

Note 10. Pension Plan (continued)

Membership

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

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

• State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. 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 vendor 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.

Note 10. Pension Plan (continued)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

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

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employee Class Two	**9.00%**	9.00%
Employee Class Three	**9.00%**	9.00%
State ORP	**9.00%**	9.00%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employer Class Two	**14.41%**	13.41%
Employer Class Three	**14.41%**	13.41%
Employer Incidental Death Benefit	**0.15%**	0.15%
State ORP		
Employer Contribution[2]	**14.41%**	13.41%
Employer Incidental Death Benefit	**0.15%**	0.15%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws
[2] Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Note 10. Pension Plan (continued)

Actuarial Assumptions and Methods

Actuarial valuations of the 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, 2015.

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

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

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return[1]	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)[1]
Benefit adjustments	lesser of 1% or $500 annually

[1] *Includes inflation at 2.25%*

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

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

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

Note 10. Pension Plan (continued)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below:

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

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements. The Agency's net pension liability at June 30, 2019 was $6,002,836.

The Agency's proportionate share of the net pension liability for SCRS is as follows for the years ended June 30, 2019 and 2018:

System	June 30, 2019	June 30, 2018	Change
SCRS	0.026790%	0.027730%	(0.000940)%

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

Long-term Expected Rate of Return

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

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

Note 10. Pension Plan (continued)

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

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

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

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	**1.00% Decrease (6.25%)**	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
SCRS	$ 7,670,510	$ 6,002,836	$ 4,810,609

Note 10. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2019, the Agency recognized pension expense of $388,157 which is included in personnel services and employee benefits in the accompanying SAF financial statements and personnel services in the accompanying UEF financial statements. At June 30, 2019, the Agency reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 405,041	$ -
Differences in actual and expected retirement plan experience	10,836	(35,325)
Net differences between projected and actual earnings on plan investments	95,355	-
Change in actuarial assumptions	238,159	-
Change in proportionate share of net pension liability and differences between actual contributions and the Agency's proportionate share of contributions	14,634	(264,394)
	$ 764,025	$ (299,719)

The Agency reported $405,041 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Agency's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2019. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2019 was 4.080 years for SCRS.

Measurement Period Ending June 30,	**Fiscal Year Ending June 30,**	**SCRS**
2019	2020	$ 93,929
2020	2021	93,082
2021	2022	(114,031)
2022	2023	(13,715)
		$ 59,265

The Agency's contributions to SCRS and ORP for the fiscal years ended June 30, 2019, 2018 and 2017 were $405,041, $355,841, and $299,872, respectively.

Note 11. Post-Employment Benefits Other than Pensions

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

Plan Descriptions

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

In accordance with Act 195, the OPEB Trusts are administered by the Insurance Benefits Division ("IBD"), a part of PEBA. The State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the two plans 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 and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the IBD and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IBD. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the years ended June 30, 2019, 2018, and 2017 was 6.05%, 5.50%, and 5.33%, respectively. The Agency paid approximately $175,000, $152,000 and $146,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2019, 2018 and 2017, respectively. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated reserves of the IBD and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Note 11. Post-Employment Benefits Other than Pensions (continued)

Contributions and Funding Policies (continued)

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

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2018 valuations for SCRHITF:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.62% as of June 30, 2018
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the year. The discount rate changed from 3.59% as of June 30, 2017 to 3.62% as of June 30, 2018.

Note 11. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability

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

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

OPEB Trust Fund	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRHITF	$15,387,115,010	$1,216,530,062	$ 14,170,584,948	7.91%

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

At June 30, 2019, the Agency reported a liability of $4,799,860 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018. The Agency's proportion of the net OPEB liability was based on a projection of the Agency's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Agency's proportion was 0.033872%.

Single Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Note 11. Post-Employment Benefits Other than Pensions (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 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00	0.84	0.17
Total Expected Real Return	100.00%		1.84
Expected Inflation			2.25
Total Return			4.09%
Investment Return Assumption			4.00%

Sensitivity Analysis

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

	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
SCRHITF Net OPEB Liability	$ 5,654,697	$ 4,799,860	$ 4,110,795

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

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF Net OPEB Liability	$ 3,949,510	$ 4,799,860	$ 5,899,206

Note 11. Post-Employment Benefits Other than Pensions (continued)

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2019, the Agency recognized OPEB expense of $247,803 which is included in personnel services and employee benefits in the accompanying SAF financial statements and personnel services in the accompanying UEF financial statements. At June 30, 2019, the Agency reported deferred outflows (inflows) of resources related to OPEB from the following sources:

SCRHITF

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 174,229	$ -
Differences in actual and expected experience	71,904	(1,672)
Net differences between projected and actual earnings on OPEB plan investments	18,404	-
Change in actuarial assumptions	-	(390,854)
Change in proportionate share	-	(130,033)
	$ 264,537	$ (522,559)

Contributions subsequent to the measurement date of $174,229 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining services lives of all employees provided with OPEB through the June 30, 2018 was 7.203 years for SCRHITF:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2019	2020	$ (72,029)
2020	2021	(79,469)
2021	2022	(79,469)
2022	2023	(81,440)
2023	2024	(84,563)
Thereafter		(35,281)
		$ (432,251)

Note 12. Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Agency have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401 (k), and 403 (b), are administered by third parties and are not included in the CAFR of the State. Compensation deferred under the plans is placed in trust for the contributing employees.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Note 13. Leases

The Agency leases its office space from an unrelated party. The lease for the rental of office space is month to month and the rental rate is $23,876 per month. The Agency also leases office equipment and vehicles under short-term and/or cancelable operating leases. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Operating lease expenses for the fiscal year ended June 30, 2019, were approximately $298,000 for office space, equipment and vehicles.

The Agency entered into a capital lease to finance the acquisition of computers during the year ended June 30, 2018. Amortization expense for these assets of approximately $30,000 was included in depreciation expense at June 30, 2019. The computers are pledged as collateral for the lease agreement. Amortization of these assets is included in depreciation expense at June 30, 2019. Details of capital leasing activities are as follows:

	Original Balance	Outstanding Balance
Lease dated June 1, 2018, payable to Presidio Technology Capital, LLC, for the purchase of new computer equipment. Payable in 36 monthly installments of $2,781 through May 31, 2021, including principal and interest at 6.54 percent per annum	$ 90,681	$ 62,250
Less, current portion		(30,108)
Long-term portion outstanding		$ 32,142

A summary of the annual requirements are as follows:

Fiscal year ended June 30,:	Principal	Interest	Total
2020	$ 30,108	$ 3,195	$ 33,303
2021	32,142	1,160	33,302
	$ 62,250	$ 4,355	$ 66,605

Note 14. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within one year
Governmental Activities					
Accrued compensated absences and related benefits	$ 22,739	$ 23,145	$ (19,637)	$ 26,247	$ 19,685
Lease obligations	10,882	-	(3,412)	7,470	3,613
Unpaid claims liability and claims adjustment expenses payable	34,207,000	-	(11,737,132)	22,469,868	3,766,687
Total	$ 34,240,621	$ 23,145	$ (11,760,181)	$ 22,503,585	$ 3,789,985

Note 14. Long-term Liabilities (continued)

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within one year
Business-type Activities					
Accrued compensated absences and related benefits	$ 195,171	$ 193,641	$ (168,196)	$ 220,616	$ 167,668
Lease obligations	79,799	-	(25,019)	54,780	26,495
Unpaid claims liability and claims adjustment expenses payable	251,990,000	9,376,658	(50,376,573)	210,990,085	41,500,453
Total	$ 252,264,970	$ 9,570,299	$ (50,569,788)	$ 211,265,481	$ 41,694,616

Note 15. Transactions with State Entities

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

Total revenues from other State agencies based on the agency classification chart prepared by the South Carolina Comptroller General's Office were as follows for the Agency for the year ended June 30, 2019:

Higher Education	$ 15,659,155
Administration of Justice	12,179,840
Transportation	7,191,436
Health and Environment	7,729,184
Education	4,217,194
Social Services	2,088,167
General Government	2,503,974
Resource and Economic Development	1,711,503
External	1,413,039
Other Business Types	132,441
Unemployment	79,698
Housing Authority	44,572
	$ 54,950,203

Note 15. Transactions with State Entities (continued)

The Agency had financial transactions with various State agencies during the year ended June 30, 2019. Significant payments were made to PEBA for pension, SFAA Insurance Reserve Fund for insurance plan contributions, and to the South Carolina Department of Administration for vehicle rental, insurance coverage, telephone, and data processing services. Payments were also made for unemployment coverage for employees to the Department of Employment and Workforce. The amount of expenses applicable to these transactions is not readily determinable. The Agency provided no services free of charge to other State agencies during the year ended June 30, 2019. Total payments to other State agencies by the Agency were as follows for the year ended June 30, 2019:

Medical University Hospital Authority	$	723,340
Department of Education		123,937
Workers Compensation Commission		34,922
Department of Revenue and Taxation		28,851
University of South Carolina		19,541
South Carolina Department of Motor Vehicles		1,154
PEBA Public Employee Benefit Authority		20
Dept. of Health and Environmental Control		12
Secretary of State's Office		8
	$	931,785

Note 16. Concentrations of Credit Risk and Other Concentrations

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

Note 17. Subsequent Events

The Agency has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2019 for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through September 27, 2019, the date these financial statements were available for issuance, and there were no subsequent events that required recognition or disclosure in these financial statements.

South Carolina State Accident Fund
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis, Unaudited)
Uninsured Employers Fund
For the Fiscal Year Ended June 30, 2019

	Budget Amounts		Actual Amounts (Budgetary	Variance with Final Budget Positive
	Original	Final	Basis)	(Negative)
Expenditures				
Uninsured Employers Fund				
Classified positions	$ 510,034	$ 510,034	$ 276,131	$ 233,903
Employer contributions	152,449	152,449	124,346	28,103
Other operating	403,074	403,074	127,298	275,776
Total Expenditures	$ 1,065,557	$ 1,065,557	$ 527,775	$ 537,782

Note 1. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets on the GAAP basis. Instead, it presents program-level budgets for the following two funds:

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

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

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

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

The original appropriations presented in the accompanying schedule for the UEF include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for the department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the UEF. However, Section 115 (*Recapitulations)* of the Appropriation Act includes net *source of funds* amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the UEF is presented as required supplementary information.

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

Note 3. Legal Level of Budgetary Control

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

Note 4. Basis of Budgeting

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

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

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14th.

- The gasoline and motor fuel taxes are recorded on the modified accrual basis in accordance with State law.

- All other revenues are recorded only when the State receives the related cash.

Note 5. Reconciliation of Budget to GAAP Reporting Differences

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

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

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

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

See accompanying Independent Auditor's Report

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

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

	2014	2013	2012	2011	2010
Contractually required contribution	$ 289,775	$ 288,764	$ 263,320	$ 262,645	$ 267,369
Contributions in relation to the contractually required contribution	289,775	288,764	263,320	262,645	267,369
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered payroll	$ 2,733,726	$ 2,724,190	$ 2,761,619	$ 2,797,072	$ 2,847,379
Contributions as a percentage of the covered payroll	10.45%	10.45%	9.39%	9.24%	9.24%

See accompanying Independent Auditor's Report

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

	2019	2018	2017
SAF’s proportion of the collective net OPEB liability	0.033872 %	0.034921 %	0.034921 %
SAF’s proportionate share of the collective net OPEB liability	$ 4,799,260	$ 4,730,071	$ 5,052,591
SAF’s covered payroll	$ 2,700,600	$ 2,734,053	$ 2,818,218
SAF’s proportionate share of the collective net OPEB liability as percentage of covered payroll	177.73 %	173.01 %	179.28 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.08 %	0.08 %	0.07 %

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

See accompanying Independent Auditor's Report

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

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

	2014	2013	2012	2011	2010
Contractually required contribution	$ 143,499	$ 123,951	$ 118,750	$ 109,086	$ 99,658
Contributions in relation to the contractually required contribution	143,499	123,951	118,750	109,086	99,658
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SAF covered-employee payroll	$ 2,960,786	$ 2,733,726	$ 2,724,190	$ 2,761,619	$ 2,797,072
Contributions as a percentage of the covered payroll	4.92%	4.55%	4.30%	3.90%	3.50%

See accompanying Independent Auditor's Report

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the South Carolina State Accident Fund (the "Agency") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Scott and Company LLC

Columbia, South Carolina
September 27, 2019