See Note 15 of the 2022 ACFR, which describes the correction of a multi-year error that required restatement in the 2022 ACFR of beginning fund balance of the General Fund. See also Tables 1 - 4 in the Statistical Section of the 2022 ACFR. The tables include summarized financial statements for 2022 and the previous nine fiscal years that reflect the impact of the restatement by fiscal year. The ACFRs of those previous years have not been restated. Additionally, see Note 15 of the 2024 ACFR for additional clarification of the 2022 ACFR restatement (which did not change in total) and revised Statistical Tables 1 - 4, which reflect a different methodology of allocating the restatement over the previous nine years.



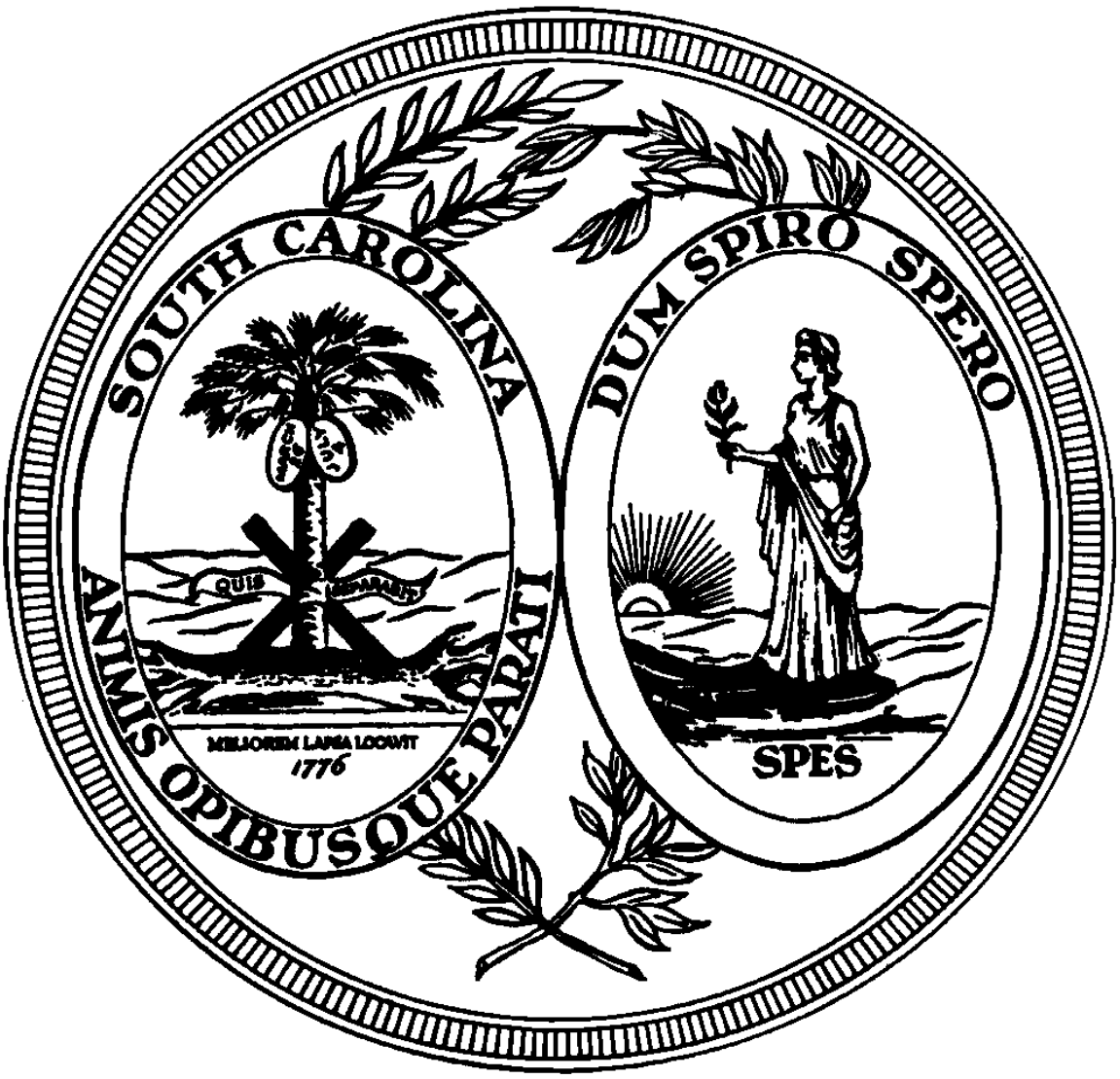
STATE OF SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30,

2016

Prepared by the Comptroller General's Office


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
SPES

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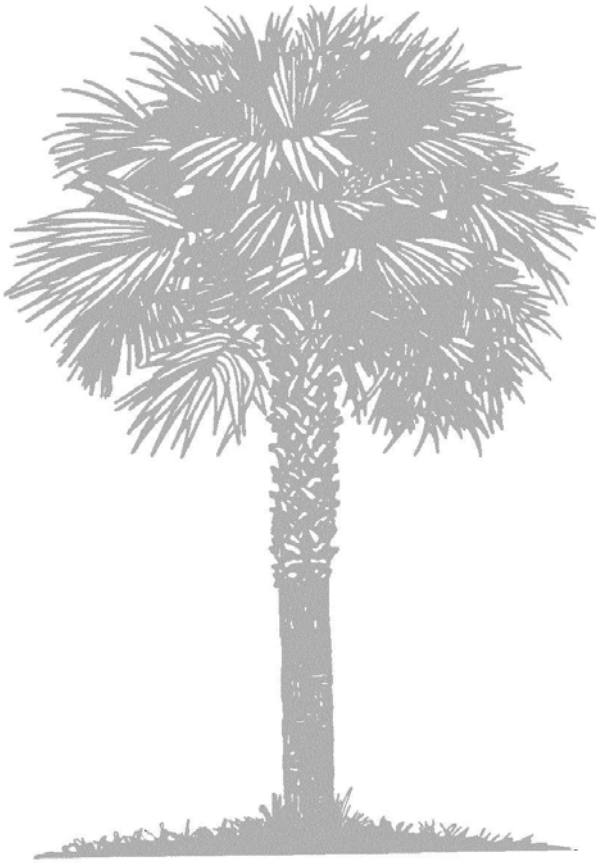
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Introductory Section



Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organizational Chart

State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

WILLIAM E. GUNN
CHIEF OF STAFF

December 12, 2016

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

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2016. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

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

The State Auditor and CliftonLarsonAllen LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2016. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process.

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

PROFILE OF THE GOVERNMENT

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-fourth in population with approximately 4.7 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the fourteenth fastest in the nation.

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

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

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

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

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

STATE ECONOMY

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

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

During the year ended June 30, 2016, total non-farm employment in the state increased by 52,100 to 2,050,600. All industry sectors reflected gains within fiscal year 2016. The gains were as follows: Education and Health Services (+9,000); Trade, Transportation, and Utilities (+8,400); Professional and Business Services (+7,500); Manufacturing (+7,400); Government (+5,500); Construction (+5,400); Financial Activities (+4,900); Leisure and Hospitality (+2,300); and Mining, Logging, Information, and Other Services (+1,700).

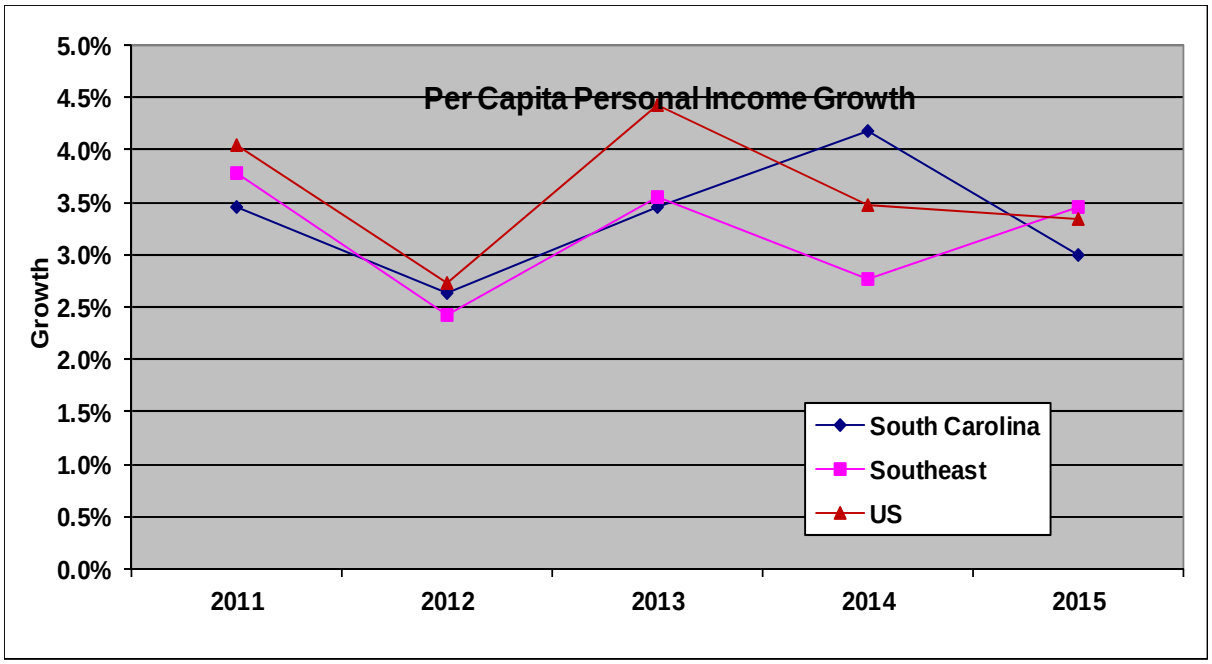
South Carolina's unemployment rate was 5.4% in June 2016, which was below the June 2015 rate of 6.6%. It had improved to 4.9% in September 2016. In comparison, the U.S. unemployment rate in June 2016 was 4.9% and 5.0% in September 2016.

The South Carolina Leading Index (SCLI) increased by 0.288 points from June 2015 to June 2016 to 102.088. Above the 100 mark, the SCLI forecasts improving economic conditions for South Carolina over the upcoming three to six months. The SCLI closed the month of August 2016 at 102.063, the most current month available.

The number of real estate closings in June 2016, up 9.9 percent compared to a year ago, and the declining number of foreclosures in the state, down 11.1 percent in June 2016 compared to June 2015, have reduced the supply of available homes on the market. As inventory tightens, real estate values in South Carolina have gained ground. Residential building permits compared to a year ago are up 22.3 percent in volume and 10.8 percent in valuation.

The South Carolina housing market continued to improve, with the Charleston and Myrtle Beach housing markets experiencing strong home sales in the first half of calendar year 2016. This growth was also complemented by median home prices of homes sold increasing 4.1 percent when comparing June 2016 to June 2015.

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



LONG-TERM FINANCIAL PLANNING

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

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

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

RELEVANT FINANCIAL POLICIES

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to compare actual revenue collections with its earlier projections and to adjust its projections if necessary. If the BEA reduces revenue projections significantly once the budget year begins, the SFAA is responsible for taking appropriate action to keep the State's budget in balance. If the SFAA anticipates a year-end operating deficit as a result of the BEA reducing its revenue projections during the year, it must reduce most agency appropriations evenly across-the-board. The State is also required to maintain a General Reserve Fund amounting to 5.0% of total General Fund revenues for the latest completed fiscal year that can be used only for eliminating a year-end operating deficit. If the State's budgetary General Fund subsequently experiences a year-end operating deficit even after applying all the actions described above, the SFAA is required to meet within sixty days of August 31 to adopt a plan to eliminate the deficit and restore a balanced budget. Additionally, the State is required to annually fund a 2% Capital Reserve to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly.

Legislation also exists directing that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary surplus appropriations in a general or supplemental act or

Capital Reserve Fund appropriations if the State's General Fund has a negative unrestricted, unassigned fund balance when reported on a Generally Accepted Accounting Principles-basis.

The State ended fiscal year 2016 with a positive budgetary General Fund balance of $1.131 billion, which was made up of legislatively approved agency carryover appropriations of $368.967 million, the General Reserve of $327.619 million, the Capital Reserve of $131.048 million, the Contingency Reserve of $46.751 million, and unassigned surplus of $256.924 million.

MAJOR INITIATIVES

In accordance with the *South Carolina Restructuring Act of 2014 (Act 121)*, effective July 1, 2014, the State Budget Division was eliminated and its functions divided among two newly created offices: the Executive Budget Office and the Revenue and Fiscal Affairs Office.

The Executive Budget Office became a stand-alone agency reporting to the Governor's Office. It was assigned many of the former State Budget Division's responsibilities, including development and oversight of the process for preparing the annual state budget.

Also, in accordance with Act 121, the State Budget and Control Board ceased operations on June 30, 2015. Effective July 1, 2015, most of its functions and responsibilities were transferred to a newly created Department of Administration in the Governor's Office, a newly created State Fiscal Accountability Authority, and the Confederate Relic Room and Military Museum Commission. Also under Act 121, effective July 1, 2015 the Executive Budget Office and the Governor's Office of Executive Policy and Programs were transferred and incorporated into the Department of Administration, the SC Energy Office was transferred to the Office of Regulatory Staff, and the Office of Local Government was transferred to the Rural Infrastructure Authority.

The Revenue and Fiscal Affairs Office consists of the Division of Research and Statistics and the Board of Economic Advisors. Functions of the Revenue and Fiscal Affairs Office include preparing fiscal and revenue impact statements on proposed legislation and assisting the General Assembly and the House Ways and Means and Senate Finance Committees in developing the annual appropriations act.

The State continues to fund programs related to job creation. In calendar year 2015, the State committed $18.0 million to the South Carolina Coordinating Council on Economic Development's Set-Aside Fund, which is dedicated to improving the economic well-being of the State by providing funds to local government to develop the infrastructure necessary for new and expanding business. Programs like this helped to attract Volvo to Berkeley County in fiscal year 2015. Volvo is expected to create 4,000 jobs in the State in the coming years.

South Carolina's job creation and capital investment from manufacturers have experienced steady growth since the end of the 2007 - 2009 Recession. In 2015 alone, the state attracted more than $4.21 billion in new capital investment from manufacturing companies, which resulted in the creation of more than 17,280 jobs.

South Carolina consistently ranks high on Site Selection magazine's "Top State Business Climate Rankings." The state ranked tenth overall in the most recently released 2015 survey. South Carolina also scored high in Site Selection magazine's competitiveness survey, ranking fourth, behind North Carolina, Louisiana, and Texas.

South Carolina's Growing Economic Environment

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

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

South Carolina's exports reached record levels in 2015 with exports increasing by 4.2% from 2014 to 2015. As such, South Carolina was again ranked as the top Southeastern state for export growth during 2015. In 2015, South Carolina ranked 15th in the United States in exports. These export figures were bolstered by the fact that the State is the nation's top exporter of completed passenger vehicles, which made up $9.8 billion of

the State's export sales. Additionally, the State led the nation in the export of tires, which accounts for approximately 28 percent of the total U.S. tire export market. The State also recently established a Transportation, Distribution and Logistics (TDL) Council that includes strong private sector participation. Part of the mission of this council is to prepare South Carolina for the Panama Canal expansion, providing South Carolina with a world-class port that will have the capacity to support the expected increase in merchant shipping. The Port of Charleston is deepening its shipping channel from forty-five to fifty-two feet. Once the project is completed by the end of the decade, Charleston will be the deepest port on the east coast.

Due in part to the State's economic outreach initiatives, South Carolina's total economic output or gross domestic product (GDP) was $177.141 billion in 2015. Between 2014 and 2015, our real GDP grew 1.3%, which compares to the southeast states average growth of 2.1%.

With our cost of living 4.3% below the national average, South Carolina offers exceptionally productive employees at one of the lowest labor costs in the nation. South Carolina is a right-to-work state and in 2015 had the lowest unionization rate in the nation, at 2.1% of the workforce. As a result of this, 24/7 Wall Street recently ranked South Carolina fourth in states that have gained the most jobs over the last five years with an employment increase of 12.1%. Also, Area Development recently ranked South Carolina second in its 2016 Top States for Doing Business analysis.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2015. This was the twenty-eighth consecutive year that the State of South Carolina achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

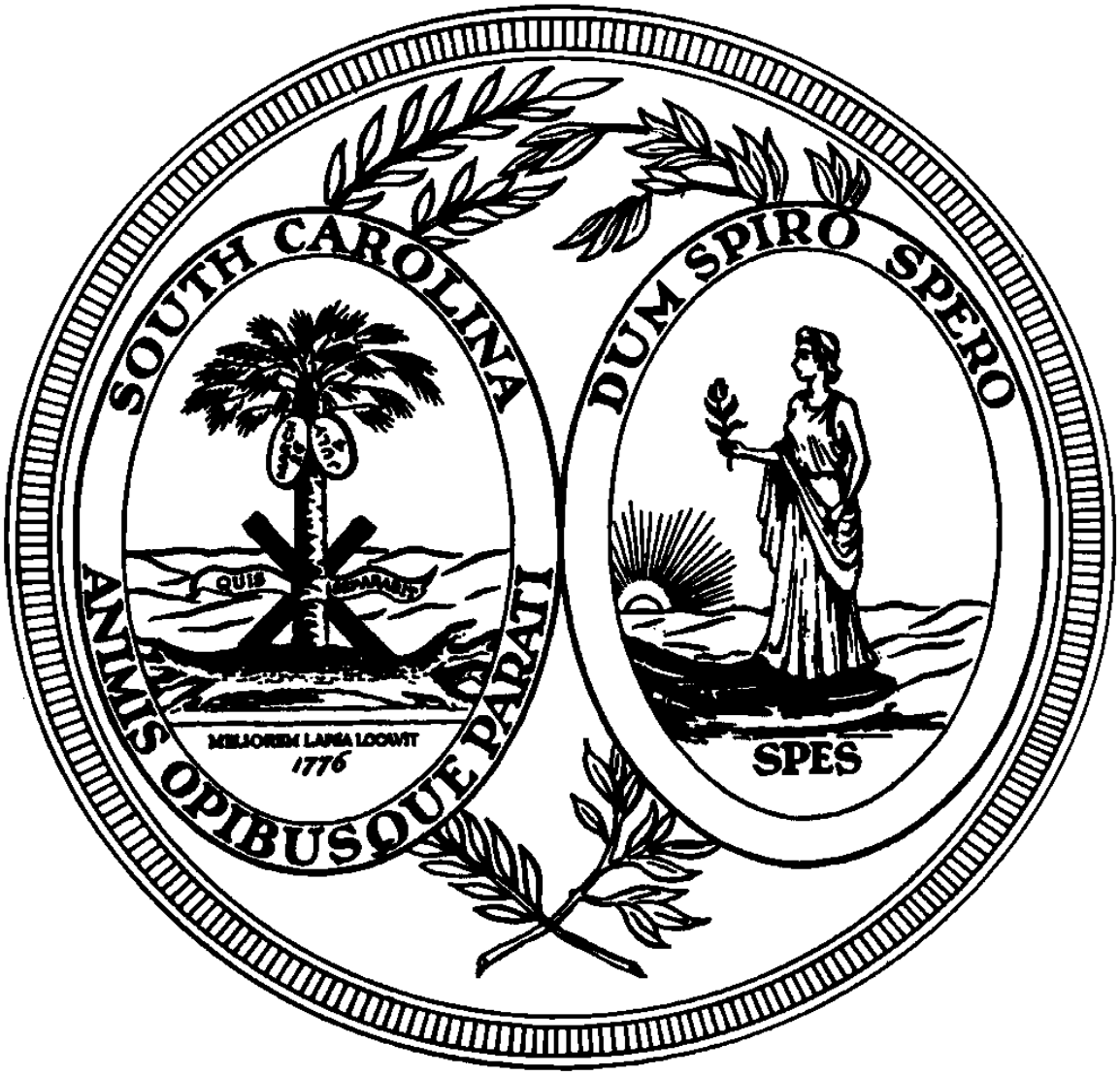
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility to be awarded a Certificate of Achievement.

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

Sincerely,



Richard Eckstrom, CPA
Comptroller General


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CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of South Carolina

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

Henry D. McMaster, President of the Senate and Lieutenant Governor
Hugh K. Leatherman, Sr., President Pro Tempore of the Senate
James H. Lucas, Speaker, House of Representatives

EXECUTIVE

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

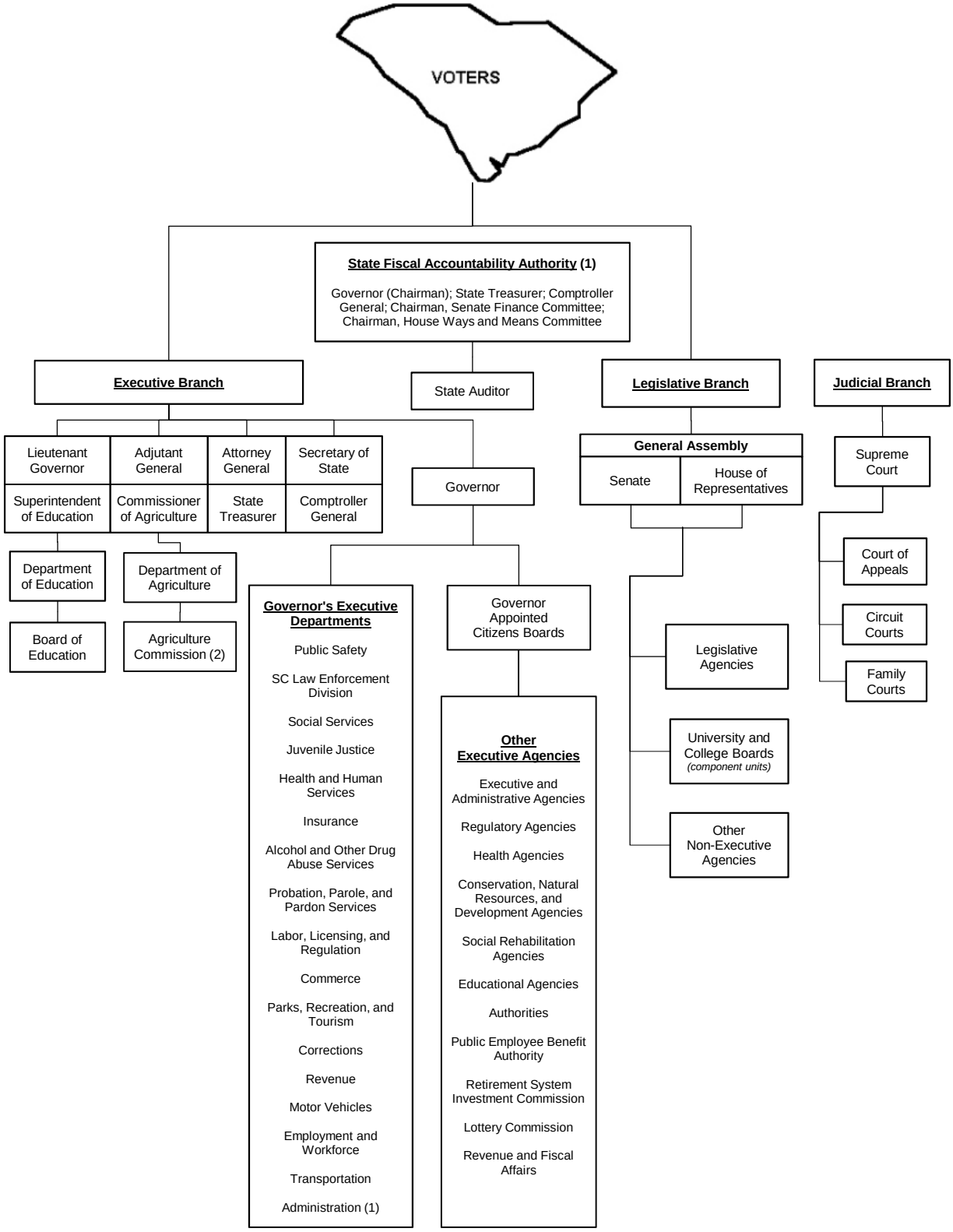
Henry D. McMaster, President of the Senate and Lieutenant Governor
Mark Hammond, Secretary of State
Alan Wilson, Attorney General
Molly Spearman, State Superintendent of Education
Major General Robert E. Livingston, Jr, Adjutant General
Hugh E. Weathers, Commissioner of Agriculture

JUDICIAL

Costa M. Pleicones, Chief Justice, Supreme Court

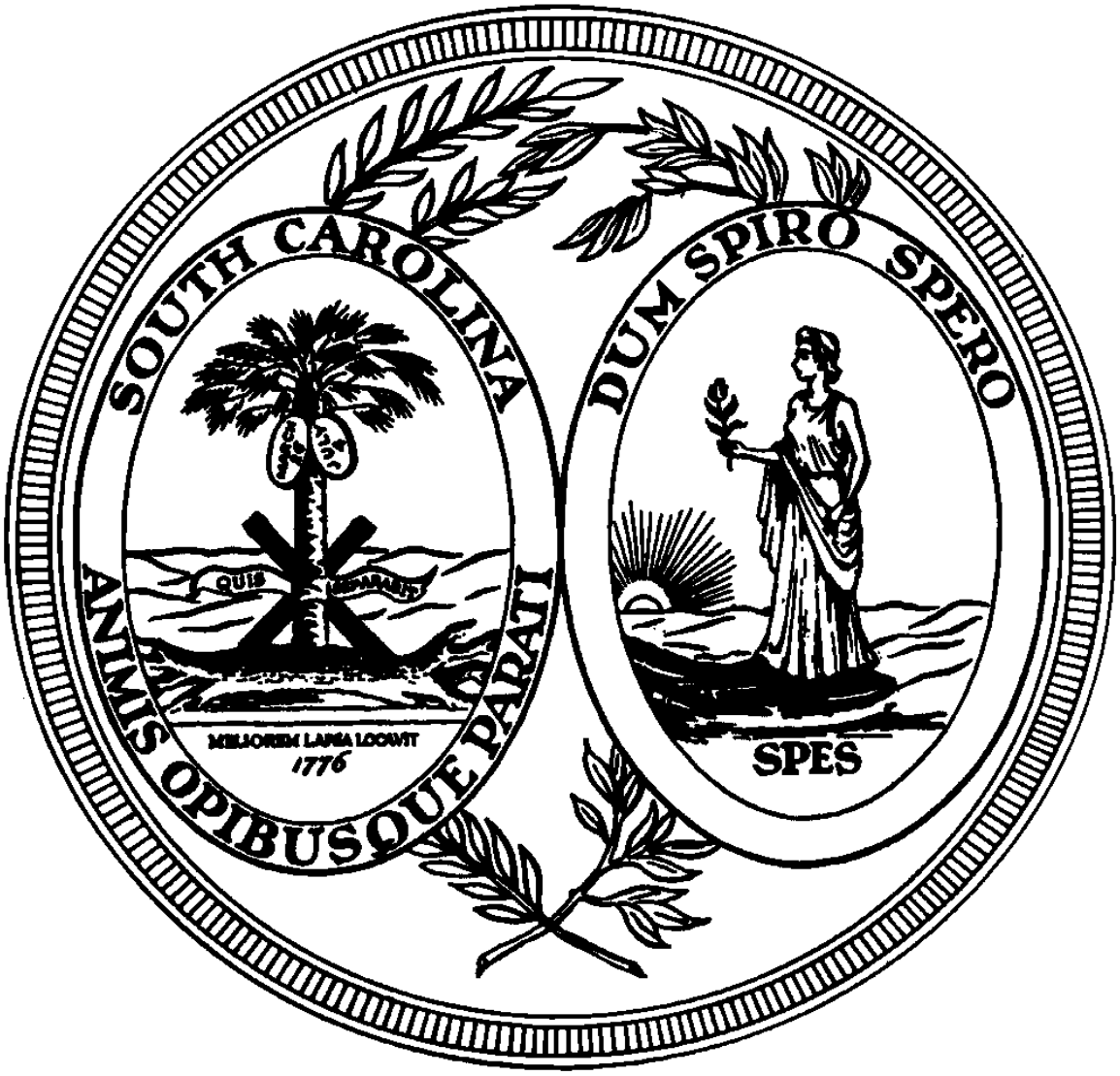
The State's citizens elect the legislative and executive branch officials named above. The General Assembly elects certain members of the judicial branch, including the Supreme Court.

Organizational Chart

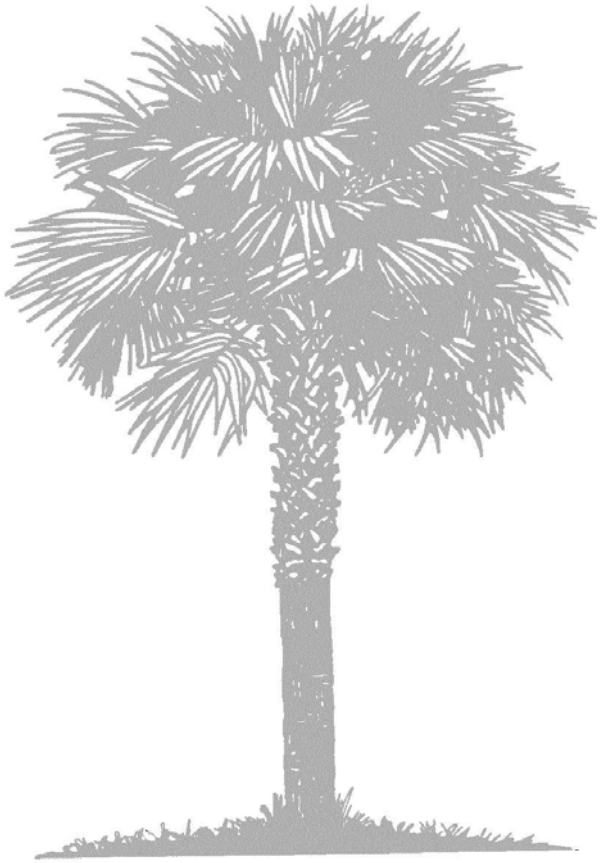


(1) Effective July 1, 2015, the Budget and Control Board was restructured into 2 separate agencies: The Department of Administration and the State Fiscal Accountability Authority.

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


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Financial Section



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

State of South Carolina

Office of the State Auditor

CliftonLarsonAllen

Independent Auditors' Report

The Honorable Nikki R. Haley, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets and Deferred Outflows of Resources	Total Revenue	Total Assets and Deferred Outflows of Resources	Total Revenue
Government-wide				
Governmental activities	2%	11%	62%	10%
Business-type activities	-	-	80%	85%
Component units	-	-	98%	99%
Fund Statements				
Governmental Funds	-	-	23%	10%
Enterprise Funds	-	-	80%	85%
Internal Service Funds	33%	89%	55%	7%
Fiduciary Funds	80%	21%	19%	79%
Discretely Presented Component Units	-	-	98%	98%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note 14 to the financial statements, Palmetto Railways, a blended component unit and Public Service Authority, a discretely presented component unit, both as of and for the year ended December 31, 2015, adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, the State reported a restatement for the change in accounting principle. Our auditors' opinion was not modified with respect to the restatement.

Correction of Errors

As described in Note 14 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period related to discretely presented components units. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

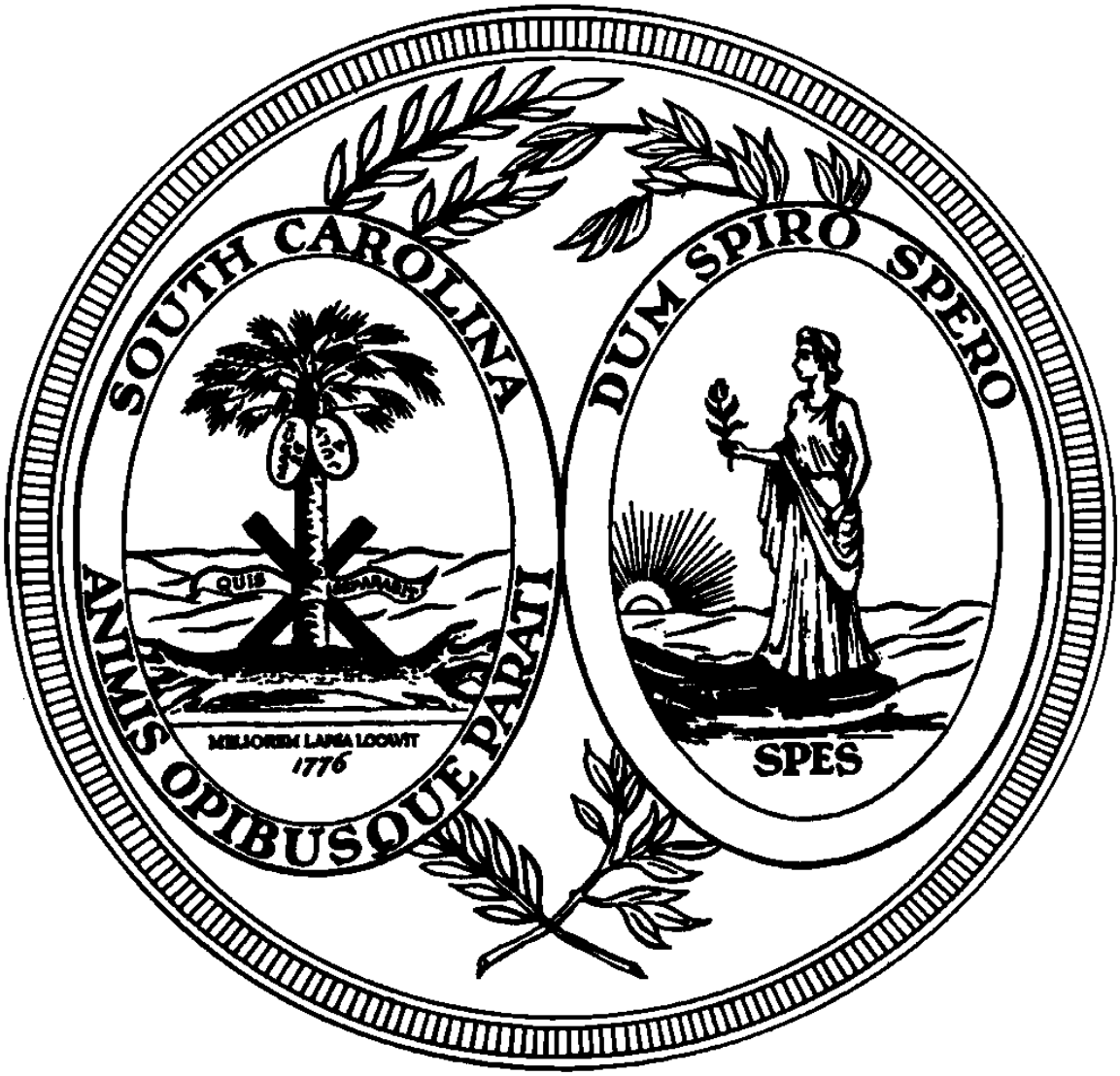
In accordance with *Government Auditing Standards,* we have also issued our report dated December 12, 2016 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

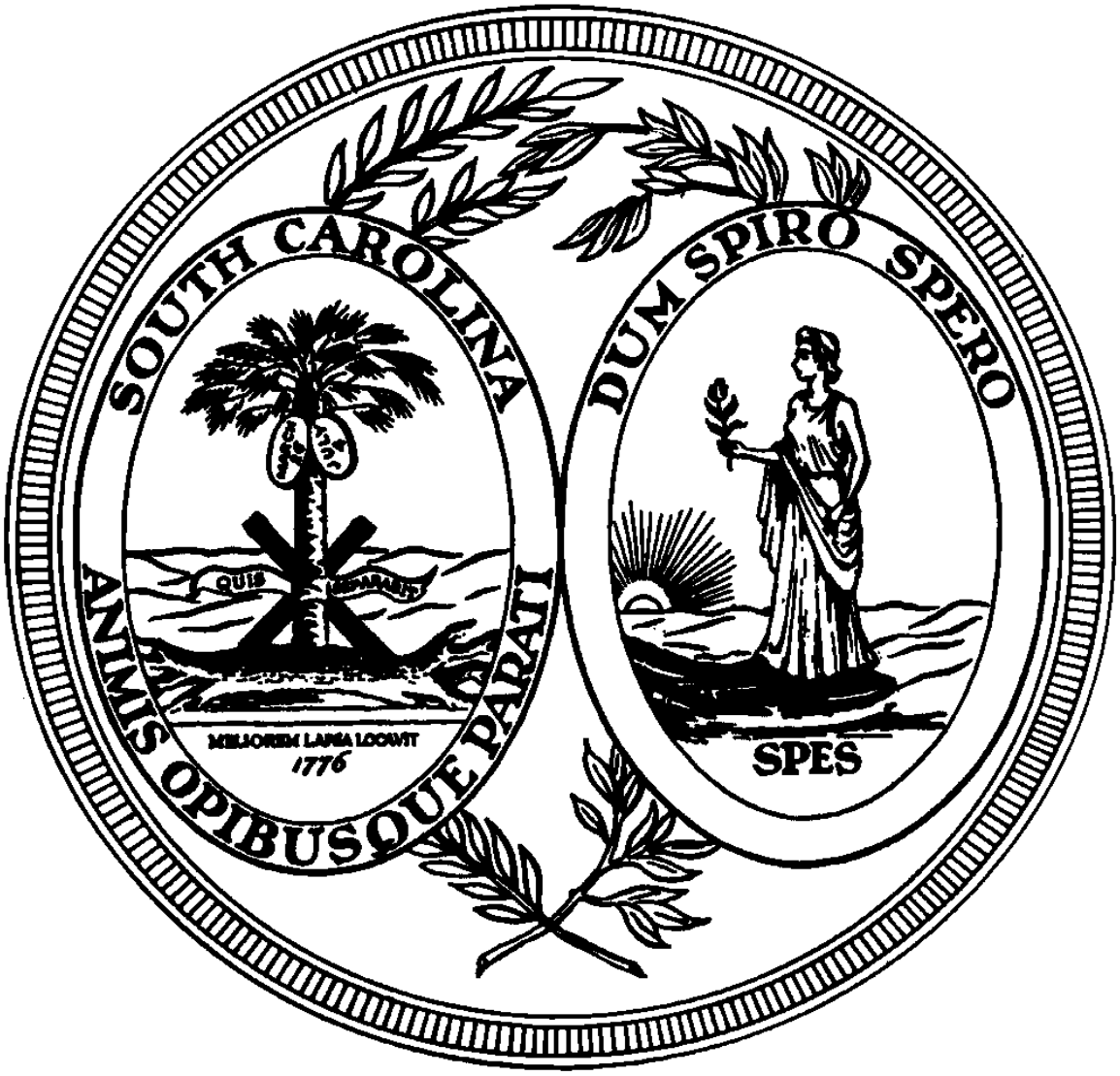
George L. Kennedy, III

Columbia, South Carolina
December 12, 2016

Clifton Larson Allen LLP

Baltimore, Maryland
December 12, 2016


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANGA LOCAVIT
1776
SPES


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
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MANAGEMENT'S DISCUSSION AND ANALYSIS—

Required Supplementary Information
(Unaudited)

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2016. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

There are two government-wide financial statements:

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

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

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

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

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

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, the State Lottery Commission, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (see Note 1a of the notes to the financial statements on page 70).

Fund Financial Statements

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

The State reports three types of *funds*:

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

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

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

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

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

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

Component Unit Financial Statements

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

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 165 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 173 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. Additionally, the required supplementary information section includes information on the State's five pension programs: The South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System. This required supplementary information is on pages 167 through 188 of this report.

Supplementary Information

Nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 189 through 235 of this report.

Government-wide Financial Analysis

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

Exhibit 1
Government-wide Net Position
As of June 30, 2016
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percent Change
				(as restated)		*(as restated)*	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016-2015**
Assets							
Current and other assets	$ 11,269,982	$ 10,070,041	$ 874,120	$ 609,897	$ 12,144,102	$ 10,679,938	13.7%
Capital assets	15,939,923	15,574,782	209,246	156,795	16,149,169	15,731,577	2.7%
Total assets	**27,209,905**	**25,644,823**	**1,083,366**	**766,692**	**28,293,271**	**26,411,515**	**7.1%**
Deferred Outflows of Resources	**652,939**	**405,240**	**1,595**	**354**	**654,534**	**405,594**	**61.4%**
Liabilities							
Long-term liabilities	7,148,977	7,025,853	337,772	368,638	7,486,749	7,394,491	1.2%
Other liabilities	2,941,467	2,700,164	161,675	183,157	3,103,142	2,883,321	7.6%
Total liabilities	**10,090,444**	**9,726,017**	**499,447**	**551,795**	**10,589,891**	**10,277,812**	**3.0%**
Deferred Inflows of Resources	**250,332**	**280,306**	**307**	**349**	**250,639**	**280,655**	**(10.7%)**
Net Position							
Net investment in capital assets	13,088,862	12,667,605	203,351	146,739	13,292,213	12,814,344	3.7%
Restricted	6,691,147	6,062,068	302,080	70,395	6,993,227	6,132,463	14.0%
Unrestricted	(2,257,941)	(2,685,933)	79,776	(2,232)	(2,178,165)	(2,688,165)	19.0%
Total net position	**$ 17,522,068**	**$ 16,043,740**	**$ 585,207**	**$ 214,902**	**$ 18,107,275**	**$ 16,258,642**	**11.4%**

Net Position

The comparison of net position to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2016 fiscal year, the State's net position totaled $18.107 billion.

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

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

Unrestricted net position—resources normally available for future spending without restrictions—reported a deficit balance of ($2.178) billion at June 30, 2016. This represents an increase of $510.000 million over the prior year. The primary government's unrestricted deficit net position primarily consists of the $3.304 billion net pension liability, which is required to be recognized by GASB 68 (see Note 7 on page 102). The increase in the primary government's unrestricted net position was partially offset by the $82.008 million increase in the unrestricted net position reported for the State's *business-type activities*. This was mostly the result of assessment revenue realized within the Unemployment Compensation Fund outweighing claims expenses by $195.835 million and assessment revenue realized within the Second Injury Fund outweighing claims expenses by $59.874 million. It should be noted that the deficit unrestricted net position was also offset by increases in restricted net position and net investment in capital assets, resulting in overall increases in the net positions of the State's *governmental activities* and *business-type activities*.

The State's *business-type activities* reported a $79.776 million unrestricted net position. This balance was mostly comprised of a ($51.320) million unrestricted net position in the State-run Patients' Compensation Fund, a ($43.268) million unrestricted net position in the State-run college Tuition Prepayment Program, a ($77.061) million unrestricted net position in the Second Injury Fund, offset by a $256.925 million unrestricted net position in the Unemployment Compensation Fund. The negative unrestricted net position in the Patient Compensation Fund, the Tuition Prepayment Program, and the Second Injury Fund, was the result of the full amount of claims exceeding assets on hand on June 30, 2016.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percentage Change
	2016	2015	2016	*(as restated)* 2015	2016	*(as restated)* 2015	2016-2015
Revenues							
Program revenues:							
Charges for services	$ 3,276,394	$ 3,249,778	$ 536,528	$ 565,032	$ 3,812,922	$ 3,814,810	(0.0%)
Operating grants and contributions	8,823,007	8,388,996	11,909	14,335	8,834,916	8,403,331	5.1%
Capital grants and contributions	582,940	680,842	39,480	12,567	622,420	693,409	(10.2%)
General revenues:							
Individual income tax	3,884,855	3,741,800	—	—	3,884,855	3,741,800	3.8%
Retail sales and use tax	4,279,959	4,357,672	—	—	4,279,959	4,357,672	(1.8%)
Other tax	2,194,859	2,105,755	—	—	2,194,859	2,105,755	4.2%
Unrestricted grants and contributions	90	1	—	—	90	1	8,900.0%
Unrestricted investment income	108,313	71,691	28,952	16,306	137,265	87,997	56.0%
Tobacco legal settlement	71,119	70,419	—	—	71,119	70,419	1.0%
Other	53,026	280,491	8,946	3,141	61,972	283,632	(78.2%)
Total revenues	**23,274,562**	**22,947,445**	**625,815**	**611,381**	**23,900,377**	**23,558,826**	**1.4%**
Expenses							
Governmental activities:							
General government	4,693,397	5,348,501	—	—	4,693,397	5,348,501	(12.2%)
Education	4,906,919	4,742,995	—	—	4,906,919	4,742,995	3.5%
Health and environment	7,683,019	7,832,147	—	—	7,683,019	7,832,147	(1.9%)
Social services	1,832,743	1,821,016	—	—	1,832,743	1,821,016	0.6%
Administration of justice	883,458	873,450	—	—	883,458	873,450	1.1%
Resources and economic development	463,630	389,814	—	—	463,630	389,814	18.9%
Transportation	1,310,449	1,118,603	—	—	1,310,449	1,118,603	17.2%
Other	23,537	33,322	—	—	23,537	33,322	(29.4%)
Business-type activities:							
Unemployment compensation benefits	—	—	208,710	226,470	208,710	226,470	(7.8%)
Second Injury Fund	—	—	27	7,461	27	7,461	(99.6%)
Other	—	—	45,855	49,708	45,855	49,708	(7.8%)
Total expenses	**21,797,152**	**22,159,848**	**254,592**	**283,639**	**22,051,744**	**22,443,487**	**(1.7%)**
Excess before transfers	**1,477,410**	**787,597**	**371,223**	**327,742**	**1,848,633**	**1,115,339**	**65.7%**
Net transfers	918	3,972	(918)	(3,972)	—	—	—
Increase in net position	**1,478,328**	**791,569**	**370,305**	**323,770**	**1,848,633**	**1,115,339**	**65.7%**
Net position at beginning of year	16,043,740	15,252,171	214,902	(103,251)	16,258,642	15,148,920	7.3%
Restatements [a]	—	—	—	(5,617)	—	(5,617)	
Net position at beginning of year, as restated [a]	**16,043,740**	**15,252,171**	**214,902**	**(108,868)**	**16,258,642**	**15,143,303**	**7.4%**
Net position, end of year	**$ 17,522,068**	**$ 16,043,740**	**$ 585,207**	**$ 214,902**	**$ 18,107,275**	**$ 16,258,642**	**11.4%**

a - 2015 restatement due to the GASBs 68 and 71 implementation and the correction of errors. See Note 14, Fund Equity Reclassifications and Restatements, on pages 129 - 130 of the financial statements.

Changes in Net Position

The State's total net position increased by $1.849 billion, or 11.4%, over the prior year's net position as a result of its governmental activities and its business-type activities. The overall improvement in the financial position of the State was experienced primarily through increased tax and program revenues of the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by $1.478 billion, or 9.2%. Revenue increased from last year by $327.117 million, or 1.4%, which was comprised of a decrease of $35.608 million, or 0.3%, in general revenue and an increase of $362.725 million, or 2.9%, in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the sources of revenues that support governmental activities.

Expenses associated with governmental activities decreased by $362.696 million, or 1.6%, for the fiscal year ended June 30, 2016. These expenses were mostly associated with services provided for health and environment, education, general government, social services, and transportation. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2016, the State used $9.115 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Governmental activities reported $918 thousand in net transfers from the State's business-type activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2016 fiscal year:

- Program revenues were $12.682 billion, which was an increase of $362.725 million, or 2.9%. The increase was primarily due to the increased demand for health and environmental services.
- Individual income tax revenues increased by $143.055 million, or 3.8%, retail sales and use tax revenues decreased by $77.713 million, or 1.8%, and other taxes revenues increased by $89.104 million, or 4.2%. Overall tax collections increased during fiscal year 2016 due to increased enforcement and improvements in consumer spending within the state and national economies.
- Education expenses increased by $163.924 million, or 3.5%, from last year. The increase is primarily the result of general increases in the costs of providing public education. Secondarily, additional appropriations were available from improved economic conditions.
- Resources and economic development expenses increased by $73.816 million, or 18.9%, which is primarily a result of $39.408 million expended to Palmetto Railways for capital acquisitions.
- Transportation expenses increased by $191.846 million, or 17.2%, from last year. The increase is primarily the result of major infrastructure projects coming to a close, as displayed in the reduction in construction in progress and the increase in infrastructure within the capital asset disclosure. Also, the major flooding that occurred in October of 2015 caused significant damage to roadways and bridges which needed to be repaired.
- Health and environmental expenses decreased by $149.128 million, or 1.9%, which can be attributed to an increase in elimination of internal service fund activity specifically related to the Insurance Reserve Fund.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2016

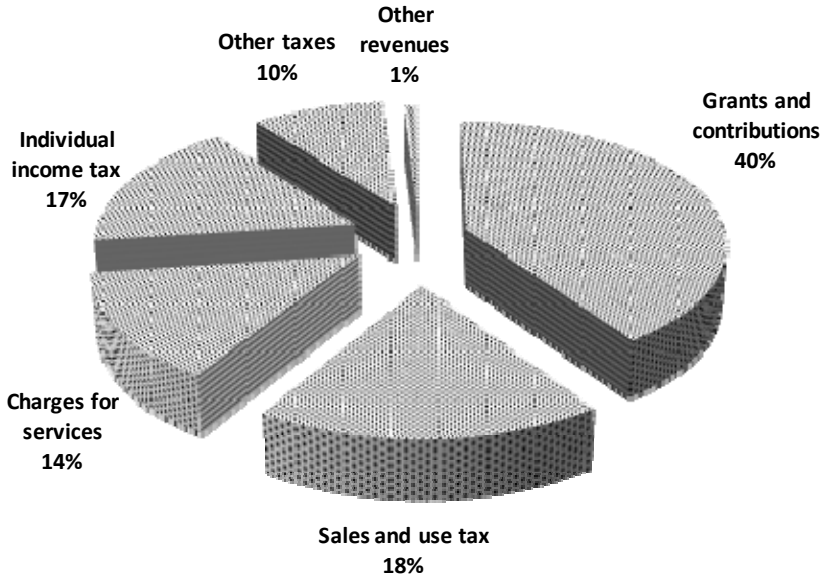
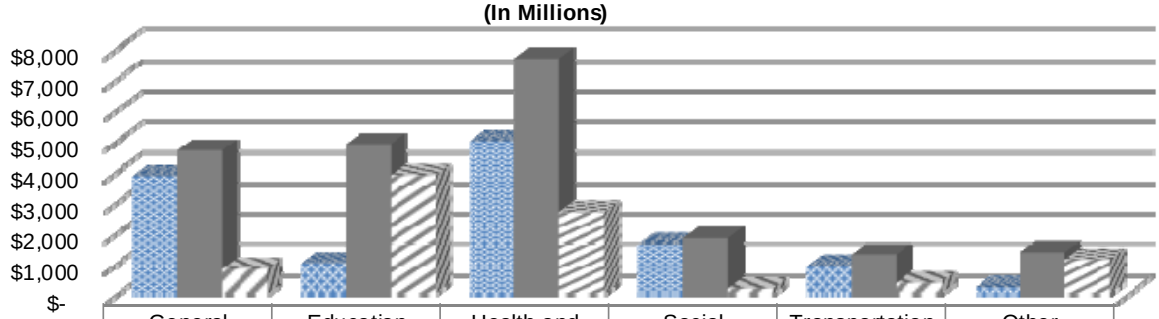


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2016
(In Millions)



	General Government	Education	Health and Environment	Social Services	Transportation	Other
Revenues	$3,860	$1,023	$5,003	$1,636	$927	$235
Expenses	$4,693	$4,907	$7,683	$1,833	$1,310	$1,373
Net Cost	$833	$3,884	$2,680	$197	$383	$1,138

Business-type Activities

The net position of the State's business-type activities increased by $370.305 million, or 172.31%.

Most business-type activities are self-supporting. The Unemployment Compensation Fund accounts for the State's unemployment compensation benefits in which federal grants and assessments on employers pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund's net position as of June 30, 2016 was $559.005 million, which was an increase of $239.450 million, or 74.93%. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and State Accident Fund. The Second Injury Fund's net position as of June 30, 2016 was ($77.061) million, which was increase of $62.061 million, or 44.61%.

Operating revenues of the Unemployment Compensation Fund decreased by $33.001 million, or 7.0%, and operating expenses for the payment of unemployment compensation benefits decreased by $17.760 million, or 7.8%, during the 2016 fiscal year. Additionally, the Unemployment Compensation Fund's nonoperating revenues increased by $6.407 million, or 807.9%. The decreases in operating revenues and expenses resulted from the general decline in unemployment rates throughout the country. Additionally, operating revenues for the Second Injury Fund have increased by $1.314 million, or 2.2%, and operating expenses for the payment of Second Injury Fund claims decreased by $7.434 million, or 99.6%. The decreases in the Second Injury Fund's operating expenses were the result of claims expenses booked in prior years and there were no changes in claims estimates during the 2016 fiscal year.

Financial Analysis of the State's Funds

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

Governmental Funds

Exhibit 5 shows the components of fund balance for the State's various governmental funds as of June 30, 2016.

Exhibit 5

Governmental Fund Balances
As of June 30, 2016
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	$ 94,624	$ 6,002	$ —	$ 7,573	$ 11,322	$ 119,521
Restricted	530,698	852,296	2,204,154	10,031	585,753	4,182,932
Committed	1,142,072	12,833	—	356,238	96,641	1,607,784
Assigned	416,089	—	—	—	5,311	421,400
Unassigned	1,313,562	(608,503)	—	—	—	705,059
Totals	**$ 3,497,045**	**$ 262,628**	**$ 2,204,154**	**$ 373,842**	**$ 699,027**	**$ 7,036,696**
Change from prior year	**$ 553,808**	**$ 19,689**	**$ 62,358**	**$ 163,084**	**$ 86,516**	**$ 885,455**
Percentage change	**18.8%**	**8.1%**	**2.9%**	**77.4%**	**14.1%**	**14.4%**

At June 30, 2016, total ending fund balance for the State's governmental funds was $7.037 billion, which represents an increase of $885.455 million, or 14.4%, from the prior year. This total contains an *unassigned* fund balance of $705.059 million. The total also includes $1.314 billion reported by the General Fund as unrestricted, unassigned and available with no constraints for spending in the coming year. In addition, governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 59.4% of the total fund balance. The majority of the remaining fund balance is *non-spendable, committed, or assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income tax of $141.103 million, 3.8%, $59.144 million, 45.9%, in other General Fund revenues, and $9.913 million, 1.9%, in other tax (which includes domestic corporate license taxes, taxes on alcoholic beverages and tobacco, and bank taxes) from the prior year. These increases were partially offset by decreases in retail sales and use tax of $108.296 million, 3.0% and $1.027 million, 0.2% in departmental services revenues (which mostly includes Medicaid and Medicare reimbursements). General Fund expenditures, which decreased $755.245 million, 7.6%, were also below the total General Fund revenues indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens thus expanding services when possible. During the 2016 fiscal year, the total fund balance increased by $19.689 million, or 8.1%, from the prior year. The primary source of revenue for the fund is federal revenues which account for $7.612 billion or 92.7% of the total revenue reported. These grants are reimbursement-based, thereby creating a higher negative unassigned fund balance until the funds are received.

The *Local Government Infrastructure Fund* accounts for grants, loans and other financial assistance to local governments for infrastructure projects. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. The fund balance increased by $62.358 million, or 2.9% during the 2016 fiscal year leaving a balance of $2.204 billion at the end of the fiscal year. The increase in fund balance resulted primarily from an increase of $50.0 million in funds from DOT.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by $163.084 million, or 77.4%, during the 2016 fiscal year leaving a balance of $373.842 million at the end of the fiscal year. The increase in fund balance resulted primarily from an increase of $217.0 million in General Fund appropriations.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2016.

Exhibit 6
Proprietary Fund Net Position
As of June 30, 2016
(Expressed in Thousands)

Fund Net Position	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	$ —	$ —	$ 203,351	$ 203,351	$ 101,671
Restricted, expendable	302,080	—	—	302,080	292,996
Unrestricted	256,925	(77,061)	(100,088)	79,776	202,308
Totals	**$ 559,005**	**$ (77,061)**	**$ 103,263**	**$ 585,207**	**$ 596,975**
Change from prior year	**$ 239,450**	**$ 62,061**	**$ 68,794**	**$ 370,305**	**$ 107,233**
Percentage change	**74.93%**	**44.61%**	**199.58%**	**172.31%**	**21.90%**

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

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

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by $239.450 million, or 74.93%, over the prior year. Decreases in the number of individuals eligible for and claiming State unemployment insurance benefits resulted in the improved net position and enabled the Fund to operate without obtaining additional advances from the Federal government since May of 2011.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by $62.061 million, or 44.61%, over the prior year. The increase was largely attributed to assessments being $59.874 million larger than claims paid in the 2016 fiscal year.

The net position of the State's *nonmajor enterprise funds* increased by $68.794 million, or 199.58%, over the prior year. The increase in the State's *nonmajor enterprise funds'* net position was primarily due to a $39.408 capital contribution within the *Palmetto Railways Fund*, an increase of $10.975 million in interest and investment income within the *Tuition Prepayment Program*, and a $5.988 million decrease in operating expenses (mostly claims expense) within the *Patient's Compensation Fund*.

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. These funds experienced an increase in net position of $107.233 million, or 21.90%, in the 2016 fiscal year. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

Budgetary General Fund Highlights

Estimated revenues for the 2016 fiscal year were $7.045 billion. Actual revenues at June 30, 2016, were $225.751 million, or 3.2%, over the estimated revenue used in the fiscal year 2016 budget appropriations act and which also represented an increase in collections over the prior year of $310.653 million, or 4.5%. Individual income and sales tax collections are the fund's major revenue sources. Individual income tax collections ended the year over the adjusted estimate by $59.691 million and sales tax collections ended the year over the adjusted estimate by $104.313 million.

Actual expenditures were $89.972 million less than actual revenues because revenue collections exceeded the original budget, while expenditures were kept $370.618 million under fiscal year 2016 adjusted appropriations. In addition, $2.535 million of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2016 ended with a budgetary surplus. The State ended the year with a budgetary General Fund balance of $1.131 billion.

See the *Required Supplementary Information* section on pages 167 through 173 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2016 fiscal year, the State had $16.149 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of $417.592 million, or 2.7%, over the previous accounting year (see *Exhibit 7*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
Land and improvements	$ 2,074,471	$ 1,998,437	$ 152,427	$ 109,271	$ 2,226,898	$ 2,107,708	5.7%
Infrastructure	9,903,747	9,465,852	—	—	9,903,747	9,465,852	4.6%
Buildings and improvements	1,039,999	1,032,851	16,007	16,275	1,056,006	1,049,126	0.7%
Vehicles	127,419	136,702	246	24	127,665	136,726	(6.6%)
Machinery and equipment	152,920	145,129	4,006	3,804	156,926	148,933	5.4%
Works of art and historical treasures	8,309	8,359	—	—	8,309	8,359	(0.6%)
Construction in progress	2,601,135	2,752,351	35,534	26,485	2,636,669	2,778,836	(5.1%)
Intangible assets	31,923	35,101	1,026	936	32,949	36,037	(8.6%)
Total	**$ 15,939,923**	**$ 15,574,782**	**$ 209,246**	**$ 156,795**	**$ 16,149,169**	**$ 15,731,577**	**2.7%**

Growth in capital asset investment occurred mostly in infrastructure. The construction in progress growth primarily relates to new and on-going infrastructure (roads and bridges) projects within the Department of Transportation Special Revenue Fund. The Department of Transportation recognized $112.8 million in contributed infrastructure from various county projects.

See Note 6 in the notes to the financial statements on page 100 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2016, the State had $2.854 billion in bonds and notes outstanding—a decrease of $250.138 million, or an 8.1% decline from last year (see *Exhibit 8*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
Backed by the State:							
General obligation bonds	$ 962,196	$ 1,126,138	$ —	$ —	$ 962,196	$ 1,126,138	(14.6%)
Backed by Specific Revenues:							
Revenue bonds and notes	31,019	28,865	5,895	6,055	36,914	34,920	5.7%
Infrastructure Bank bonds	1,854,451	1,942,456	—	—	1,854,451	1,942,456	(4.5%)
Limited obligation bonds	—	185	—	—	—	185	(100.0%)
Total	**$2,847,666**	**$ 3,097,644**	**$ 5,895**	**$ 6,055**	**$2,853,561**	**$ 3,103,699**	**(8.1%)**

The reduction of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of $249.978 million. Activity in the debt reported by the governmental activities included the

issuance of $44.560 million in economic development general obligation bonds and $65.915 million in research university general obligation bonds.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as "AAA" and Moody's Investors Service rated them as "Aaa" during the fiscal year ended June 30, 2016, the highest rating that these services assign. The State's bond rating from Standard & Poor's was "AA+" during the same period, its second highest rating.

The State limits the amount of annual payments for principal and interest (or annual debt service) on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2016, the State legally could issue additional bonds as long as the new debt would not increase the State's annual principal and interest payments by more than the following amounts: $44.564 million for highway bonds, $305.837 million for general obligation bonds (excluding institution and highway bonds), $11.978 million for economic development bonds, and $15.374 million for research university infrastructure bonds.

State institution bonds of $463.365 million were outstanding at June 30, 2016.

See Note 11 in the notes to the financial statements on page 119 of this report for additional information about the State's long-term debt.

Economic Factors and Next Year's Budget

The "Rainy Day Account"

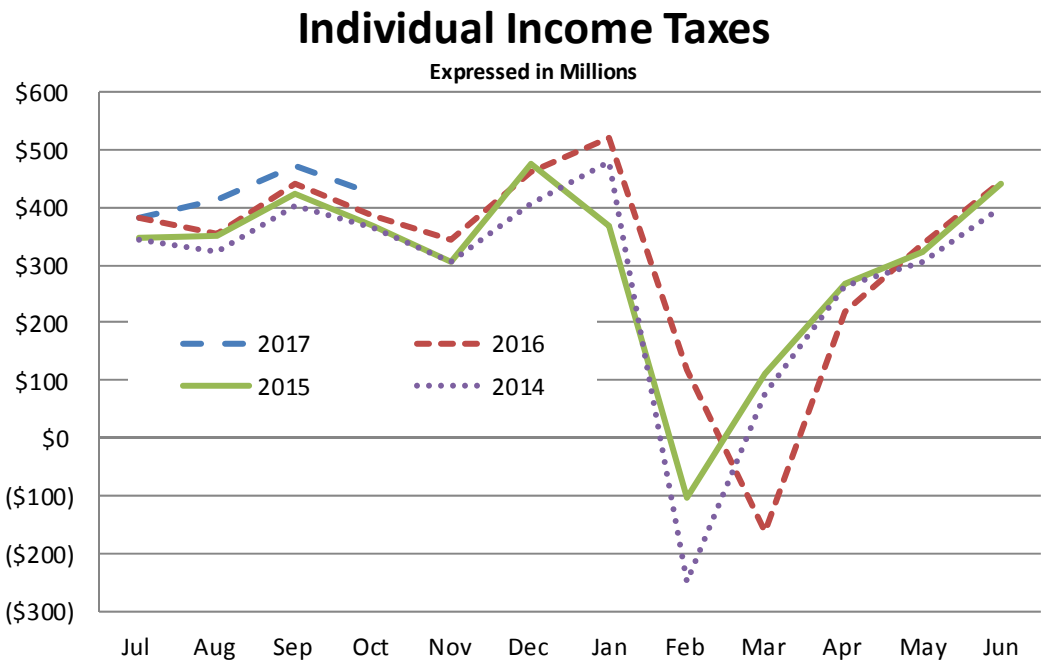
At June 30, 2016, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of $327.619 million which increased from the prior year by $8.141 million appropriated by the 2015-2016 Appropriations Act. The balance is fully funded in accordance with the State's Constitution. The State's Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. For the fiscal year 2016, State law defines full funding for the reserve as 5.0% of the Budgetary General Fund's revenues of the prior fiscal year.

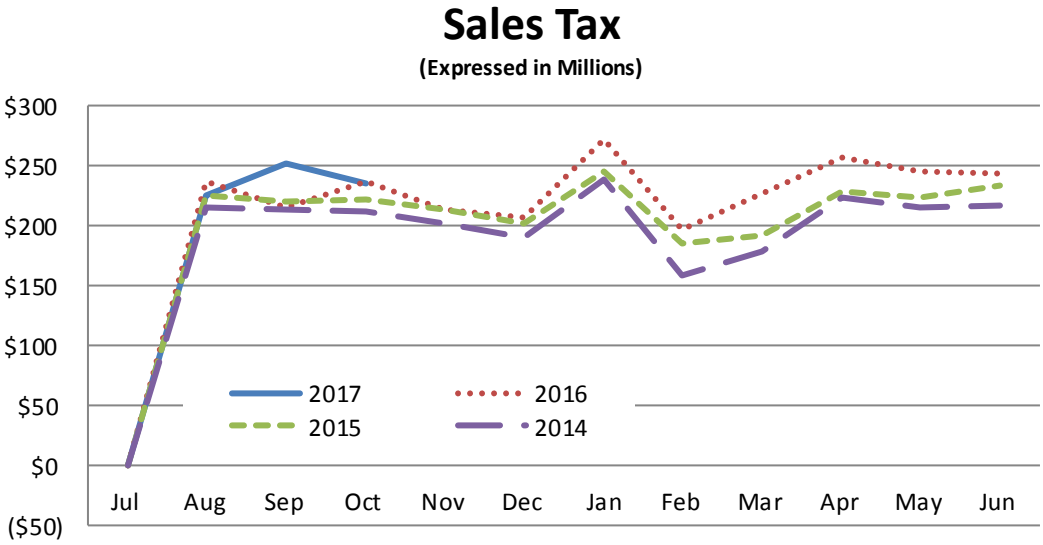
Budgetary General Fund for the 2016-2017 Accounting Year

For fiscal year 2017, the Board of Economic Advisors estimated General Fund cash basis revenue of $7.580 billion, which was $308.487 million, or 4.2%, more than fiscal year 2016 actual revenue collections. The State's Board of Economic Advisors November 2016 estimate reflected no change to the original $7.580 billion revenue estimate for fiscal year 2017.

Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2017 were $2.685 billion, an increase of $164.446 million, or 6.5%, over the same period for fiscal year 2016. Total individual income taxes collected have increased by $128.407 million, or 8.2%, over the same period in the prior year. Sales taxes have also increased by $23.893 million, or 3.5%, from the first four months of fiscal year 2016.

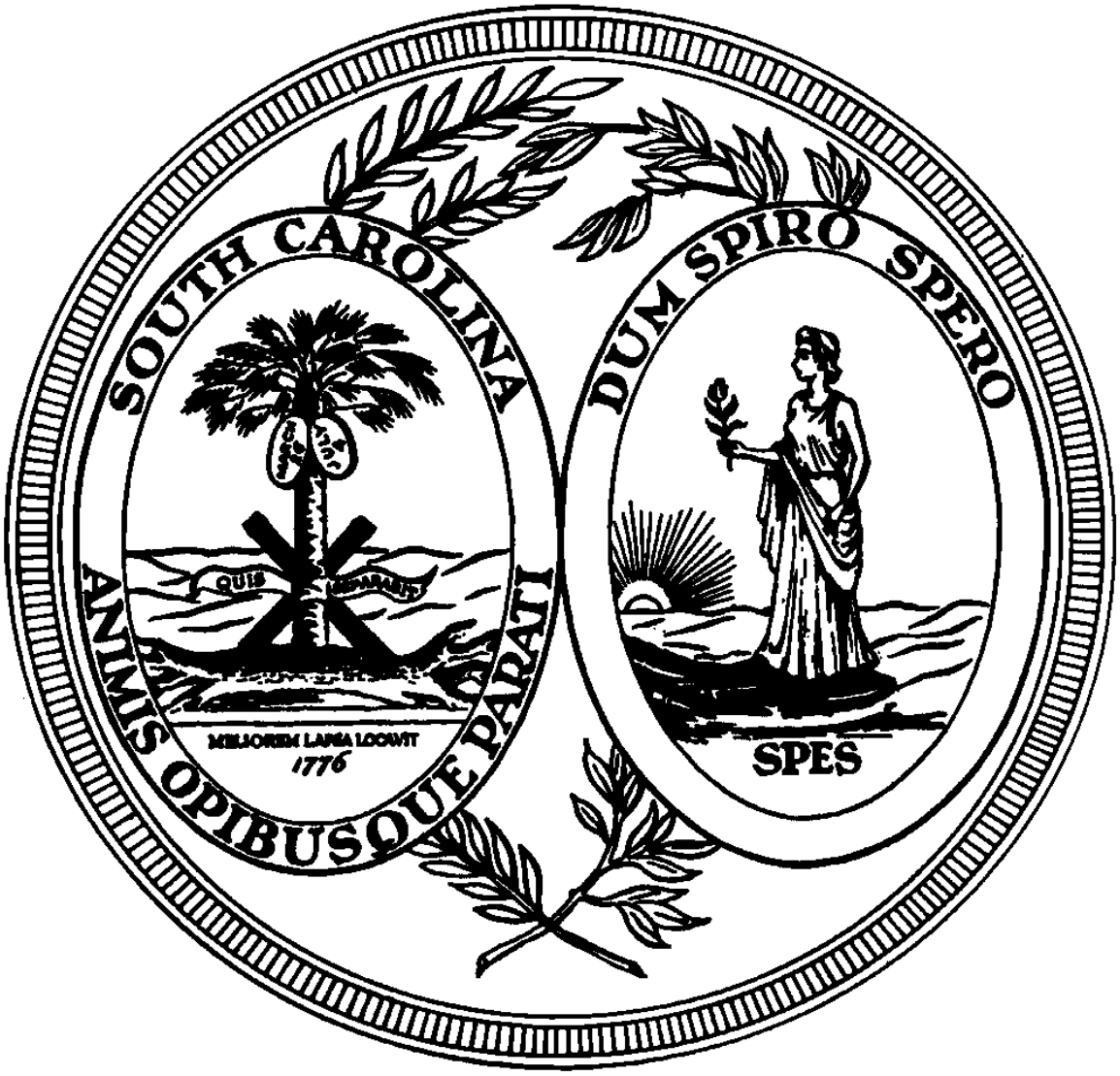


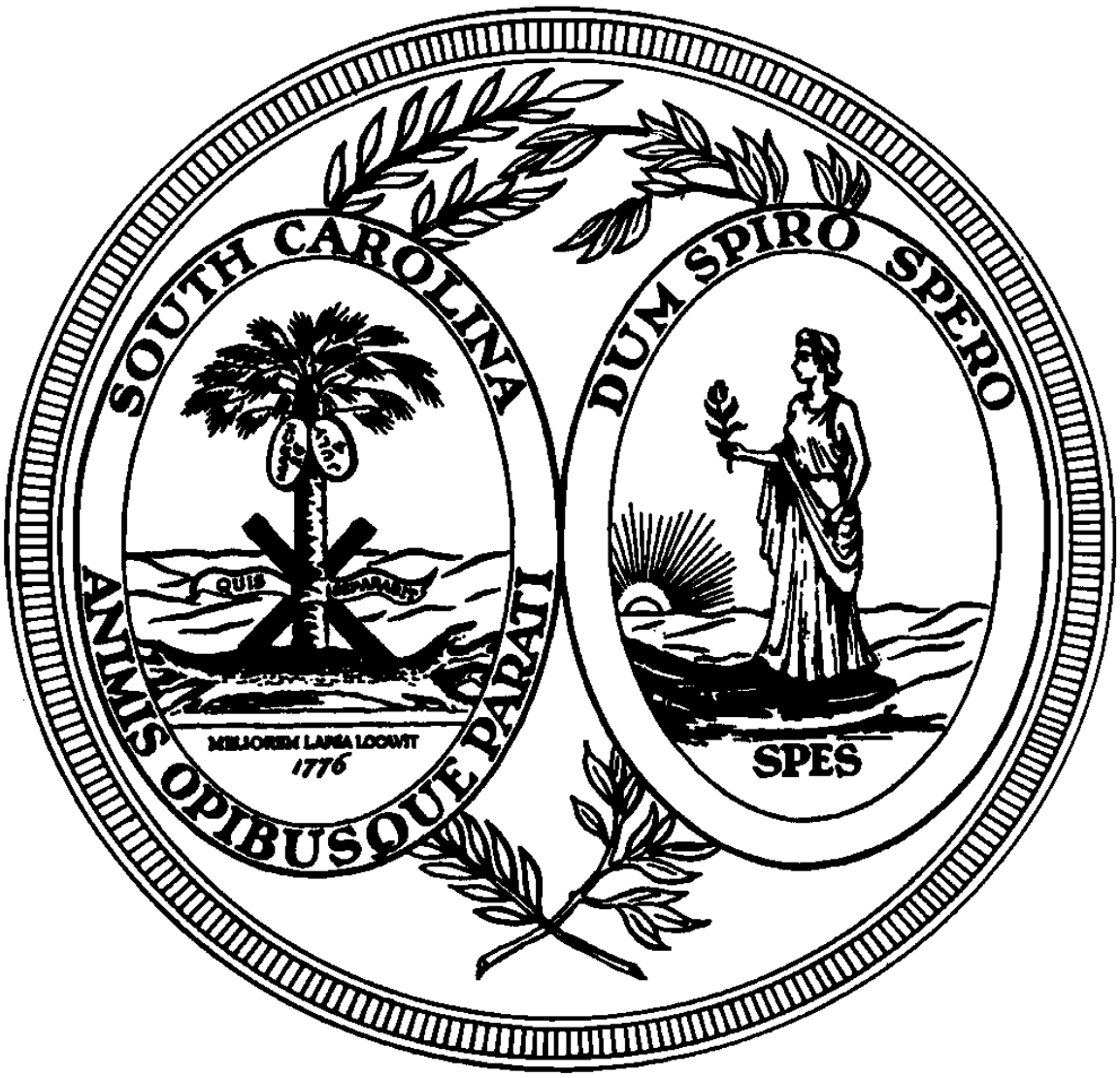


Requests for Information

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

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


SOUTH CAROLINA
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DUM SPIRO SPERO
QUIS SEPARABIT
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1776
SPES


SOUTH CAROLINA
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BASIC
FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2016
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents	$ 4,063,276	$ 592,772	$ 4,656,048	$ 2,314,811
Investments	2,920,349	199,942	3,120,291	1,363,670
Invested securities lending collateral	21,399	634	22,033	7,490
Receivables, net:				
Accounts	427,623	16,207	443,830	405,926
Contributions	131	—	131	150,197
Participants	—	2,016	2,016	—
Accrued interest	20,214	435	20,649	8,666
Income taxes	539,463	—	539,463	—
Sales and other taxes	642,027	—	642,027	—
Student accounts	250	—	250	52,706
Patient accounts	15,265	—	15,265	237,452
Loans and notes	616,444	—	616,444	107,216
Assessments	—	86,714	86,714	—
Due from Federal government and other grantors	730,633	—	730,633	196,727
Internal balances	27,690	(27,690)	—	—
Due from component units	66,405	—	66,405	—
Due from primary government	—	—	—	218,573
Inventories	34,764	2,214	36,978	856,080
Restricted assets:				
Cash and cash equivalents	887,256	—	887,256	1,311,198
Investments	—	—	—	2,984,775
Accounts receivable	143,608	—	143,608	901
Loans receivable	—	—	—	563,770
Other	74,527	—	74,527	9,478
Prepaid items	38,154	618	38,772	76,522
Other assets	504	258	762	581,289
Other assets- asset retirement obligation	—	—	—	940,671
Investment in joint venture	—	—	—	7,001
Capital assets-nondepreciable	4,629,587	187,698	4,817,285	5,071,377
Capital assets-depreciable, net	11,310,336	21,548	11,331,884	9,092,092
Total assets	$ 27,209,905	$ 1,083,366	$ 28,293,271	$ 26,558,588
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	$ 55,214	$ —	$ 55,214	$ 101,129
Deferred amount on refunding	88,235	—	88,235	194,419
Pension contributions subsequent to measurement date	201,218	479	201,697	209,527
Difference between actual and expected experience	58,011	196	58,207	59,911
Net difference between projected and actual earnings on investments	221,600	297	221,897	42,312
Changes in proportion and differences between contributions and proportionate share of plan contributions	28,661	623	29,284	44,864
Total deferred outflows	$ 652,939	$ 1,595	$ 654,534	$ 652,162
LIABILITIES				
Accounts payable	$ 720,851	$ 3,656	$ 724,507	$ 673,584
Accrued salaries and related expenses	155,169	739	155,908	199,040
Accrued interest payable	—	—	—	101,007
Retainages payable	1,731	—	1,731	29,696
Tax refunds payable	814,385	19,844	834,229	—
Payables-aid to individuals/families	4,305	—	4,305	—
Prizes payable	—	—	—	32,764
Unemployment benefits payable	—	682	682	—
Intergovernmental payables	347,330	4,249	351,579	750
Tuition benefits payable	—	125,600	125,600	—
Due to component units	218,573	—	218,573	—
Due to primary government	—	—	—	66,405
Due to fiduciary funds	12,974	—	12,974	—
Unearned revenues and asset retirement obligation	384,344	3,754	388,098	1,262,624
Deposits	72	—	72	17,729
Amounts held in custody for others	—	—	—	92,829
Securities lending collateral	37,620	900	38,520	10,149
Liabilities payable from restricted assets:				
Accrued interest payable	23,663	—	23,663	—
Other	—	2,163	2,163	116,071
Other liabilities	220,450	88	220,538	944,334
Long-term liabilities:	—			
Due within one year	947,424	37,091	984,515	430,563
Due in more than one year	6,201,553	300,681	6,502,234	15,009,850
Total liabilities	$ 10,090,444	$ 499,447	$ 10,589,891	$ 18,987,395
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ 4,701
Deferred gain on refunding	—	—	—	2,630
Deferred nuclear decommissioning costs	—	—	—	211,357
Deferred nonexchange revenues	15,378	—	15,378	194
Difference between actual and expected experience	7,521	18	7,539	4,755
Net difference earnings pension plan investment	198,095	221	198,316	17,746
Changes in proportion and differences between contributions and proportionate share of plan contributions	29,338	68	29,406	12,799
Total deferred inflows	$ 250,332	$ 307	$ 250,639	$ 254,182

Exhibit A-1

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
NET POSITION				
Net investment in capital assets	$ 13,088,862	$ 203,351	$ 13,292,213	$ 5,195,501
Restricted:				
Expendable:				
General government	2,901,513	—	2,901,513	—
Education	275,205	—	275,205	848,122
Health	399,771	—	399,771	—
Transportation	1,403,668	—	1,403,668	879
Capital projects	135,683	—	135,683	465,835
Debt service	895,422	—	895,422	233,234
Loan programs	11,326	—	11,326	420,069
Waste management	174,924	—	174,924	—
Insurance programs	281,670	—	281,670	—
Administration of justice	22,265	—	22,265	—
Economic development	54,482	—	54,482	—
Social programs	15,697	—	15,697	—
Unemployment compensation benefits	—	302,080	302,080	—
Other	—	—	—	13,570
Nonexpendable:				
Education	11,321	—	11,321	1,131,771
Other	108,200	—	108,200	—
Unrestricted	(2,257,941)	79,776	(2,178,165)	(339,808)
Total net position	**$ 17,522,068**	**$ 585,207**	**$ 18,107,275**	**$ 7,969,173**

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

Statement of Activities

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses)
Primary government:					
Governmental activities:					
General government	$ 4,693,397	$ 2,732,909	$ 1,100,037	$ 26,658	$ (833,793)
Education	4,906,919	48,984	965,421	8,414	(3,884,100)
Health and environment	7,683,019	105,004	4,838,827	58,818	(2,680,370)
Social services	1,832,743	10,202	1,625,388	9	(197,144)
Administration of justice	883,458	62,080	30,854	35	(790,489)
Resources and economic development	463,630	68,184	71,136	2,811	(321,499)
Transportation	1,310,449	249,031	191,344	486,195	(383,879)
Unallocated interest expense	23,537	—	—	—	(23,537)
Total governmental activities	**21,797,152**	**3,276,394**	**8,823,007**	**582,940**	**(9,114,811)**
Business-type activities:					
Unemployment compensation benefits	208,710	429,895	11,091	—	232,276
Second Injury	27	59,874	—	—	59,847
Other enterprise activities	45,855	46,759	818	39,480	41,202
Total business-type activities	**254,592**	**536,528**	**11,909**	**39,480**	**333,325**
Total primary government	**$ 22,051,744**	**$ 3,812,922**	**$ 8,834,916**	**$ 622,420**	**$ (8,781,486)**
Component units:					
Public Service Authority	1,849,906	1,879,553	1,405	—	31,052
Medical University of South Carolina	2,138,826	1,973,483	46,155	64,825	(54,363)
University of South Carolina	1,205,950	949,452	116,466	27,147	(112,885)
Clemson University	909,294	669,236	86,429	43,647	(109,982)
State Ports Authority	210,428	211,166	8,800	26,376	35,914
Housing Authority	218,640	37,400	200,818	—	19,578
Lottery Commission	1,604,007	1,604,067	2	—	62
Other	2,250,271	1,553,513	406,703	54,650	(235,405)
Total component units	**$ 10,387,322**	**$ 8,877,870**	**$ 866,778**	**$ 216,645**	**$ (426,029)**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (9,114,811)	$ 333,325	$ (8,781,486)	$ (426,029)
General revenues:				
Taxes:				
Individual income	3,884,855	—	3,884,855	—
Retail sales and use	4,279,959	—	4,279,959	—
Corporate income	408,297	—	408,297	—
Gas and motor vehicle	698,090	—	698,090	—
Insurance	156,766	—	156,766	—
Hospital	265,689	—	265,689	—
Other	666,017	—	666,017	—
Total taxes	10,359,673	—	10,359,673	—
Unrestricted grants and contributions	90	—	90	—
Unrestricted investment income	108,313	28,952	137,265	—
State Appropriations	—	—	—	630,892
Tobacco legal settlement	71,119	—	71,119	—
Other revenues	53,026	8,946	61,972	—
Additions to endowments	—	—	—	51,812
Transfers–internal activities	918	(918)	—	—
Total general revenues, additions to endowments, and transfers	**10,593,139**	**36,980**	**10,630,119**	**682,704**
Change in net position	**1,478,328**	**370,305**	**1,848,633**	**256,675**
Net position at beginning of year, restated	**16,043,740**	**214,902**	**16,258,642**	**7,712,498**
Net position at end of year	**$ 17,522,068**	**$ 585,207**	**$ 18,107,275**	**$ 7,969,173**

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

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2016
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
ASSETS			
Cash and cash equivalents	$ 1,805,737	$ 88,382	$ 303,978
Investments	1,899,365	60,124	258,386
Invested securities lending collateral	5,227	296	5,347
Receivables, net:			
Accounts	66,679	117,737	1
Contributions	131	—	—
Accrued interest	8,196	171	3,442
Income taxes	539,463	—	—
Sales and other taxes	529,741	11,449	—
Student accounts	250	—	—
Patient accounts	9,167	6,098	—
Loans and notes	34,392	454	579,553
Due from Federal government and other grantors	7,298	663,987	—
Due from other funds	68,989	8,953	11,296
Due from component units	16,245	765	—
Interfund receivables	25,417	—	226,668
Inventories	25,387	3,269	—
Restricted assets:			
Cash and cash equivalents	—	—	877,225
Accounts receivable, net	—	—	143,608
Other	—	—	39,527
Prepaid items	12,701	2,733	—
Other assets	—	—	—
Total assets	**$ 5,054,385**	**$ 964,418**	**$ 2,449,031**
LIABILITIES			
Accounts payable	253,829	298,821	15,641
Accrued salaries and related expenditures	99,217	29,218	76
Retainages payable	116	900	—
Tax refunds payable	803,686	—	—
Payable–aid to individuals/families	1,808	2,497	—
Intergovernmental payables	20,537	209,309	966
Due to other funds	53,326	66,011	24
Due to component units	185,596	31,978	—
Interfund payables	—	275	—
Unearned revenues	10,950	39,409	100,898
Securities lending collateral	16,785	420	7,195
Other liabilities	94,803	2,256	—
Total liabilities	**1,540,653**	**681,094**	**124,800**
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	1,309	20,696	120,077
Deferred nonexchange revenues	15,378	—	—
Total deferred inflows of resources	**16,687**	**20,696**	**120,077**
FUND BALANCES			
Nonspendable	94,624	6,002	—
Restricted	530,698	852,296	2,204,154
Committed	1,142,072	12,833	—
Assigned	416,089	—	—
Unassigned	1,313,562	(608,503)	—
Total fund balances	**3,497,045**	**262,628**	**2,204,154**
Total liabilities and fund balances	**$ 5,054,385**	**$ 964,418**	**$ 2,449,031**

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

Exhibit B-1

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 733,388	$ 407,897	$ 3,339,382
—	269,876	2,487,751
1,210	1,493	13,573
12,857	80	197,354
—	—	131
3,400	1,016	16,225
—	—	539,463
9,640	91,197	642,027
—	—	250
—	—	15,265
2,045	—	616,444
58,985	363	730,633
20,384	—	109,622
27	39,199	56,236
—	—	252,085
3,000	—	31,656
10,031	—	887,256
—	—	143,608
—	35,000	74,527
4,325	1	19,760
248	—	248
$ 859,540	**$ 846,122**	**$ 10,173,496**
137,767	$ 10,952	$ 717,010
22,479	213	151,203
—	715	1,731
—	10,699	814,385
—	—	4,305
—	116,517	347,329
16,203	1,103	136,667
639	360	218,573
226,668	4,415	231,358
78,818	—	230,075
1,719	2,121	28,240
—	—	97,059
484,293	**147,095**	**2,977,935**
1,405	—	143,487
—	—	15,378
1,405	**—**	**158,865**
7,573	11,322	119,521
10,031	585,753	4,182,932
356,238	96,641	1,607,784
—	5,311	421,400
—	—	705,059
373,842	**699,027**	**7,036,696**
$ 859,540	**$ 846,122**	**$ 10,173,496**

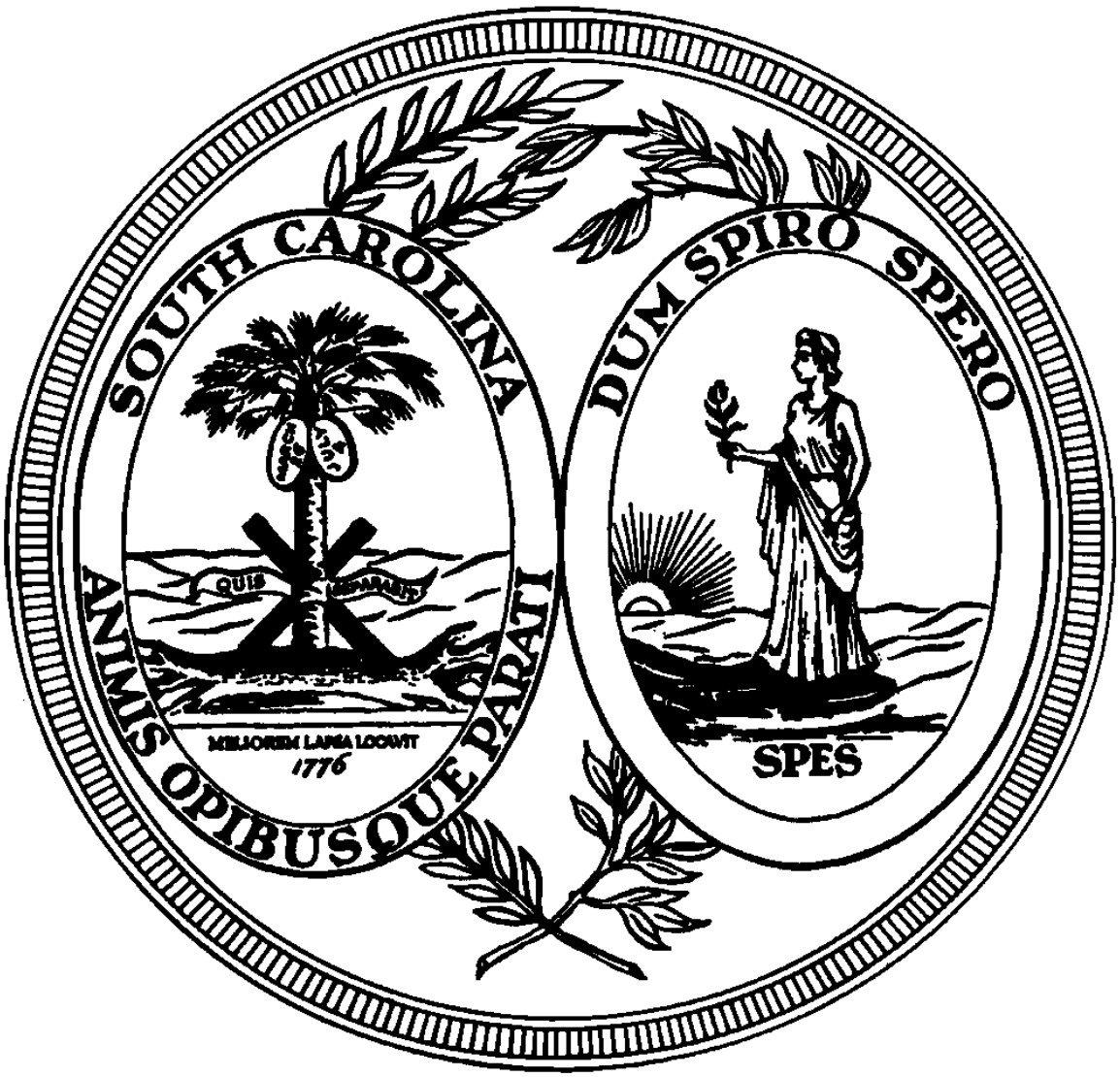
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2016
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 7,036,696**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets	$ 4,619,815	
Depreciable capital assets	16,921,931	
Accumulated depreciation	(5,713,584)	
Total capital assets		15,828,162
Deferred outflows of resources are recognized in the statement of net position, but are not reported in governmental funds:		
Hedging portion of derivative instruments ……..		55,214
Deferred loss on refunding bonds		88,235
Pension contributions made after the measurement date		198,192
Difference between expected and actual retirement plan experience		55,757
Net difference between projected and actual earnings on investments		220,650
Changes in proportion and differences between contributions and proportionate share of plan contributions		27,752
Deferred inflows of resources are recognized in the statement of net position, but are not reported in governmental funds:		
Difference between expected and actual retirement plan experience		(7,450)
Difference between projected and actual investment earnings		(195,771)
Changes in proportion and differences between contributions and proportionate share of plan contributions		(29,019)
Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows of resources		143,487
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		596,975
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(2,826,239)	
Notes payable	(11,337)	
Accrued interest on bonds	(23,541)	
Capital leases	(3,395)	
Net pension liability	(3,241,713)	
Compensated absences	(224,251)	
Policy claims	(34,454)	
Other	(131,882)	
Total long-term liabilities		(6,496,812)
Net position of governmental activities		**$ 17,522,068**

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


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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 3,858,585	$ —	$ 26,270
Retail sales and use	3,557,449	1,818	—
Corporate Income	408,297	—	—
Gas and motor vehicle	—	—	—
Insurance	156,766	—	—
Hospital	265,689	—	—
Other	531,470	123,170	—
Licenses, fees, and permits	285,996	29,595	228,571
Interest and other investment income	41,960	1,207	43,342
Federal	60,386	7,611,503	13,108
Local and private grants	6,111	55,989	—
Departmental services	683,164	72,783	122
Contributions	9,149	40,925	74,448
Fines and penalties	93,460	7,792	—
Tobacco legal settlement	—	—	—
Other	187,925	269,967	1
Total revenues	**10,146,407**	**8,214,749**	**385,862**
Expenditures:			
Current:			
General government	541,298	116,231	—
Education	560,778	152,966	—
Health and environment	2,739,410	5,288,491	—
Social services	200,356	1,616,380	—
Administration of justice	779,317	25,923	—
Resources and economic development	188,540	56,187	1,467
Transportation	1,929	1,777	1,282
Capital outlay	47,046	18,608	—
Debt service:			
Principal retirement	135,630	3,159	78,125
Interest and fiscal charges	40,239	258	93,782
Intergovernmental	3,962,461	1,019,053	158,633
Total expenditures	**9,197,004**	**8,299,033**	**333,289**
Excess of revenues over (under) expenditures	**949,403**	**(84,284)**	**52,573**
Other financing sources (uses):			
Bonds and notes issued	—	—	—
Refunding bonds issued	—	—	511,995
Premiums on bonds issued	—	—	21,638
Capital Leases	411	—	—
Payment to refunded bond escrow agent	(139,115)	—	(527,520)
Transfers in	294,512	103,973	3,672
Transfers out	(551,403)	—	—
Total other financing sources (uses)	**(395,595)**	**103,973**	**9,785**
Net change in fund balances	**553,808**	**19,689**	**62,358**
Fund balances at beginning of year	**2,943,237**	**242,939**	**2,141,796**
Fund balances at end of year	**$ 3,497,045**	**$ 262,628**	**$ 2,204,154**

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

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 3,884,855
—	720,692	4,279,959
—	—	408,297
698,090	—	698,090
—	—	156,766
—	—	265,689
1,037	10,340	666,017
—	70,177	614,339
4,842	6,754	98,105
625,716	310	8,311,023
—	—	62,100
77,278	8,044	841,391
—	407,303	531,825
—	78,992	180,244
—	71,119	71,119
9,658	525	468,076
1,416,621	**1,374,256**	**21,537,895**
1	87,671	745,201
—	314,572	1,028,316
—	84,904	8,112,805
—	—	1,816,736
—	26	805,266
—	224	246,418
689,050	—	694,038
467,518	122,831	656,003
43,675	1,390	261,979
19,993	6,783	161,055
300,632	727,776	6,168,555
1,520,869	**1,346,177**	**20,696,372**
(104,248)	**28,079**	**841,523**
—	115,370	115,370
—	61,510	573,505
—	23,214	44,852
—	—	411
—	(25,460)	(692,095)
267,332	182,466	851,955
—	(298,663)	(850,066)
267,332	**58,437**	**43,932**
163,084	**86,516**	**885,455**
210,758	**612,511**	**6,151,241**
$ 373,842	**$ 699,027**	**$ 7,036,696**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 885,455**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	$ 656,003	
Depreciation expense	(328,632)	
Excess of capital outlay over depreciation expense		327,371
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources		42,423
Loss on disposals of capital assets are reported as a expense in the statement of activities		(9,247)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:		
Bonds and notes issued	(688,875)	
Net bond premiums and discounts	(44,852)	
Net bond and note proceeds		(733,727)
Losses on bond refundings and hedging portion of derivatives are considered deferred outflows of resources in the statement of net position		14,261
Certain capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability		(411)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Bond principal retirement	256,270	
Bonds repurchased	692,095	
Note principal retirement	4,202	
Capital lease payments	1,508	
Total long-term debt repayment		954,075
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is included in governmental activities in the statement of activities, net of restatements		107,233
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in unearned revenues		(40,916)

Exhibit B-2a

Decrease in general operating expense due to the increase in pension expense for the amortization of deferred outflows and inflows of resources related to the net pension liability		260,625
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of changes in the following assets and liabilities:		
Accrued interest payable	$ 7,585	
Unamortized bond premiums and discounts	33,804	
Net pension liability	(328,542)	
Compensated absences payable	(12,179)	
Policy claims payable	1,774	
Other long-term liabilities	(31,256)	
Total additional expenses		(328,814)
Change in net position of governmental activities		**$ 1,478,328**

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2016
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents	$ 476,600	$ 82,773	$ 33,399	$ 592,772	$ 723,894
Investments	9,658	106,173	84,111	199,942	1,217
Invested securities lending collateral	53	578	3	634	7,826
Receivables, net:					
Accounts	13,437	—	2,770	16,207	229,979
Participants	—	—	578	578	—
Accrued interest	—	387	48	435	3,989
Assessments	86,714	—	—	86,714	—
Due from other funds	—	—	—	—	17,392
Due from component units	—	—	—	—	10,169
Inventories	—	—	2,214	2,214	3,108
Prepaid items	—	—	618	618	18,370
Other current assets	—	—	258	258	—
Total current assets	586,462	189,911	123,999	900,372	1,015,944
Long-term assets:					
Investments	—	—	—	—	431,381
Receivables, net:					
Accounts	—	—	—	—	290
Participants	—	—	1,438	1,438	—
Interfund receivables	—	—	—	—	9,115
Prepaid items	—	—	—	—	24
Other long-term assets	—	—	—	—	256
Non-depreciable capital assets	—	—	187,698	187,698	9,772
Depreciable capital assets, net	—	—	21,548	21,548	101,989
Total long-term assets	—	—	210,684	210,684	552,827
Total assets	**586,462**	**189,911**	**334,683**	**1,111,056**	**1,568,771**
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	—	—	479	479	3,026
Difference between actual and expected experience	—	—	196	196	950
Net difference between projected and actual earnings on investments	—	—	297	297	2,254
Changes in proportion and differences between contributions and proportionate share of plan contributions	—	—	623	623	909
Total deferred outflows of resources	**—**	**—**	**1,595**	**1,595**	**7,139**

Exhibit B-3

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	$ 11	$ 373	$ 3,272	$ 3,656	$ 3,841
Accrued salaries and related expenses	—	—	739	739	3,966
Tax refunds payable	19,844	—	—	19,844	—
Unemployment benefits payable	682	—	—	682	—
Intergovernmental payables	4,249	—	—	4,249	1
Tuition benefits payable	—	—	13,249	13,249	—
Policy claims	—	33,631	2,870	36,501	576,751
Due to other funds	2,596	—	94	2,690	631
Unearned revenues	—	—	3,754	3,754	154,269
Deposits	—	—	—	—	72
Securities lending collateral	75	821	4	900	9,380
Liabilities payable from restricted assets:					
Accrued interest payable	—	—	—	—	122
Notes payable	—	—	—	—	1,379
Revenue bonds payable	—	—	165	165	2,155
Compensated absences payable	—	—	425	425	2,589
Other current liabilities	—	—	88	88	2,581
Total current liabilities	27,457	34,825	24,660	86,942	757,737
Long-term liabilities:					
Tuition benefits payable	—	—	112,351	112,351	—
Policy claims	—	232,147	51,608	283,755	154,555
Interfund payables	—	—	25,000	25,000	4,842
Other liabilities payable from restricted assets	—	—	2,163	2,163	—
Notes payable	—	—	—	—	4,159
Revenue bonds payable	—	—	5,730	5,730	2,397
Compensated absences payable	—	—	259	259	1,579
Net pension liability	—	—	10,937	10,937	50,952
Total long-term liabilities	—	232,147	208,048	440,195	218,484
Total liabilities	**27,457**	**266,972**	**232,708**	**527,137**	**976,221**
DEFERRED INFLOWS OF RESOURCES					
Difference between actual and expected experience	—	—	18	18	71
Net difference earnings pension plan investment	—	—	221	221	2,324
Changes in proportion and differences between contributions and proportionate share of plan contributions	—	—	68	68	319
Total deferred inflows of resources	**—**	**—**	**307**	**307**	**2,714**

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

Statement of Net Position

Exhibit B-3

PROPRIETARY FUNDS (Continued)

June 30, 2016
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
NET POSITION (DEFICIT)					
Net investment in capital assets	$ —	$ —	$ 203,351	$ 203,351	$ 101,671
Restricted:					
Expendable:					
Loan programs	—	—	—	—	11,326
Unemployment compensation benefits	302,080	—	—	302,080	—
Insurance programs	—	—	—	—	281,670
Unrestricted	256,925	(77,061)	(100,088)	79,776	202,308
Total net position (deficit)	**$ 559,005**	**$ (77,061)**	**$ 103,263**	**$ 585,207**	**$ 596,975**

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

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Operating revenues:					
Assessments	$ 404,545	$ 59,874	$ —	$ 464,419	$ —
Charges for services	—	—	46,642	46,642	2,612,122
Contributions	—	—	818	818	—
Interest and other investment income	174	2,439	26,215	28,828	—
Federal operating grants and contracts	11,091	—	—	11,091	—
Other operating revenues	25,350	—	117	25,467	245,601
Total operating revenues	**441,160**	**62,313**	**73,792**	**577,265**	**2,857,723**
Operating expenses:					
General operations and administration	—	27	30,441	30,468	399,943
Benefits and claims	208,710	—	13	208,723	2,344,770
Tuition plan disbursements	—	—	14,140	14,140	—
Interest	—	—	—	—	19
Depreciation and amortization	—	—	1,242	1,242	15,359
Other operating expenses	—	—	19	19	4,950
Total operating expenses	**208,710**	**27**	**45,855**	**254,592**	**2,765,041**
Operating income	**232,450**	**62,286**	**27,937**	**322,673**	**92,682**
Nonoperating revenues (expenses):					
Interest income	—	—	136	136	10,208
Contributions	—	—	72	72	90
Interest expense	—	—	(12)	(12)	(219)
Net other nonoperating revenues (expenses)	7,200	6	1,740	8,946	5,554
Losses on sale of capital assets	—	—	—	—	(111)
Total nonoperating revenues (expenses)	**7,200**	**6**	**1,936**	**9,142**	**15,522**
Income before transfers	**239,650**	**62,292**	**29,873**	**331,815**	**108,204**
Capital Contributions	—	—	39,408	39,408	—
Transfers in	—	—	183	183	1,707
Transfers out	(200)	(231)	(670)	(1,101)	(2,678)
Change in net position	**239,450**	**62,061**	**68,794**	**370,305**	**107,233**
Net position (deficit), beginning, as restated	319,555	(139,122)	34,469	214,902	489,742
Net position (deficit) at end of year	**$ 559,005**	**$ (77,061)**	**$ 103,263**	**$ 585,207**	**$ 596,975**

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

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers	$ 31,283	$ 347	$ 46,570	$ 78,200	$ 2,398,461
Assessments received	429,364	60,016	—	489,380	—
Grants received	11,091	—	—	11,091	—
Tuition plan contributions received	—	—	1,605	1,605	—
Claims and benefits paid	(206,238)	(44,496)	(48,011)	(298,745)	(159,564)
Payments to suppliers for goods and services	—	—	(24,345)	(24,345)	(2,495,829)
Payments to employees	—	—	(7,053)	(7,053)	(49,304)
Internal activity–payments from other funds	—	—	—	—	206,654
Internal activity–payments to other funds	—	—	—	—	(3,506)
Other operating cash receipts	—	22,248	255	22,503	175,466
Other operating cash payments	—	—	—	—	(3)
Net cash provided by (used in) operating activities	**265,500**	**38,115**	**(30,979)**	**272,636**	**72,375**
Cash flows from noncapital financing activities:					
Principal payments received from other funds	—	—	—	—	940
Receipt of interest from other funds	—	—	—	—	37
Other noncapital financing cash receipts	—	—	1,772	1,772	3,409
Other noncapital financing cash payments	—	—	(2,054)	(2,054)	(145)
Transfers in	—	—	183	183	1,707
Transfers out	(200)	(231)	(670)	(1,101)	(2,678)
Net cash provided by (used in) noncapital financing activities	**(200)**	**(231)**	**(769)**	**(1,200)**	**3,270**

Exhibit B-5

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (53,618)	$ (53,618)	$ (14,540)
Principal payments on limited obligation bonds	—	—	—	—	(185)
Proceeds from issuance of capital debt	—	—	—	—	5,743
Proceeds from issuance of note	—	—	25,000	25,000	—
Principal payments on capital debt	—	—	(160)	(160)	(2,323)
Interest payments on capital debt	—	—	—	—	(57)
Capital grants and gifts received	—	—	39,408	39,408	—
Proceeds from sale or disposal of capital assets	—	—	103	103	—
Net cash provided by (used in) capital and related financing activities	**—**	**—**	**10,733**	**10,733**	**(11,362)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	18,133	43,681	14,171	75,985	67,051
Purchase of investments	(9,658)	(818)	(884)	(11,360)	(74,936)
Interest and dividends on investments	7,394	2,026	26,405	35,825	23,237
Net cash provided by investing activities	**15,869**	**44,889**	**39,692**	**100,450**	**15,352**
Net increase in cash and cash equivalents	**281,169**	**82,773**	**18,677**	**382,619**	**79,635**
Cash and cash equivalents at beginning of year	**195,431**	**—**	**14,722**	**210,153**	**644,259**
Cash and cash equivalents at end of year	**$ 476,600**	**$ 82,773**	**$ 33,399**	**$ 592,772**	**$ 723,894**
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ 232,450	$ 62,286	$ 27,937	$ 322,673	$ 92,682
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,242	1,242	15,359
Provision for bad debts	(21,765)	—	—	(21,765)	—
Interest payments reclassified as capital and related financing activities	—	—	—	—	(107)
Interest and dividends on investments and interfund loans	(7,394)	(2,026)	(26,215)	(35,635)	395
Realized losses on sale of assets	—	—	—	—	(444)
Other nonoperating revenues	—	—	24	24	2,401
Other nonoperating expenses	—	(206)	(146)	(352)	(1,298)

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

Continued on Next Page

Statement of Cash Flows

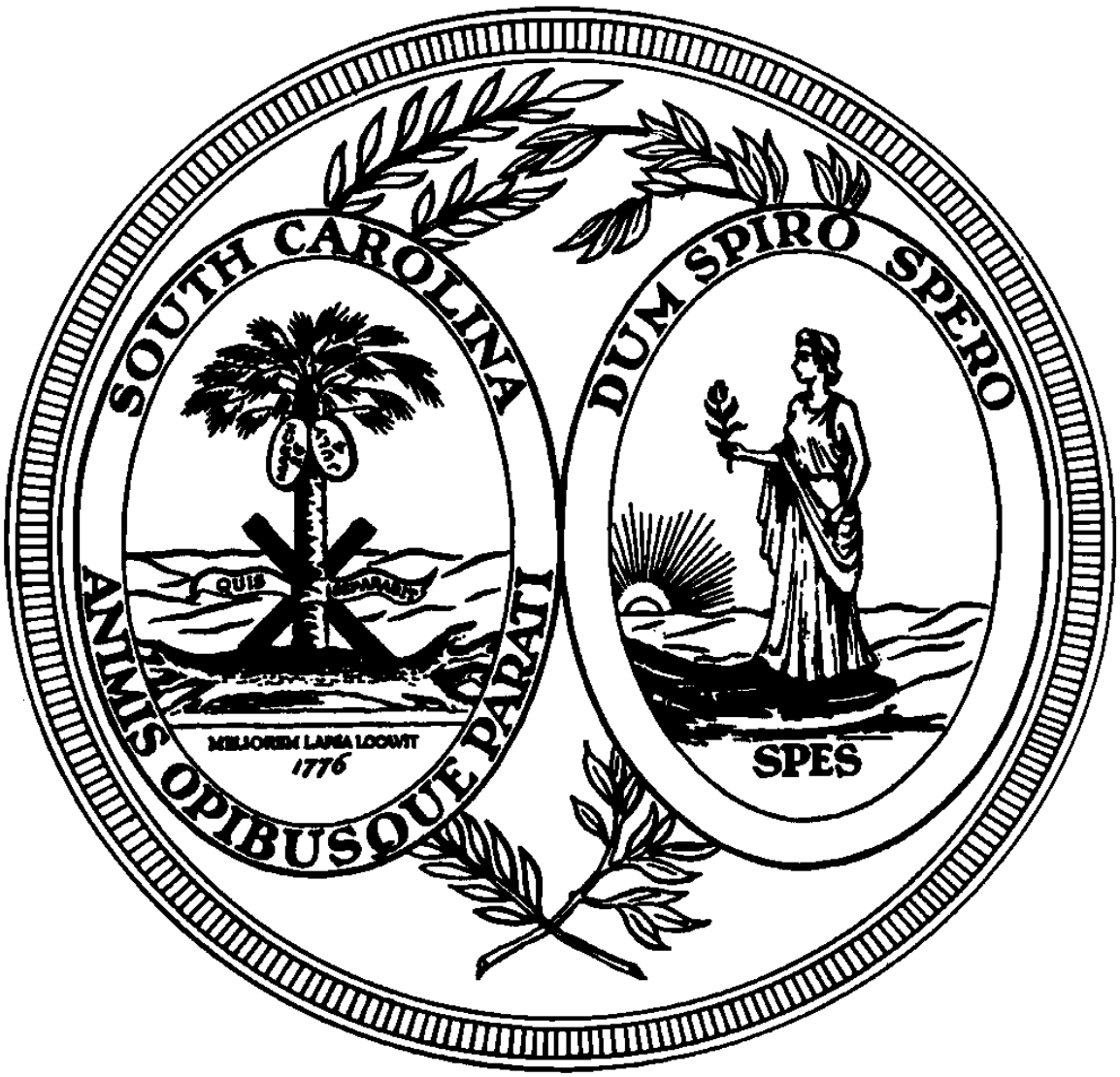
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Effect of changes in operating assets and liabilities:					
Accounts receivable, net	$ 34,684	$ 142	$ (128)	$ 34,698	$ (72,648)
Accrued interest	7,220	(207)	—	7,013	—
Assessments receivable, net	17,833	—	—	17,833	—
Due from other funds	—	—	—	—	(1,549)
Inventories	—	—	424	424	(9)
Other assets	—	—	(408)	(408)	3,038
Deferred outflows	—	—	(1,091)	(1,091)	(3,118)
Accounts payable	(15)	374	1,733	2,092	(314)
Accrued salaries and related expenses	—	—	140	140	69
Tax refunds payable	1,959	—	—	1,959	—
Unemployment benefits payable	(329)	—	—	(329)	—
Tuition benefits payable	—	—	(24,683)	(24,683)	—
Policy claims	—	(22,248)	(9,852)	(32,100)	36,752
Due to other funds	857	—	(1,997)	(1,140)	532
Unearned revenues	—	—	973	973	244
Compensated absences payable	—	—	(63)	(63)	229
Other liabilities	—	—	1,108	1,108	278
Deferred inflows	—	—	23	23	(117)
Net cash provided by (used in) operating activities	**$ 265,500**	**$ 38,115**	**$ (30,979)**	**$ 272,636**	**$ 72,375**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	$ —	$ —	$ —	$ 2,064
Increase (decrease) in fair value of investments	—	—	904	904	(13,115)
Total noncash capital, investing, and financing activities	**$ —**	**$ —**	**$ 904**	**$ 904**	**$ (11,051)**

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


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
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QUIS SEPARABIT
MELIOREM LANEA LOCAVIT
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Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 4,110,053	$ 3,868,519	$ 7,990	$ 445,830
Receivables, net:				
Accounts	—	—	—	7,390
Contributions	233,308	—	—	—
Accrued interest	44,319	2,086	1,630	1,030
Unsettled investment sales	695,775	—	2,497	—
Loans and notes receivables	—	—	—	51
Other investment receivables	40,363	—	—	—
Taxes	—	—	—	543
Total receivables	1,013,765	2,086	4,127	9,014
Due from other funds	65,560	—	—	12,974
Investments, at fair value:				
Short term investments	791,658	—	—	10,829
Debt-domestic	6,641,354	944,225	—	—
Equity-international	9,164,701	—	—	—
Alternatives	8,986,474	—	—	—
Financial and other	56,029	51,967	2,566,713	—
Total investments	25,640,216	996,192	2,566,713	10,829
Invested securities lending collateral	64,572	1,900	14	882
Capital assets, net	2,741	—	—	—
Prepaid items	3,585	—	—	—
Other assets	—	—	4,582	—
Total assets	**30,900,492**	**4,868,697**	**2,583,426**	**479,529**
LIABILITIES				
Accounts payable	9,439	—	1,006	21,463
Accounts payable–unsettled investment purchases	1,439,720	—	2,566	—
Policy claims	273	—	—	—
Due to other funds	65,560	—	—	—
Intergovernmental payables	—	—	—	41,844
Deposits	—	—	—	3,081
Amounts held in custody for others	—	—	—	411,605
Deferred retirement benefits	71,693	—	—	—
Securities lending collateral	111,977	1,900	20	1,254
Due to participants	—	11,387	—	36
Other liabilities	72,015	—	—	246
Total liabilities	**1,770,677**	**13,287**	**3,592**	**479,529**
NET POSITION				
Restricted for pension and other post-employment benefits	29,129,815	—	—	—
Held in trust for:				
External investment pool participants	—	4,855,410	—	—
Other purposes	—	—	2,579,834	—
Total net position	**$ 29,129,815**	**$ 4,855,410**	**$ 2,579,834**	**$ —**

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

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 34
Contributions:			
Employer	1,732,522	—	—
Employee	871,936	—	—
Deposits from pool participants	—	9,165,695	—
Other	—	—	161,620
Total contributions	2,604,458	9,165,695	161,620
Investment income:			
Interest income and net appreciation in investments	106,941	28,376	33,361
Securities lending income	997	23	—
Total investment income	107,938	28,399	33,361
Less investment expense:			
Investment expense	262,629	—	—
Securities lending expense	5	—	—
Net investment income (loss)	(154,696)	28,399	33,361
Assets moved between pension trust funds	1,378	—	—
Total additions	**2,451,140**	**9,194,094**	**195,015**
Deductions:			
Regular retirement benefits	2,839,393	—	—
Supplemental retirement benefits	452	—	—
Deferred retirement benefits	194,844	—	—
Refunds of retirement contributions to members	112,954	—	—
Death benefit claims	22,771	—	—
Accidental death benefits	1,590	—	—
Other post-employment benefits	439,615	—	—
Withdrawals, pool participants	—	8,654,671	—
Distributions to pool participants	—	23,935	—
Depreciation	310	—	—
Administrative expense	15,094	586	10,120
Other expenses	—	—	1,043
Assets moved between pension trust funds	1,378	—	—
Total deductions	**3,628,401**	**8,679,192**	**11,163**
Change in net position	**(1,177,261)**	**514,902**	**183,852**
Net position, beginning	**30,307,076**	**4,340,508**	**2,395,982**
Net position at end of year	**$ 29,129,815**	**$ 4,855,410**	**$ 2,579,834**

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

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2016

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority	Housing Authority
ASSETS						
Cash and cash equivalents	$ 113,413	$ 397,639	$ 456,211	$ 228,767	$ 419,300	$ 18,450
Investments	531,120	155,439	341,582	2,377	36,196	4,910
Invested securities lending collateral	—	112	2,457	1,344	2,700	269
Receivables, net:						
Accounts	175,931	28,584	9,031	8,196	68,773	395
Contributions	—	35,366	44,825	29,016	—	—
Accrued interest	3,357	1,049	820	1,444	—	53
Student accounts	—	571	8,321	5,610	—	—
Patient accounts	—	237,452	—	—	—	—
Loans and notes	—	410	6,436	34	—	26,817
Due from Federal government and other grantors	—	25,892	42,809	21,672	—	681
Due from primary government	—	20,765	9,635	15,813	167,697	1,398
Inventories	795,965	27,169	2,709	3,199	12,366	—
Restricted assets:						
Cash and cash equivalents	169,135	96,653	276,346	363,341	—	48,281
Investments	1,291,912	415,918	69,225	646,963	—	249,307
Accounts receivable	—	—	—	—	—	901
Loans receivable	—	12,801	17,006	7,375	—	513,515
Other	—	—	—	—	—	2,925
Prepaid items	14,695	25,720	4,432	11,581	4,475	—
Other assets	402,217	15,807	12,135	1,892	1,901	962
Other regulatory assets- asset retirement obligation	940,671	—	—	—	—	—
Investment in joint venture	7,001	—	—	—	—	—
Capital assets-nondepreciable	3,484,944	131,937	227,221	305,387	561,611	—
Capital assets-depreciable, net	4,024,177	1,033,451	1,127,892	810,590	288,372	136
Total assets	$ 11,954,538	$ 2,662,735	$ 2,659,093	$ 2,464,601	$ 1,563,391	$ 869,000
DEFERRED OUTFLOWS OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	$ 91,372	$ 9,757	$ —	$ —	$ —	$ —
Deferred amount on refunding	133,932	47,991	4,967	1,653	—	1,217
Pension contributions subsequent to measurement date	7,633	59,591	44,382	28,887	4,368	694
Difference between actual and expected experience	5,484	18,235	13,994	9,068	1,323	238
Net difference earnings pension plan investment	18,291	6,906	5,297	3,437	499	66
Change between contributions & proportionate share contributions	22	14,455	—	7,744	2,222	—
Total deferred outflows	$ 256,734	$ 156,935	$ 68,640	$ 50,789	$ 8,412	$ 2,215
LIABILITIES						
Accounts payable	$ 353,071	$ 83,656	$ 18,946	$ 47,769	$ 25,580	$ —
Accrued salaries and related expenses	9,684	105,182	18,320	19,423	3,665	868
Accrued interest payable	67,378	2,591	4,944	4,279	14,512	—
Retainages payable	6,643	249	2,983	8,206	7,987	—
Prizes payable	—	—	—	—	—	—
Intergovernmental payables	—	—	—	—	55	—
Due to primary government	—	—	5,113	3,370	—	—
Unearned revenues and asset retirement obligation	1,046,054	20,768	54,969	39,576	—	10,359
Deposits	—	—	2,680	1,417	—	—
Amounts held in custody for others	—	17,852	14,056	50,160	—	—
Securities lending collateral	—	157	3,052	1,865	3,834	382
Liabilities payable from restricted assets:						
Other	—	—	—	—	—	12,821
Other liabilities	804,241	48,625	37,807	12,370	16,701	2,314
Long-term liabilities:						
Due within one year	180,860	55,050	55,162	36,167	10,552	11,583
Due in more than one year	7,607,318	1,628,279	1,404,345	1,083,967	579,701	424,893
Total liabilities	$ 10,075,249	$ 1,962,409	$ 1,622,377	$ 1,308,569	$ 662,587	$ 463,220
DEFERRED INFLOWS OF RESOURCES						
Accumulated increase in fair value of hedging derivatives	$ 4,701	$ —	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—	2,630
Deferred nuclear decommissioning costs	211,357	—	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—	—
Difference between actual and expected experience	496	1,814	1,382	901	133	—
Net difference earnings pension plan investment	15,726	—	—	—	—	—
Change between contributions & proportionate share contributions	1,202	8	1,754	28	11	203
Total deferred inflows	$ 233,482	$ 1,822	$ 3,136	$ 929	$ 144	$ 2,833
NET POSITION						
Net investment in capital assets	$ 1,195,402	$ 620,713	$ 757,731	$ 768,710	$ 485,494	$ 136
Restricted:						
Expendable:						
Education	—	233,450	182,032	224,477	—	—
Transportation	—	—	—	—	—	—
Capital projects	4,304	76,012	91,242	54,148	—	—
Debt service	79,771	54,156	7,975	8,026	16,672	20,832
Loan programs	—	—	—	—	—	354,360
Other	—	—	—	—	—	—
Nonexpendable:						
Education	—	240,034	307,995	354,692	—	—
Unrestricted	623,064	(368,926)	(244,755)	(204,161)	406,906	29,834
Total net position	**$ 1,902,541**	**$ 855,439**	**$ 1,102,220**	**$ 1,205,892**	**$ 909,072**	**$ 405,162**

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

Exhibit C-1

Lottery Commission	Nonmajor Component Units	Total
$ 29,477	$ 651,554	$ 2,314,811
—	292,046	1,363,670
—	608	7,490
43,670	71,346	405,926
—	40,990	150,197
—	1,943	8,666
—	38,204	52,706
—	—	237,452
—	73,519	107,216
—	105,673	196,727
—	3,265	218,573
2,621	12,051	856,080
490	356,952	1,311,198
—	311,450	2,984,775
—	—	901
—	13,073	563,770
—	6,553	9,478
—	15,619	76,522
6,140	140,235	581,289
—	—	940,671
—	—	7,001
—	360,277	5,071,377
753	1,806,721	9,092,092
$ 83,151	$ 4,302,079	$ 26,558,588
$ —	$ —	$ 101,129
—	4,659	194,419
708	63,264	209,527
256	11,313	59,911
56	7,760	42,312
5	20,416	44,864
$ 1,025	$ 107,412	$ 652,162
$ 2,036	$ 142,526	$ 673,584
—	41,898	199,040
—	7,303	101,007
—	3,628	29,696
32,764	—	32,764
—	695	750
30,992	26,930	66,405
847	90,051	1,262,624
—	13,632	17,729
—	10,761	92,829
—	859	10,149
—	103,250	116,071
1,474	20,802	944,334
468	80,721	430,563
13,931	2,267,416	15,009,850
$ 82,512	$ 2,810,472	$ 18,987,395
$ —	$ —	$ 4,701
—	—	2,630
—	—	211,357
—	194	194
29	—	4,755
—	2,020	17,746
392	9,201	12,799
$ 421	$ 11,415	$ 254,182
$ 753	$ 1,366,562	$ 5,195,501
—	208,163	848,122
—	879	879
—	240,129	465,835
—	45,802	233,234
—	65,709	420,069
490	13,080	13,570
—	229,050	1,131,771
—	(581,770)	(339,808)
$ 1,243	**$ 1,587,604**	**$ 7,969,173**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Service Authority	$ 1,849,906	$ 1,879,553	$ 1,405	$ —
Medical University of South Carolina	2,138,826	1,973,483	46,155	64,825
University of South Carolina	1,205,950	949,452	116,466	27,147
Clemson University	909,294	669,236	86,429	43,647
State Ports Authority	210,428	211,166	8,800	26,376
Housing Authority	218,640	37,400	200,818	—
Lottery Commission	1,604,007	1,604,067	2	—
Nonmajor component units	2,250,271	1,553,513	406,703	54,650
Totals	**$ 10,387,322**	**$ 8,877,870**	**$ 866,778**	**$ 216,645**

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

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	State Appropriations	Net Position Beginning (Restated)	Net Position Ending
$ 31,052	$ —	$ —	$ 1,871,489	$ 1,902,541
(54,363)	8,868	104,859	796,075	855,439
(112,885)	8,468	149,059	1,057,578	1,102,220
(109,982)	22,804	108,812	1,184,258	1,205,892
35,914	—	—	873,158	909,072
19,578	—	—	385,584	405,162
62	—	—	1,181	1,243
(235,405)	11,672	268,162	1,543,175	1,587,604
$ (426,029)	**$ 51,812**	**$ 630,892**	**$ 7,712,498**	**$ 7,969,173**

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

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

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

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

Primary Government

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

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership, serves as trustee of the systems and the trust funds. The State Budget and Control Board (succeeded, in part, by the State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain decisions made by the PEBA Board of Directors regarding the funding of the retirement systems and serves as a co-trustee of the retirement systems in conducting that review. The State Treasurer is custodian of the funds.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2016.

Tobacco Settlement Revenue Management Authority

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

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2015. The Palmetto Railways Division is governed by the Secretary of the Department of Commerce which operates as a cabinet agency under the Governor and is subject to state laws and regulations as well maintaining operational responsibility for the blended component unit.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
122 Wade Hampton Office Building
Columbia, South Carolina 29201
www.treasurer.sc.gov

Palmetto Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200

Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2016. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2015. A financial benefit/burden relationship exists between the State and the Public Service Authority.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates six ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. Removal of the Governor's appointed members requires a breach of duty or entering into a conflict of interest transaction. The State's primary government has provided financial support to the State Ports Authority in the past, and State law grants the State access to the State Ports Authority's surplus net revenues. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

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

South Carolina Lottery Commission

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

Clemson University

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

Medical University of South Carolina

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

University of South Carolina

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

Other Discretely Presented Component Units (Nonmajor)

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

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2015.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2015. DOT is responsible for confirming the effectiveness and reasonableness of proposed toll rate changes in order for new toll rates to be established. Toll revenues, to the extent available, in accordance with the amended license agreement, are used to offset the highway maintenance commitments of DOT related to the Southern Connector. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

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

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

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

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

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2015.

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

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

The following technical colleges are nonmajor component units: Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-

Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College, and York Technical College. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

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

South Carolina Public Service Authority
(Santee Cooper)
One Riverwood Drive
Post Office Box 2946101
Moncks Corner, South Carolina 29461
www.santeecooper.com

South Carolina State Ports Authority
Post Office Box 22287
Charleston, South Carolina 29413
www.port-of-charleston.com

South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Boulevard
Columbia, South Carolina 29210
http://www.schousing.com

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

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

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

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

South Carolina Education Assistance Authority
Post Office Box 102425
Columbia, SC 29224
https://www.scstudentloan.org

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
http://www.scfirststeps.org

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
http://www.scjeda.com/

South Carolina Lottery Commission
Post Office Box 11949
Columbia, South Carolina 29211
www.sceducationlottery.com

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

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
http://www.patriotspoint.org

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

Related Organizations

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

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment

Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

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

b. Basis of Presentation

Government-wide Financial Statements

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

Statement of Activities and Eliminations

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

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

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

Enterprise Funds

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

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

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

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

Other Fund Types

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

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

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

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

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

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

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

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

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

Component Unit Financial Statements

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

c. Measurement Focus and Basis of Accounting

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

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

Accrual Basis

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

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

Modified Accrual Basis

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

Recognition of Specific Grant and Shared Revenue Transactions

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

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

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

d. Cash and Cash Equivalents

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

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

e. Cash Management Pool–Allocation of Interest

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

f. Investments

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

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

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

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

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

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained by writing to the following address:

Office of State Treasurer
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

g. Receivables and Payables

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

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

h. Inventories

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

i. Prepaid Items

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

j. Capital Assets

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

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

The State reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based upon this assessment there was no impairment as of June 30, 2016.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than $100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than $500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

Asset Category	Years
Land Improvements	3 - 60
Infrastructure--highways	75
Infrastructure--bridges	50
Buildings and Improvements	5 - 55
Vehicles	3 - 20
Machinery and equipment	2 - 25
Works of art; historical treasures	10 - 25
Intangible assets	3 - 38

The State does not depreciate land, non-depreciable land improvements, and construction in progress. The State does not depreciate capitalized individual works of art and historical treasures determined to have inexhaustible useful lives and does not capitalize collections of works of art and historical treasures that are held for public use, are protected and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These non-capitalized collections include historical relics, antiques, fossils, and other South Carolina artifacts.

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

k. Other regulatory assets- asset retirement obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as other regulatory assets- asset retirement obligation. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery

of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority.

l. Tax Refunds Payable

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

m. Long-Term Obligations

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

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

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

n. Compensated Absences

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

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

o. Net Position and Fund Balance

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

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2016, $498.145 million was reported as restricted net position because of restrictions imposed by enabling legislation.

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

p. Flow Assumption, Net Position or Fund Balance

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

q. Deferred Outflows/Inflows of Resources

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

r. Pension Obligations

The South Carolina Retirement Systems' (the Systems) financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The State's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market value are reported at estimated fair value.

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NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2016, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 72, *Fair Value Measurement and Application*, is intended to provide guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the Generally Accepted Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds, if applicable. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2016:

Nonmajor Enterprise Funds:	
Patients' Compensation	$ 51,320
Tuition Prepayment Program	43,268

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

NOTE 4: DEPOSITS AND INVESTMENTS

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

a. Deposits

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

Deposit Policy

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2016 was $467.606 million and the bank balance was $1.159 billion. As of June 30, 2016, the reported amount of the primary government's deposits outside of the State Treasurer was $53.526 million and the bank balance was $53.912 million. Of the $15.486 million bank balance exposed to custodial credit risk, $1.472 million was uninsured and uncollateralized, $1.044 million was uninsured and collateralized with securities held by the pledging financial institution, and $12.970 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

b. Investments

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

Investment Policy

The State's investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Agencies with specific authority to manage their own investments may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Fair Value

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

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

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

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

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

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

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

Investments by Fair Value Level	At 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 29,206	$ —	$ 29,206
U.S. agencies	989,812	—	989,812
Mortgage backed obligations	84,753	—	84,753
Common stock	45,526	45,526	—
Other equity securities	1,469,887	1,469,887	—
Corporate bonds	4,621,246	—	4,621,246
Municipal bonds	61,376	—	61,376
Asset backed securities	1,207	—	1,207
Commercial paper	3,546,534	—	3,546,534
Money market mutual funds	358,103	358,103	—
Bond mutual funds	535,694	535,694	—
Guaranteed investment contracts	320	—	320
Other	4,130	—	4,130
Total Investments at Fair Value	11,747,794	$ 2,409,210	$ 9,338,584
Investments measured at the amortized cost			
Repurchase agreements	785,041		
Total investments measured at amortized cost	$ 785,041		
Total investments measured at fair value	$ 12,532,835		

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty. The portion of the primary government's investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2016, as follows:

Primary Government Investment Type	Reported Amount
U.S. treasuries	$ 29,206
U.S. agencies	989,812
Mortgage backed obligations	84,753
Common stock	45,526
Other equity securities	1,469,887
Corporate bonds	4,621,246
Municipal bonds	61,376
Repurchase agreements	785,041
Asset backed securities	1,207
Commercial paper	3,546,534
Money market mutual funds	358,103
Bond mutual funds	535,694
Guaranteed investment contracts	320
Other	4,130
Totals	**$12,532,835**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Agencies with specific authority to manage their own investments may have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2016 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	BB	B	CCC & Below	Alternative Rating Agency	Not Rated
U.S. agencies	$ 757,262	$ 175,076	$ 35,907	$ —	$ —	$ —	$ —	$ —	$ 21,567
Mortgage backed obligations	—	78,924	5,829	—	—	—	—	—	—
Corporate bonds	95,887	973,116	682,716	2,143,184	16,161	2,741	778	447,685	258,978
Municipal bonds	—	56,376	—	—	—	—	—	—	5,000
Repurchase agreements	427,485	—	—	—	—	—	—	—	357,556
Asset backed securities	—	1,207	—	—	—	—	—	—	—
Commercial paper	—	—	3,244,587	—	—	—	—	—	301,947
Money market mutual funds	7,543	20,002	—	—	—	—	—	—	330,558
Bond mutual funds	—	—	—	—	—	—	—	—	535,694
Guaranteed investment contracts	—	—	—	—	—	—	—	—	320
Other	—	3,069	—	—	—	—	—	—	1,061
Totals	**$ 1,288,177**	**$ 1,307,770**	**$ 3,969,039**	**$ 2,143,184**	**$ 16,161**	**$ 2,741**	**$ 778**	**$ 447,685**	**$ 1,812,681**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2016, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 3,913	$ —	$ 3,913	$ —	$ —
U.S. agencies	490,498	35,940	271,467	140,715	42,376
Mortgage backed obligations	78,924	—	16,436	4,900	57,588
Corporate bonds	3,518,974	2,077,224	1,288,484	151,930	1,336
Repurchase agreements	427,485	427,485	—	—	—
Asset backed securities	1,207	—	—	—	1,207
Other	2,813	—	—	2,813	—
Totals	**$ 4,523,814**	**$ 2,540,649**	**$1,580,300**	**$ 300,358**	**$ 102,507**

Agencies that manage their own investments may have interest rate risk policies that differ from that of the State Treasurer. Some of these agencies may not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2016, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 25,293	$ 202	$ 24,710	$ 381	$ —
U.S. agencies	493,497	469,736	4,449	19,312	—
Mortgage backed obligations	5,829	—	—	—	5,829
Corporate bonds	1,102,272	469,822	296,962	335,444	44
Municipal bonds	61,376	5,000	—	56,376	—
Repurchase agreements	357,556	357,556	—	—	—
Commercial paper	3,546,534	3,546,534	—	—	—
Money market mutual funds	28,031	28,031	—		—
Bond mutual funds	535,694	—	519,967	—	15,727
Guaranteed investment contracts	320	—	—		320
Other	370	—	—	256	114
Totals	**$ 6,156,772**	**$ 4,876,881**	**$ 846,088**	**$ 411,769**	**$ 22,034**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2016, the State Treasurer had 7.36% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. As of June 30, 2016, less than 5% of the State's general investment portfolio was in an overnight repurchase agreement with Bank of America.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section e of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section f of this note.

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

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2016. At June 30, 2016, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2016, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2016, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2016, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2016:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 48,748
Total securities lent for cash collateral	**$ 48,748**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 1,076
Total securities lent for non-cash collateral	**$ 1,076**
Cash collateral invested as follows:	
Asset backed securities	$ 5,754
Repurchase agreements	24,665
Total for cash collateral invested	**$ 30,419**
Securities received as collateral:	
U.S. treasuries	$ 1,098
Total for securities collateral invested	**$ 1,098**

d. Investment Market Uncertainty

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result in market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

e. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. As prescribed by South Carolina state statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian.

As of June 30, 2016, the carrying amount of the Systems' deposits was $22.614 million and the bank balance was $34.428 million.

Investments

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

Fair Value Measurements

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

The Systems have the following recurring fair value measurements as of June 30, 2016 (amounts in thousands):

		Fair Value Measurments Using		
Investments by Fair Value Level	**At 6/30/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Short Term Investments				
Short Term Investment Funds (U. S. Regulated)	$ 1,728,531	$ 1,728,531	$ —	$ —
Repurchase Agreements	285,065	—	—	285,065
Certificates of Deposit	44,004	—	44,004	—
Commercial Paper	741,379	—	741,379	—
Discount Notes	526,187	—	526,187	—
U. S. Treasury Bills	254,985	254,985	—	—
Corporate Bonds	43,454	—	43,454	—
Total Short Term Investments	$ 3,623,605	$ 1,983,516	$ 1,355,024	$ 285,065
Equity Allocation				
Global Public Equity				
Common Stocks	$ 3,119,528	$ 3,119,528	$ —	$ —
Real Estate Investment Trusts	631,537	631,537	—	—
Preferred	37,690	2,042	35,648	—
Convertible Preferred	1,492	—	1,492	—
Total Equity	$ 3,790,247	$ 3,753,107	$ 37,140	$ —
Fixed Income Allocation				
U. S. Government				
U.S. Government Treasuries	$ 423,833	$ 423,833	$ —	$ —
U.S. Government Agencies	594,259	—	594,259	—
Mortgage Backed				
Government National Mortgage Association	86,341	—	86,341	—
Federal National Mortgage Association	30,740	—	30,740	—
Federal Home Loan Mortgage Association	2,414	—	2,414	—
Federal Home Loan Mortgage Association (Multiclass)	8,534	—	8,534	—
Collateralized Mortgage Obligations	9,015	—	9,015	—
Municipals	32,044	—	32,044	—
Corporate				
Corporate Bonds	2,416,412	—	1,922,945	493,467
Asset Backed Securities	249,757	—	249,757	—
Private Placements	537,216	—	537,216	—
Yankee Bonds	2,203	—	2,203	—
Global Emerging Debt	165,964	165,964	—	—
Total Fixed Income	$ 4,558,732	$ 589,797	$ 3,475,468	$ 493,467
Total Investments by Fair Value Level	$ 11,972,584	$ 6,326,420	$ 4,867,632	$ 778,532

Recurring fair value measurements as of June 30, 2016, continued (amounts in thousands):

Investments measured at the net asset value (NAV)		
Strategic Partnership Short Duration	$	481,561
Global Equity		3,345,563
Global Tactical Asset Allocation		1,963,716
Mixed Credit		233,515
Global Emerging Debt		1,068,970
Hedge Funds		3,132,975
Private Equity		2,644,469
Private Debt		1,709,401
Real Estate		1,499,968
Total investments measured at the NAV	$	16,080,138
Total investments measured at fair value	$	28,052,722

Investment derivative instruments			
Short Term Investments			
Options - Cash	$ (420)	$ —	$ (420)
Futures - Cash	(2,018)	(2,018)	0
Equity Investments			
Options - Equity	17,514	0	17,514
Futures - Equity	15,537	15,537	0
Swaps - Equity	32,124	0	32,124
Fixed Income Investments			
Options - Fixed Income	56	(40)	96
Futures - Fixed Income	24,264	24,264	0
Swaps - Fixed Income	(38,152)	0	(38,152)
Alternative Investments			
Swaps - Commodities	(339)	0	(339)
Total investment derivative instruments	$ 48,566	$ 37,743	$ 10,823

Total Invested Assets	$	28,101,288

Investments measured at the net asset value (NAV) (amounts in thousands):

	Fair Value	Unfunded Commitments*	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Strategic Partnership Short Duration	$ 481,561	$ —	Monthly	5 - 10 days
Global Equity	3,345,563	—	Daily/Monthly	5 - 30 days
Global Tactical Asset Allocation	1,963,716	—	Monthly/Quarterly	5 - 14 days
Mixed Credit	233,515	—	Monthly	5 - 30 days
International Emerging Debt	1,068,970	—	Daily/Monthly	10-15 days
Hedge Funds	3,132,975	—	Monthly/Quarterly	2 -90 days
Private Equity	2,644,469	839,692	Illiquid	Illiquid
Private Debt	1,709,401	1,479,311	Illiquid	Illiquid
Real Estate	1,499,968	1,078,343	Illiquid	Illiquid
Total investments measured at the NAV	$ 16,080,138			

**For purposes of this table, amounts are reported in thousands in US Dollars. The Private Equity Category includes €86,255,430 and AUD $86,100,000 that have been converted to USD.*

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

Global Equity Funds. This investment type includes nine funds that invest primarily in global developed and emerging equity public markets instruments. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice.

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

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

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

Hedge Funds. This investment type includes 16 funds that generally invest in hedge fund strategies that seek alpha in equity or credit markets, or seek to minimize embedded market beta. There are 10 of these funds, or approximately 73 percent of the value of this investment type, invested through strategic partnership investments which may consist of underlying investments in more than one hedge fund. The fair values of the investments in this type have been determined using NAV per share of the investments or percent ownership of the NAV of the fund. Redemptions are generally allowed monthly, provided adequate notice; however, it is common that funds have authority to require longer redemption timeframes and/or make the redemption subject to gates in order to mitigate any detrimental impact to the fund.

Private Equity Funds. This investment type includes 40 funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private equity investments span the venture capital, growth equity, fund of funds, secondaries, energy and buyout strategies. Private equity is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this type have been determined using percent ownership of the NAV of the fund. Due to the nature of the valuation of the underlying fund investments, it is probable that the investments of this type will be sold at an amount different from the percent ownership of the NAV of the fund.

Private Debt Funds. This investment type includes 20 funds that consist of investments in limited partnerships and 5 funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The private debt investments span the direct lending, distressed, energy, mezzanine, mortgages, opportunistic and other strategies. Private Debt is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this type have been determined using percent ownership of the NAV of the fund. Due to the nature of the valuation of the underlying fund investments, it is probable that the investments of this type will be sold at an amount different from the percent ownership of the NAV of the fund.

Real Estate Funds. This investment type includes 22 funds that consist of investments in limited partnerships or co-investments and four funds that are strategic partnership investments. Strategic partnerships may consist of underlying investments in more than one limited partnership or co-investment fund. The real estate investments span the core, diversified, real estate debt, timber, value add and opportunistic strategies. Real Estate is considered an illiquid investment strategy as funds generally have a life span of seven to 10 years. The nature of investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of the investments in this type have been determined using percent ownership of the NAV of the fund. Due to the nature of the valuation of the underlying fund investments, it is probable that the investments of this type will be sold at an amount different from the percent ownership of the NAV of the fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (RSIC) has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into

account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

Disclosures for interest rate risk at June 30, 2016, are noted below (amounts in thousands):

Investment Type	Fair Value Total	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration (option adjusted duration)
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 1,728,531	$ —	$ 1,728,531	0.08
Repurchase Agreements	285,065	—	285,065	0.08
Invested Securities Lending Collateral	55,737	55,737	—	N/A
Certificates of Deposit	44,004	—	44,004	0.39
Commercial Paper	741,379	24,996	716,383	0.11
U.S. Treasury Bills	254,985	—	254,985	0.22
Discount Notes	526,187	—	526,187	0.04
Corporate Bonds	43,454	261	43,193	0.11
Strategic Partnership Short Duration	481,561	—	481,561	1.16
Options - Cash	(420)	(306)	(114)	(2.20)
Futures - Cash	(2,018)	—	(2,018)	45.18
Total Short Term Investments	4,158,465	80,688	4,077,777	
Equity Allocation				
Preferred	37,690	2,042	35,648	5.52
Convertible Preferred	1,492	1,492	—	N/A
Total Equity Investments	39,182	3,534	35,648	
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	423,833	—	423,833	10.62
U.S. Government Agencies	594,259	71,765	522,494	0.92
Mortgage Backed:				
Government National Mortgage Association	86,341	—	86,341	1.23
Federal National Mortgage Assocation	30,740	—	30,740	1.85
Federal Home Loan Mortgage Association	2,414	2,055	359	0.90
Federal Home Loan Mortgage Association (multiclass)	8,534	—	8,534	2.77
Collateralized Mortgage Obligations	9,015	449	8,566	4.37
Municipals	32,044	1,531	30,513	9.95
Corporate:				
Corporate Bonds	2,416,412	535,254	1,881,158	3.61
Mixed Credit	233,515	12,579	220,936	4.68
Asset Backed Securities	249,757	39,698	210,059	(0.03)
Private Placements	537,216	128,152	409,064	2.45
Yankee Bonds	2,203	—	2,203	10.06
Global Emerging Debt	1,234,934	165,964	1,068,970	13.42
Options - Fixed Income	56	—	56	65.24
Futures - Fixed Income	24,264	—	24,264	444.06
Swaps - Fixed Income	(38,152)	(834)	(37,318)	12.88
Total Fixed Income	5,847,385	956,613	4,890,772	
Total Invested Assets	**$ 10,045,032**	**$ 1,040,835**	**$ 9,004,197**	
Total Portfolio Effective Duration (option adjusted duration)				**3.58**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade

to RSIC's consultant and staff. The Systems' fixed income investments at June 30, 2016 were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	NR[1]	TOTAL
Short Term Investments										
Short Term Investment Funds (U.S. Regulated)	$ 1,728,531	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,728,531
Repurchase Agreements	—	—	—	—	—	—	—	—	285,065	285,065
Investments In Securities Lending Collateral	—	—	—	—	—	—	—	—	55,737	55,737
Commercial Paper	—	352,872	—	351,529	—	—	—	—	36,978	741,379
Certificates of Deposit	—	24,002	—	—	—	—	—	—	20,002	44,004
Discount Notes	426,190	—	—	—	—	—	—	—	99,997	526,187
Corporate Bond	—	5,181	13,053	24,959	—	—	—	—	261	43,454
Strategic Partnership Short Duration	—	—	—	—	—	—	—	—	481,561	481,561
Options - Cash	—	—	—	—	—	—	—	—	(420)	(420)
Futures - Cash	—	—	—	—	—	—	—	—	(2,018)	(2,018)
Equity Investments										
Preferred	—	—	—	7,396	8,250	1,465	—	—	20,579	37,690
Convertible Preferred	—	—	—	1,492	—	—	—	—	—	1,492
Fixed Income Allocation[2]										
Mortgage Backed:										
Federal National Mortgage Association	30,740	—	—	—	—	—	—	—	—	30,740
Federal Home Loan Mortgage Association	2,414	—	—	—	—	—	—	—	—	2,414
Federal Home Loan Mortgage Association (Multiclass)	8,534	—	—	—	—	—	—	—	—	8,534
Collateralized Mortgage Association	9,015	—	—	—	—	—	—	—	—	9,015
Municipals	—	16,338	10,763	—	—	—	—	—	4,943	32,044
Corporate:										
Corporate Bonds	73,256	139,660	377,952	373,009	458,888	354,131	53,857	882	584,777	2,416,412
Mixed Credit	—	—	—	—	—	—	—	—	233,515	233,515
Asset Backed Securities	20,030	26,702	36,810	71,118	20,474	—	—	—	74,623	249,757
Private Placements	43,942	27,938	106,207	62,527	57,609	35,600	16,312	—	187,081	537,216
Yankee Bonds	—	—	—	1,673	530	—	—	—	—	2,203
Global Emerging Debt	—	—	—	—	83,246	—	—	—	1,151,688	1,234,934
Options - Fixed Income	—	—	—	—	—	—	—	—	56	56
Futures - Fixed Income	—	—	—	—	—	—	—	—	24,264	24,264
Swaps - Fixed Income	—	—	—	—	—	—	—	—	(38,152)	(38,152)
Totals	**$2,342,652**	**$592,693**	**$544,785**	**$ 893,703**	**$628,997**	**$391,196**	**$ 70,169**	**$ 882**	**$3,220,537**	**$8,685,614**

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

[2] *U.S. Treasury Bills, Notes and Bonds, Agencies and Government of National Mortgage Association securities with a fair value of $1.36 billion are not included in the above table because they are not subject to credit risk.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2016, there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Exposure to foreign investments has, to date, been achieved synthetically using financial futures, forwards and swaps. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2016 (amounts in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Debt	Preferred Securities	Fixed Income	Equity	Total
Australian Dollar	$ (127)	$ 98,964	$ 706	$ 7,595	$ —	$ —	$ —	$ 59,919	$ 167,057
Brazil Real	—	(11,345)	—	—	—	—	11,836	—	491
Canadian Dollar	4,576	119,854	1,219	—	—	—	(1,109)	100,385	224,925
Danish Krone	133	110	—	—	—	—	—	14,129	14,372
Euro Currency	(18,260)	322,302	3,451	165,823	1,519	2,043	186,812	239,792	903,482
Hong Kong Dollar	(705)	49,327	2,573	—	—	—	—	31,717	82,912
Israeli Shekel	—	—	—	—	—	—	—	4,300	4,300
Japanese Yen	1,363	258,674	(16,480)	—	—	—	—	172,251	415,808
Malaysian Ringgit	—	(1,159)	—	—	—	—	—	—	(1,159)
Mexican New Peso	1,513	(1,059)	—	—	—	—	(374)	2,832	2,912
New Taiwan Dollar	—	(2,378)	—	—	—	—	—	—	(2,378)
New Zealand Dollar	12	—	—	—	—	—	—	2,648	2,660
Norwegian Krone	48	(128)	—	—	—	—	—	5,659	5,579
Philippines Peso	1	—	—	—	—	—	—	—	1
Pound Sterling	(1,277)	255,072	18,539	—	—	—	4,574	168,204	445,112
Russian Ruble (New)	—	(699)	—	—	—	—	—	—	(699)
Singapore Dollar	524	(11,682)	—	—	—	—	—	5,575	(5,583)
South Korean Won	—	(14,060)	—	—	—	—	—	—	(14,060)
Swedish Krona	(1,801)	41,881	948	—	—	—	—	19,815	60,843
Swiss Franc	62	(495)	—	—	—	—	—	73,838	73,405
Totals	**$ (13,938)**	**$1,103,179**	**$ 10,956**	**$173,418**	**$1,519**	**$ 2,043**	**$ 201,739**	**$ 901,064**	**$2,379,980**

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, total return swaps, interest-only strips, and CMOs to enhance the performance and reduce volatility. To comply with the requirements of multiple exchanges, cash and securities in the amount of $139.7 and $281.9 million, respectively, were held in trust by the clearing brokers on June 30, 2016. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on the following pages. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

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

Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The tables below present classification information on the Systems' derivatives at June 30, 2016 (amounts in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation/(depreciation)	$ 74,008
Forward Contracts	Net appreciation/(depreciation)	(33,663)
Swaps	Net appreciation/(depreciation)	177
Options	Net appreciation/(depreciation)	33,231

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ (25,320)	$ (2,018)	$ (420)	$ —
Fixed Income	—	24,264	56	(38,152)
Equity	—	15,537	17,514	32,124
Alternatives	—	—	—	(339)
Totals	**$ (25,320)**	**$ 37,783**	**$ 17,150**	**$ (6,367)**

At June 30, 2016, the Systems had the following exposure via futures contracts (amounts in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
90 Day Eurodollar Future (CME)	March 2017	Short	(10)	$ (2,483)
90 Day Eurodollar Future (CME)	March 2018	Short	(206)	(51,054)
90 Day Eurodollar Future (CME)	June 2017	Short	(176)	(43,679)
90 Day Eurodollar Future (CME)	September 2017	Short	(71)	(17,613)
90 Day Eurodollar Future (CME)	September 2018	Short	(183)	(45,311)
90 Day Eurodollar Future (CME)	December 2017	Short	(147)	(36,447)
90 Day Eurodollar Future (CME)	December 2018	Short	(659)	(163,069)
Total Cash & Cash Equivalents				(359,656)
S&P 500 Emini Ind Future (CME)	September 2016	Long	4,613	482,105
SPI 200 Index Future (SFE)	September 2016	Long	1,123	108,202
DAX Index Future (EUX)	September 2016	Long	544	146,081
IBEX 35 Index Future (MFM)	July 2016	Long	575	51,917
CAC40 Euro Index Future (EOP)	July 2016	Long	3,400	159,928
S&P / MIB Index Future (MIL)	September 2016	Long	376	33,816
Amsterdam Index Future (EOE)	July 2016	Long	546	52,809
FTSE 100 Index Future (ICE)	September 2016	Long	3,277	281,350
Hang Seng Index Future (HKG)	July 2016	Long	432	58,321
TOPIX Index Future (OSE)	September 2016	Long	2,932	355,961
S&P / TSE 60 Index Futures (MSE)	September 2016	Long	1,131	141,830
OMXS30 Index Future (OMX)	July 2016	Long	2,645	41,161
DJ Euro Stoxx Ind 50 Future (EUX)	September 2016	Long	4,934	156,495
Total Equity				2,069,976

US Long Bond Future (CBT)	September 2016	Long	1,905	328,315
US 10 Year Treasury Notes (CBT)	September 2016	Long	2,921	388,447
US 5 Year Treasury Notes (CBT)	September 2016	Long	2,262	276,335
US 2 Year Treasury Notes (CBT)	September 2016	Long	1,125	246,744
US Long Bond Future (CBT)	September 2016	Long	288	49,635
US 10 Year Treasury Notes (CBT)	September 2016	Long	342	45,481
US 5 Year Treasury Notes (CBT)	September 2016	Long	1,364	166,632
EURO-BUND Future (EUX)	September 2016	Long	6	1,114
Canada 10 Year Bond Future (MSE)	September 2016	Long	116	13,223
EURO BTP Future (EUX)	September 2016	Long	192	30,419
US 10 Year Ultra Future (CBT)	September 2016	Short	(27)	(3,933)
US 10 Year Treasury Notes Future (CBT)	September 2016	Short	(89)	(11,836)
US 5 Year Treasury Notes Future (CBT)	September 2016	Short	(36)	(4,398)
US 2 Year Treasury Notes Future (CBT)	September 2016	Long	153	33,557
US Ultra Bond Future (CBT)	September 2016	Long	2	373
Total Fixed Income				1,560,108
Totals				**$ 3,270,428**

***Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. As of June 30, 2016, the Systems had the following forward exposures, listed by counterparty (amounts in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Australia & New Zealand Banking Group Ltd.	$ 1,913	$ (21)	0.07%
Bank of America	295,808	(5,251)	10.64%
Bank of Montreal	363,278	1,617	13.07%
Barclays London	18,281	(262)	0.66%
BNP Paribas	339,727	(7,060)	12.22%
Bank of New York Mellon	544,088	2,090	19.57%
Citibank NA	251,211	(1,892)	9.04%
Commonwealth Bank of Australia	167,054	(216)	6.01%
Credit Suisse International London	2,872	8	0.10%
Deutsche Bank London	1,860	2	0.07%
Goldman Sachs	52,040	102	1.87%
HSBC Securities	206,984	(3,815)	7.44%
JP Morgan Chase Bank	66,584	(1,692)	2.39%
Merrill Lynch International	5,556	2	0.20%
Morgan Stanley Capital Services	6,193	(203)	0.22%
National Australia Bank Ltd	113,867	(4,048)	4.10%
Societe Generale	3,982	31	0.14%
Standard Chartered Bank	6,871	274	0.25%
State Street Corp	150,458	(484)	5.41%
UBS AG	140,633	(4,277)	5.06%
Westpac Banking Corp	40,925	(225)	1.47%
Totals	**$ 2,780,185**	**$ (25,320)**	**100.00%**

Swaps

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position.

The table below reflects the counterparty credit ratings at June 30, 2016, for currency forwards, swap agreements, options and corresponding amounts subject to credit risk (amounts in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aa2	$ (10,016)	$ 12,189	$ (175)	$ 1,998
Aa3	(2,386)	3,550	(45)	1,119
A1	(12,487)	3,514	22,424	13,451
A2	(231)	10,513	(5)	10,277
A3	—	(11)	—	(11)
Baa1	—	(65)	—	(65)
Baa2	2	(810)	(39)	(847)
NR	(202)	(1,065)	(5,010)	(6,277)
Total subject to credit risk	$ (25,320)	$ 27,815	$ 17,150	$ 19,645
Centrally cleared:				
Chicago Mercantile Exchange Inc	$ —	$ (23,219)	$ —	$ (23,219)
LCH. Clearnet Ltd	—	(10,963)	—	(10,963)
Total not subject to credit risk	$ —	$ (34,182)	$ —	$ (34,182)
Total	**$ (25,320)**	**$ (6,367)**	**$ 17,150**	**$ (14,537)**

At June 30, 2016, the Systems held swaps as shown in the tables below (amounts in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
BNP Paribas	Russell 2000 Total Return (Short)	Russell 2000 Index Total Return	LIBOR 3M Spread -78bps	4/5/2017	$ (98,279)	$ (3,279)
Goldman Sachs	BCOM F3 Preroll w/Gemini Micro	1M US Dollar + 45bps	ABGS1006 INDEX	8/30/2016	117,083	17,083
Goldman Sachs	BCOM F3 Preroll w/Gemini Micro	1M US Dollar + 45bps	ABGS1006 INDEX	9/1/2016	87,246	12,246
JP Morgan	JPM Palmetto Equinox Proxy TR	3M T-Bill + 46.9bps	JMABEQXT INDEX	5/31/2017	116,912	(8,088)
JP Morgan	JPM Enhanced Beta + SSP Proxy	3M T-Bill + 46.9bps	JMABEBSP INDEX	8/31/2016	228,187	13,625
JP Morgan	JPM Palmetto Equinox Proxy TR	3M T-Bill + 46.9bps	JMABEQXT INDEX	9/30/2016	102,221	2,221
Societe Generale	SocGen Congestion Commodities	1M US Dollar + 19bps	SGCOP26E	3/31/2017	234,243	27,083
					$ 787,613	**$ 60,891**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America NA	Credit Default Swaps	Variable Rate	Fixed Rate	various	$ 12,700	$ 180
Barclays Bank PLC	Credit Default Swaps	Fixed Rate	Variable Rate	6/20/2017	1,100	(7)
Citibank NA	Credit Default Swaps	Variable Rate	Fixed Rate	6/20/2021	9,288	(159)
Credit Suisse AG	Credit Default Swaps	Variable Rate	Fixed Rate	various	12,200	(1,027)
Deutsche Bank AG/London	Credit Default Swaps	Variable Rate	Fixed Rate	10/17/2057	21,700	(810)
Goldman Sachs Bank USA	Interest Rate Swaps	Variable Rate	Fixed Rate	11/16/2025	900	(72)
Goldman Sachs International	Credit Default Swaps	Variable Rate	Fixed Rate	various	14,200	(845)
JPMorgan Chase Bank NA	Credit Default Swaps	Variable Rate	Fixed Rate	various	16,644	(89)
Merrill Lynch & Company Inc.	Interest Rate Swaps	Fixed Rate	Variable Rate	various	950	(65)
Merrill Lynch International/UK	Credit Default Swaps	Variable Rate	Fixed Rate	various	12,100	(635)
Morgan Stanley Capital Services LLC	Credit Default Swaps	Variable Rate	Fixed Rate	various	8,460	(431)
Royal Bank of Scotland PLC	Credit Default Swaps	Variable Rate	Fixed Rate	various	1,700	(11)
					$ 111,942	**$ (3,971)**
Chicago Mercantile Exchange Inc.	Interest Rate Swaps	Fixed / Variable Rate	Fixed / Variable Rate	various	$ 381,299	$ (23,219)
LCH.Clearnet Ltd	Interest Rate Swaps	Fixed / Variable Rate	Fixed / Variable Rate	various	149,800	(10,963)
					$ 531,099	**$ (34,182)**

***Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.*

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration.

As of June 30, 2016, the Systems had the following option positions (amounts in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Aug 16 1153.000 ED 081016	KRW/USD SPOT OPTION 2016	August	(7,300,000)	$ (108)
Put Aug 16 1132.000 ED 081616	KRW/USD SPOT OPTION 2016	August	(2,300,000)	(18)
Put Jul 16 1150.000 ED 072716	KRW/USD SPOT OPTION 2016	July	(3,300,000)	(35)
Put Jul 16 1150.000 ED 071516	KRW/USD SPOT OPTION 2016	July	(2,200,000)	(17)
Put Jul 16 1150.000 ED 070716	KRW/USD SPOT OPTION 2016	July	(4,700,000)	(21)
Put Jul 16 1133.000 ED 071116	KRW/USD SPOT OPTION 2016	July	(3,100,000)	(5)
Call Aug 16 1222.000 ED 081016	KRW/USD SPOT OPTION 2016	August	(7,300,000)	(16)
Call Aug 16 1205.000 ED 081616	KRW/USD SPOT OPTION 2016	August	(2,300,000)	(10)
Call Jul 16 1217.000 ED 072716	KRW/USD SPOT OPTION 2016	July	(3,300,000)	(4)
Call Dec 16 087.000 ED 120816	RUB/USD SPOT OPTION 2016	December	(2,300,000)	(13)
Put Aug 16 018.300 ED 080916	MXN/USD SPOT OPTION 2016	August	(2,200,000)	(31)
Put Jul 16 018.370 ED 072716	MXN/USD SPOT OPTION 2016	July	(1,100,000)	(15)
Put Jul 16 017.950 ED 070116	MXN/USD SPOT OPTION 2016	July	(2,800,000)	—
Put Jul 16 017.650 ED 070716	MXN/USD SPOT OPTION 2016	July	(2,700,000)	(1)
Call Aug 16 019.800 ED 080916	MXN/USD SPOT OPTION 2016	August	(2,200,000)	(8)
Call Jul 16 019.650 ED 072716	MXN/USD SPOT OPTION 2016	July	(1,100,000)	(3)
Call Aug 16 105.000 ED 080816	JPY/USD SPOT OPTION 2016	August	(3,300,000)	(24)
Call Jul 16 001.378 ED 072716	USD/GBP SPOT OPTION 2016	July	(3,200,000)	(27)
Call Aug 16 001.1275 ED 080816	USD/EUR SPOT OPTION 2016	August	(5,900,000)	(45)
Call Jul 16 000.752 ED 071516	USD/AUD SPOT OPTION 2016	July	(4,300,000)	(16)
Call Jul 16 000.751 ED 071316	USD/AUD SPOT OPTION 2016	July	(800,000)	(3)
Total Cash & Cash Equivalents				(420)
Put Aug 16 132.000 ED 07/22/16	US 10 YR TREAS NTS FUT SEP 16	August	(151)	(40)
Pug Jul 16 001.150 ED 07/05/16	IRS P USD 1Y 3.125 BPS R 1.15%	July	77,500,000	—
Call Dec 16 000.770 ED 122116	IRS P USD 5Y R .41 BPS .77%	December	(16,600,000)	(69)
Call Dec 16 001.000 ED 122116	IRS R 1% P US0006M 12/22/21	December	8,300,000	67
Call Dec 16 076.500 ED 121316	IRS P USD 5Y 42.625 R 0.765%	December	(19,200,000)	(74)
Call Dec 16 001.000 ED 121316	IRS P USD 5Y R .843125 BPS	December	9,600,000	75
Put Aug 18 002.940 ED 08/20/18	IRS P USD 30Y 97BPS R 2.94%	August	1,600,000	46
Put Aug 18 002.800 ED 08/20/18	IRS P USD 5Y 22BPS R 2.8%	August	(6,900,000)	(25)
Put Aug 18 002.905 ED 082018	IRS P USD 30Y 98BPS R 2.905%	August	4,900,000	149
Put Aug 18 002.800 ED 082018	IRS P USD 5Y 22BPS R 2.8%	August	(21,600,000)	(79)
Put Jul 16 001.250 ED 07/05/16	IRS P USD 1Y 3BPS R 1.25%	July	212,400,000	—
Put Jul 16 001.250 ED 07/05/16	IRS P USD 1Y 38BPS R 1.25%	July	134,000,000	—
Call Jan 18 001.100 ED 013018	IRS P USD2Y 100BPS R 1.100%	January	(11,200,000)	(88)
Call Jan 18 001.600 ED 013018	IRS P USD 2Y 100BPS R1.600%	January	(11,200,000)	(161)
Call Jan 18 002.100 ED 1/30/18	IRS P USD 2Y 14BPS R 2.1%	January	11,200,000	255
Total Fixed Income				56
Put Jan 17 1676.220 ED 1/31/17	S & P 500 INDEX (SPX) OTC	January	(161,077)	(3,718)
Call Jan 17 1963.040 ED 013117	S & P 500 INDEX (SPX) OTC	January	(322,154)	(60,230)
Call Jan 17 1862.460 ED 013117	S & P 500 INDEX (SPX) OTC	January	322,154	86,456
Put Jul 16 2020.000 ED 072216	S & P 500 INDEX (SPX)	July	(380)	(327)
Put Jul 16 2065.000 ED 071516	S & P 500 INDEX (SPX)	July	(1,150)	(1,334)
Put Jul 16 2020.000 ED 070116	S & P 500 INDEX (SPX)	July	(380)	(6)
Put Jul 16 2020.000 ED 070816	S & P 500 INDEX (SPX)	July	(380)	(78)
Put Aug 16 2025.000 ED 083116	S & P 500 INDEX (SPX)	August	(1,140)	(3,249)
Total Equity				17,514
Total				**$ 17,150**

Alternative Investments

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

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

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

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

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt/opportunistic credit and real estate investments. As of June 30, 2016, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts in thousands):

	Total Commitment	Amount Funded To Date	Remaining Unfunded Commitment
Limited Partnerships USD			
Private Equity	$ 4,226,328	$ 3,546,567	$ 679,761
Private Debt	4,484,552	3,005,241	1,479,311
Real Estate	3,071,378	1,994,662	1,076,716
Real Assets	30,000	28,373	1,627
Totals	$ 11,812,258	$ 8,574,843	$ 3,237,415
Limited Partnerships Euros			
Private Equity	€ 275,750	€ 189,495	€ 86,255
Private Debt	75,917	75,917	—
Totals	€ 351,667	€ 265,412	€ 86,255
Limited Partnerships AUD			
Private Equity	$ 100,000	$ 13,900	$ 86,100
Totals	$ 100,000	$ 13,900	$ 86,100

Securities Lending

The Retirement Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102.0 percent of the market value of the securities loaned, providing a margin against a decline in the market value of collateral. If the collateral value falls below 100.0 percent, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of $1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2016 included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The contractual agreement between the State Treasurer as custodian and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities are received as collateral for these loans. Collateral securities

cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2016, the fair value of securities on loan was $146.179 million. The fair value of the invested cash collateral was $55.737 million. Securities lending obligations were $102.965 million with an unrealized loss in invested cash collateral of $47.228 million. The unrealized loss from securities lending activity was determined based on the settlement agreement between BNY Mellon and the State.

Under the agreement with BNY Mellon, the $47.228 million in unrealized loss is being gradually offset by a portion of securities lending earnings over a period of years. The gross securities lending revenue for the fiscal year was $946 thousand, a decrease from $1.980 million in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2016, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2016:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
Corporate bonds	$ 22,082	$ 3,554	$ 26	$ 127	$ 19	$ 25,808
Common stock	64,486	10,377	75	373	57	75,368
Total securities lent for cash collateral	**$ 86,568**	**$ 13,931**	**$ 101**	**$ 500**	**$ 76**	**$ 101,176**
Securities lent for non-cash collateral:						
Common stock	$ 38,506	$ 6,196	$ 45	$ 222	$ 34	$ 45,003
Total securities lent for non-cash collateral	**$ 38,506**	**$ 6,196**	**$ 45**	**$ 222**	**$ 34**	**$ 45,003**
Cash collateral invested as follows:						
Repurchase agreements	$ 47,690	$ 7,674	$ 56	$ 275	$ 42	$ 55,737
Total cash collateral invested	**$ 47,690**	**$ 7,674**	**$ 56**	**$ 275**	**$ 42**	**$ 55,737**
Securities received as collateral:						
U.S. Government securities	$ 38,748	$ 6,236	$ 45	$ 224	$ 34	$ 45,287
Total securities received as collateral	**$ 38,748**	**$ 6,236**	**$ 45**	**$ 224**	**$ 34**	**$ 45,287**

f. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2016, the Trusts had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to investments in the State internal cash management 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.

Fair Value Measurements

The Trusts categorize fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments by Fair Value Level	At 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. agencies	$ 140,262	$ —	$ 140,262
Mortgage backed obligations	14,506	—	14,506
Corporate bonds	637,000	—	637,000
Repurchase agreements	74,826	74,826	—
Muncipal bonds	2,201	—	2,201
Commercial paper	56,029	—	56,029
Total Investments at Fair Value	$ 924,824	$ 74,826	$ 849,998

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2016, the Trusts' investments were rated by Moody's as follows (expressed in thousands):

Investment Type and Fair Value	AAA / AA	A / A1 / A2	BAA/BA	B/1/B/2/B/3	CAA/CA/C	Not Rated
U.S. agencies	$ 140,262	$ —	$ —	$ —	$ —	$ —
Mortgage backed obligations	14,506	—	—	—	—	—
Corporate bonds	68,631	208,244	354,302	3,530	1,093	1,200
Repurchase agreements	—	—	—	—	—	74,826
Municipal bonds	—	2,201	—	—	—	—
Commercial paper	4,000	30,056	21,973	—	—	—
Totals	**$ 227,399**	**$ 240,501**	**$ 376,275**	**$ 3,530**	**$ 1,093**	**$ 76,026**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2016, the maturities of the investments for the Trusts that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. agencies	$ 140,262	$ 5,000	$ 17,458	$ 6,521	$ 111,283
Mortgage backed obligations	14,506	—	297	3	14,206
Corporate bonds	637,000	70,272	337,730	225,797	3,201
Repurchase agreements	74,826	74,826	—	—	—
Municipal bonds	2,201	—	2,201	—	—
Commercial paper	56,029	4,218	46,683	5,128	—
Totals	**$ 924,824**	**$ 154,316**	**$ 404,369**	**$ 237,449**	**$ 128,690**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2016, the State Treasurer held investments in overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations of 8.1% for Retiree Health Insurance and 11.1% for Long-Term Disability Insurance.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2016:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 9,012
Total securities lent for cash collateral	**$ 9,012**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 22
Total securities lent for non-cash collateral	**$ 22**
Cash collateral invested as follows:	
Repurchase agreements	$ 8,814
Total for cash collateral invested	**$ 8,814**
Securities received as collateral:	
U.S. treasuries	$ 22
Total for securities collateral invested	**$ 22**

NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for uncollectible receivables (expressed in thousands) at June 30, 2016, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
Related To	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes	$ 387,350	$ —	$ —	$ —	$ —	$ 387,350
Sales and other taxes	278,071	—	—	42,499	—	320,570
Patient accounts	5,978	1,667	—	—	—	7,645
Student accounts	7	—	—	—	—	7
Other	19,889	63,347	1,065	—	89	84,390
Total allowances for uncollectibles	**$ 691,295**	**$ 65,014**	**$ 1,065**	**$ 42,499**	**$ 89**	**$ 799,962**

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year).

	Business-type Activities (Enterprise Funds)
Related To	Unemployment Compensation Benefits
Assessments	$ 57,942
Other	17,329
Total allowances for uncollectibles	**$ 75,271**

Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2016, were as follows:

Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 24,720	$ 19,472	$ 1	$ —	$ —	$ 290	$ 44,483
Income taxes	31,831	—	—	—	—	—	31,831
Sales and other taxes	1,230	—	—	—	1,390	—	2,620
Patient accounts	2,627	2,197	—	—	—	—	4,824
Loans and notes	31,119	454	542,713	1,551	—	—	575,837
Accounts receivable—restricted	—	—	143,608	—	—	—	143,608
Total long-term receivables, net	**$ 91,527**	**$ 22,123**	**$ 686,322**	**$ 1,551**	**$ 1,390**	**$ 290**	**$ 803,203**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unearned revenue in the governmental funds (expressed in thousands) at June 30, 2016, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ 1,309	$ —	$ 1,309
Federal grants	20,696	43,632	64,328
Contributions	121,482	179,716	301,198
Departmental services	—	6,727	6,727
Total unearned revenues	$ 143,487	230,075	$ 373,562
Internal service funds		154,269	
Total governmental activities		$ 384,344	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2016, for the primary government was as follows:

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 1,942,418	$ 78,957	$ (217)	$ 2,021,158
Construction in progress	2,752,351	575,780	(726,996)	2,601,135
Works of art and historical treasures	7,276	6	—	7,282
Intangibles	320	—	(308)	12
Total capital assets not being depreciated	4,702,365	654,743	(727,521)	4,629,587
Capital assets being depreciated:				
Land improvements	113,552	931	(914)	113,569
Infrastructure (road and bridge network)	12,953,477	631,600	(11,306)	13,573,771
Buildings and improvements	2,030,796	70,364	(10,437)	2,090,723
Vehicles	706,262	37,758	(26,317)	717,703
Machinery and equipment	557,854	47,796	(16,978)	588,672
Works of art and historical treasures	1,504	4	—	1,508
Intangibles	135,581	2,290	(1,214)	136,657
Total capital assets being depreciated	16,499,026	790,743	(67,166)	17,222,603
Less accumulated depreciation for:				
Land improvements	(57,533)	(2,723)	—	(60,256)
Infrastructure (road and bridge network)	(3,487,625)	(187,572)	5,173	(3,670,024)
Buildings and improvements	(997,945)	(63,392)	10,613	(1,050,724)
Vehicles	(569,560)	(46,735)	26,011	(590,284)
Machinery and equipment	(412,725)	(38,959)	15,932	(435,752)
Works of art and historical treasures	(421)	(60)	—	(481)
Intangibles	(100,800)	(4,550)	604	(104,746)
Total accumulated depreciation	(5,626,609)	(343,991)	58,333	(5,912,267)
Total capital assets being depreciated, net	10,872,417	446,752	(8,833)	11,310,336
Capital assets for governmental activities, net	**$ 15,574,782**	**$ 1,101,495**	**$ (736,354)**	**$ 15,939,923**

During the fiscal year ended June 30, 2016, depreciation expense was charged to functions of the primary government (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 22,107	$ 14,892	$ 36,999
Education	22,727	—	22,727
Health and environment	14,368	—	14,368
Social services	702	—	702
Administration of justice	29,066	467	29,533
Resources and economic development	29,191	—	29,191
Transportation	210,471	—	210,471
Total depreciation expense, governmental activities	**$ 328,632**	**$ 15,359**	**$ 343,991**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 108,949	$ 43,377	$ (162)	$ 152,164
Construction in progress	26,485	13,617	(4,568)	35,534
Total capital assets not being depreciated	135,434	56,994	(4,730)	187,698
Capital assets being depreciated:				
Land improvements	1,244	—	—	1,244
Buildings and improvements	21,006	308	—	21,314
Vehicles	737	274	(79)	932
Machinery and equipment	7,622	669	(109)	8,182
Intangibles	944	192	—	1,136
Total capital assets being depreciated	31,553	1,443	(188)	32,808
Less accumulated depreciation for:				
Land improvements	(922)	(59)	—	(981)
Buildings and improvements	(4,731)	(576)	—	(5,307)
Vehicles	(713)	(52)	79	(686)
Machinery and equipment	(3,818)	(453)	95	(4,176)
Intangibles	(8)	(102)	—	(110)
Total accumulated depreciation	(10,192)	(1,242)	174	(11,260)
Total capital assets being depreciated, net	21,361	201	(14)	21,548
Capital assets for business-type activities, net	**$ 156,795**	**$ 57,195**	**$ (4,744)**	**$ 209,246**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $2.005 million with accumulated depreciation of $4.595 million. Depreciation expense for fiscal year 2016 was $310 thousand. There were additions of $46 thousand for equipment and dispositions of $98 thousand for equipment and related accumulated depreciation during the year.

At June 30, 2016, the primary government had outstanding construction commitments totaling $44.453 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $9.358 million for significant permanent improvement projects that will not increase State assets. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling $184.224 million at June 30, 2016, related to information technology projects.

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. Effective July 1, 2012, the South Carolina Public Employee Benefit Authority (PEBA) was created as a separate agency and governing body. As a result, the Systems, which was formerly a division of the South Carolina Budget and Control Board, was transferred from the Budget and Control Board to the new administrative agency. PEBA administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Retirement Systems in conducting that review. This function was previously performed by the Budget and Control Board, which ceased operations effective July 1, 2015. The Systems' financial statements may be obtained by writing to:

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

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

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

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

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

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

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

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

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

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first

full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

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

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

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

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

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

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

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

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

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

The **Retirement System for Judges and Solicitors of the State of South Carolina** (JSRS), a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public

defenders of the State. All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

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

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

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

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

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

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

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

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

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

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The PEBA Board may increase the SCRS and PORS employer and

employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

By law, employee contribution requirements for the fiscal year ended June 30, 2016, were as follows:

Plan	Rate
SCRS	8.16% of earnable compensation
PORS	8.74% of earnable compensation
GARS	11.00% of earnable compensation
JSRS	10.00% of earnable compensation
SCNG	Non-contributory by employees

Actuarially-determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2016, were as follows:

Plan	Rate
SCRS	11.06%
PORS	13.74%
JSRS	47.97%

Contributions to SCRS, PORS, and JSRS from the State were $131.856 million, $50.546 million, and $10.202 million, respectively, for the year ended June 30, 2016. The GARS employer contribution of $4.501 million was actuarily determined and included incidental death benefits. The State appropriated $4.591 million to fund the SCNG actuarially-determined employer contribution for the year ended June 30, 2016.

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

At June 30, 2016, the State reported $2.441 billion and $654.937 million for its proportionate shares of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of each defined benefit pension plan was determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the State's SCRS proportion was 12.87%, which was an increase of 0.17% from its proportion measured as of June 30, 2014. The State's PORS proportion of the net pension liability at June 30, 2015 was 30.05%, which was a decrease of 0.32% from its proportion measured as of June 30, 2014.

The State's JSRS, GARS, and SCNG net pension liabilities were also measured by actuarial valuations as of July 1, 2014, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. The State assumes 100% of the JSRS, GARS, and SCNG liabilities.

For the year ended June 30, 2016, the State recognized pension expenses of $184.967 million for SCRS, $56.916 million for PORS, $10.296 million for JSRS, $1.687 million for GARS, and $3.521 million for SCNG.

According to South Carolina Code of Laws 9-1-1180, the State is responsible for contributing the employer contributions related to all publicly funded teachers and the employees of the State's technical colleges. However, as these employer contributions related to the State's teachers and technical college employees are not paid by the State directly to SCRS and PORS, but remitted instead to each school district and technical college for their contribution payments, GASB 68 requires that the school districts and technical colleges recognize the portions of the SCRS and PORS net pension liabilities that relate to their respective employees. As the State is actually responsible for these net pension liabilities, the State's effective share of the SCRS net pension liability was approximately $11.111 billion (or 58.59% of the total net SCRS pension liability) at June 30, 2016, with related pension expenses of approximately $796.671 million for the year ended June 30, 2016. Likewise, the State's effective share of the PORS net pension liability was approximately $668.026 million at June 30, 2016 (or 30.65% of the total net PORS pension liability), with related pension expenses of approximately $58.168 million for the year ended June 30, 2016. As prescribed by GASB 68, the teachers and technical college employee-related net pension liabilities and corresponding pension expenses are not included in the State's net pension liability and in the State's pension expense.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions (expressed in thousands) from the following sources:

	SCRS	PORS	JSRS	GARS	SCNG
Deferred Outflows of Resources					
State Contributions Subsequent to the Measurement Date	$ 131,857	$ 50,546	$ 10,202	$ 4,501	$ 4,591
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	22,185	7,099	—	—	—
Net differences Between Projected and Actual Earnings on Pension Plan Investments	155,137	57,090	6,977	1,580	1,113
Differences Between Expected and Actual Experience	44,671	12,981	—	—	555
Total	$ 353,850	$ 127,716	$ 17,179	$ 6,081	$ 6,259
Deferred Inflows of Resources					
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	$ 22,231	$ 7,175	$ —	$ —	$ —
Net differences Between Projected and Actual Earnings on Pension Plan Investments	140,106	49,924	6,138	1,346	802
Differences Between Expected and Actual Experience	4,364	—	2,698	263	214
Total	$ 166,701	$ 57,099	$ 8,836	$ 1,609	$ 1,016

$201.697 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions (expressed in thousands) will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	JSRS	GARS	SCNG
2017	$ 10,450	$ 2,037	$ (1,265)	$ (316)	$ 43
2018	10,450	2,037	(1,265)	(54)	43
2019	(4,446)	1,463	(921)	(54)	43
2020	38,838	14,534	1,592	395	310
2021	—	—	—	—	32
Thereafter	—	—	—	—	181
	55,292	20,071	(1,859)	(29)	652

The total pension liabilities in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS	GARS	JSRS	SCNG
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial Assumptions:					
Investment Rate of Return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases	3.5% to 12.5% (Varies by Service)	4.0% to 10.0% (Varies by Service)	None	3.0%	None
Inflation Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or $500	Lesser of 1% or $500	None	3.0%	None

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

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

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	1.9%	0.04%
Short Duration	3.0%	2.0%	0.06%
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	2.7%	0.19%
Mixed Credit	6.0%	3.8%	0.23%
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	2.8%	0.08%
Emerging Markets Debt	6.0%	5.1%	0.31%
Global Public Equity	**31.0%**	7.1%	2.20%
Global Tactical Asset Allocation	**10.0%**	4.9%	0.49%
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	4.3%	0.34%
Private Debt	7.0%	9.9%	0.69%
Private Equity	9.0%	9.9%	0.89%
Real Estate (Broad Market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
Total Expected Real Return	**100.0%**		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			**8.75%**

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all SCRS and PORS participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (expressed in thousands).

Changes in the Net Pension Liability

	GARS	JSRS	SCNG
Total Pension Liability			
Service Cost	$ 553	$ 5,760	$ 690
Interest	5,380	19,440	4,481
Benefit Changes	—	666	—
Difference Between Actual and Expected Experience	(294)	(1,138)	612
Benefit Payments	(6,660)	(16,836)	(4,249)
Net Change in Total Pension Liability	(1,021)	7,892	1,534
Total Pension Liability at June 30, 2015	74,787	264,732	61,530
Total Pension Liability at June 30, 2016 (a)	$ 73,766	$ 272,624	$ 63,064
Plan Fiduciary Net Position			
Contributions - Employer	$ 4,275	$ 10,109	$ 4,591
Contributions - Member	369	3,153	—
Retirement Benefits	(6,639)	(16,832)	(4,249)
Death Benefits	(21)	(4)	—
Net Investment Income (Loss)	500	2,216	313
Administrative Expense	(18)	(71)	(11)
Other	(18)	286	—
Net Change in Plan Fiduciary Net Position	(1,552)	(1,143)	644
Plan Fiduciary Net Position at June 30, 2015	34,034	147,496	22,558
Plan Fiduciary Net Position at June 30, 2016 (b)	$ 32,482	$ 146,353	$ 23,202
Net Pension Liability at June 30, 2016 (a) - (b)	$ 41,284	$ 126,271	$ 39,862

The following table presents the State's proportionate share of the net SCRS and PORS pension liabilities and the GARS, JSRS, and SCNG net pension liabilities calculated using the discount rate of 7.50%, as well as what the State's respective net pension liabilities (expressed in thousands) would be if it were calculated using a discount rate of 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Plan	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	$ 3,077,718	$ 2,441,249	$ 1,907,808
PORS	892,177	654,937	442,857
GARS	47,751	41,284	35,359
JSRS	155,815	126,271	98,926
SCNG	47,681	39,862	32,891

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2016, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 208,735	$ 23,854	$ 57	$ 646	$ 16	$ 233,308
Accrued interest	33,142	5,335	39	192	30	38,738
Unsettled investment sales	595,317	95,801	694	3,439	524	695,775
Other investment receivables	34,535	5,558	40	200	30	40,363
Total receivables	**$ 871,729**	**$ 130,548**	**$ 830**	**$ 4,477**	**$ 600**	**$ 1,008,184**
Due from other funds	**$ —**	**$ 302**	**$ —**	**$ —**	**$ —**	**$ 302**
Investments and invested securities lending collateral:						
Short-term securities	$ 677,357	$ 109,002	$ 790	$ 3,913	$ 596	$ 791,658
Fixed income	5,003,122	805,119	5,834	28,906	4,404	5,847,385
Equity-international	7,841,474	1,261,876	9,144	45,304	6,903	9,164,701
Alternatives	7,688,980	1,237,335	8,966	44,424	6,769	8,986,474
Invested securities lending collateral	47,690	7,674	56	275	42	55,737
Total investments	**$ 21,258,623**	**$ 3,421,006**	**$ 24,790**	**$ 122,822**	**$ 18,714**	**$ 24,845,955**

f. Deferred Retirement Option Plans

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

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. The TERI program will be closed effective June 30, 2018. Any member entering the TERI program after July 1, 2014 will only be able to participate in program until June 30, 2018.

A total of 8,922 members were participating in the TERI program at June 30, 2016. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2016, was as follows:

Beginning balance of TERI trust accounts	$ 645,739
Additions	261,864
TERI distributions at termination	(123,151)
TERI liability	(71,693)
Ending balance of TERI trust accounts	**$ 712,759**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2016, there was $84 thousand held in this trust.

g. Optional Retirement Program

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

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (8.16%) and a portion of the employer contribution (5.00%), which is immediately vested to the employee. A direct remittance is also required to the SCRS for a portion of the employer contribution (5.91%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$1,332,767
Employee contributions to providers	108,754
Employer contributions to providers	66,638

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits (OPEB plans) to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for fiscal year 2016. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $433.737 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2016. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2016.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund (SCRHITF) is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($21.657 million), and income generated from investments ($35.294 million). The Long Term Disability Insurance Trust Fund (LTDITF) is primarily funded through investment income and employer contributions.

c. Trend Information

The State's required contributions for the OPEB plans in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows:

	Fiscal Year Ended					
	June 30, 2016		June 30, 2015		June 30, 2014	
	Actuarially Required	% Contributed	Actuarially Required	% Contributed	Actuarially Required	% Contributed
SCRHI	$ 749,713	61.06%	$ 747,746	76.44%	$ 778,969	60.73%
LTDI	13,103	54.37%	10,392	67.37%	7,251	95.77%

d. Funding Progress

The schedule of funding progress for the OPEB plans based on the most recent actuarial valuation date is as follows (dollar amounts expressed in thousands):

OPEB Plan	Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ([b-a] / c)
SCRHITF	2015	$ 964,186	$ 10,824,335	$ 9,860,149	9%	$ 7,908,625	125%
SCRHITF	2014	784,970	10,124,467	9,339,497	8%	7,669,939	122%
SCRHITF	2013	668,972	10,072,927	9,403,955	7%	7,471,142	126%
LTDITF	2015	36,345	33,161	(3,184)	110%	8,309,688	<1%
LTDITF	2014	36,447	31,048	(5,399)	117%	8,047,421	<1%
LTDITF	2013	35,426	28,248	(7,178)	125%	8,163,269	<1%

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

Insurance Benefits Division
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2016, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 5,320**	**$ 261**	**$ 5,581**
Due from other funds	**$ 65,258**	**$ —**	**$ 65,258**
Investments and invested securities lending collateral:			
Debt domestic instruments	$ 763,931	$ 30,038	$ 793,969
Financial paper	55,136	893	56,029
Invested securities lending collateral	8,344	491	8,835
Total investments	**$ 827,411**	**$ 31,422**	**$ 858,833**

NOTE 9: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

The State generally does not purchase commercial insurance for the risks of losses for property damage, including theft of, damage to, and destruction of assets; automobile liability; tort liability; and medical professional liability. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Insurance Reserve Fund (IRF), within the internal service funds. The IRF services claims for risk of loss to which the State is exposed, including the following: property insurance on government-owned buildings, the contents of such buildings, equipment, and automobiles; automobile liability insurance on government owned vehicles and school buses; tort liability insurance for government premises and operations; and medical professional liability for hospitals. Although the State is the predominant participant in the IRF, county and municipal governments, school districts and special purpose political subdivisions also participate. The IRF allocates the cost of providing claims servicing and claims payment by charging each participant an actuarially determined premium for the coverage provided.

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

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

Fiscal Year Ended June 30	Actuarial Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 264,339	$ 90,343	$ (90,477)	$ 264,205
2015	258,398	79,931	(73,990)	264,339

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above $10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable. There have been no claims in excess of coverage.

b. Employee Insurance Programs Fund

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

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

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund continually reviews estimates

of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

The State does not discount its claims liabilities for health and dental insurance coverage to present value.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 190,722	$ 2,196,035	$ (2,170,069)	$ 216,688
2015	158,988	1,997,991	(1,966,257)	190,722

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 239,450	$ 58,392	$ (47,429)	$ 250,413
2015	248,100	39,701	(48,351)	239,450

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of $1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first $1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of $1.000 million per occurrence up to a limit of $9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable. There have been no claims in excess of coverage.

d. Uninsured Employers' Fund

The Uninsured Employers' Fund was established by Section 42-7-200. Effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund were devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. This fund is included in the Other Special Revenue Fund located in Exhibit D-1.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Uninsured Employers' Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 36,228	$ 4,921	$ (6,695)	$ 34,454
2015	48,000	-	(11,772)	36,228

e. Patients' Compensation Fund

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

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

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

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 64,330	$ -	$ (9,852)	$ 54,478
2015	72,268	10,099	(18,037)	64,330

f. Second Injury Fund

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

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

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 288,026	$ -	$ (22,248)	$ 265,778
2015	309,542	7,399	(28,915)	288,026

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the Budget and Control Board.

NOTE 10: LEASES

a. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net position at June 30, 2016 for the primary government were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2017	$ 1,935
2018	1,934
2019	105
2020	105
2021	7
Total minimum payments	**4,086**
Less: interest and executory costs	(691)
Net minimum payments	**$ 3,395**

Assets under capital leases recorded in the accompanying government-wide statement of net position at June 30, 2016, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Governmental Activities
Land and non-depreciable improvements	$ —
Buildings and improvements	—
Machinery and equipment	688
Works of art and historical treasures	—
Assets acquired under capital leases before accumulated amortization	**688**
Less: accumulated amortization	(638)
Assets acquired under capital leases, net	**$ 50**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2016, minimum rental payments under operating leases were $50.986 million and contingent rental payments were $6.518 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

At June 30, 2016, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2017	$ 30,259	$ 33	$ 30,292
2018	25,095	—	25,095
2019	21,513	—	21,513
2020	18,039	—	18,039
2021	14,660	—	14,660
2022-2026	23,769	—	23,769
2027-2031	988	—	988
Net minimum payments	**$ 134,323**	**$ 33**	**$ 134,356**

c. Facilities and Equipment Leased to Others

At June 30, 2016, State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $59.842 million and related accumulated depreciation of $14.220 million. Future minimum rental payments to be received at June 30, 2016, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities
2017	$ 5,489
2018	3,382
2019	1,611
2020	1,465
2021	1,306
2022-2026	2,521
2027-2031	472
2032-2036	147
Total	**$ 16,393**

NOTE 11: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2016, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:	
Capital improvement bonds, 5.00%, maturing serially through 2019	$ 55,629
State highway bonds, 4.00% to 5.00%, maturing serially through 2023	263,083
State school facilities bonds, 5.00%, maturing serially through 2018	31,500
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028	39,326
State economic development bonds, 0.65% to 5.00%, maturing serially through 2031	426,280
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029	113,410
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025	32,968
Totals—primary government	**$ 962,196**

At June 30, 2016, $6.344 million of capital improvement bonds, $106.000 million of State highway bonds, $120.625 million of State economic development bonds, and $13.680 million of State research university infrastructure bonds were authorized by the General Assembly but unissued.

At June 30, 2016, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities	
Year Ending June 30	**Principal**	**Interest**
2017	$ 141,770	$ 36,720
2018	123,795	30,072
2019	109,845	24,269
2020	93,060	19,041
2021	100,970	14,796
2022-2026	254,685	28,314
2027-2031	42,945	3,406
Total debt service requirements	**867,070**	**$ 156,618**
Unamortized premiums	95,126	
Total principal outstanding	**$ 962,196**	

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2016, was $44.564 million for highway bonds, $305.837 million for general obligation bonds excluding institution and highway bonds, $11.978 million for economic development bonds, and $15.374 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170.000 million 2010 issue and a $50.000 million 2010 issue of air carrier hub terminal facilities bonds and additionally for the economic development bonds, an $85.000 million 2013 issue, and an $18.110 million 2015 issue of economic development bonds which by State Law are not subject to the limitation on maximum annual debt service.

b. Limited Obligation Bonds

Limited obligation bonds are not backed by the full faith, credit, and taxing power of the State. There were no limited obligation bonds outstanding at June 30, 2016, as the final principal payment of $185 thousand was made during the fiscal year. The internal service funds pay all debt service for the lease revenue bonds. At June 30, 2016, there were no limited obligation bonds authorized but unissued.

c. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2016, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.40% to 5.25%, maturing serially through 2041	$ 1,854,451	$ —
Heritage Trust Revenue bonds, 4.00% to 4.25%, maturing in 2022	9,592	—
Department of Public Safety bonds, 5.00%, maturing through 2018	4,552	—
Corrections Department notes, 1.81% to 5.25%, maturing through 2020	—	5,265
Judicial Department notes, 2.02%, maturing through 2021	—	4,895
Corrections Department notes, 1.81% to 5.25%, maturing through 2020	—	6,715
Totals—governmental activities	**1,868,595**	**16,875**
Business-Type Activities:		
Nonmajor enterprise fund bonds, 0.11%, maturing through 2038	**5,895**	**—**
Totals—primary government	**$ 1,874,490**	**$ 16,875**

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, or 75.0% of the one-month LIBOR plus 0.885%, depending on the participating bank, on such notional amount. For the fiscal year ended June 30, 2016, the Bank made variable bond interest payments of $3.355 million and fixed rate payments on the exchange agreement of $13.811 million. The Bank received variable swap payments on the exchange agreement of $395 thousand. The June 30, 2016 mark to market value of this swap was negative $30.097 million, representing a decrease in fair value of $8.296 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

Pledged Revenues for Payment of Debt

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

Primary Government:

Governmental Activities:

	Infrastructure Bank Bonds	Heritage Trust Revenue Bonds	Department of Public Safety Bonds
Specific revenue pledged	Truck and vehicle registration fees; One-cent gasoline tax; contributions receivable and intergovernmental loans receivable	State Deed Recording Fee dedicated to the Heritage Land Trust Fund	Delinquent registration and license penalties per SC Code Section 56-3-840
Approximate amount of pledge	$429.453 million	10 cents of the $1.30 state deed recording fee imposed on transfers of real property	Penalties range from $10 to $75 depending on length of time delinquent
General purpose for the debt	Provide financial assistance for major transportation projects for DOT	Acquisition of certain high-priority property qualifying for the State's Heritage Trust land conservation program	Acquisition of land and buildings in Blythewood for the new DPS headquarters
Term of commitment	FY 2041	FY 2022	FY 2018
% of revenue stream pledged	50.31%	7.69%	100%
Pledged revenue recognized	$210.290 million	$6.043 million	$4.413 million
Principal & interest paid	$165.674 million	$1.816 million	$2.379 million

Debt Service Requirements

At June 30, 2016, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2017	$ 64,316	$ 75,909	$ 165	$ 9
2018	79,166	75,248	175	8
2019	81,459	71,272	180	8
2020	80,627	67,254	190	8
2021	81,572	63,230	195	8
2022-2026	351,990	263,756	1,125	34
2027-2031	439,275	181,338	1,380	25
2032-2036	395,055	84,764	1,700	14
2037-2041	200,990	27,166	785	2
Total debt service requirements	**1,774,450**	**$ 909,937**	**5,895**	**$ 116**
Net unamortized premiums	111,020		—	
Total principal outstanding	**$ 1,885,470**		**$ 5,895**	

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2016, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 97,585
Total allocated interest expense	**$ 97,585**

d. Defeased Bonds

During July 2015, the State issued $157.095 million in revenue refunding bonds with a 2.90% to 5.00% coupon rate over the life of the issue. The net proceeds after payment of $796 thousand in issuance costs were used to partially refund $172.620 million of the Series 2005A Transportation Infrastructure Bank Revenue Bonds and Series 2007A Transportation Infrastructure Bank Revenue Bonds. The bonds were refunded to reduce total debt service payments by approximately $27.912 million and to obtain an economic gain of approximately $20.895 million.

During December 2015, the State defeased $22.560 million in Series 2005A Taxable Economic Development General Obligation Bonds, Series 2005E Taxable Economic Development General Obligation Bonds, and Series 2010B Economic Development General Obligation Bonds. The bonds were defeased to obtain an economic gain of approximately $3.529 million.

During March 2016, the State issued $127.425 million in general obligation refunding bonds with a 0.65% to 5.00% coupon rate over the life of the issue. The net proceeds after payment of $621 thousand in issuance costs were used to partially refund $142.015 million of the Series 2005A Taxable Economic Development General Obligation Bonds, Series 2005C Tax Exempt Economic Development General Obligation Bonds, Series 2005D Taxable Economic Development General Obligation Bonds, Series 2005E Taxable Economic Development General Obligation Bonds, Series 2005G Tax Exempt Economic Development General Obligation Bonds, Series 2005F Tax Exempt Economic Development General Obligation Bonds, Series 2006A Tax Exempt Economic Development General Obligation Bonds, Series 2005A Research University General Obligation Bonds, Series 2005B Research University General Obligation Bonds, and Series 2009A Research University General Obligation Bonds. The bonds were refunded to reduce total debt service payments by approximately $18.706 million and to obtain an economic gain of approximately $12.289 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has removed the defeased bonds from the accompanying financial statements. At June 30, 2016, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds	$ 5,710
Research University bonds	20,185
Infrastructure Bank bonds	1,000,715
Department of Transportation bonds	70,900
Tobacco Authority bonds	64,890
Totals	**$ 1,162,400**

e. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2016, there was no arbitrage rebate liability associated with the State's General Obligation Debt and a $1.064 million arbitrage rebate liability associated with revenue bonds of the Local Government Infrastructure Fund (a major governmental fund).

g. Conduit Debt

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

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2016, the outstanding balance of bonds issued was $236.733 million.

NOTE 12: CHANGES IN LIABILITIES

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2016, were (expressed in thousands):

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 730,739	$ 2,349,691	$ (2,314,670)	$ 765,760	$ 587,154
Notes payable	11,185	10,638	(4,948)	16,875	3,806
General obligation bonds payable	1,038,690	171,985	(343,605)	867,070	141,770
Unamortized discounts and premiums	87,448	23,214	(15,536)	95,126	—
Total general obligation bonds payable	1,126,138	195,199	(359,141)	962,196	141,770
Infrastructure Bank bonds payable	1,834,940	157,095	(248,470)	1,743,565	56,910
Unamortized discounts and premiums	107,516	21,638	(18,268)	110,886	—
Total Infrastructure Bank bonds	1,942,456	178,733	(266,738)	1,854,451	56,910
Revenue bonds payable	17,455	—	(3,445)	14,010	3,600
Unamortized discounts and premiums	225	—	(91)	134	—
Total revenue bonds payable	17,680	—	(3,536)	14,144	3,600
Limited obligation bonds payable	185	—	(185)	—	—
Capital leases payable	4,493	411	(1,509)	3,395	1,556
Compensated absences payable	216,013	165,683	(153,277)	228,419	141,977
Net pension liability	2,960,416	332,249	—	3,292,665	—
Judgments and contingencies payable	15,335	109,370	(114,697)	10,008	10,008
Arbitrage payable	1,213	101	(250)	1,064	643
Total long-term liabilities	$ 7,025,853	$ 3,342,075	$ (3,218,951)	$ 7,148,977	$ 947,424

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 352,356	$ 2,342	$ (34,442)	$ 320,256	$ 36,501
Revenue bonds payable	6,055	—	(160)	5,895	165
Compensated absences payable	744	483	(543)	684	425
Net pension liability	3,866	7,071	—	10,937	—
Total long-term liabilities	$ 363,021	$ 9,896	$ (35,145)	$ 337,772	$ 37,091

NOTE 13: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2016, the amounts constrained within the unrestricted fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 25,417	$ —	$ —	$ —	$ —	$ 25,417
Inventories	25,387	3,269	—	3,000	—	31,656
Prepaid items	12,701	2,733	—	4,325	1	19,760
Other assets	—	—	—	248	—	248
Long-term loans and notes receivable	31,119	—	—	—	—	31,119
Endowments	—	—	—	—	11,321	11,321
Total Non-spendable	94,624	6,002	—	7,573	11,322	119,521
Restricted:						
Primary and Secondary Education	85	51,523	—	—	96,142	147,750
Health, Human Services and Environment	49,271	58,819	—	—	43,623	151,713
Transportation	—	261	1,325,103	10,031	—	1,335,395
Capital Projects	—	—	—	—	64,215	64,215
Debt Service	—	—	879,051	—	16,371	895,422
Administration of Justice	—	13,277	—	—	—	13,277
Waste management	—	—	—	—	174,924	174,924
General Government	481,342	728,416	—	—	190,478	1,400,236
Total Restricted	530,698	852,296	2,204,154	10,031	585,753	4,182,932
Committed:						
General Government	952,716	12,833	—	356,238	25,173	1,346,960
Capital reserve fund	—	—	—	—	71,468	71,468
Primary and Secondary Education	115,297	—	—	—	—	115,297
Health, Human Services and Environment	74,059	—	—	—	—	74,059
Total Committed	1,142,072	12,833	—	356,238	96,641	1,607,784
Assigned:						
Primary and Secondary Education	12,158	—	—	—	—	12,158
Health, Human Services and Environment	168,688	—	—	—	5,311	173,999
General Government	154,317	—	—	—	—	154,317
Administration of Justice	8,988	—	—	—	—	8,988
Economic Development	54,482	—	—	—	—	54,482
Transportation	1,759	—	—	—	—	1,759
Social Programs	15,697	—	—	—	—	15,697
Total Assigned	416,089	—	—	—	5,311	421,400
Total Unrestricted, unassigned	1,313,562	(608,503)	—	—	—	705,059
Total Fund Balances	**$ 3,497,045**	**$ 262,628**	**$ 2,204,154**	**$ 373,842**	**$ 699,027**	**$ 7,036,696**

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

a. Non-spendable

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

b. Restricted

Primary and Secondary Education

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

Health, Human Services and Environment

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

Transportation

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

Capital Projects

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

Debt Service

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

Administration of Justice

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

Waste Management

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

General Government

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

c. Committed

General Government

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

Capital Reserve Fund

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

Primary and Secondary Education

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

Health, Human Services and Environment

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

d. Assigned

Primary and Secondary Education

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

Health, Human Services and Environment

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

General Government

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

Administration of Justice

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

Economic Development

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

Transportation

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

Social Programs

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

e. Unrestricted, unassigned

Included in the unrestricted, unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2016 fiscal year if it equals 5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year.

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

At June 30, 2016, the Reserve was $327.619 million, which meets the required fully funded amount of $327.619 million.

NOTE 14: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The amounts in the "Implementation of GASBs 68 & 71" column reflect restatements related to the implementation of GASB Statements No. 68 and 71 as explained on the page that follows. The amounts in the "Other Adjustments" column are due to the correction of errors related to prior periods, as described on the page that follows.

	7/1/2015 Fund Equity as Previously Reported	Implementation of GASBs 68 & 71	Other Adjustments	7/1/2015 Fund Equity as Restated
Primary Government				
Governmental Funds:				
General Fund	$ 2,943,237	$ —	$ —	$ 2,943,237
Departmental Program Services	242,939	—	—	242,939
Local Government Infrastructure	2,141,796	—	—	2,141,796
Department of Transportation Special Revenue	210,758	—	—	210,758
Other Nonmajor Governmental Funds	612,511	—	—	612,511
Total Governmental Funds	6,151,241	—	—	6,151,241
Internal Service Funds	489,742	—	—	489,742
Government-Wide Adjustments:				
Capital assets	15,467,615	—	—	15,467,615
Net deferred outflows and inflows	323,077	—	—	323,077
Long-term liabilities	(6,387,935)	—	—	(6,387,935)
Total Government-Wide Adjustments	9,402,757	—	—	9,402,757
Total Governmental Activities	16,043,740	—	—	16,043,740
Business-Type Activities - Enterprise Funds:				
Unemployment Compensation Fund	319,555	—	—	319,555
Second Injury Fund	(139,122)	—	—	(139,122)
Other nonmajor enterprise funds	40,086	(5,617)	—	34,469
Total Business-type activities - Enterprise Funds	220,519	(5,617)	—	214,902
Total Primary Government	$ 16,264,259	$ (5,617)	$ —	$ 16,258,642
Component Units				
Public Service Authority	$ 2,132,561	$ (261,072)	$ —	$ 1,871,489
MUSC	796,075	—	—	796,075
USC	1,057,578	—	—	1,057,578
Clemson University	1,184,258	—	—	1,184,258
State Ports Authority	881,261	—	(8,103)	873,158
Housing Authority	385,584	—	—	385,584
Lottery Commission	1,181	—	—	1,181
Nonmajor component units	1,475,253	—	67,922	1,543,175
Total Component Units	$ 7,913,751	$ (261,072)	$ 59,819	$ 7,712,498

The State implemented GASBs 68 and 71 during its fiscal year that ended June 30, 2015. However, it has two component units, one blended and the other discretely presented, with fiscal years ending December 31. In the State's financial statements, it uses financial information from the December 31 year ends of these entities. Both entities properly implemented GASBs 68 and 71 during their fiscal years that ended December 31, 2015, which occurred during the State's 2016 fiscal year. To provide accounting and reporting consistency in the State's financial statements, the impact of implementing GASBs 68 and 71 by these two component units is shown above as restatements of July 1, 2015 fund equity.

During fiscal year 2016, the following prior year errors were discovered: (1) the South Carolina Ports Authority, a major discretely presented component unit, understated harbor deepening feasibility costs and accounts payable by $8.103 million; and (2) the South Carolina Research Authority, which was previously not included in the reporting entity, should have been included as a nonmajor discretely presented component unit, causing an understatement of $67.922 million. These corrections and restatements of July 1, 2015 fund equity are shown in the "Other Adjustments" column above.

NOTE 15: INTERFUND AND INTRAFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2016 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 64,949	$ 8,953
Department of Transportation Special Revenue	630	19,832
Local Government Infrastructure	24	9,082
Nonmajor governmental funds	65	—
Internal service	631	15,459
Unemployment Compensation	2,596	—
Nonmajor enterprise funds	94	—
	68,989	53,326
Departmental Program Services		
General Fund	8,953	64,949
Department of Transportation Special Revenue	—	552
Internal service	—	510
	8,953	66,011
Department of Transportation Special Revenue Fund		
General Fund	19,832	630
Departmental Program Services	552	—
Local Government Infrastructure	—	2,214
Internal service	—	385
Fiduciary	—	12,974
	20,384	16,203
Local Government Infrastructure		
General Fund	9,082	24
Department of Transportation Special Revenue Fund	2,214	—
	11,296	24
Nonmajor Governmental Funds		
General Fund	—	65
Internal service	—	1,038
	—	1,103
Internal Service		
General Fund	15,459	631
Departmental Program Services	510	—
Department of Transportation Special Revenue Fund	385	—
Nonmajor governmental funds	1,038	—
	17,392	631
Unemployment Compensation		
General Fund	—	2,596
Nonmajor Enterprise Funds		
General Fund	—	94
Fiduciary		
Department of Transportation Special Revenue	12,974	—
Fiduciary	65,560	65,560
	78,534	65,560
Totals	**$ 205,548**	**$ 205,548**

Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30 are summarized (expressed in thousands):

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General Fund			
Departmental Program Services	$ 275	$ —	$ —
Nonmajor enterprise funds	25,000	—	—
Internal service	142	—	142
	25,417	—	142
Departmental Program Services			
General Fund	—	275	—
Local Government Infrastructure			
Department of Transportation Special Revenue	226,668	—	202,459
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	226,668	—
Nonmajor Governmental Funds			
Internal service	—	4,415	—
Nonmajor Enterprise Funds			
General Fund	—	25,000	—
Internal Service			
General Fund	—	142	—
Nonmajor governmental funds	4,415	—	2,260
Internal service	4,700	4,700	—
	9,115	4,842	2,260
Totals	**$ 261,200**	**$ 261,200**	**$ 204,861**

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- $226.668 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $25.000 million owed by the Palmetto Railways Fund, a nonmajor enterprise fund, to the General Fund. The $25.000 million is an interest free loan from the Department of Commerce to the Palmetto Railways Fund that matures on June 30, 2017.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2016 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ —	$ 103,973
Local Government Infrastructure	—	3,672
Department of Transportation	—	267,332
Nonmajor governmental funds	292,248	176,243
Unemployment Compensation Benefits	200	—
Second Injury	231	—
Nonmajor enterprise funds	670	183
Internal service	1,163	—
	294,512	551,403
Departmental Program Services		
General Fund	103,973	—
Local Government Infrastructure		
General Fund	3,672	—
Department of Transportation		
General Fund	267,332	—
Nonmajor Governmental Funds		
General Fund	176,243	292,248
Nonmajor governmental funds	4,708	4,708
Internal Service	1,515	1,707
	182,466	298,663
Unemployment Compensation Benefits		
General Fund	—	200
Second Injury Fund		
General Fund	—	231
Nonmajor Enterprise Funds		
General Fund	183	670
Internal Service		
General Fund	—	1,163
Nonmajor governmental funds	1,707	1,515
	1,707	2,678
Totals	**$ 853,845**	**$ 853,845**

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

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2016 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Ports Authority	$ —	$ 167,697
Housing Authority	—	1,398
Clemson University	—	11,642
USC	196	2,065
Nonmajor discretely presented component units	16,049	2,794
	16,245	185,596
Departmental Program Services		
Clemson University	—	3,509
MUSC	—	20,765
USC	765	7,364
Nonmajor discretely presented component units	—	340
	765	31,978
Department of Transportation Special Revenue Fund		
Clemson University	—	554
USC	—	85
Nonmajor discretely presented component units	27	—
	27	639
Nonmajor Governmental Funds		
Clemson University	—	108
USC	—	121
Lottery Commission	30,992	—
Nonmajor discretely presented component units	8,207	131
	39,199	360
Internal Service		
Clemson University	3,370	—
USC	4,152	—
Nonmajor discretely presented component units	2,647	—
	10,169	—
Governmental activities total	**66,405**	**218,573**
Ports Authority		
General Fund	167,697	—
Housing Authority		
General Fund	1,398	—
Lottery Commission		
Nonmajor governmental funds	—	30,992
Clemson University		
General Fund	11,642	—
Departmental Program Services	3,509	—
Department of Transportation Special Revenue Fund	554	—
Nonmajor governmental funds	108	—
Internal service	—	3,370
	15,813	3,370
MUSC		
Departmental Program Services	20,765	—
USC		
General Fund	2,065	196
Departmental Program Services	7,364	765
Department of Transportation Special Revenue Fund	85	—
Nonmajor governmental funds	121	—
Internal service	—	4,152
	9,635	5,113
Nonmajor Discretely Presented Component Units		
General Fund	2,794	16,049
Departmental Program Services	340	—
Department of Transportation Special Revenue Fund	—	27
Nonmajor governmental funds	131	8,207
Internal service	—	2,647
	3,265	26,930
Discretely presented component units total	**218,573**	**66,405**
Totals	**$ 284,978**	**$ 284,978**

NOTE 16: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2016, the Educational Television Endowment of South Carolina, Inc., disbursed $6.265 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of $117 thousand at June 30, 2016.

The Education Assistance Authority, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2016, the Authority entered into various transactions with SLC. Approximate amounts within the Authority that represent these transactions include: accounts receivable from SLC $109.840 million; program revenue from SLC $3.495 million; reimbursements to SLC for administrative costs $526 thousand; and payable to SLC $5.908 million.

NOTE 17: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

Among the unresolved legal actions in which the State was involved at June 30, 2016, is one case with Duke Energy that challenges the legality of certain taxes. In the event of an unfavorable outcome for this case, the State estimates the potential loss to be $12.7 million. Although State losses in this case could reduce future revenues, the preceding estimates do not include any impact on future revenues or future accruals of interest on disputed refunds.

The South Carolina Retirement Systems (SCRS) is involved in a putative class action lawsuit involving legislation (Act No. 153, 2005 S.C. Acts and Joint Resolutions) requiring that employees who return to work after retirement (including employees participating in the Teacher and Employee Retention Incentive [TERI] Program) resume making contributions into the retirement system. The action was filed in federal court in August 2010 alleging the provisions of Act 153 are unconstitutional and illegal. The plaintiffs all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. As of June 30, 2012, SCRS had collected approximately $121.000 million in the form of retirement contributions from members who are retired and returned to work on or after July 1, 2005. SCRS and the State filed a motion to dismiss this matter on a number of grounds. By Order and Decision dated September 27, 2012, the federal district court granted the Systems' motion and dismissed the Plaintiff's suit. Plaintiffs filed a motion to reconsider that decision. The District Court denied the Plaintiff's motion, and the Plaintiffs appealed to the Fourth Circuit Court of Appeals. On December 5, 2014, the Fourth Circuit ruled in favor of SCRS. No further appeal was taken by the plaintiffs. On March 19, 2015, the same plaintiffs re-filed their claims in state court, alleging violation of their federal constitutional rights. The Circuit Court granted Defandants' motion to dismiss on November 2, 2015 and, on appeal, the South Carolina Supreme Court affirmed the dismissal of Plaintiff's complaint on August 10, 2016. The plaintiffs have filed a petition for certification with the United States Supreme Court on November 8, 2016. SCRS is preparing a response to the petition.

SCRS is a defendant in a retirement case to ensure that SCRS does not suffer any monetary loss as a result of a service purchase. This case is **Anderson County v Joey Preston and the SCRS** and the defendant is a retired member of SCRS who was employed by Anderson County. Plaintiff seeks to rescind a severance agreement entered into between Plaintiff and Preston. Plaintiff agreed to pay, and did pay, approximately $355 thousand to the System to purchase retirement service credit on behalf of Preston. By an order dated May 3, 2013, the Circuit Court ruled against the Plaintiff Anderson County on all claims, including claims for the return of monies paid to the South Carolina Retirement System. Plaintiff has appealed to the South Carolina Court of Appeals. The case has been briefed and argued at the court of appeals and the parties are awaiting a decision.

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate **(Abbeville County School District vs State of South Carolina).** The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order, but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. On November 12, 2014, the Supreme Court issued an opinion in favor of the Plaintiffs. The Court directed the Plaintiffs and the Defendants "to reappear before this Court within a reasonable time from the issuance of this opinion, and present a plan to address the constitutional violation … with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing these districts at both the state and local levels." On November 5, 2015 the S.C. Supreme Court issued an order that

facing these districts at both the state and local levels." On November 5, 2015 the S.C. Supreme Court issued an order that within one week of the conclusion of the 2016 legislative session, the State will submit a written summary to the Court detailing their efforts to implement a constitutionally compliant education system, including all proposed, pending or enacted legislation. The Court will conduct a review of the plan and issue an order of the summary analyzing whether the States' efforts are a rational means to bringing the system of public education in South Carolina into constitutional compliance and whether or not the Court's continued maintentance of jurisdiction is necessary. To date, the Court has not issued an order based upon its review of the submissions of the Defendants. The Supreme Court issues an order on September 20,2016 stated in part as follows: "We opt to continue to monitor the progress towards a constitutionally compliant education system by requiring the submission of another report by the parties by June 30, 2017." In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. The plaintiff claims that the taking is due to the Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than $100 million in damages. The parties agreed to a stay of this suit while the Administrative Law Court (ALC) determines Kiawah's appeal of the permitting decision. The ALC ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. On December 10, 2014, the Court reversed the ALC decision and remanding the case to that court for further consideration. The ALC issued rulings on remand in March and April, and they are now under appeal. The takings suit remains under a stay. Therefore, no determination has yet been made as to a risk of loss. Lastly, the plaintiffs in **T.R., P.R., and K.W., etc. v. Department of Corrections & Ozmint** contend that a lack of funding has resulted in the unconstitutional treatment of prison inmates with mental illnesses. The Judge recently issued an order granting judgment in favor of the Plaintiffs. The lawsuit did not seek specific monetary damages, but the Order references certain remedies that the Court is requiring the defendants to develop an adequate system for providing inmates with serious mental illnesses services including additional and better-trained staff. The case is under appeal, but the appeal has been stayed while the parties participate in mediation. During mediation a settlement was arrived at and is pending judicial approval. Under the settlement, the Department of Corrections is not making any settlement payments but has agreed to make some changes to its mental health systems. Budgeted expenses for 3 years is $8.687 million plus implementation panel fees capped at $300 thousand per year plus mediator fees and the cost of an Electronic Medical Records System.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately $46 million. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 9a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2016, or earlier years will not have a material impact on the State's financial statements.

c. Purchase Commitments

A breach of taxpayer information was identified in fiscal year 2013. Approximately 3.5 million taxpayers, including individuals, dependents, and businesses, have been affected by the breach. The Department of Revenue initially arranged for CSID to provide free protective monitoring for all potential taxpayers affected who sign up for their service from October 2013 to October 2014. This contract was negotiated for a 5 year term with annual renewals required each October 1. Since that time, this contract has been renewed until October 2016. The fee to the State is $6.00 per enrollment, however the fee decreases each month based upon the proration of the period remaining on the contract. The contract is capped at $6.5 million, the amount of remaining purchase commitment at June 30, 2016 is $5.3 million.

d. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2016, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $1.345 billion remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $242.697 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of the outstanding commitment, $51.384 million will be funded by federal grants.
- The Office of Regulatory Staff has $1.675 million for energy efficiency improvement projects. Federal grants will fund $1.675 million of this commitment.
- The Division of Aeronautics has $3.541 million for grants made to municipal and county airports for capital improvements. Federal grants will fund $329 thousand of this commitment.
- The State Board for Technical and Comprehensive Education has $15.526 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has $44.252 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $44.003 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $8.862 million for grant program activities and pass-through grants to subrecipients, of which $8.862 million will be funded by federal grants.
- The South Carolina Judicial Department has $6.571 million outstanding commitments related to vendor service contracts.
- The South Carolina Department of Revenue has $47.250 million outstanding commitments for vendor contracts related to services for the new tax reporting and processing software and identity theft protection.
- The Rural Infrastructure Authority has $95.096 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities, of which $44.435 million will be funded by federal grants.

f. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore National Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2017 in maintaining these sites is $7.285 million. The Pinewood Site is $3.9 million of this total. This estimated loss is based upon the current budgetary request of the department and the annual operating costs less capital expenditures for the Pinewood Site. The department is currently awaiting court approval of the new trustee and expects the annual administration costs, and in the long-term, monitoring costs, to decrease, but not until after capital improvements have been made to the site.

NOTE 18: DISCRETELY PRESENTED COMPONENT UNITS

a. Deposits and Investments

Deposits

As of June 30, 2016, the reported amount of the major discretely presented component units' deposits was $369.617 million and the bank balance was $382.068 million. Of the $311.679 million bank balance exposed to custodial credit risk, $86.361 million was uninsured and uncollateralized, $113.235 million was uninsured and collateralized with securities held by the pledging financial institution, and $112.083 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

Investments

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

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

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

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

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

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

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

The major discretely presented component units have the following recurring fair value measurements as of June 30, 2016 (amounts in thousands):

Investments by Fair Value Level	At 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments			
U.S. treasuries	$ 150,913	$ 150,913	$ —
U.S. agencies	2,041,049	2,041,049	—
Mortgage backed obligations	14,389	14,389	—
Common stock	527,952	527,952	—
Other equity securities	251,990	—	251,990
Corporate bonds	41,110	—	41,110
Repurchase agreements	98,910	98,910	—
Asset backed securities	1,569	1,569	—
Commercial paper	24,976	24,976	—
Money market mutual funds	91,181	91,181	—
Mutual bond funds	141,213	141,213	—
Guaranteed investment contracts	1,160	—	1,160
Other	219,204	219,204	—
Total Investments at Fair Value	$ 3,605,616	$ 3,311,356	$ 294,260

Investments measured at the net asset value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private partnership - equity (1)	$ 39,463	$ 34,117	N/A	N/A
Private partnership - real assets (1)	9,692	13,052	N/A	N/A
Hedge funds - absolute return (2)	64,412	—	Monthly to Annually	33-95 days
Hedge funds - long/short equity (3)	18,818	—	Quarterly to Biennially	45-90 days
Equity long/short hedge funds (4)	8,564	—	Quarterly	75 days
Multi-strategy hedge funds (5)	3,821	—	Monthly	60 days
Debt securities hedge funds (6)	11,326	—	Monthly	60 days
Total investments measured at the NAV	$ 156,096	$ 47,169		
Total investments measured at fair value	$ 3,761,712	$ 3,358,525		

Investment derivative instruments			
Alternative Investments			
Interest rate swaps	(8,414)	—	(8,414)
Total investment derivative instruments	$ (8,414)	$ —	$ (8,414)
Total Invested Assets	$ 3,753,298		

(1) Private partnership - equity and Private partnership - real assets. This category includes investments in private equity, buyout, real assets and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the fund manager using the NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.

(2) Hedge funds – absolute return. This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair value of these investments is estimated by the fund managers using the NAV based on valuations received from underlying investment managers.

(3) Hedge funds – long/short equity. This category includes investments in funds that take both long and short positions in domestic and international securities, primarily equity securities. Fair value is reported monthly at NAV based on valuations received from underlying investment managers.

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

(5) Multi-strategy hedge funds. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in U.S. index funds.

(6) Debt securities hedge funds. This hedge fund invests in a diversified portfolio of the highest grade debt securities (U.S. Government and agency securities, securities rated in the top rating category by one or more nationally recognized statistical rating organizations and unrated securities deemed by the hedge fund manager to be of similar credit quality), including obligations of the U.S. Government, its agencies and instrumentalities, mortgage-related securities, commercial paper and other short term debt obligations. The hedge fund may also invest in repurchase agreements and futures contracts (and options thereon). The hedge fund may borrow money for purposes of leverage in an amount up to three times the hedge fund's total net assets.

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. Category B includes investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2016, as follows:

Investment Type	Category B	Reported Amount
U.S. treasuries	$ 7,951	$ 150,913
U.S. agencies	42,697	2,041,049
Mortgage backed obligations	6,422	14,389
Common stock	151,711	567,415
Other equity securities	1,868	275,701
Corporate bonds	2,700	41,110
Repurchase agreements	—	98,910
Asset backed securities	—	11,261
Commercial paper	—	24,976
Money market mutual funds	30,643	91,181
Mutual bond funds	65,560	141,213
Guaranteed investment contracts	565	1,160
Other	141,943	302,434
Totals	**$452,060**	**$ 3,761,712**

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

Investment Type and Fair Value	AAA	AA	A	BBB	Not Rated
U.S. agencies	$ 2,018,021	$ 17,466	$ —	$ —	$ 5,562
Mortgage backed obligations	—	7,967	—	—	6,422
Corporate bonds	544	18,255	21,699	612	—
Repurchase agreements	98,910	—	—	—	—
Asset backed securities	—	11,261	—	—	—
Commercial paper	—	—	24,976	—	—
Money market mutual funds	26,003	28,412	—	—	36,766
Mutual bond funds	—	—	—	—	141,213
Guaranteed investment contracts	—	595	—	—	565
Other	—	114,141	—	—	142,455
Totals	**$ 2,143,478**	**$198,097**	**$ 46,675**	**$ 612**	**$ 332,983**

The State's major discretely presented component units may have interest rate risk policies that differ from that of the State Treasurer. At June 30, 2016, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 150,913	$ 4,580	$ 28,719	$ 3,371	$ 114,243
U.S. agencies	2,041,049	427,515	1,449,416	144,995	19,123
Mortgage backed obligations	14,389	—	7,967	3,499	2,923
Corporate bonds	41,110	3,054	25,965	2,700	9,391
Repurchase agreements	98,910	98,910	—	—	—
Asset backed securities	11,261	—	11,261	—	—
Commercial paper	24,976	24,976	—	—	—
Money market mutual funds	55,445	55,445	—	—	—
Mutual bond funds	484	—	—	390	94
Guaranteed investment contracts	595	595	—	—	—
Other	114,141	—	114,141	—	—
Totals	**$ 2,553,273**	**$ 615,075**	**$ 1,637,469**	**$ 154,955**	**$ 145,774**

b. Capital Assets

Capital asset activity (expressed in thousands) for the State's major discretely presented component units was as follows:

	Beginning Balances January 1, 2015	Increases	Decreases	Ending Balances December 31, 2015
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 145,201	$ 2,480	$ (90)	$ 147,591
Construction in progress	2,712,851	781,076	(156,574)	3,337,353
Total capital assets not being depreciated	2,858,052	783,556	(156,664)	3,484,944
Capital assets being depreciated:				
Buildings and improvements (utility plant)	7,210,972	139,973	(32,994)	7,317,951
Vehicles	62,703	7,249	(7,743)	62,209
Machinery and equipment	44,683	4,719	(4,565)	44,837
Intangibles	78,395	2,152	—	80,547
Total capital assets being depreciated	7,396,753	154,093	(45,302)	7,505,544
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(3,224,201)	(168,025)	19,434	(3,372,792)
Vehicles	(28,586)	(3,386)	7,713	(24,259)
Machinery and equipment	(18,785)	(747)	4,544	(14,988)
Intangibles	(65,447)	(3,881)	—	(69,328)
Total accumulated depreciation	(3,337,019)	(176,039)	31,691	(3,481,367)
Total capital assets being depreciated, net	4,059,734	(21,946)	(13,611)	4,024,177
Public Service Authority, net	**$ 6,917,786**	**$ 761,610**	**$ (170,275)**	**$ 7,509,121**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 203,281	$ 143	$ (811)	$ 202,613
Construction in progress	257,704	131,528	(38,609)	350,623
Intangibles	2,190	6,185	—	8,375
Total capital assets not being depreciated	463,175	137,856	(39,420)	561,611
Capital assets being depreciated:				
Land improvements	331,704	13,536	(334)	344,906
Buildings and improvements	339,214	12,571	(16,421)	335,364
Machinery and equipment	174,165	13,778	(3,106)	184,837
Intangibles	876	—	—	876
Total capital assets being depreciated	845,959	39,885	(19,861)	865,983
Less accumulated depreciation for:				
Land improvements	(192,993)	(14,576)	—	(207,569)
Buildings and improvements	(230,111)	(9,834)	2,261	(237,684)
Machinery and equipment	(126,614)	(9,444)	4,419	(131,639)
Intangibles	(683)	(36)	—	(719)
Total accumulated depreciation	(550,401)	(33,890)	6,680	(577,611)
Total capital assets being depreciated, net	295,558	5,995	(13,181)	288,372
State Ports Authority, net	**$ 758,733**	**$ 143,851**	**$ (52,601)**	**$ 849,983**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 43,088	$ 691	$ (57)	$ 43,722
Construction in progress	120,387	216,875	(75,597)	261,665
Total capital assets not being depreciated	163,475	217,566	(75,654)	305,387
Capital assets being depreciated:				
Buildings and improvements	914,193	101,819	(270)	1,015,742
Vehicles	14,728	1,008	(581)	15,155
Machinery and equipment	344,467	44,983	(4,472)	384,978
Intangibles	20,544	3,703	—	24,247
Total capital assets being depreciated	1,293,932	151,513	(5,323)	1,440,122
Less accumulated depreciation for:				
Buildings and improvements	(357,514)	(22,310)	154	(379,670)
Vehicles	(11,817)	(737)	562	(11,992)
Machinery and equipment	(202,814)	(20,860)	4,305	(219,369)
Intangibles	(12,495)	(6,006)	—	(18,501)
Total accumulated depreciation	(584,640)	(49,913)	5,021	(629,532)
Total capital assets being depreciated, net	709,292	101,600	(302)	810,590
Clemson University, net	**$ 872,767**	**$ 319,166**	**$ (75,956)**	**$ 1,115,977**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 85,550	$ 11,784	$ (24)	$ 97,310
Construction in progress	27,334	55,415	(48,310)	34,439
Works of art and historical treasures	188	—	—	188
Total capital assets not being depreciated	113,072	67,199	(48,334)	131,937
Capital assets being depreciated:				
Land improvements	14,652	—	(223)	14,429
Buildings and improvements	1,610,079	39,695	(13,622)	1,636,152
Vehicles	5,456	960	(416)	6,000
Machinery and equipment	396,104	49,030	(28,282)	416,852
Intangibles	62,050	2,865	—	64,915
Total capital assets being depreciated	2,088,341	92,550	(42,543)	2,138,348
Less accumulated depreciation for:				
Land improvements	(7,529)	(675)	37	(8,167)
Buildings and improvements	(722,695)	(67,568)	7,701	(782,562)
Vehicles	(5,028)	(227)	459	(4,796)
Machinery and equipment	(271,370)	(32,628)	26,650	(277,348)
Intangibles	(20,851)	(11,173)	—	(32,024)
Total accumulated depreciation	(1,027,473)	(112,271)	34,847	(1,104,897)
Total capital assets being depreciated, net	1,060,868	(19,721)	(7,696)	1,033,451
MUSC, net	**$ 1,173,940**	**$ 47,478**	**$ (56,030)**	**$ 1,165,388**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 79,919	$ —	$ —	$ 79,919
Construction in progress	105,048	79,657	(72,154)	112,551
Works of art and historical treasures	31,336	3,415	—	34,751
Total capital assets not being depreciated	216,303	83,072	(72,154)	227,221
Capital assets being depreciated:				
Land improvements	108,738	31	—	108,769
Buildings and improvements	1,574,583	66,147	—	1,640,730
Vehicles	17,509	1,047	(308)	18,248
Machinery and equipment	190,976	11,534	(4,696)	197,814
Intangibles	56,666	5,670	—	62,336
Total capital assets being depreciated	1,948,472	84,429	(5,004)	2,027,897
Less accumulated depreciation for:				
Land improvements	(31,828)	(4,103)	—	(35,931)
Buildings and improvements	(640,816)	(39,862)	—	(680,678)
Vehicles	(11,701)	(1,072)	308	(12,465)
Machinery and equipment	(146,942)	(9,574)	4,560	(151,956)
Intangibles	(13,020)	(5,955)	—	(18,975)
Total accumulated depreciation	(844,307)	(60,566)	4,868	(900,005)
Total capital assets being depreciated, net	1,104,165	23,863	(136)	1,127,892
USC, net	**$ 1,320,468**	**$ 106,935**	**$ (72,290)**	**$ 1,355,113**

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
Lottery Commission:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,315,694	$ —	$ —	$ 1,315,694
Vehicles	138,359	107,744	—	246,103
Machinery and equipment	3,081,737	146,732	—	3,228,469
Intangibles	555,815	—	—	555,815
Total capital assets being depreciated	5,091,605	254,476	—	5,346,081
Less accumulated depreciation for:				
Buildings and improvements	(1,301,556)	—	—	(1,301,556)
Vehicles	(56,834)	(43,650)	—	(100,484)
Machinery and equipment	(2,791,160)	(125,446)	—	(2,916,606)
Intangibles	(198,048)	(76,664)	—	(274,712)
Total accumulated depreciation	(4,347,598)	(245,760)	—	(4,593,358)
Total capital assets being depreciated, net	744,007	8,716	—	752,723
Lottery Commission, net	**$ 744,007**	**$ 8,716**	**$ —**	**$ 752,723**

During the fiscal year ended June 30, 2016, depreciation expense was charged to the major discretely presented component units as follows (expressed in thousands):

	Depreciation Expense
Public Service Authority	$ 176,039
State Ports Authority	33,890
MUSC	112,271
USC	60,566
Clemson University	49,913
Lottery Commission	245,760

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

	Outstanding Construction Commitments
Public Service Authority	$ 2,587,479
State Ports Authority	231,500
MUSC	8,255
USC	52,811
Clemson University	198,019

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

	Capitalized Interest Costs
State Ports Authority	$ 16,694
MUSC	35
USC	3,286
Clemson University	11,290

c. Insurance Activities

Medical Malpractice Liability Insurance Joint Underwriting Association

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

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

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

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

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

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015	$ 82,547	$ 4,461	$ (16,167)	$ 70,841
2014	92,175	7,100	(16,728)	82,547

Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2015. Policies are subject to deductibles ranging from $500 thousand to $2.0 million, with the exception of named storm losses which carry deductibles from $2.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2015, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2015. There have been no third-party claims for environmental damages for 2015.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at $13.5 billion by the Price-Anderson Indemnification Act. This $13.5 billion would be covered by nuclear liability insurance of $375.0 million per reactor unit, with potential retrospective assessments of up to $127.3 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $18.9 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $42.4 million, not to exceed approximately $6.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.5 billion primary and $1.25 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.3 million for the primary policy, $2.3 million for the excess policy and $1.8 million for the accidental outage policy.

SCE&G and the Authority maintain builder's risk insurance and marine cargo insurance for the V.C. Summer Units 2 and 3 construction. The builder's risk policy provides coverage of $2.75 billion accidental nuclear property damage with a sub-limit of $500.0 million for accidental property damage that is caused by or results from any covered peril other than radioactive contamination resulting from nuclear reaction, nuclear radiation or the release of radioactive materials, with deductibles ranging from $250 thousand to $5.0 million. This policy also carries a potential retrospective premium of approximately $42.0 million. Based on the Authority's current 45 percent ownership interest, the Authority's maximum retrospective premium would be approximately $18.9 million. The marine cargo/transit policy provides coverage of $300.0 million, with deductibles ranging from $25 thousand to $75 thousand.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2015.

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

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

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015	$ 1,321	$ 2,377	$ (2,219)	$ 1,479
2014	2,538	2,043	(3,260)	1,321

d. Leases

Capital Leases

The State's discretely presented component units lease land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2016 for the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Clemson University	MUSC	USC
2017	$ 1,002	$ 4,032	$ 5,457
2018	714	3,904	1,178
2019	574	3,246	1,172
2020	574	1,490	1,007
2021	574	1,139	960
2022-2026	2,872	1,644	4,940
2027-2031	2,872	—	4,665
2032-2036	2,872	—	3
2037-2039	980	—	—
Total minimum payments	**13,034**	**15,455**	**19,382**
Less: interest and executory costs	(67)	(1,116)	(4,558)
Net minimum payments	**$ 12,967**	**$ 14,339**	**$ 14,824**

Assets under capital leases recorded for the State's discretely presented component units at June 30, 2016, were as follows (expressed in thousands):

Assets Acquired Under Capital Leases	Clemson University	MUSC	USC
Land and non-depreciable improvements	$ —	$ —	$ 270
Buildings and improvements	14,300	—	18,815
Machinery and equipment	2,023	16,433	548
Assets acquired under capital leases before accumulated amortization	**16,323**	**16,433**	**19,633**
Less: accumulated amortization	(2,605)	(1,863)	(4,196)
Assets acquired under capital leases, net	**$ 13,718**	**$ 14,570**	**$ 15,437**

Operating Leases

For the Public Service Authority, minimum rental payments under operating leases for the fiscal year totaled $2.800 million. The State Ports Authority had minimum rental payments under operating leases with terms of less than twelve months which totaled $2.317 million for the fiscal year. The Housing Authority had minimum rental payments under operating leases for the fiscal year which totaled $353 thousand. For Clemson University, minimum rental payments under operating leases for the fiscal year totaled $123 thousand. MUSC had minimum rental payments under operating leases for the fiscal year which totaled $4.421 million. USC had minimum rental payments under operating leases for the fiscal year which totaled $3.741 million.

At June 30, 2016, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending December 31	Public Service Authority
2016	$ 1,638
2017	600
2018	600
2019	600
2020	600
Net minimum payments	**$ 4,038**

Fiscal Year Ending June 30	Housing Authority	Clemson University	MUSC	USC	Lottery Commission
2017	$ 341	$ 2,722	$ 15,509	$ 1,641	$ 537
2018	335	2,326	12,490	952	548
2019	343	2,050	10,960	696	560
2020	351	1,310	8,109	313	571
2021	360	1,323	6,027	124	582
2022-2026	—	529	7,551	474	1,814
2027-2031	—	—	1,746	47	—
Net minimum payments	**$ 1,730**	**$ 10,260**	**$ 62,392**	**$ 4,247**	**$ 4,612**

Facilities and Equipment Leased to Others

At June 30, 2016, the State Ports Authority had leased to non-State parties certain land and facilities having a cost of approximately $39.786 million and related accumulated depreciation of $17.916 million. Also, at June 30, 2016, MUSC had leased to non-State parties certain land and facilities having a cost of approximately $13.091 million and related accumulated depreciation of $4.189 million. Future minimum rental payments to be received at June 30, 2016, under these operating leases were as follows (expressed in thousands):

Fiscal Year Ending June 30	State Ports Authority	MUSC
2017	$ 1,626	$ 956
2018	1,639	953
2019	1,549	935
2020	1,548	935
2021	1,535	916
2022-2026	6,269	1,197
2027-2031	5,401	425
2032-2036	5,373	425
2037-2041	5,286	425
Thereafter	5,718	5,419
Total	**$ 35,944**	**$ 12,586**

e. Bonds and Notes Payable

General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2016, were (net of unamortized premiums/discounts, expressed in thousands):

Clemson University institution bonds, 2.50% to 5.00%, maturing serially through 2034	$	110,832
University of South Carolina institution bonds, 2.00% to 5.00%, maturing serially through 2035		147,990
Medical University of South Carolina institution bonds, 2.50% to 5.00%, maturing serially through 2036		56,930

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

	Clemson University		Medical University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2017	$ 6,480	$ 4,756	$ 4,935	$ 2,434
2018	5,095	4,444	4,620	2,096
2019	4,800	4,204	4,090	1,881
2020	7,490	3,976	4,245	1,677
2021	7,615	3,613	2,485	1,464
2022-2026	31,515	13,298	12,460	5,473
2027-2031	34,775	5,798	12,620	2,736
2032-2036	6,665	472	7,530	691
Total debt service requirements	**104,435**	**$ 40,561**	**52,985**	**$ 18,452**
Unamortized premiums	6,397		3,945	
Total principal outstanding	**$ 110,832**		**$ 56,930**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2017	$ 9,330	$ 6,460
2018	9,725	6,057
2019	10,105	5,644
2020	10,590	5,144
2021	10,990	4,717
2022-2026	48,565	15,926
2027-2031	30,530	6,542
2032-2035	18,155	1,482
Total debt service requirements	**$ 147,990**	**$ 51,972**

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

principal and interest payments for the applicable state institution bonds. State institution bonds of $463.365 million were outstanding at June 30, 2016.

Revenue and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue and other bonds and notes outstanding at June 30, 2016 and December 31, 2015 (for PSA), were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.10% to 8.37%, maturing serially through 2055	$ 7,479,365	$ —
Clemson University bonds, 2.00% to 5.00%, maturing serially through 2046	457,637	—
University of South Carolina bonds and notes, 1.00% to 5.50%, maturing serially through 2045	471,240	5,942
Medical University of South Carolina bonds and notes, 2.25% to 7.50%, maturing serially through 2038	491,778	60,438
State Ports Authority bonds and notes, 2.56% to 5.50%, maturing serially through 2056	471,427	41,056
State Housing Authority bonds, 0.50% to 6.00%, maturing serially through 2046	422,223	—

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 2.85% plus 8% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2016 is $62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.0% of the one-month LIBOR rate. The variable rate in effect at June 30, 2016 was 0.30%. The fair value of this swap, estimated using the zero-coupon method, was negative $8.153 million as of June 30, 2016. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the cash flow hedge swap from June 30, 2015 of $4.936 million is not recognized in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.57%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2016 was $13.586 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2016 was 1.76%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $261 thousand as of June 30, 2016. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2015 of $159 thousand is not recognized in these financial statements.

As of June 30, 2016, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending	Variable Rate Debt		Interest Rate	
June 30	Principal	Interest	Swaps, Net	Totals
2017	$ —	$ 759	$ 1,117	$ 1,876
2018	1,700	738	1,086	3,524
2019	3,500	695	1,023	5,218
2020	2,925	660	971	4,556
2021	2,525	629	925	4,079
2022-2026	13,730	2,651	3,901	20,282
2027-2031	15,715	1,739	2,560	20,014
2032-2036	18,065	693	1,020	19,778
2037-2038	3,925	—	—	3,925
Totals.....	**$ 62,085**	**$ 8,564**	**$ 12,603**	**$ 83,252**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.0% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2016 were $48.983 million and $20.993 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $69.975 million at June 30, 2016.

As of June 30, 2016, the swaps had a negative fair value of approximately $1.085 million. The unrealized loss related to these agreements recorded at June 30, 2016 is $111 thousand and is included in interest expense on the Statement of Activities.

Debt Service Requirements

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, the State Ports Authority, and the State Housing Authority ends June 30. At December 31, 2015, the carrying value of the Public Service Authority's debt was $7.134 billion while the fair value was approximately $8.5 billion. At June 30, 2016, the carrying value of the State Ports Authority debt was $490.541 million while the fair value was approximately $467.957 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

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

	Public Service Authority	
Year Ending December 31	**Principal**	**Interest**
2016	$ 158,347	$ 354,198
2017	116,707	348,640
2018	158,943	342,833
2019	212,131	335,115
2020	192,136	327,029
2021-2025	782,245	1,519,224
2026-2030	711,129	1,364,824
2031-2035	788,547	1,188,648
2036-2040	888,335	960,887
2041-2045	1,045,307	730,756
2046-2050	1,241,345	416,409
2051-2055	839,060	120,623
Total debt service requirements	**7,134,232**	**$ 8,009,186**
Unamortized discounts and premiums	345,133	
Total principal outstanding	**$ 7,479,365**	

	State Ports Authority		State Housing Authority	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2017	$ 7,078	$ 23,402	$ 11,060	$ 16,080
2018	7,370	23,086	16,745	15,775
2019	7,674	22,755	16,970	15,233
2020	7,986	22,411	15,765	14,646
2021	8,323	23,274	16,490	14,028
2022-2026	69,040	101,067	89,530	59,353
2027-2031	31,450	92,154	90,115	39,597
2032-2036	40,480	82,927	88,505	19,933
2037-2041	51,800	71,345	64,550	6,919
2042-2046	65,720	57,180	1,845	25
2047-2051	84,175	38,031	—	—
2052-2056	109,445	12,094	—	—
Total debt service requirements	**490,541**	**$ 569,726**	**411,575**	**$ 201,589**
Unamortized premiums and discounts	21,942		10,648	
Total principal outstanding	**$ 512,483**		**$ 422,223**	

Year Ending June 30	Clemson University Principal	Clemson University Interest	University of South Carolina Principal	University of South Carolina Interest
2017	$ 10,240	$ 17,268	$ 19,177	$ 20,259
2018	12,160	16,972	14,340	19,570
2019	10,750	16,585	14,595	18,969
2020	11,245	16,087	15,285	18,293
2021	11,040	15,557	15,675	17,553
2022-2026	60,775	69,754	88,285	75,903
2027-2031	61,025	55,786	98,250	53,634
2032-2036	72,360	43,446	95,390	29,590
2037-2041	86,630	29,189	56,660	8,928
2042-2046	93,825	10,612	12,075	1,046
Total debt service requirements	**$ 430,050**	**$ 291,256**	**$ 429,732**	**$ 263,745**
Unamortized discounts and premiums	27,587		47,450	
Total principal outstanding	**$ 457,637**		**$ 477,182**	

Year Ending June 30	Medical University of South Carolina Principal	Medical University of South Carolina Interest
2017	$ 29,194	$ 16,635
2018	30,823	15,799
2019	47,422	14,773
2020	29,825	13,542
2021	30,260	12,612
2022-2026	160,644	48,017
2027-2031	155,557	22,857
2032-2036	64,566	3,129
2037-2039	3,925	—
Total debt service requirements	**$ 552,216**	**$ 147,364**

Bond Anticipation Notes

At June 30, 2016, all short-term general obligation bond anticipation notes that were outstanding at the prior fiscal year's end at MUSC were fully defeased.

Defeased Bonds

In its fiscal year ended December 31, 2015, the Public Service Authority issued $497.330 million in 2015 Tax-Exempt Refunding Series A, Series B, Series C Bonds, with an aggregate all-in true interest cost of 4.10% and $91.750 million in 2015 Tax-Exempt Series E Bonds, with an aggregate all-in true interest cost of 4.74%. The $162.290 million of Series A bonds issued were used to refund/restructure $169.960 million of bonds with an average interest rate of 5.16%. This refunding/restructuring included $13.370 million in 2006 Series A bonds, $32.750 million in 2007 Series A bonds, $93.035 million in 2008 Series A bonds, and $30.765 million in 2009 Series B bonds. The bonds were refunded and restructured to increase total debt service payments over the next seventeen years by approximately $16.438 million and to obtain an economic gain of approximately $12.479 million. The $64.870 million of Series B bonds issued were used to refund/restructure $78.150 million in 2005 Refunding Series C bonds with an average interest rate of 4.73%. The bonds were refunded and restructured to increase total debt service payments over the next ten years by approximately $17.463 million and to obtain an economic gain of approximately $12.705 million. The $270.170 million of Series C bonds issued were used to refund/restructure $304.625 million of bonds with an average interest rate of 5.07%. This refunding/restructuring included $87.560 million in 2005 Refunding Series A bonds and $217.065 million in 2005 Refunding Series B bonds. The bonds were refunded and restructured to increase total debt service payments over the next eight years by approximately $44.656 million and to obtain an economic gain of approximately $34.322 million. The $91.750 million of Series E bonds issued were used to restructure $100.00 million in outstanding debt under the long-term portion of the Barclays Revolving Credit Agreement with an average LIBOR-indexed interest rate of 0.22%.

In addition, at December 31, 2015, $1.116 billion of bonds associated with the Public Service Authority were considered defeased.

During September 2015, The University of South Carolina issued $41.930 million in Series 2015 Revenue Refunding Bonds, with an aggregate all-in true interest cost of 2.80%. The net proceeds after payment of $337 thousand in issuance costs were used to refund $46.015 million of the 2005 Series A Bonds with an average interest rate of 4.83%. The refunding transaction resulted in an aggregate debt payment reduction of $5.158 million over the next twenty years and an economic gain of $4.386 million.

During March 2016, The Medical University of South Carolina issued $7.115 million in 2016 State Institution Refunding Series D Bonds, with an aggregate all-in true interest cost of 1.02%. The net proceeds after payment of $82 thousand in issuance costs were used to refund $7.820 million of the 2005 Series A Bonds with an average interest rate of 0.88%. The refunding transaction resulted in an aggregate debt payment reduction of $480 thousand over the next four years and an economic gain of $474 thousand.

Arbitrage Rebate Payable

The Housing Authority recognized a $41 thousand arbitrage rebate liability.

Conduit Debt

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

The Housing Authority issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2016, the outstanding balance of bonds issued was $222.914 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2016, the outstanding balance of bonds issued after June 30, 1995, was $3.260 billion. The original amount of bonds issued prior to that date is not available.

Commercial Paper Notes and Lines of Credit

The Public Service Authority and the University of South Carolina present their outstanding amounts as commercial paper notes and line of credit, respectively, but all other amounts outstanding on lines of credit at June 30, 2016 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The Public Service Authority has recorded a $597.520 million liability for commercial paper notes at its fiscal year ended December 31, 2015. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has an $800 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2015.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of $10 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 0.75% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2016, there were no advances under this line of credit. The line of credit expired during June 2015 and was renewed with basically the same terms through June 22, 2017.

The University of South Carolina Educational Foundation, a discretely presented component unit of USC, has a line of credit with a maximum borrowing limit of $20 million, on which it could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.20%. As of June 30, 2016, the University of South Carolina Educational Foundation has an outstanding balance of $18.933 million on this line of credit. Interest only payments on this line of credit are due beginning in August 2015 and the entire principal balance and any outstanding interest are due in June 2017.

f. Changes in Liabilities

	Balances at January 1, 2015 as Restated	Increases	Decreases	Balances at December 31, 2015	Amounts Due Within One Year
Public Service Authority					
Policy claims	$ 1,321	$ 2,377	$ (2,219)	$ 1,479	$ 1,479
Revenue bonds payable	6,504,182	1,442,855	(812,805)	7,134,232	158,347
Unamortized discounts and premiums	239,713	143,544	(38,124)	345,133	—
Total revenue bonds payable	6,743,895	1,586,399	(850,929)	7,479,365	158,347
Compensated absences payable	20,096	2,630	(1,692)	21,034	21,034
Other long-term obligations	44,956	—	(44,956)	—	—
Net pension liability	290,000	—	(3,700)	286,300	—
Total long-term liabilities	$ 7,100,268	$ 1,591,406	$ (903,496)	$ 7,788,178	$ 180,860

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
State Ports Authority					
Notes payable	$ 130,977	$ 19,385	$ (109,306)	$ 41,056	$ 1,808
Revenue bonds payable	160,495	294,025	(5,035)	449,485	5,270
Unamortized discounts and premiums	2,024	20,235	(317)	21,942	—
Total revenue bonds payable	162,519	314,260	(5,352)	471,427	5,270
Compensated absences payable	3,252	2,825	(2,603)	3,474	3,474
Net pension liability	64,821	9,475	—	74,296	—
Total long-term liabilities	$ 361,569	$ 345,945	$ (117,261)	$ 590,253	$ 10,552

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
Housing Authority					
Revenue bonds payable	$ 474,620	$ 69,595	$ (132,640)	$ 411,575	$ 11,060
Unamortized discounts and premiums	11,371	2,183	(2,906)	10,648	—
Total revenue bonds payable	485,991	71,778	(135,546)	422,223	11,060
Compensated absences payable	761	583	(523)	821	523
Arbitrage payable	41	—	—	41	—
Net pension liability	12,409	982	—	13,391	—
Total long-term liabilities	$ 499,202	$ 73,343	$ (136,069)	$ 436,476	$ 11,583

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
Clemson University					
General obligation bonds payable	$ 110,615	$ —	$ (6,180)	$ 104,435	$ 6,480
Unamortized discounts and premiums	7,165	—	(768)	6,397	—
Total general obligation bonds payable	117,780	—	(6,948)	110,832	6,480
Revenue bonds payable	229,735	209,875	(9,560)	430,050	10,240
Unamortized discounts and premiums	13,258	15,128	(799)	27,587	—
Total revenue bonds	242,993	225,003	(10,359)	457,637	10,240
Capital leases payable	13,993	—	(1,026)	12,967	977
Compensated absences payable	27,301	18,316	(16,661)	28,956	18,470
Net pension liability	452,937	56,805	—	509,742	—
Total long-term liabilities	$ 855,004	$ 300,124	$ (34,994)	$ 1,120,134	$ 36,167

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
Medical University of South Carolina					
Notes payable	$ 51,348	$ 15,600	$ (6,510)	$ 60,438	$ 7,206
General obligation bonds payable	35,070	30,095	(12,180)	52,985	4,935
Unamortized discounts and premiums	936	3,359	(350)	3,945	—
Total general obligation bonds payable	36,006	33,454	(12,530)	56,930	4,935
Revenue bonds payable	516,013	—	(24,235)	491,778	21,988
Capital leases payable	2,910	13,490	(2,061)	14,339	3,631
Compensated absences payable	33,478	21,230	(19,996)	34,712	17,290
Net pension liability	912,304	112,828	—	1,025,132	—
Total long-term liabilities	$ 1,552,059	$ 196,602	$ (65,332)	$ 1,683,329	$ 55,050

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016	Amounts Due Within One Year
University of South Carolina					
Notes payable	$ 7,158	$ —	$ (1,216)	$ 5,942	$ 5,942
General obligation bonds payable	159,830	—	(11,840)	147,990	9,330
Revenue bonds payable	434,815	48,175	(59,200)	423,790	13,235
Unamortized discounts and premiums	42,871	7,231	(2,652)	47,450	—
Total revenue bonds	477,686	55,406	(61,852)	471,240	13,235
Capital leases payable	15,877	—	(1,053)	14,824	4,728
Compensated absences payable	34,594	25,164	(24,391)	35,367	21,927
Net pension liability	713,665	70,479	—	784,144	—
Total long-term liabilities	$ 1,408,810	$ 151,049	$ (100,352)	$ 1,459,507	$ 55,162

Short-Term Debt

The Medical University of South Carolina and the University of South Carolina may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2016 included: a line of credit for USC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016
Medical University of South Carolina				
General obligation bond anticipation notes payable	$ 26,500	$ —	$ (26,500)	$ —

	Balances at January 1, 2015	Increases	Decreases	Balances at December 31, 2015
Public Service Authority				
Commercial paper notes	$ 410,139	$ 246,086	$ (58,705)	$ 597,520

	Balances at July 1, 2015	Increases	Decreases	Balances at June 30, 2016
University of South Carolina				
Line of credit	$ 15,000	$ 3,933	$ —	$ 18,933

g. Joint Venture and Joint Operation

Joint Venture

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2015, the trade guarantees are an amount not to exceed approximately $93.3 million.

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

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

Joint Operation

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

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $315.1 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G are constructing a plan to operate two additional nuclear generating units (Summer Units 2 and 3) at the V.C. Summer Nuclear Station. On May 22, 2008, the Authority's Board authorized the Authority to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement and Construction (EPC) Agreement. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an EPC Agreement with Westinghouse and Stone & Webster, Inc., (a subsidiary of Chicago Bridge & Iron Company), for the engineering, procurement and construction of two 1,117 MW nuclear generating units.

On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the new units to a third party. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provide for a 45% ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G.

The Authority received the combined construction and operating licenses on March 30, 2012 and anticipates that V.C. Summer Units 2 and 3 will go into service in 2019 and 2020, respectively. On April 5, 2012, the Authority's Board authorized the Authority to expend up to $4.9 billion to fund the Authority's share of the EPC Agreement and associated Owner's Costs to complete the project.

As part of its capital improvement program, the Authority has evaluated its level of participation in the new units. Due to developments since initiation of the project, the Authority is taking actions necessary to reduce its 45% ownership interest. In 2011, the Authority began deferring a portion of interest expense representing the amount related to the assumed ownership

reduction. In 2013, the Authority continued deferring and began capitalizing portions of related interest expense based on revised ownership assumptions.

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

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $20.1 million during the Authority's fiscal year ended December 31, 2015.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of $45.0 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of $1.0 million during the fiscal year ended June 30, 2016.

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $297 million and $49.606 million for the fiscal year ended June 30, 2016.

i. Concentrations of Customer Credit Risk

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority's sales for its fiscal year ended December 31, 2015, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,070,000	58%

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

State Ports Authority

During the fiscal year ended June 30, 2016, of the State Ports Authority's total revenues, three customers accounted for approximately 23%, 16%, and 11% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

j. Contingencies and Commitments

Litigation – Public Service Authority

The Public Service Authority, a major discretely presented component unit and electric utility company, is a party to or has an indirect interest in several lawsuits in which the amounts of potential losses, if any, are not presently determinable. The following paragraph discusses the most significant of these cases.

In May 2013, Horry Cooperative sued the Authority seeking indemnification for claims in a class action lawsuit brought against Horry Cooperative by certain of its customers. The customers allege mold damage to their homes was caused by vapor barriers installed in accordance with the Authority's energy efficiency recommendations. Horry Cooperative's complaint alleges the Authority knew the vapor barrier could cause moisture problems but failed to disclose the information to Horry Cooperative and failed to advise Horry Cooperative that the vapor barrier should be a recommendation rather than a requirement. A settlement has been reached in the underlying class action lawsuit against Horry Cooperative. The settlement provides for the establishment of two funds, totaling $6.0 million, to pay the claims of the class members. As of the deadline for filing claims, $1.4 million in claims and attorney fees have been paid. The Authority filed a motion to dismiss the claims brought against it by Horry Cooperative. On June 11, 2014, the Court dismissed the suit, ruling that the majority of the claims were dismissed with prejudice and that the claim for equitable indemnification was dismissed without prejudice. Horry Cooperative has appealed the dismissal of the suit. The Authority cannot predict the outcome of the appeal. On October 20, 2014, the Authority was served with an additional complaint filed by Horry Cooperative in Horry County. The complaint alleges a single cause of action for indemnity arising out of the same underlying factual allegations as the original complaint filed in May of 2013. The Authority has filed a motion to dismiss the complaint. The Authority cannot predict the outcome of this lawsuit.

Litigation – State Ports Authority

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

In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. The case is now on appeal, briefing is completed, and at this time, arguments were scheduled for November 2016, with a decision likely in late 2016 or early 2017. The decision may be further appealed to the State Supreme Court. The Ports Authority intends to vigorously defend the permits. The effect of these administrative permit cases on the financial position of the Ports Authority cannot be determined at this time.

On October 14, 2012, a portion of the quay wall at Veterans' Terminal (VT) in North Charleston, failed, sending quantities of gravel, certain equipment, and miscellaneous structural materials into the Cooper River. This area is under lease from the Charleston Naval Complex Redevelopment Authority, a jointly governed entity. The failure was apparently due to overloading of the quay wall by Atlantic Coast Materials, LLC (ACM), and a user of the facility that deposited stone in proximity to the wall. Appropriate State and Federal regulatory authorities were timely notified. The State Ports Authority is required to remove the material in the river and rebuild the quay wall facility. At this time, the regulatory process must be completed before obtaining permits to allow reconstruction contracts to be bid. Until contracts are let and the project is completed, there is no final determination of costs and financial impact. The regulatory process has been extended by required consultation procedures with National Marine Fisheries Service and the U.S. Army Corps of Engineers, who are studying potential environmental impacts and restrictions on the remedial work. Commencement of construction is estimated as the third quarter of fiscal year 2017. A preliminary estimate of project costs is approximately $28 million. Property insurance will cover a portion of the costs, but will not cover a significant portion of the loss which is excluded under a pollution exclusion clause. This amount has not been determined at this time.

On October 10, 2014, ACM filed suit against the Ports Authority, alleging various tort and contract claims, and seeking damages for lost material and equipment, estimated at approximately $2 million. The Ports Authority thereafter has served its suit by way of counterclaim against ACM to recover damages estimated at approximately $40 million, which is in excess of ACM's insurance coverage. The case was removed to the State Business Court for Charleston County, is in discovery state at this time, with mediation ongoing. Recovery may be affected by insurance coverages, though it is too early in the discovery phase to estimate recovery.

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

Construction of the Hugh K. Leatherman, Sr. Terminal was delayed by discovery of issues associated with the design and administration of the project that have required re-engineering of the containment wall structures. An excess cost statement has been delivered to the responsible party to determine recovery of the additional construction costs caused by design and project management issues and to seek resolution by agreement. Discussions of the costs and responsibility will likely occur in the near future, and it is too early in the process to assess the likelihood of resolution or the amount of resolution. Remediation work and construction is continuing.

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

Other Loan Guarantees – South Carolina Education Assistance Authority

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. At June 30, 2016, these loans totaled $1.734 billion. The United States Department of Education reinsures 100% of claims for loans made prior to October 1, 1993; 98% of claims for loans made between October 1, 1993 and October 1, 1998; and 95% of claims made on or after October 1, 1998. If the loan default claims rate exceeds 5% of the loans in repayment status, the United States Department of Education decreases the reinsurance rate. The State's default rate for the preiod ended September 30, 2015, was 0.7%.

Purchase Commitments – Public Service Authority

At December 31, 2015, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $504.674 million for coal. In addition, minimum obligations under two purchased power contracts as of December 31, 2015, were approximately $52.0 million with a remaining term of twenty years and $59.1 million with a remaining term of one year. Also at December 31, 2015, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $508.5 million over the next twenty-two years.

The Authority amended a service agreement to an approximate amount of $97.2 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2018.

On November 9, 2016 the Authority was given approval by the S.C. Public Service Commission to increase the construction budget by $1.1 billion as it relates to the Fixed Price Option contract with Westinghouse.

Purchase Commitments – Ports Authority

At June 30, 2016, the Ports Authority had construction commitments of approximately $231.5 million and non-construction commitments for property, plant and equipment of approximately $7.7 million. The Ports Authority recorded a liability of approximately $4.3 million equal to the final project costs on the 45 foot Charleston Harbor deepening project.

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

The State Housing Finance and Development Authority, a major discretely presented component unit, has commitments of $250 thousand for special initiatives under the Program Fund and $9.892 million from the Housing Trust Fund for affordable housing projects and developments.22

NOTE 19: SUBSEQUENT EVENTS

a. Debt Issuances

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

- The State Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), issued $213.595 million in revenue refunding bonds, Series 2016A, on July 20, 2016.
- The State issued higher education revenue bonds and revenue refunding bonds, Series 2016A, in the amount of $67.820 million on behalf of the University of South Carolina, a major discretely presented component unit, on July 21, 2016.
- The State issued athletic facilities revenue refunding bonds, Series 2016A, in the amount of $22.400 million on behalf of the University of South Carolina, a major discretely presented component unit, on July 21, 2016.
- The State issued state institution bonds, Series 2016F, in the amount of $52.395 million on behalf of Clemson University, a major discretely presented component unit, on October 1, 2016.
- The State issued state institution bonds, Series 2016G, in the amount of $8.550 million on behalf of Lander University, a nonmajor discretely presented component unit, on October 1, 2016.
- The State issued higher education revenue bonds, Series 2016, in the amount of $22.415 million on behald of Coastal Carolina University, a non-major discretely presented component unit, on November 23, 2016.
- The State has drawn $14.0 million on a lease for Department of Education related to buses on December 9,2016.

On August 2, 2016, the Housing Authority, a major discretely presented component unit, issued $67.000 million in mortgage revenue refunding bonds, Series 2016B, which will be used to refund all of the Authority's remaining Series 2006C bonds.

The Public Service Authority, a major discretely presented component unit, issued the following revenue bonds after December 31, 2015:

- February 10, 2016 for $543.7 million for a partial refunding of its 2007 Tax-exempt Series A bonds, 2008 Tax-exempt Series A bonds, 2009 Tax-exempt Series A bonds, 2009 Tax-exempt Series B bonds, and its 2014 Tax-exempt Series A bonds.
- May 19, 2016 for $42.143 million in 2016 Series M1 revenue obligation bonds
- July 20, 2016 for $831.355 in 2016 Taxable Series D revenue obligation bonds and 2016 Tax-Exempt Refunding and Improvement Series B revenue obligation bonds for a partial refunding of its 2009 Tax-Exempt Series E revenue obligation bonds
- October 13, 2016 for $52.400 million in 2016 Tax-Exempt Refunding Series C revenue obligation bonds for a partial refunding of its 2006 Series C revenue obligation bonds

b. Palmetto Railways Loan

Subsequent to December 31, 2015, Palmetto Railways, an enterprise fund, made $8.00 million in additional draws on the interest free loan agreement with the South Carolina Department of Commerce – SC Coordinating Council for Economic Development.

c. South Carolina State University Loans

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

d. Medical University of South Carolina Construction Project

The Medical University of South Carolina (MUSC), a major discretely presented component unit, will be constructing the Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion, which will consist of a seven-story, 255-bed patient tower atop a four-story Diagnostic and Treatment podium. The $385 million, 649,485 square foot design will include labor and delivery rooms, pediatric medical, neonatal intensive care, and ambulatory care clinics. The State appropriated $35.75 million in fiscal years 2016 and 2017 towards the construction of this facility. The majority of the financing is through the Department of Housing and Urban Development's FHA Section 241 Mortgage Insurance Program with a construction start date in the fall of 2016.

e. Coastal Carolina University Construction Project

Athletic facility upgrades commensurate with Coastal Carolina University, a non-major discretely presented component unit, athletic program's new membership in the Sun Belt Conference and in particular, the football program's transition to the FBS (Football Bowl Subdivision), were expected to begin during fiscal year 2015-2016. However the project's required approvals were not obtained until August 2016. As a result, construction for the upgrades is anticipated to begin in summer 2017. General revenue bonds will be issued in the fall of 2016 to fund these upgrades. FBS classification features an average attendance required by NCAA-By-Law 0.9.9.3. Facility expansion is required in order to meet this attendance requirement. The approved budget of the facility upgrade is $31.8 million.

f. Ports Authority Construction Project

During September 2016, the Ports Authority announced plans to develop a second inland port facility in Dillon, South Carolina to support growth of intermodal container volumes and expand access to markets in neighboring states and throughout the Northeast and Midwest. The Ports Authority will break ground in the first quarter of 2017 with plans to open the facility by the end of the year.

g. South Carolina First Steps to School Readiness BabyNet

In September 2016, the Governor of South Carolina issued Executive Order No. 60, which designated the South Carolina Department of Health and Human Services as the lead agency for South Carolina's IDEA Part C program, known locally as "BabyNet". South Carolina First Steps to School Readiness, a non-major discretely presented component unit, was previously the lead agency. This Executive Order took effect immediately with the Department of Health and Human Services formally assuming the IDEA Part C lead agency responsibility beginning July 1, 2017. Funding related to the BabyNet program is expected to be appropriated to the South Carolina Department of Health and Human Service beginning in fiscal year 2018.

h. Education Assistance Authority Guaranty Agreement Termination

As a result of the Health Care and Education Reconciliation Act of 2010 and subsequent actions taken by the federal government which nationalized the federally-guaranteed student loan program, continuing guarantor operations under the guaranty agreement between the Education Assistance Authority, a non-major discretely presented component unit, and the United States Department of Education (USDE) would result in an economic loss to the Authority. Therefore, on June 22, 2016, the SFAA delegated to SCSLC the authority to communicate with USDE at the appropriate time to terminate the guaranty agreements, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the South Carolina State Treasurer all necessary documents required to effect such termination. SCSCL notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement. On July 21, 2016 SCSLC received formal notice from the USDE naming Educational Credit Management Corporation ("ECMC") as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. The related conversion is scheduled for December 1, 2016. The costs, if any, to the Authority related to the conversion have not been determined or approved at this time.

Recently the Corporation made the decision to transfer the servicing of its loan portfolio to a third party sub-servicer instead of performing the servicing function internally. The first conversion of loans was completed on August 19, 2016, with all conversion phases expected to be completed within the fiscal year ended June 30, 2017. Both the Corporation and the Authority are holders of Federal Family Education Loans (FFEL) which are being transitioned to the sub-servicer.

The Money Purchase Pension Plan (MPPP) and Defined Pension Plan (DPP) experienced a partial termination on August 18, 2016 due to a reduction in workforce at SCSLC. All contributions to the MPPP and DPP for the affected employees were immediately 100% vested.

Also as part of the termination of the guaranty agreement, the USDE has indicated a reserve will be required for any default aversion fees previously earned and received by the Authority that would need to be refunded to the USDE for any future defaults on the loans associated with these default aversion fees. The amount of the reserve has not been determined at this time.

i. Department of Transportation Reform and Criminal Indictments

During the 2015-2016 Legislative session, reform legislation was passed by the General Assembly relative to the Department of Transportation, a governmental fund. Act 275 addressed structure, leadership and provided a moderate increase in revenue. While the governing board of commissions remains the same, all new members will be appointed by the Governor upon advice and consent of the Senate. In a reversal from Act 114 of 2007, appointment of the Secretary of Transportation returns to the Commission with consent from the Senate. Additional approvals include the Long Range Transportation Plan, State Transportation Improvement Plan, project prioritization and the annual budget. The Secretary is solely responsible for the day to day activities of the Department. Lastly, the Department received additional future revenue appropriations estimated in the amount of $215 million.

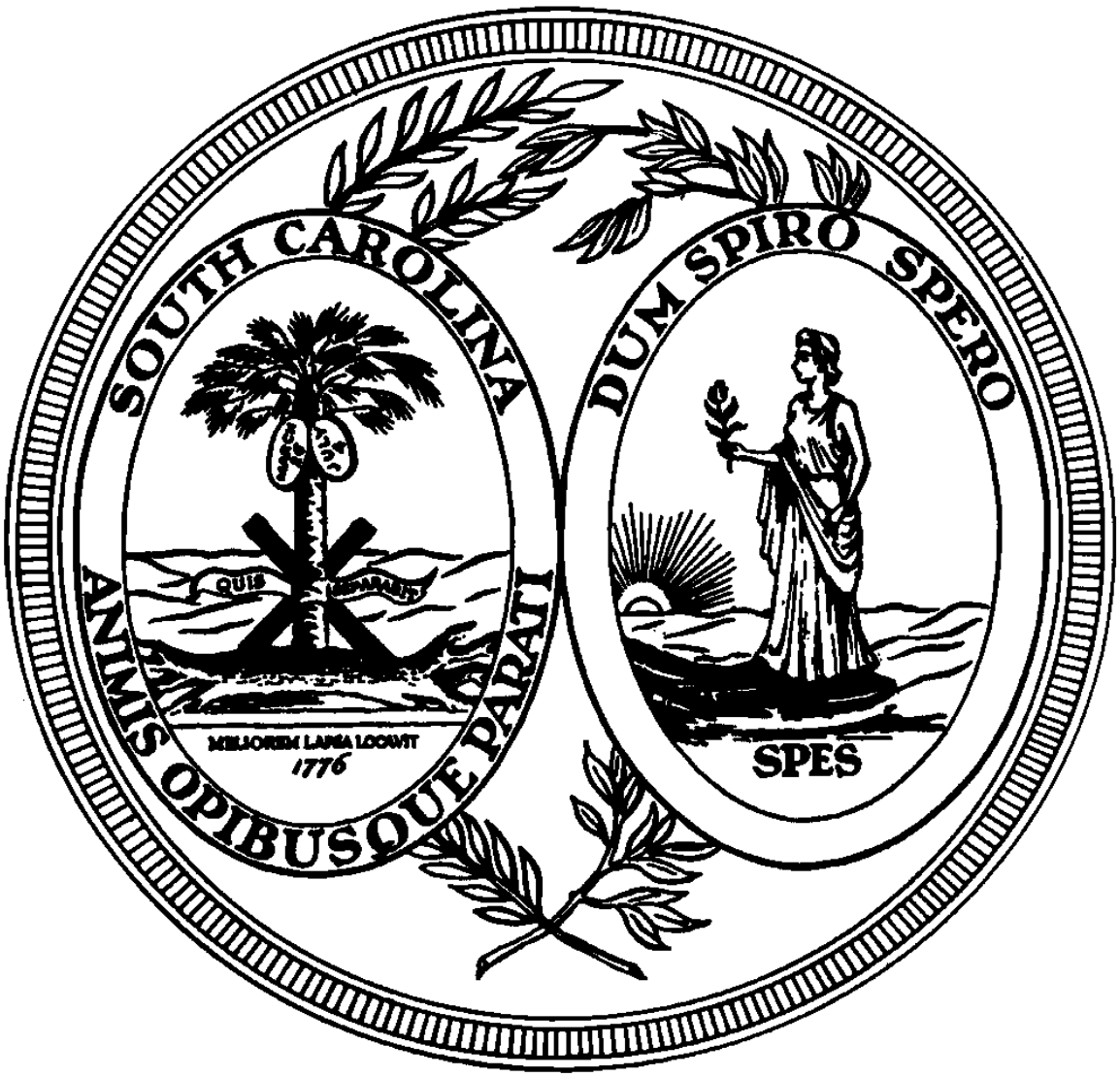
Subsequent to year end, during July 2016, four employees of the Department were criminally indicted. One of the charges of the indictment identified more than $360 thousand had been improperly received by a Department employee. However, as of the date of issuance of these financial statements, the investigation has not been finalized nor has any employee been found guilty and therefore, no adjustments are included in these financial statements for the year ended June 30, 2016.

j. Natural Disasters

During early October 2015, South Carolina received prolonged torrential rains spawned by Hurricane Joaquin that produced catastrophic statewide flooding. The extent and severity of flooding was unprecedented and resulted in extensive damage to roads and bridges and to private property, polluted water systems, compromised dams, and power outages. As of June 30, 2016 the State of South Carolina has requested reimbursement from FEMA in the amount of $35 million. This grant remains open and recovery is still on-going from this natural disaster.

In October 2015, South Carolina experienced a statewide emergency event related to significant rainfall resulting in widespread flooding. The Department of Transportation, a governmental fund, conducted thorough inspections of all bridges and roads and began recovery of the State Highway System. Total damages on the State Highway System are estimated to be $153 million and many costs are eligible for federal assistance from Federal Highway Administration and Federal Emergency Management. The estimated State portion of damages is expected to be $49 million. During the 2015-2016 Legislative Session, funding in the amount of $49 million was provided to the Department to assist in the recovery and repair process and provide required federal assistance matching funds. The Department has incurred costs through June 30, 2016 of $75 million of which $18 million has been received in federal assistance. Additional federal assistance is expected up to $99 million and will be based upon total costs and their federal assistance eligibility. Additional reimbursements have not been accrued as a receivable for year ended June 30, 2016 as approval of the reimbursements had not yet occurred.

During October 2016, South Carolina received yet another devastiating storm, Hurricane Matthew, which caused significant damage to state parks, roads, electrical infrastructure and other property. On October, 4, 2016 the Governor issued an executive order declaring a state of emergency for the State of South Carolina. On or about October 7, 2016 the President declared the State of South Carolina a disaster area and eligible for FEMA recovery. This storm carried heavy rains which caused flooding and high winds resulting in down trees and debris. The State is in the very early stages of recovery and some sites are still not accessible for damage assessment. The FEMA reimbursement will be at 75% of costs.


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANEA LOCAVIT
1776
SPES

REQUIRED SUPPLEMENTARY INFORMATION—
Other than Management's Discussion and Analysis
(Unaudited)

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

For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Retail sales tax	$ 2,714,293	$ 2,714,293	$ 2,818,606	$ 104,313
Income tax, individual	3,251,314	3,251,314	3,311,005	59,691
Income tax, corporation	307,791	307,791	361,808	54,017
Total income and sales tax	6,273,398	6,273,398	6,491,419	218,021
Admissions tax	31,771	31,771	30,851	(920)
Aircraft tax	4,536	4,536	4,124	(412)
Alcoholic liquor tax	72,334	72,334	73,550	1,216
Bank tax	28,170	28,170	29,425	1,255
Beer and wine tax	106,691	106,691	107,252	561
Tobacco tax	24,869	24,869	28,138	3,269
Coin-operated device tax	1,069	1,069	1,049	(20)
Corporation license tax	104,916	104,916	88,702	(16,214)
Departmental revenue (primarily fees for services)	44,386	44,386	57,962	13,576
Documentary tax	42,638	42,638	46,164	3,526
Earned on investments	19,000	19,000	25,193	6,193
Insurance tax	205,353	205,353	212,224	6,871
Motor vehicle licenses	10,711	10,711	10,678	(33)
Private car lines tax	3,672	3,672	4,335	663
Public Service Authority	22,130	22,130	19,266	(2,864)
Retailers' license tax	755	755	930	175
Savings and loan association tax	2,240	2,240	(84)	(2,324)
Workers' compensation insurance tax	8,354	8,354	9,675	1,321
Total regular sources	7,006,993	7,006,993	7,240,853	233,860
Miscellaneous sources				
Circuit and family court fines	8,779	8,779	8,091	(688)
Debt service reimbursement	65	65	564	499
Indirect cost recoveries	11,061	11,061	12,389	1,328
Parole and probation supervision fees	3,393	3,393	3,393	—
Unclaimed property	15,000	15,000	5,750	(9,250)
Nonrecurring revenue	—	—	2	2
Total miscellaneous sources	38,298	38,298	30,189	(8,109)
Total revenues	**7,045,291**	**7,045,291**	**7,271,042**	**225,751**

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

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Expenditures:				
Legislative	$ 46,898	$ 80,069	$ 44,304	$ 35,765
Judicial	47,024	51,304	47,549	3,755
Executive and administrative	253,570	227,192	194,576	32,616
Educational	3,255,647	3,387,608	3,335,742	51,866
Health	1,672,172	1,866,586	1,744,335	122,251
Social rehabilitation services	224,382	236,691	223,572	13,119
Correctional and public safety	514,849	537,174	498,498	38,676
Conservation, natural resources, and development	223,852	292,345	239,090	53,255
Regulatory	67,448	71,156	69,074	2,082
Transportation	112,742	300,488	290,982	9,506
Debt service	191,630	194,406	186,715	7,691
Aid to subdivisions	304,028	306,669	306,633	36
Total expenditures	**6,914,242**	**7,551,688**	**7,181,070**	**370,618**
Excess of revenues over (under) expenditures—budgetary basis	**131,049**	**(506,397)**	**89,972**	**596,369**
Transfers from Litigation Settlement Account	**—**	**—**	**77,302**	**77,302**
Fund balance, beginning — budgetary basis	**1,181,825**	**1,181,825**	**1,181,825**	**—**
Fund balance, ending — budgetary basis	**$ 1,312,874**	**$ 675,428**	**$ 1,349,099**	**$ 673,671**
Less:				
Capital Reserve appropriation			**(127,790)**	
County Transportation Fund appropriation			**(50,000)**	
Farm Bill appropriation			**(40,000)**	
Fund balance, ending — budgetary basis, after reservation			**$ 1,131,309**	

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

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Federal	$ 8,082,409	$ 8,183,523	$ 7,552,743	$ (630,780)
Earmarked	5,508,982	5,859,490	5,796,065	(63,425)
Restricted	4,161,329	4,116,797	4,431,871	315,074
Total revenues	**17,752,720**	**18,159,810**	**17,780,679**	**(379,131)**
Expenditures:				
Legislative	2,794	11,555	10,283	1,272
Judicial	23,333	28,581	23,975	4,606
Executive and administrative	459,444	592,934	634,542	(41,608)
Educational	6,510,734	6,246,416	5,570,697	675,719
Health	7,510,345	7,146,268	6,606,371	539,897
Social rehabilitation services	2,716,601	2,717,266	1,951,452	765,814
Correctional and public safety	212,682	225,488	172,897	52,591
Conservation, natural resources, and development	401,178	340,929	341,091	(162)
Regulatory	436,419	479,631	366,642	112,989
Transportation	1,867,302	2,136,332	1,667,521	468,811
Total expenditures	**20,140,832**	**19,925,400**	**17,345,471**	**2,579,929**
Net decrease in fund balance—budgetary basis	**(2,388,112)**	**(1,765,590)**	**435,208**	**2,200,798**
Fund balance at beginning of year—budgetary basis	**2,640,123**	**2,640,123**	**2,640,123**	—
Fund balance at end of year—budgetary basis	**$ 252,011**	**$ 874,533**	**$ 3,075,331**	**$ 2,200,798**

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

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

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

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

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

b. Perspective Differences

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

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

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

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriations Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriations Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original estimated revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in Section 116 (*Revenue*) of the Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations Act.

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

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

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

b. Other Budgeted Funds

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

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 115 (*Recapitulation*) 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 Other Budgeted Funds: Federal, Earmarked, and Restricted. The *original estimated revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the State Budget Office's breakdown of the source of funds amounts.

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

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Acts for the 2015-16 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

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

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

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

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

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

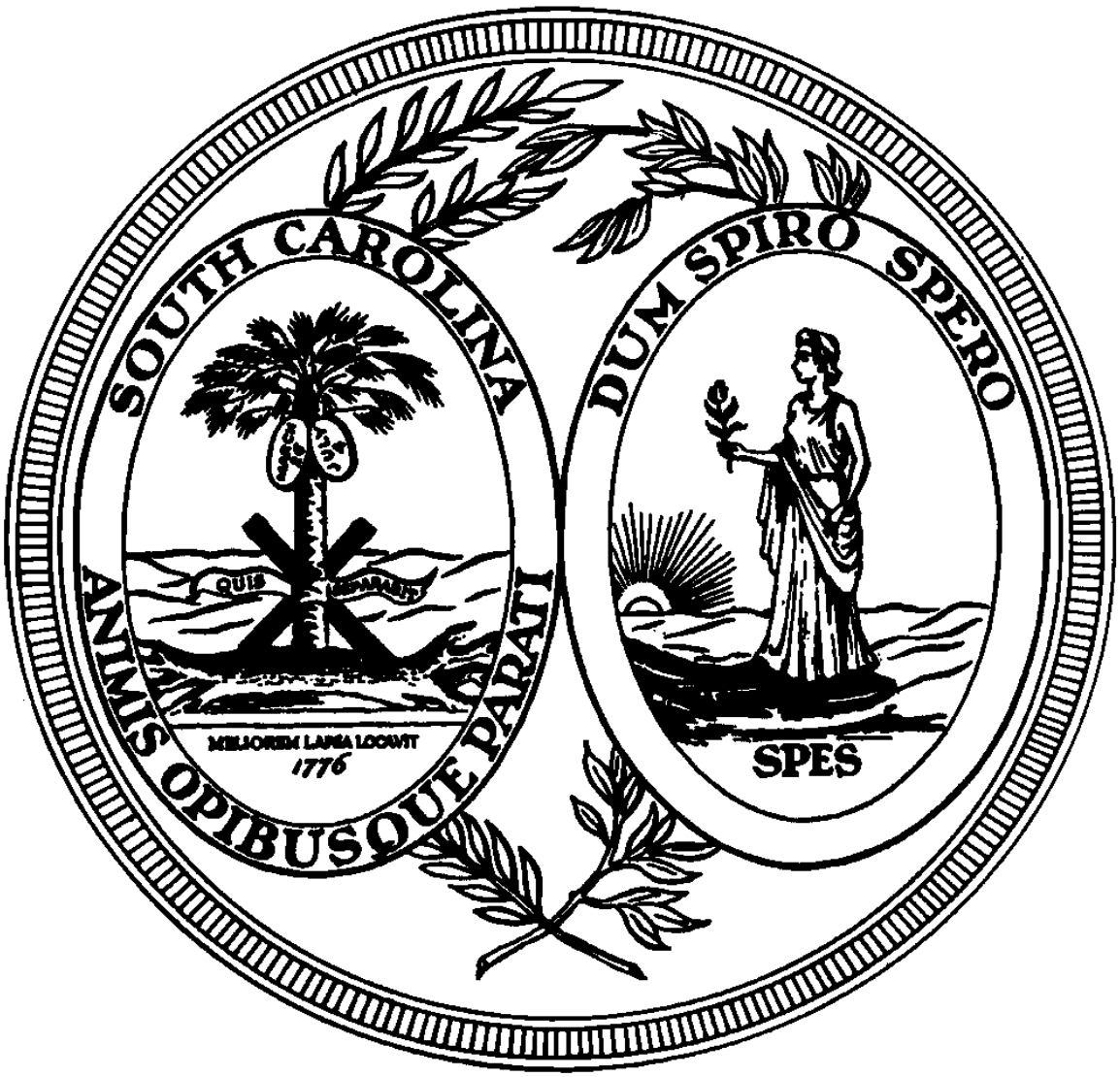
(iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.

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

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriations Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences for the fiscal year ended June 30, 2016, were as follows (expressed in thousands):

Budgetary funds	***Budgetary General Fund***	***Other Budgeted Funds***	**Major Special Revenue Funds**		
GAAP funds	**General Fund**	**Not Applicable**	**Departmental Program Services**	**Local Government Infrastructure**	**Department of Transportation Special Revenue**
Net increase (decrease) in fund balance—budgetary basis	$ 89,972	$ 435,208	$ —	$ —	$ —
Perspective differences:					
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds	—	527,732	—	—	—
Other Budgeted Funds net increase (decrease) allocated among the State's major governmental GAAP funds	1,504,090	(962,940)	(554,458)	13,308	—
Basis of accounting differences	(1,042,029)	—	574,042	49,050	163,084
Entity differences	1,775	—	105	—	—
Net increase in fund balance—GAAP basis	**$ 553,808**	**$ —**	**$ 19,689**	**$ 62,358**	**$ 163,084**


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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

Last 10 Fiscal Years*

SCRS - South Carolina Retirement System	**2016**	**2015**	**2014**
State's Proportion of the Net Pension Liability	12.87%	12.70%	12.70%
State's Proportionate Share of the Net Pension Liability	$ 2,441,249	$ 2,185,979	$ 2,277,364
State Covered-Employee Payroll	$ 954,763	$ 973,471	$ 958,913
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	255.69%	224.56%	237.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%	56.39%
PORS - South Carolina Police Officers Retirement System			
State's Proportion of the Net Pension Liability	30.05%	30.37%	30.37%
State's Proportionate Share of the Net Pension Liability	$ 654,937	$ 581,343	$ 629,487
State Covered-Employee Payroll	$ 316,491	$ 337,916	$ 338,025
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	206.94%	172.04%	186.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	67.55%	62.98%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last three years of information is available.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the State of South Carolina's SCRS and PORS Contributions
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

Last 10 Fiscal Years*

SCRS - South Carolina Retirement System

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 131,856	$ 130,062	$ 122,348	$ 123,651	$ 255,277
Contributions in Relation to the Contractually Required Contribution	(131,856)	(130,062)	(122,348)	(123,651)	(255,277)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
State Covered-Employee Payroll	$ 954,763	$ 973,471	$ 958,913	$ 956,163	$ 2,227,527
Contributions as a Percentage of Covered-Employee Payroll	13.81%	13.36%	12.76%	12.93%	11.46%

PORS - South Carolina Police Officers Retirement System

Contractually Required Contribution	$ 50,546	$ 49,915	$ 46,907	$ 44,393	$ 43,776
Contributions in Relation to the Contractually Required Contribution	(50,546)	(49,915)	(46,907)	(44,393)	(43,776)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
State Covered-Employee Payroll	$ 316,491	$ 337,916	$ 338,025	$ 339,686	$ 352,998
Contributions as a Percentage of Covered-Employee Payroll	15.97%	14.77%	13.88%	13.07%	12.40%

* - In fiscal year 2013 (2014 on this schedule due to GASB 68), the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Fiscal years 2013 - 2007 have not been restated.

2011	2010	2009	2008	2007
$ 252,814	$ 255,653	$ 260,536	$ 246,172	$ 202,865
(252,814)	(255,653)	(260,536)	(246,172)	(202,865)
$ —	$ —	$ —	$ —	$ —
$ 2,247,145	$ 2,280,108	$ 2,283,295	$ 2,238,486	$ 2,116,417
11.25%	11.21%	11.41%	11.00%	9.59%
$ 42,699	$ 42,268	$ 44,566	$ 41,962	$ 39,589
(42,699)	(42,268)	(44,566)	(41,962)	(39,589)
$ —	$ —	$ —	$ —	$ —
$ 346,404	$ 358,181	$ 372,869	$ 373,595	$ 350,681
12.33%	11.80%	11.95%	11.23%	11.29%

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

Last 10 Fiscal Years

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 4,501	$ 4,275	$ 4,063	$ 2,831	$ 2,532
Contributions in Relation to the Contractually Required Contribution	(4,501)	(4,275)	(4,063)	(2,831)	(2,532)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll	$ 2,338	$ 2,383	$ 2,688	$ 3,854	$ 3,854
Contributions as a Percentage of Covered-Employee Payroll	192.51%	179.40%	151.15%	73.46%	65.70%

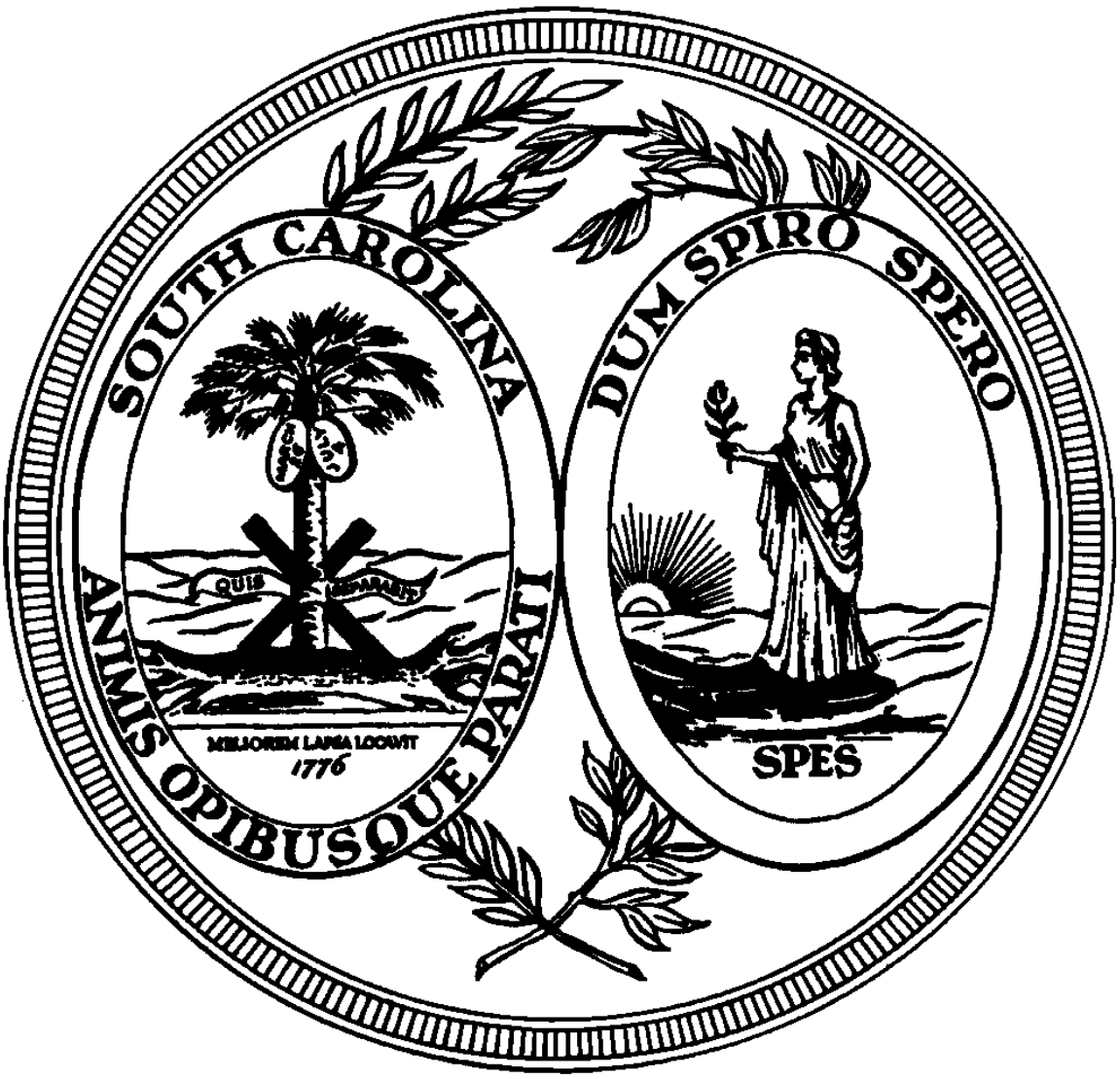
Notes to Schedule

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry age
Amortization Method:	Level dollar, closed
Remaining Amortization Period:	12 years
Asset Valuation Method:	20% difference recognition method
Inflation:	2.75%
Salary Increases:	None
Investment Rate of Return:	7.5%, net of investment and administration expenses, including inflation
Retirement Age:	Age 60 or 30 years of service or age 70 or 30 years of service while continuing to serve in the General Assembly.
Mortality:	In the 2011 actuarial valuation, assumed life expectancies were adjusted as a result of adopting RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on UP-94 Mortality Table rates, with the female rates set back one year.
Other Information:	GARS is closed to members of the General Assembly first elected in November 2012 or after.

2011	2010	2009	2008	2007
$ 2,414	$ 2,598	$ 2,495	$ 2,440	$ 2,358
(2,414)	(2,598)	(2,495)	(2,440)	(2,358)
$ —	$ —	$ —	$ —	$ —
$ 3,854	$ 3,854	$ 3,854	$ 3,854	$ 3,854
62.64%	67.41%	64.74%	63.31%	61.18%


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

Last 10 Fiscal Years*

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

	2016	2015
Total Pension Liability		
Service Cost	$ 553	$ 572
Interest	5,380	5,437
Difference Between Actual and Expected Experience	(294)	(2,585)
Benefit Payments	(6,660)	(6,861)
Net Change in Total Pension Liability	(1,021)	(3,437)
Total Pension Liability - Beginning	74,787	78,224
Total Pension Liability - Ending (a)	$ 73,766	$ 74,787
Plan Fiduciary Net Position		
Contributions - Employer	$ 4,275	$ 4,063
Contributions - Member	369	384
Refunds of Contributions to Members	—	(41)
Retirement Benefits	(6,639)	(6,799)
Death Benefits	(21)	(20)
Net Investment Income (Loss)	500	4,545
Administrative Expense	(18)	(17)
Other	(18)	15
Net Change in Plan Fiduciary Net Position	(1,552)	2,130
Plan Fiduciary Net Position - Beginning	34,034	31,904
Plan Fiduciary Net Position - Ending (b)	$ 32,482	$ 34,034
Net Pension Liability - Ending (a) - (b)	$ 41,284	$ 40,753
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.03%	45.51%
Covered-Employee Payroll	$ 2,338	$ 2,383
Net Pension Liability as a Percentage of Covered-Employee Payroll	1765.78%	1710.16%

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

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

Last 10 Fiscal Years

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 10,202	$ 10,109	$ 9,659	$ 8,667	$ 8,414
Contributions in Relation to the Contractually Required Contribution	(10,202)	(10,109)	(9,659)	(8,667)	(8,414)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll	$ 21,267	$ 18,138	$ 20,407	$ 19,221	$ 18,661
Contributions as a Percentage of Covered-Employee Payroll	47.97%	55.73%	47.33%	45.09%	45.09%

Notes to Schedule

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry age
Amortization Method:	Level percent, open
Remaining Amortization Period:	27 years
Asset Valuation Method:	20% difference recognition method
Inflation:	2.75%
Salary Increases:	3.00%
Investment Rate of Return:	7.5%, net of investment and administration expenses, including inflation
Retirement Age:	In the 2008 valuation the retirement age changed from a varying formula based on years of service and age to age 60 or 25 years of service for judges and 24 years of service for solicitors or circuit public defenders regardless of age.
Mortality:	In the 2011 actuarial valuation, assumed life expectancies were adjusted as a result of adopting RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on UP-94 Mortality Table rates, with the female rates set back one year.

2011	2010	2009	2008	2007
$ 8,414	$ 8,414	$ 8,414	$ 7,613	$ 6,706
(8,414)	(8,414)	(8,414)	(7,613)	(6,706)
$ —	$ —	$ —	$ —	$ —
$ 18,661	$ 18,661	$ 18,661	$ 16,407	$ 15,929
45.09%	45.09%	45.09%	46.40%	42.10%

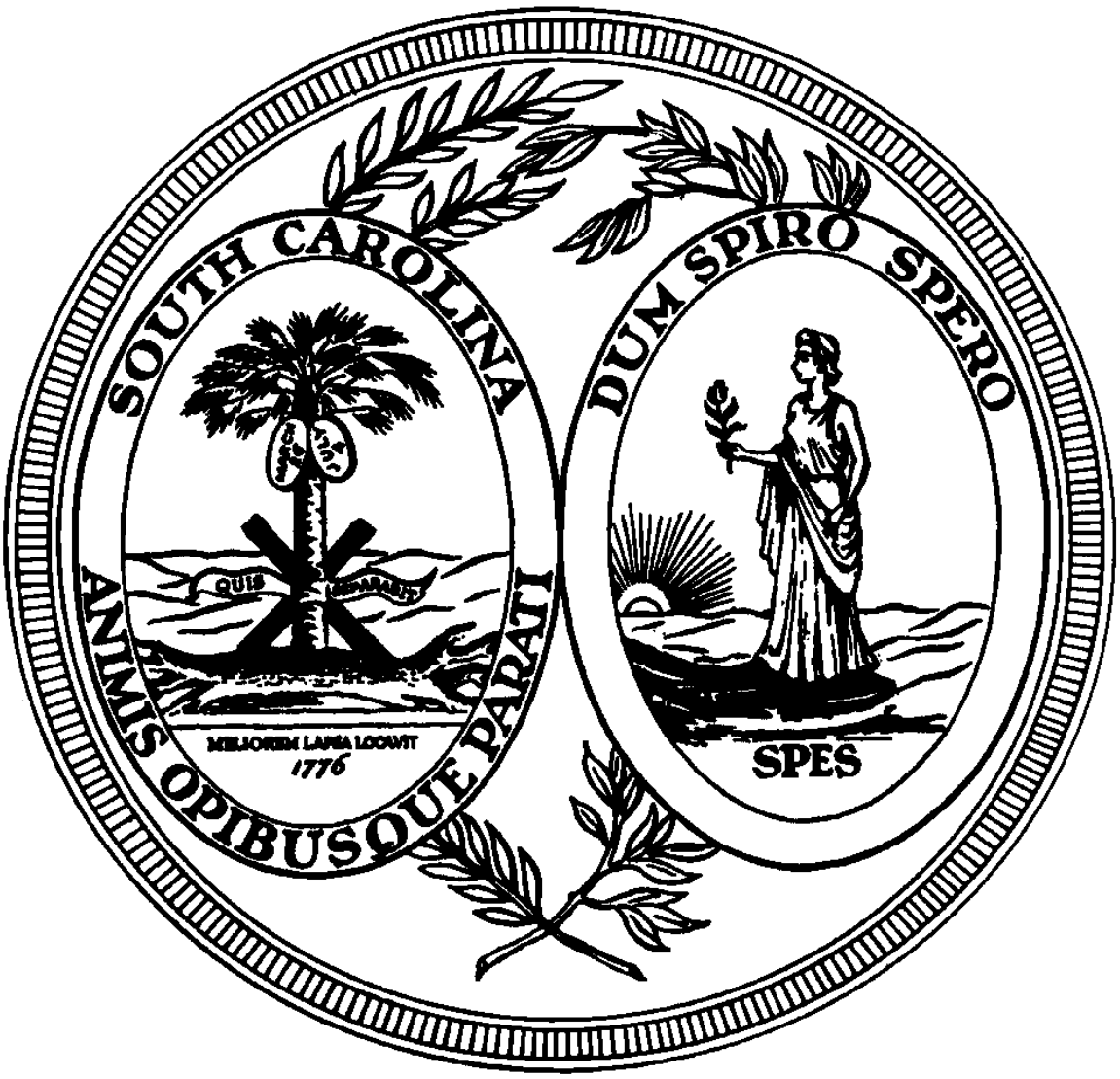
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the State of South Carolina's JSRS Net Pension Liability and Related Ratios
(Expressed in Thousands)

Last 10 Fiscal Years*

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

	2016	2015
Total Pension Liability		
Service Cost	$ 5,760	$ 5,571
Interest	19,440	18,857
Benefit Changes	666	—
Difference Between Actual and Expected Experience	(1,138)	(3,240)
Benefit Payments	(16,836)	(16,684)
Net Change in Total Pension Liability	7,892	4,504
Total Pension Liability - Beginning	264,732	260,228
Total Pension Liability - Ending (a)	$ 272,624	$ 264,732
Plan Fiduciary Net Position		
Contributions - Employer	$ 10,109	$ 9,659
Contributions - Member	3,153	2,448
Retirement Benefits	(16,832)	(16,675)
Death Benefits	(4)	(10)
Net Investment Income (Loss)	2,216	19,962
Administrative Expense	(71)	(68)
Other	286	195
Net Change in Plan Fiduciary Net Position	(1,143)	15,511
Plan Fiduciary Net Position - Beginning	147,496	131,985
Plan Fiduciary Net Position - Ending (b)	$ 146,353	$ 147,496
Net Pension Liability - Ending (a) - (b)	$ 126,271	$ 117,236
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.68%	55.72%
Covered-Employee Payroll	$ 21,267	$ 18,138
Net Pension Liability as a Percentage of Covered-Employee Payroll	593.74%	646.36%

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


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

Last 10 Fiscal Years

SCNG - South Carolina National Guard Supplemental Retirement Plan

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 4,591	$ 4,591	$ 4,586	$ 4,539	$ 3,937
Contributions in Relation to the Contractually Required Contribution	(4,591)	(4,591)	(4,586)	(4,539)	(3,937)
Contribution Deficiency/(Excess)	$ —	$ —	$ —	$ —	$ —
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry age
Amortization Method:	Level dollar, closed
Remaining Amortization Period:	17 years
Asset Valuation Method:	20% difference recognition method
Inflation:	2.75%
Salary Increases:	N/A
Investment Rate of Return:	7.5%, net of investment and administration expenses, including inflation
Retirement Age:	Age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of that 20 years of service, 15 years, and the final 10 years, must have been served in the South Carolina National Guard.
Mortality:	In the 2011 actuarial valuation, assumed life expectancies were adjusted as a result of adopting RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Table rates for males.

2011	2010	2009	2008	2007
$ 3,905	$ 3,945	$ 4,052	$ 3,923	$ 3,948
(3,905)	(3,945)	(4,052)	(3,923)	(3,948)
$ —	$ —	$ —	$ —	$ —
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

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

Last 10 Fiscal Years*

SCNG - South Carolina National Guard Supplemental Retirement Plan	**2016**	**2015**
Total Pension Liability		
Service Cost	$ 690	$ 697
Interest	4,481	4,417
Difference Between Actual and Expected Experience	612	(262)
Benefit Payments	(4,249)	(4,248)
Net Change in Total Pension Liability	1,534	604
Total Pension Liability - Beginning	61,530	60,926
Total Pension Liability - Ending (a)	$ 63,064	$ 61,530
Plan Fiduciary Net Position		
Contributions - Employer	$ 4,591	$ 4,586
Retirement Benefits	(4,249)	(4,248)
Net Investment Income (Loss)	313	2,806
Administrative Expense	(11)	(10)
Net Change in Plan Fiduciary Net Position	644	3,134
Plan Fiduciary Net Position - Beginning	22,558	19,424
Plan Fiduciary Net Position - Ending (b)	$ 23,202	$ 22,558
Net Pension Liability - Ending (a) - (b)	$ 39,862	$ 38,972
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.79%	36.66%
Covered-Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered-Employee Payroll	N/A	N/A

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

SUPPLEMENTARY INFORMATION

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's governmental funds:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds
- General Reserve Fund Activity—Budgetary General Fund

Generally accepted accounting principles (GAAP) for governments require that a Comprehensive Annual Financial Report (CAFR) include budgetary comparison schedules for "individual nonmajor special revenue funds and other governmental funds of the primary government (including its blended component units)." Such schedules would be included as supplementary information in this subsection of the CAFR if they were applicable. The State of South Carolina, however, does not prepare separate budgets for its individual special revenue funds or for its other governmental funds. Accordingly, this subsection includes no budgetary comparison schedules. (Also see the budgetary comparison schedules within the Required Supplementary Information section of this report.)

Note 1b in the notes to the financial statements describes the State's major governmental funds. The paragraphs below describe all other individual governmental funds that the State uses.

a. Nonmajor Special Revenue Funds

Special revenue funds account for specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The State uses the nonmajor special revenue funds described below:

Waste Management Fund. This fund accounts for fees collected from consumers, generators of solid and hazardous wastes, and owners and operators of solid waste and hazardous waste storage facilities. These fees must be used for the purposes set forth in the State's Solid Waste Policy and Management Act of 1991 and to cover the State's costs in governmental actions involving uncontrolled hazardous waste sites.

Accommodations and Local Option Sales Tax Fund. This fund accounts for: (1) a special additional 2% sales tax on the gross proceeds on the rental of transient accommodations and (2) a special 1% sales tax applicable in some localities within the State. The State allocates these revenues to counties and municipalities in accordance with State law.

Education Lottery Fund. State law requires the Lottery Commission, a nonmajor discretely presented component unit, to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund. The Fund distributes these monies for education purposes and programs as stipulated in State law. These programs include tuition assistance, needs-based grants, scholarships for the State's universities and technical colleges and acquisition or improvement of physical resources for education.

Tobacco Settlement Revenue Management Authority Fund. The Tobacco Settlement Revenue Management Authority was created to issue bonds that securitized future payments received under the multi-state legal settlement with the tobacco industry. The State transferred to the Authority, from its General Fund, all of its rights to the future tobacco settlement revenues.

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority. Various healthcare and local government programs use these funds and the related interest.

Public Telecommunications Fund. The Public Telecommunications Fund of the State's Office of Regulatory Staff accounts for revenues collected from telephone companies within the State and redistributed to certain telephone companies in an effort to align prices and cost recovery with costs. This program also is intended to ensure basic telephone service at affordable rates is available to all citizens. Other revenues of the Fund include telephone customer surcharges for the 911 emergency system mandated by the FCC. These monies are collected from the telephone companies and distributed to local governments for their 911 emergency telephone systems.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues that must be used for specific purposes. These funds include operations of various employment services, water recreation, agricultural boards, forest renewal programs, medical and dental scholarships, energy-related programs, and certain programs administered by the Department of Probation, Parole, and Pardon Services.

b. Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds are accounted for through the Capital Projects Fund.

c. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs—that is, for the benefit of the State or its citizenry.

Bequests Fund. Sometimes private citizens make bequests of specific assets within their wills to the State. Typically, these gifts provide that the State may expend the earnings, but not the principal, to support certain State agencies or certain programs within a specific State agency. The Bequests Fund accounts for these funds.

Children's Education Endowment Fund. This fund accounts for low-level radioactive waste fees collected from the Barnwell waste facility that are not required to be deposited to the General Fund or remitted to Barnwell County. These funds are to be used for public school facilities assistance and higher education scholarship grants.

Wildlife Endowment Fund. The Wildlife Endowment Fund accounts for funds received from private citizens as gifts and contributions, as well as fees for certain lifetime hunting and fishing licenses. The State may expend the earnings, but not the principal, in furthering the conservation of wildlife resources and the efficient operation of the State's Department of Natural Resources.

Combining Balance Sheet

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Telecommunications
ASSETS						
Cash and cash equivalents	$ 78,603	$ 131,859	$ 16,768	$ 5,311	$ —	$ 5,325
Investments	97,011	31,048	48,801	—	11,916	2,547
Invested securities lending collateral	528	169	266	—	65	14
Receivables, net:						
Accounts	—	—	42	—	—	—
Accrued interest	353	78	232	—	34	9
Sales and other taxes	39	88,627	—	—	—	—
Due from Federal government and other grantors	—	—	—	—	—	—
Due from component units	—	—	30,992	—	—	—
Restricted assets:						
Other	—	—	—	35,000	—	—
Prepaid items	—	—	—	—	—	—
Total assets	**$ 176,534**	**$ 251,781**	**$ 97,101**	**$ 40,311**	**$ 12,015**	**$ 7,895**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	841	—	178	—	3,300	107
Accrued salaries and related expenditures	14	—	32	—	—	—
Retainages payable	—	—	—	—	—	—
Tax refunds payable	—	10,699	—	—	—	—
Intergovernmental payables	—	111,150	1	—	—	—
Due to other funds	5	—	11	—	—	—
Due to component units	—	—	360	—	—	—
Interfund payables	—	—	—	—	—	—
Securities lending collateral	750	240	377	—	92	20
Total liabilities	**1,610**	**122,089**	**959**	**—**	**3,392**	**127**
Fund balances:						
Nonspendable	—	—	—	—	—	—
Restricted	174,924	129,692	96,142	35,000	8,623	7,768
Committed	—	—	—	—	—	—
Assigned	—	—	—	5,311	—	—
Total fund balances	**174,924**	**129,692**	**96,142**	**40,311**	**8,623**	**7,768**
Total liabilities and fund balances	**$ 176,534**	**$ 251,781**	**$ 97,101**	**$ 40,311**	**$ 12,015**	**$ 7,895**

Exhibit D-1

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ 56,831	$ 294,697	$ 91,791	$ 14,243	$ 311	$ 6,154	$ 701	$ 7,166	$ 407,897
27,965	219,288	43,532	—	1,087	1,297	4,672	7,056	269,876
162	1,204	224	—	10	7	48	65	1,493
38	80	—	—	—	—	—	—	80
115	821	142	—	8	5	40	53	1,016
403	89,069	—	2,128	—	—	—	—	91,197
—	—	363	—	—	—	—	—	363
—	30,992	8,207	—	—	—	—	—	39,199
—	35,000	—	—	—	—	—	—	35,000
1	1	—	—	—	—	—	—	1
$ 85,515	**$ 671,152**	**$ 144,259**	**$ 16,371**	**$ 1,416**	**$ 7,463**	**$ 5,461**	**$ 14,340**	**$ 846,122**
4,462	8,888	2,064	—	—	—	—	—	10,952
164	210	—	—	—	—	3	3	213
—	—	715	—	—	—	—	—	715
—	10,699	—	—	—	—	—	—	10,699
5,366	116,517	—	—	—	—	—	—	116,517
47	63	1,039	—	—	—	1	1	1,103
—	360	—	—	—	—	—	—	360
—	—	4,415	—	—	—	—	—	4,415
223	1,702	343	—	12	10	54	76	2,121
10,262	**138,439**	**8,576**	**—**	**12**	**10**	**58**	**80**	**147,095**
1	1	—	—	689	7,453	3,179	11,321	11,322
50,079	502,228	64,215	16,371	715	—	2,224	2,939	585,753
25,173	25,173	71,468	—	—	—	—	—	96,641
—	5,311	—	—	—	—	—	—	5,311
75,253	**532,713**	**135,683**	**16,371**	**1,404**	**7,453**	**5,403**	**14,260**	**699,027**
$ 85,515	**$ 671,152**	**$ 144,259**	**$ 16,371**	**$ 1,416**	**$ 7,463**	**$ 5,461**	**$ 14,340**	**$ 846,122**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Telecommunications
Revenues:						
Taxes:						
Retail sales and use	$ 1,953	$ 718,739	$ —	$ —	$ —	$ —
Other	11	—	—	—	—	—
Licenses, fees, and permits	1,100	—	—	—	—	45,226
Interest and other investment income	2,169	446	1,783	—	163	60
Federal	—	—	—	—	—	—
Departmental services	4	—	—	—	—	—
Contributions	—	—	403,672	—	—	—
Fines and penalties	—	—	—	—	71,119	—
Tobacco legal settlement	—	—	—	71,119	—	—
Other	440	—	64	—	—	—
Total revenues	**5,677**	**719,185**	**405,519**	**71,119**	**71,282**	**45,286**
Expenditures:						
Current:						
General government	1,066	—	—	2,059	31	44,019
Education	—	—	309,949	—	—	—
Health and environment	1,830	—	95	—	82,952	—
Administration of justice	—	—	26	—	—	—
Resources and economic development	—	—	—	—	—	—
Capital outlay	—	—	104	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Intergovernmental	2,404	675,421	34,445	—	—	—
Total expenditures	**5,300**	**675,421**	**344,619**	**2,059**	**82,983**	**44,019**
Excess of revenues over (under) expenditures	**377**	**43,764**	**60,900**	**69,060**	**(11,701)**	**1,267**
Other financing sources (uses):						
Bonds issued	—	—	—	—	—	—
Refunding bonds issued	—	—	—	—	—	—
Premiums on bonds issued	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—
Transfers in	—	28	—	—	—	—
Transfers out	(6)	—	(16,176)	(69,091)	(2,028)	—
Total other financing sources (uses)	**(6)**	**28**	**(16,176)**	**(69,091)**	**(2,028)**	**—**
Net change in fund balances	**371**	**43,792**	**44,724**	**(31)**	**(13,729)**	**1,267**
Fund balances at beginning of year	**174,553**	**85,900**	**51,418**	**40,342**	**22,352**	**6,501**
Fund balances at end of year	**$ 174,924**	**$ 129,692**	**$ 96,142**	**$ 40,311**	**$ 8,623**	**$ 7,768**

Exhibit D-2

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ —	$ 720,692	$ —	$ —	$ —	$ —	$ —	$ —	$ 720,692
2,963	2,974	7,365	1	—	—	—	—	10,340
23,385	69,711	—	—	—	—	466	466	70,177
954	5,575	833	—	47	62	237	346	6,754
—	—	310	—	—	—	—	—	310
8,040	8,044	—	—	—	—	—	—	8,044
433	404,105	3,198	—	—	—	—	—	407,303
7,873	78,992	—	—	—	—	—	—	78,992
—	71,119	—	—	—	—	—	—	71,119
8	512	11	—	—	2	—	2	525
43,656	**1,361,724**	**11,717**	**1**	**47**	**64**	**703**	**814**	**1,374,256**
40,496	87,671	—	—	—	—	—	—	87,671
—	309,949	—	—	—	4,623	—	4,623	314,572
16	84,893	—	—	11	—	—	11	84,904
—	26	—	—	—	—	—	—	26
189	189	—	—	—	—	35	35	224
2	106	122,725	—	—	—	—	—	122,831
—	—	1,390	—	—	—	—	—	1,390
—	—	3,570	3,213	—	—	—	—	6,783
15,506	727,776	—	—	—	—	—	—	727,776
56,209	**1,210,610**	**127,685**	**3,213**	**11**	**4,623**	**35**	**4,669**	**1,346,177**
(12,553)	**151,114**	**(115,968)**	**(3,212)**	**36**	**(4,559)**	**668**	**(3,855)**	**28,079**
—	—	115,370	—	—	—	—	—	115,370
—	—	61,510	—	—	—	—	—	61,510
—	—	23,214	—	—	—	—	—	23,214
—	—	(25,460)	—	—	—	—	—	(25,460)
10,400	10,428	167,330	—	—	4,708	—	4,708	182,466
(729)	(88,030)	(183,379)	(27,254)	—	—	—	—	(298,663)
9,671	**(77,602)**	**158,585**	**(27,254)**	**—**	**4,708**	**—**	**4,708**	**58,437**
(2,882)	**73,512**	**42,617**	**(30,466)**	**36**	**149**	**668**	**853**	**86,516**
78,135	**459,201**	**93,066**	**46,837**	**1,368**	**7,304**	**4,735**	**13,407**	**612,511**
$ 75,253	**$ 532,713**	**$ 135,683**	**$ 16,371**	**$ 1,404**	**$ 7,453**	**$ 5,403**	**$ 14,260**	**$ 699,027**

General Reserve Fund Activity

Exhibit D-3

BUDGETARY GENERAL FUND

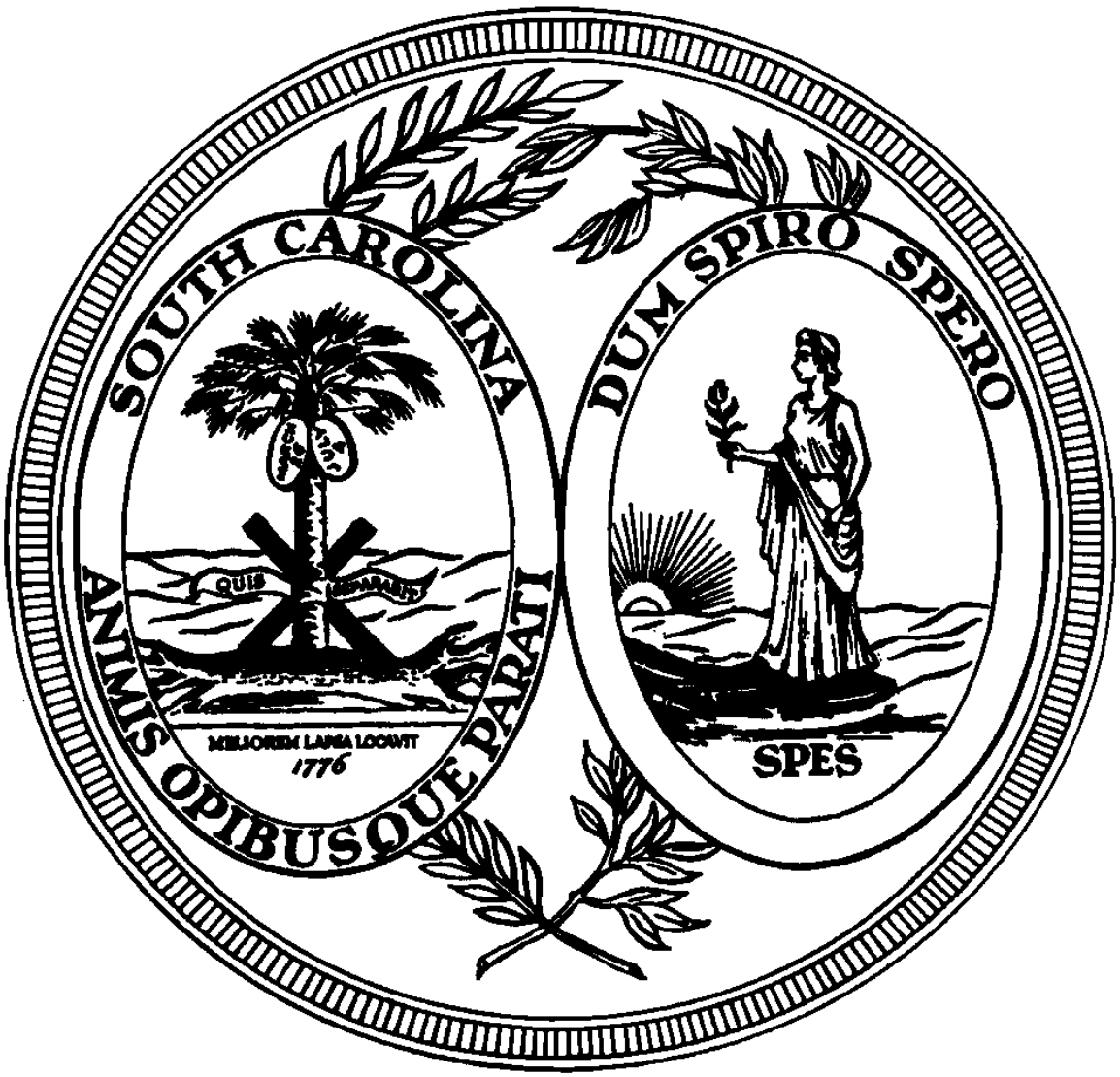
Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund (Reserve). The reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012, that requires the amount in the Reserve to be gradually increased one-half of one percent annually until the Reserve is five percent of the Budgetary General Fund revenue of the previous fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts for the General Reserve Fund for the last ten fiscal years are (dollars in thousands):

Fiscal Year Ended June 30	Start-of-Year Balance	Deposits	Withdrawals	End-of-Year Balance	Full-Funding Amount	Actual End-of-Year % Funded
2007	153,488	14,244	—	167,732	167,732	100%
2008	167,732	19,049	(91,658)	95,123	186,781	51%
2009	95,123	12,974	(108,097)	—	199,755	—
2010	—	110,883	—	110,883	191,772	58%
2011	110,883	55,442	—	166,325	166,325	100%
2012	166,325	17,141	—	183,466	183,466	100%
2013	183,466	98,175	—	281,641	225,313	125%
2014	281,641	11,249	—	292,890	263,601	111%
2015	292,890	26,589	—	319,479	319,479	100%
2016	319,479	8,140	—	327,619	327,619	100%


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANGA LOCAVIT
1776
SPES

Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Position—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Position—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

Patients' Compensation Fund. This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

Canteen Fund. This fund accounts for the operations of canteens at various correctional institutions.

Tuition Prepayment Program Fund. This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

Palmetto Railways Fund. The Public Railways Division of the Department of Commerce d/b/a Palmetto Railways consists of two divisions: the Ports Utilities Commission and Port Terminal Railroad, which operates the railroad yard at the Charleston Harbor; and the East Cooper and Berkeley Railroad, which operates the railroad line in Berkeley County.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development of the South Carolina Department of Commerce, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

b. Internal Service Funds

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

Insurance Reserve Fund. This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Employee Insurance Programs Fund. This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

Prison Industries Fund. This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

Other Internal Service Funds. These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS

June 30, 2016
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,318	$ 7,216	$ 1,225	$ 22,046
Investments	5,004	—	79,107	—
Invested securities lending collateral	—	—	—	3
Receivables, net:				
Accounts	—	—	445	2,174
Participants	—	—	578	—
Accrued interest	47	—	—	1
Inventories	—	1,502	—	712
Restricted assets:				
Prepaid items	309	—	—	309
Other current assets	—	—	—	258
Total current assets	6,678	8,718	81,355	25,503
Long-term assets:				
Receivables, net:				
Participants	—	—	1,438	—
Non-depreciable capital assets	—	—	—	187,190
Depreciable capital assets, net	1,027	175	—	19,142
Total long-term assets	1,027	175	1,438	206,332
Total assets	**7,705**	**8,893**	**82,793**	**231,835**
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	28	168	—	240
Difference between actual and expected experience	9	52	—	122
Net difference between projected and actual earnings on investments	3	198	—	46
Changes in proportion and differences between contributions and proportionate share of plan contributions	—	26	—	590
Total deferred outflows of resources	**40**	**444**	**—**	**998**

Exhibit E-1

Other Enterprise	Totals
$ 1,594	$ 33,399
—	84,111
—	3
151	2,770
—	578
—	48
—	2,214
—	618
—	258
1,745	123,999
—	1,438
508	187,698
1,204	21,548
1,712	210,684
3,457	**334,683**
43	479
13	196
50	297
7	623
113	**1,595**

Continued on Next Page

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2016
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
LIABILITIES				
Current liabilities:				
Accounts payable	148	10	461	2,646
Accrued salaries and related expenses	27	120	—	466
Tuition benefits payable	—	—	13,249	—
Policy claims	2,870	—	—	—
Due to other funds	—	51	—	—
Unearned revenues	3,676	—	—	78
Securities lending collateral	—	—	—	4
Revenue bonds payable	—	—	—	165
Compensated absences payable	24	87	—	240
Other current liabilities	—	—	—	88
Total current liabilities	6,745	268	13,710	3,687
Long-term liabilities:				
Tuition benefits payable	—	—	112,351	—
Policy claims	51,608	—	—	—
Interfund payables	—	—	—	25,000
Other liabilities payable from restricted assets	163	—	—	2,000
Revenue bonds payable	—	—	—	5,730
Compensated absences payable	—	140	—	—
Net pension liability	514	2,846	—	6,854
Total long-term liabilities	52,285	2,986	112,351	39,584
Total liabilities	**59,030**	**3,254**	**126,061**	**43,271**
DEFERRED INFLOWS OF RESOURCES				
Difference between actual and expected experience	1	4	—	12
Net difference earnings pension plan investment	—	176	—	—
Changes in proportion and differences between contributions and proportionate share of plan contributions	34	27	—	—
Total deferred inflows of resources	**35**	**207**	**—**	**12**
NET POSITION				
Net investment in capital assets	1,027	175	—	200,437
Unrestricted	(52,347)	5,701	(43,268)	(10,887)
Total net position (deficit)	**$ (51,320)**	**$ 5,876**	**$ (43,268)**	**$ 189,550**

Exhibit E-1

Other Enterprise	Totals
7	$ 3,272
126	739
—	13,249
—	2,870
43	94
—	3,754
—	4
—	165
74	425
—	88
250	24,660
—	112,351
—	51,608
—	25,000
—	2,163
—	5,730
119	259
723	10,937
842	208,048
1,092	**232,708**
1	18
45	221
7	68
53	**307**
1,712	203,351
713	(100,088)
$ 2,425	**$ 103,263**

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

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program
Operating revenues:			
Charges for services	$ 9,211	$ 19,417	$ —
Contributions	—	—	818
Interest and other investment income	—	—	26,215
Other operating revenues	—	—	—
Total operating revenues	**9,211**	**19,417**	**27,033**
Operating expenses:			
General operations and administration	965	14,106	255
Benefits and claims	—	—	—
Tuition plan disbursements	—	—	14,140
Depreciation and amortization	102	41	—
Other operating expenses	—	—	—
Total operating expenses	**1,067**	**14,147**	**14,395**
Operating income (loss)	**8,144**	**5,270**	**12,638**
Nonoperating revenues (expenses):			
Interest income	159	—	—
Interest expense	—	—	—
Contributions	—	—	—
Net other nonoperating revenues (expenses)	—	—	—
Total nonoperating revenues (expenses)	**159**	**—**	**—**
Income (loss) before transfers	**8,303**	**5,270**	**12,638**
Capital Contributions	—	—	—
Transfers in	—	183	—
Transfers out	—	(670)	—
Change in net position	**8,303**	**4,783**	**12,638**
Net position (deficit), at beginning of year, as restated	**(59,623)**	**1,093**	**(55,906)**
Net position (deficit) at end of year	**$ (51,320)**	**$ 5,876**	**$ (43,268)**

Exhibit E-2

Palmetto Railways	Other Enterprise	Totals
$ 13,951	$ 4,063	$ 46,642
—	—	818
—	—	26,215
117	—	117
14,068	**4,063**	**73,792**
10,978	4,137	30,441
—	13	13
—	—	14,140
982	117	1,242
—	19	19
11,960	**4,286**	**45,855**
2,108	**(223)**	**27,937**
(33)	10	136
—	(12)	(12)
—	72	72
1,684	56	1,740
1,651	**126**	**1,936**
3,759	**(97)**	**29,873**
39,408	—	39,408
—	—	183
—	—	(670)
43,167	**(97)**	**68,794**
146,383	**2,522**	**34,469**
$ 189,550	**$ 2,425**	**$ 103,263**

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Cash flows from operating activities:				
Receipts from customers, patients, and third-party payers	$ 10,134	$ 19,417	$ —	$ 13,205
Tuition plan contributions received	—	—	1,605	—
Claims and benefits paid	(9,188)	—	(38,823)	—
Payments to suppliers for goods and services	(1,532)	(12,753)	—	(8,022)
Payments to employees	(367)	(1,462)	—	(3,112)
Other operating cash receipts	—	—	138	117
Other operating cash payments	—	—	—	—
Net cash provided by (used in) operating activities	**(953)**	**5,202**	**(37,080)**	**2,188**
Cash flows from noncapital financing activities:				
Other noncapital financing cash receipts	—	—	—	1,603
Other noncapital financing cash payments	—	—	—	(2,054)
Transfers in	—	183	—	—
Transfers out	—	(670)	—	—
Net cash provided by (used in) noncapital financing activities	**—**	**(487)**	**—**	**(451)**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(192)	(190)	—	(53,201)
Proceeds from issuance of note	—	—	—	25,000
Principal payments on capital debt	—	—	—	(160)
Capital grants and gifts received	—	—	—	39,408
Proceeds from sale or disposal of capital assets	—	—	—	103
Net cash provided by (used in) capital and related financing activities	**(192)**	**(190)**	**—**	**11,150**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	2,661	—	11,475	—
Purchase of investments	(884)	—	—	—
Interest and dividends on investments	182	—	26,215	8
Net cash provided by investing activities	**1,959**	**—**	**37,690**	**8**
Net increase (decrease) in cash and cash equivalents	**814**	**4,525**	**610**	**12,895**
Cash and cash equivalents at beginning of year	**504**	**2,691**	**615**	**9,151**
Cash and cash equivalents at end of year	**$ 1,318**	**$ 7,216**	**$ 1,225**	**$ 22,046**

Exhibit E-3

Other Enterprise	Totals
$ 3,814	$ 46,570
—	1,605
—	(48,011)
(2,038)	(24,345)
(2,112)	(7,053)
—	255
—	—
(336)	**(30,979)**
169	1,772
—	(2,054)
—	183
—	(670)
169	**(769)**
(35)	(53,618)
—	25,000
—	(160)
—	39,408
—	103
(35)	**10,733**
35	14,171
—	(884)
—	26,405
35	**39,692**
(167)	**18,677**
1,761	**14,722**
$ 1,594	**$ 33,399**

Continued on Next Page

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 8,144	$ 5,270	$ 12,638	$ 2,108
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	102	41	—	982
Interest and dividends on investments and interfund loans	—	—	(26,215)	—
Other nonoperating revenues	—	—	—	—
Other nonoperating expenses	—	—	—	—
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	—	787	(791)
Inventories	—	(39)	—	463
Other assets	(81)	—	—	(327)
Deferred outflows	(8)	(68)	—	(998)
Accounts payable	(38)	—	393	1,373
Accrued salaries and related expenses	1	—	—	139
Tuition benefits payable	—	—	(24,683)	—
Policy claims	(9,852)	—	—	—
Due to other funds	—	—	—	(2,000)
Unearned revenues	923	—	—	45
Compensated absences payable	(1)	(5)	—	(69)
Other liabilities	(145)	—	—	1,253
Deferred inflows	2	3	—	10
Net cash provided by (used in) operating activities	**$ (953)**	**$ 5,202**	**$ (37,080)**	**$ 2,188**
Noncash capital, investing, and financing activities:				
Increase in fair value of investments	$ 90	$ —	$ 814	$ —
	$ 90	$ —	$ 814	$ —

Exhibit E-3

Other Enterprise	Totals
$ (223)	$ 27,937
117	1,242
—	(26,215)
24	24
(146)	(146)
(124)	(128)
—	424
—	(408)
(17)	(1,091)
5	1,733
—	140
—	(24,683)
—	(9,852)
3	(1,997)
5	973
12	(63)
—	1,108
8	23
$ (336)	**$ (30,979)**
$ —	$ 904
$ —	$ 904

Combining Statement of Net Position

INTERNAL SERVICE FUNDS

June 30, 2016
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
ASSETS					
Current assets:					
Cash and cash equivalents	$ 38,775	$ 380,171	$ 271,957	$ 18,300	$ 10,029
Investments	—	—	—	1,217	—
Invested securities lending collateral	5,861	1,133	825	7	—
Receivables, net:					
Accounts	18,293	143,023	65,232	1,747	725
Accrued interest	3,429	3	554	3	—
Due from other funds	10,923	612	—	4,788	1,069
Due from component units	10,169	—	—	—	—
Inventories	—	—	—	630	—
Prepaid items	16,978	1,140	11	241	—
Total current assets	104,428	526,082	338,579	26,933	11,823
Long-term assets:					
Investments	431,381	—	—	—	—
Accounts receivable, net	—	—	—	—	—
Interfund receivables	—	—	—	4,415	4,700
Prepaid items	—	—	—	24	—
Other long-term assets	—	—	256	—	—
Non-depreciable capital assets	—	—	—	9,772	—
Depreciable capital assets, net	8	215	90	76,177	21,063
Total long-term assets	431,389	215	346	90,388	25,763
Total assets	**535,817**	**526,297**	**338,925**	**117,321**	**37,586**
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	291	637	273	1,412	86
Difference between actual and expected experience	114	184	88	436	27
Net difference between projected and actual earnings on investments	—	69	33	1,665	102
Changes in proportion and differences between contributions and proportionate share of plan contributions	—	626	—	219	13
Total deferred outflows of resources	**405**	**1,516**	**394**	**3,732**	**228**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 3,171	$ 1,491	$ 723,894
—	—	1,217
—	—	7,826
954	5	229,979
—	—	3,989
—	—	17,392
—	—	10,169
2,478	—	3,108
—	—	18,370
6,603	1,496	1,015,944
—	—	431,381
290	—	290
—	—	9,115
—	—	24
—	—	256
—	—	9,772
4,436	—	101,989
4,726	—	552,827
11,329	**1,496**	**1,568,771**
326	1	3,026
101	—	950
384	1	2,254
51	—	909
862	**2**	**7,139**

Continued on Next Page

Combining Statement of Net Position

INTERNAL SERVICE FUNDS (Continued)

June 30, 2016
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
LIABILITIES					
Current liabilities:					
Accounts payable	$ 13	$ —	$ 156	$ 3,262	$ 398
Accrued salaries and related expenses	302	1,149	260	1,245	72
Accrued interest payable	—	—	—	118	3
Intergovernmental payables	—	—	—	—	—
Policy claims	264,205	216,688	95,858	—	—
Due to other funds	—	—	—	433	29
Unearned revenues	69,276	15,438	69,555	—	—
Deposits	—	—	72	—	—
Securities lending collateral	6,590	1,609	1,172	9	—
Notes payable	—	—	—	938	168
Revenue bonds payable	—	—	—	2,155	—
Compensated absences payable	119	598	188	1,270	82
Other current liabilities	—	—	2,581	—	—
Total current liabilities	340,505	235,482	169,842	9,430	752
Long-term liabilities:					
Policy claims	—	—	154,555	—	—
Interfund payables	—	—	—	4,842	—
Notes payable	—	—	—	3,440	719
Revenue bonds payable	—	—	—	2,397	—
Compensated absences payable	214	285	65	765	50
Net pension liability	4,660	10,335	5,011	23,948	1,460
Total long-term liabilities	4,874	10,620	159,631	35,392	2,229
Total liabilities	**345,379**	**246,102**	**329,473**	**44,822**	**2,981**
DEFERRED INFLOWS OF RESOURCES					
Difference between actual and expected experience	—	18	9	34	2
Net difference earnings pension plan investment	411	—	—	1,480	90
Changes in proportion and differences between contributions and proportionate share of plan contributions	—	—	23	229	14
Total deferred inflows of resources	**411**	**18**	**32**	**1,743**	**106**
NET POSITION					
Net investment in capital assets	8	215	90	77,019	20,176
Restricted:					
Expendable:					
Loan programs	—	—	—	—	—
Insurance programs	—	281,670	—	—	—
Unrestricted	190,424	(192)	9,724	(2,531)	14,551
Total net position	**$ 190,432**	**$ 281,693**	**$ 9,814**	**$ 74,488**	**$ 34,727**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 12	$ —	$ 3,841
926	12	3,966
1	—	122
1	—	1
—	—	576,751
165	4	631
—	—	154,269
—	—	72
—	—	9,380
273	—	1,379
—	—	2,155
316	16	2,589
—	—	2,581
1,694	32	757,737
—	—	154,555
—	—	4,842
—	—	4,159
—	—	2,397
190	10	1,579
5,527	11	50,952
5,717	21	218,484
7,411	**53**	**976,221**
8	—	71
342	1	2,324
53	—	319
403	**1**	**2,714**
4,163	—	101,671
11,326	—	11,326
—	—	281,670
(11,112)	1,444	202,308
$ 4,377	**$ 1,444**	**$ 596,975**

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

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
Operating revenues:					
Charges for services	$ 118,955	$ 2,307,682	$ 74,801	$ 63,840	$ 28,822
Other operating revenues	—	245,601	—	—	—
Total operating revenues	**118,955**	**2,553,283**	**74,801**	**63,840**	**28,822**
Operating expenses:					
General operations and administration	45,523	258,576	4,122	54,888	18,551
Benefits and claims	90,343	2,196,035	58,392	—	—
Interest	—	—	—	7	3
Depreciation and amortization	1	212	79	8,572	6,028
Other operating expenses	—	—	3,600	361	3
Total operating expenses	**135,867**	**2,454,823**	**66,193**	**63,828**	**24,585**
Operating income (loss)	**(16,912)**	**98,460**	**8,608**	**12**	**4,237**
Nonoperating revenues (expenses):					
Interest income	1,310	5,180	3,424	298	(4)
Contributions	—	—	—	26	64
Interest expense	—	—	—	(219)	—
Net other nonoperating revenues (expenses)	44	—	53	2,195	1,985
Losses on sale of capital assets	—	—	—	(13)	(98)
Total nonoperating revenues (expenses)	**1,354**	**5,180**	**3,477**	**2,287**	**1,947**
Income (loss) before transfers	**(15,558)**	**103,640**	**12,085**	**2,299**	**6,184**
Transfers in	—	—	—	1,707	—
Transfers out	—	—	—	(1,515)	(1,163)
Change in net position	**(15,558)**	**103,640**	**12,085**	**2,491**	**5,021**
Net position, beginning	**205,990**	**178,053**	**(2,271)**	**71,997**	**29,706**
Net position at end of year	**$ 190,432**	**$ 281,693**	**$ 9,814**	**$ 74,488**	**$ 34,727**

Exhibit E-5

Prison Industries	Other Internal Service	Totals
$ 17,612	$ 410	$ 2,612,122
—	—	245,601
17,612	**410**	**2,857,723**
18,283	—	399,943
—	—	2,344,770
9	—	19
467	—	15,359
986	—	4,950
19,745	**—**	**2,765,041**
(2,133)	**410**	**92,682**
—	—	10,208
—	—	90
—	—	(219)
1,277	—	5,554
—	—	(111)
1,277	**—**	**15,522**
(856)	**410**	**108,204**
—	—	1,707
—	—	(2,678)
(856)	**410**	**107,233**
5,233	**1,034**	**489,742**
$ 4,377	**$ 1,444**	**$ 596,975**

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
Cash flows from operating activities:					
Receipts from customers	$ 60,080	$ 2,307,952	$ 12,880	$ —	$ —
Internal activity–payments from other funds	57,112	—	58,878	62,696	27,634
Other operating cash receipts	—	175,466	—	—	—
Claims paid	(90,478)	(21,657)	(47,429)	—	—
Payments to suppliers for goods and services	(39,162)	(2,396,578)	(715)	(36,586)	(17,607)
Payments to employees	(3,437)	(8,179)	(3,419)	(19,662)	(1,200)
Internal activity–payments to other funds	—	—	(3,506)	—	—
Other operating cash payments	—	—	—	—	(3)
Net cash provided by (used in) operating activities	**(15,885)**	**57,004**	**16,689**	**6,448**	**8,824**
Cash flows from noncapital financing activities:					
Principal payments received from other funds	940	—	—	—	—
Receipt of interest from other funds	37	—	—	—	—
Other noncapital financing cash receipts	—	—	—	—	1,978
Other noncapital financing cash payments	—	—	—	(145)	—
Transfers in	—	—	—	1,707	—
Transfers out	—	—	—	(1,515)	(1,163)
Net cash provided by noncapital financing activities	**977**	**—**	**—**	**47**	**815**
Cash flows from capital and related financing activities:					
Acquisition of capital assets	—	(70)	—	(5,250)	(9,194)
Principal payments on limited obligation bonds	—	—	—	(185)	—
Proceeds from issuance of capital debt	—	—	—	5,743	—
Principal payments on capital debt	—	—	—	(2,055)	—
Interest payments on capital debt	—	—	—	(48)	—
Net cash used in capital and related financing activities	**—**	**(70)**	**—**	**(1,795)**	**(9,194)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	68,285	—	—	(1,234)	—
Purchase of investments	(74,936)	—	—	—	—
Interest on investments	14,524	5,234	3,177	298	4
Net cash provided by (used in) investing activities	**7,873**	**5,234**	**3,177**	**(936)**	**4**
Net increase (decrease) in cash and cash equivalents	**(7,035)**	**62,168**	**19,866**	**3,764**	**449**
Cash and cash equivalents at beginning	**45,810**	**318,003**	**252,091**	**14,536**	**9,580**
Cash and cash equivalents at end of year	**$ 38,775**	**$ 380,171**	**$ 271,957**	**$ 18,300**	**$ 10,029**

Exhibit E-6

Prison Industries	Other Internal Service	Totals
$ 17,548	$ 1	$ 2,398,461
—	334	206,654
—	—	175,466
—	—	(159,564)
(5,181)	—	(2,495,829)
(13,406)	(1)	(49,304)
—	—	(3,506)
—	—	(3)
(1,039)	**334**	**72,375**
—	—	940
—	—	37
1,431	—	3,409
—	—	(145)
—	—	1,707
—	—	(2,678)
1,431	**—**	**3,270**
(26)	—	(14,540)
—	—	(185)
—	—	5,743
(268)	—	(2,323)
(9)	—	(57)
(303)	**—**	**(11,362)**
—	—	67,051
—	—	(74,936)
—	—	23,237
—	**—**	**15,352**
89	**334**	**79,635**
3,082	**1,157**	**644,259**
$ 3,171	**$ 1,491**	**$ 723,894**

Continued on Next Page

Combining Statement of Cash Flows

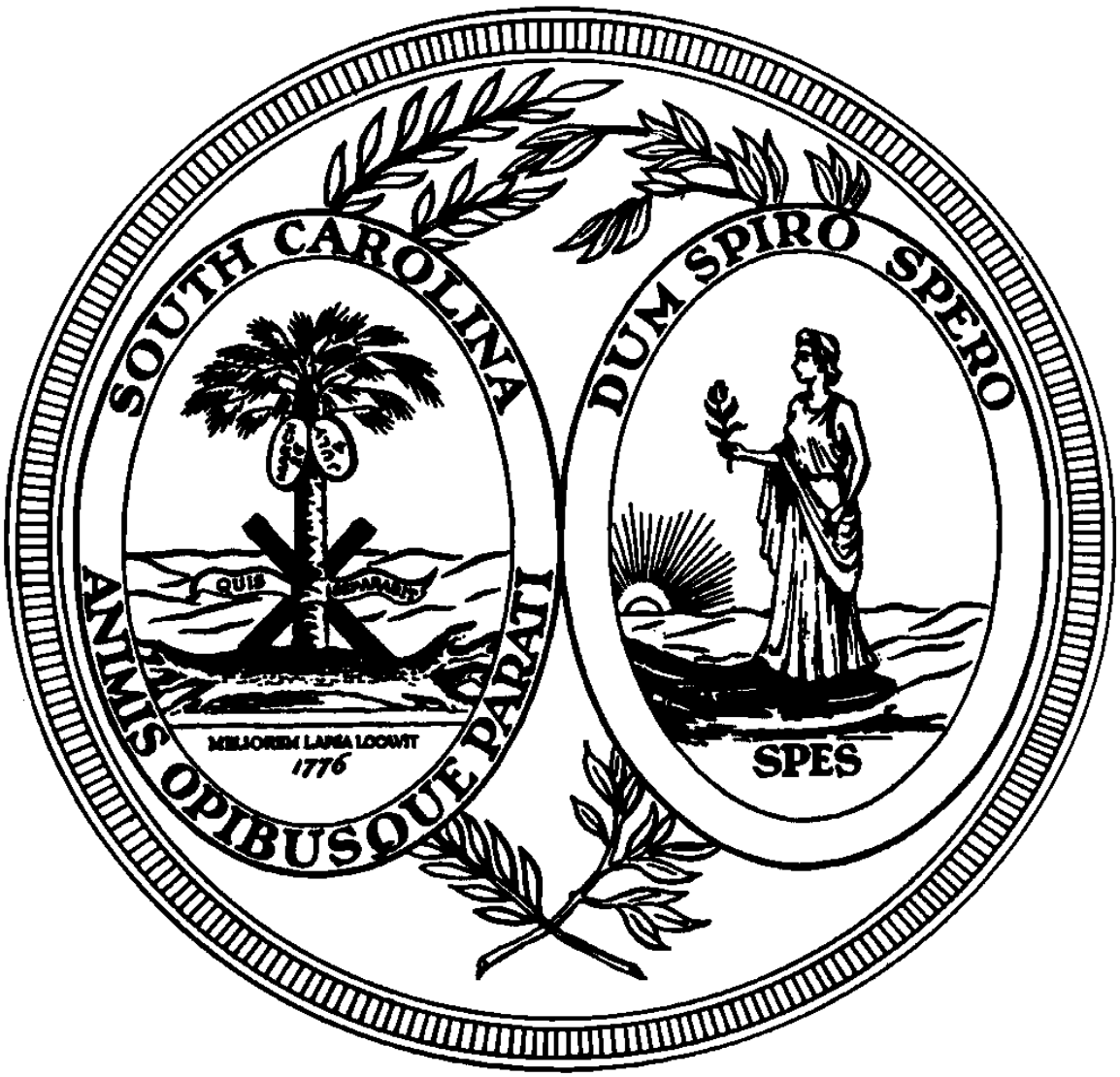
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (16,912)	$ 98,460	$ 8,608	$ 12	$ 4,237
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1	212	79	8,572	6,028
Interest payments reclassified as capital and related financing activities	—	—	—	(99)	—
Interest and dividends on investments and interfund loans	—	—	—	395	—
Realized losses on sale of assets	—	—	—	(13)	(98)
Other nonoperating revenues	—	312	53	208	286
Other nonoperating expenses	—	—	—	(186)	—
Effect of change in operating assets and liabilities:					
Accounts receivable, net	—	(68,330)	(2,974)	(1,144)	(1,271)
Due from other funds	(1,563)	—	—	—	11
Inventories	—	—	—	1	—
Other assets	2,457	5	39	537	—
Deferred outflows	(36)	—	—	(2,607)	(21)
Accounts payable	(175)	—	(6)	196	(330)
Accrued salaries and related expenses	9	63	(4)	(25)	2
Policy claims	(134)	25,923	10,963	—	—
Due to other funds	—	—	—	525	1
Unearned revenues	(201)	277	168	—	—
Compensated absences payable	81	82	(58)	123	4
Other liabilities	526	—	(179)	(47)	—
Deferred inflows	62	—	—	—	(25)
Net cash provided by (used in) operating activities	**$ (15,885)**	**$ 57,004**	**$ 16,689**	**$ 6,448**	**$ 8,824**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ (109)	$ —	$ —	$ (7,176)	$ 9,041
Increase (decrease) in fair value of investments	(13,161)	46	—	—	—
Total noncash capital, investing, and financing activities	**$ (13,270)**	**$ 46**	**$ —**	**$ (7,176)**	**$ 9,041**

Exhibit E-6

Prison Industries	Other Internal Service	Totals
$ (2,133)	$ 410	$ 92,682
467	—	15,359
(8)	—	(107)
—	—	395
(333)	—	(444)
1,542	—	2,401
(1,112)	—	(1,298)
1,071	—	(72,648)
—	3	(1,549)
(10)	—	(9)
—	—	3,038
(364)	(90)	(3,118)
1	—	(314)
18	6	69
—	—	36,752
4	2	532
—	—	244
(16)	13	229
(22)	—	278
(144)	(10)	(117)
$ (1,039)	**$ 334**	**$ 72,375**
$ 308	$ —	$ 2,064
—	—	(13,115)
$ 308	**$ —**	**$ (11,051)**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANGA LOCAVIT
1776
SPES

Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's fiduciary funds:

- Combining Statement of Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

a. Pension and Other Post-Employment Benefit Trust Funds

South Carolina Retirement System. This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

Police Officers' Retirement System. This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

General Assembly Retirement System. This is a single-employer pension system that benefits members of the South Carolina General Assembly.

Judges' and Solicitors' Retirement System. This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

National Guard Retirement System. The State administers this single-employer pension system that provides a supplemental retirement benefit to members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

South Carolina Retiree Health Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

Long-term Disability Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

b. Private-Purpose Trust Funds

College Savings Plan Fund. The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

Other Private-Purpose Trust Funds. This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

c. Agency Funds

Agency Funds are used to account for resources held by the State in a short-term custodial capacity for individuals, private organizations, and other governments. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, miscellaneous clearing accounts, and other deposits.

Combining Statement of Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2016
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
ASSETS					
Cash and cash equivalents	$ 3,385,664	$ 548,798	$ 6,171	$ 21,386	$ 5,259
Receivables:					
Contributions	208,735	23,854	57	646	16
Accrued interest	33,142	5,335	39	192	30
Unsettled investment sales	595,317	95,801	694	3,439	524
Other investment receivables	34,535	5,558	40	200	30
Total receivables	871,729	130,548	830	4,477	600
Due from other funds	—	302	—	—	—
Investments, at fair value:					
Short-term investments	677,357	109,002	790	3,913	596
Debt-domestic	5,003,122	805,119	5,834	28,906	4,404
Equity-international	7,841,474	1,261,876	9,144	45,304	6,903
Alternatives	7,688,980	1,237,335	8,966	44,424	6,769
Financial and other	—	—	—	—	—
Total investments	21,210,933	3,413,332	24,734	122,547	18,672
Invested securities lending collateral	47,690	7,674	56	275	42
Capital assets, net	2,461	261	7	12	—
Prepaid items	3,081	479	4	18	3
Total assets	**25,521,558**	**4,101,394**	**31,802**	**148,715**	**24,576**
LIABILITIES					
Accounts payable	8,076	1,300	9	47	7
Accounts payable–unsettled investment purchases	1,231,849	198,233	1,436	7,117	1,085
Policy claims	—	—	—	—	—
Due to other funds	63,660	1,900	—	—	—
Deferred retirement benefits	71,693	—	—	—	—
Securities lending collateral	88,098	14,177	103	509	78
Other liabilities	61,820	9,748	66	325	56
Total liabilities	**1,525,196**	**225,358**	**1,614**	**7,998**	**1,226**
NET POSITION					
Held in trust for pension and other post-employment benefits	**$ 23,996,362**	**$ 3,876,036**	**$ 30,188**	**$ 140,717**	**$ 23,350**

Exhibit F-1

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 136,829	$ 5,946	$ 4,110,053
—	—	233,308
5,320	261	44,319
—	—	695,775
—	—	40,363
5,320	261	1,013,765
65,258	—	65,560
—	—	791,658
763,931	30,038	6,641,354
—	—	9,164,701
—	—	8,986,474
55,136	893	56,029
819,067	30,931	25,640,216
8,344	491	64,572
—	—	2,741
—	—	3,585
1,034,818	**37,629**	**30,900,492**
—	—	9,439
—	—	1,439,720
—	273	273
—	—	65,560
—	—	71,693
8,509	503	111,977
—	—	72,015
8,509	**776**	**1,770,677**
$ 1,026,309	**$ 36,853**	**$ 29,129,815**

Combining Statement of Changes in Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
Additions:					
Contributions:					
Employer	$ 1,073,093	$ 175,241	$ 4,501	$ 10,202	$ 4,591
Employee	754,153	115,188	292	2,303	—
Total contributions	1,827,246	290,429	4,793	12,505	4,591
Investment income:					
Interest income and net appreciation in investments	58,568	11,331	(2)	423	75
Securities lending income	810	129	1	5	1
Total investment income	59,378	11,460	(1)	428	76
Less investment expense:					
Investment expense	224,772	36,096	265	1,299	197
Securities lending expense	—	—	—	—	—
Net investment income	(165,394)	(24,636)	(266)	(871)	(121)
Assets moved between pension trust funds	177	1,174	—	27	—
Total additions	**1,662,029**	**266,967**	**4,527**	**11,661**	**4,470**
Deductions:					
Regular retirement benefits	2,473,541	337,928	6,625	16,989	4,310
Supplemental retirement benefits	434	18	—	—	—
Deferred retirement benefits	194,844	—	—	—	—
Refunds of retirement contributions to members	93,694	19,178	22	60	—
Death benefit claims	20,659	1,960	9	143	—
Accidental death benefits	—	1,590	—	—	—
Other post-employment benefits	—	—	—	—	—
Depreciation	271	37	1	1	—
Administrative expense	12,878	2,018	17	74	12
Assets moved between pension trust funds	1,174	27	147	30	—
Total deductions	**2,797,495**	**362,756**	**6,821**	**17,297**	**4,322**
Change in net position	**(1,135,466)**	**(95,789)**	**(2,294)**	**(5,636)**	**148**
Net position at beginning of year	**25,131,828**	**3,971,825**	**32,482**	**146,353**	**23,202**
Net position at end of year	**$ 23,996,362**	**$ 3,876,036**	**$ 30,188**	**$ 140,717**	**$ 23,350**

Exhibit F-2

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 457,769	$ 7,125	$ 1,732,522
—	—	871,936
457,769	7,125	2,604,458
35,249	1,297	106,941
50	1	997
35,299	1,298	107,938
—	—	262,629
5	—	5
35,294	1,298	(154,696)
—	—	1,378
493,063	**8,423**	**2,451,140**
—	—	2,839,393
—	—	452
—	—	194,844
—	—	112,954
—	—	22,771
—	—	1,590
431,711	7,904	439,615
—	—	310
84	11	15,094
—	—	1,378
431,795	**7,915**	**3,628,401**
61,268	**508**	**(1,177,261)**
965,041	**36,345**	**30,307,076**
$ 1,026,309	**$ 36,853**	**$ 29,129,815**

Combining Statement of Fiduciary Net Position — Exhibit F-3

PRIVATE-PURPOSE TRUST FUNDS

June 30, 2016
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
ASSETS			
Cash and cash equivalents	$ 563	$ 7,427	$ 7,990
Receivables, net:			
Accrued interest	1,616	14	1,630
Unsettled investment sales	2,497	—	2,497
Investments	2,564,191	2,522	2,566,713
Invested securities lending collateral	—	14	14
Other assets	—	4,582	4,582
Total assets	**2,568,867**	**14,559**	**2,583,426**
LIABILITIES			
Accounts payable	998	8	1,006
Accounts payable–unsettled investment purchases	2,566	—	2,566
Securities lending collateral	—	20	20
Total liabilities	**3,564**	**28**	**3,592**
NET POSITION			
Held in trust for other purposes	**$ 2,565,303**	**$ 14,531**	**$ 2,579,834**

Combining Statement of Changes in Fiduciary Net Position

Exhibit F-4

PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
Additions:			
Licenses, fees, and permits	$ —	$ 34	$ 34
Contributions	157,171	4,449	161,620
Interest income	33,439	(78)	33,361
Total additions	**190,610**	**4,405**	**195,015**
Deductions:			
Administrative expense	9,385	735	10,120
Other expenses	520	523	1,043
Total deductions	**9,905**	**1,258**	**11,163**
Change in net position	**180,705**	**3,147**	**183,852**
Net position at beginning of year	**2,384,598**	**11,384**	**2,395,982**
Net position at end of year	**$ 2,565,303**	**$ 14,531**	**$ 2,579,834**

Combining Statement of Changes in Assets and Liabilities

Exhibit F-5

AGENCY FUNDS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets:				
Cash and cash equivalents	$ 300,797	$ 26,912,740	$ 26,767,707	$ 445,830
Accounts receivable	10,538	131,862	135,010	7,390
Accrued interest receivable	210	2,776	1,956	1,030
Taxes receivable	9,811	21,074	30,342	543
Loans and notes receivable	27	74	50	51
Due from other funds	12,847	40,705	40,578	12,974
Investments	17,860	46,548	53,579	10,829
Invested securities lending collateral	151	731	—	882
Total assets	**$ 352,241**	**$ 27,156,510**	**$ 27,029,222**	**$ 479,529**
Liabilities:				
Accounts payable	$ 8,063	$ 1,938,319	$ 1,924,919	$ 21,463
Due to other funds	—	182,820	182,820	—
Tax refunds payable	4	4	8	—
Intergovernmental payables	46,017	46,017	50,190	41,844
Deposits	3,486	986	1,391	3,081
Amounts held in custody for others	294,212	400,980	283,587	411,605
Securities lending collateral	436	818	—	1,254
Due to participants	23	24	11	36
Other liabilities	—	246	—	246
Total liabilities	**$ 352,241**	**$ 2,570,214**	**$ 2,442,926**	**$ 479,529**

Nonmajor Discretely Presented Component Units

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Position—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units

The following entities are nonmajor discretely presented component units of the State:

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University,* and *Winthrop University*.

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

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County.

The *South Carolina Education Assistance Authority* issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings.

The *South Carolina Jobs-Economic Development Authority* is a legally separate entity that promotes and develops business and economic welfare in the state.

The *South Carolina Research Authority* was created through an act of the General Assembly for the development and marketing of a statewide system of research and technology-based infrastructure and to conduct applied research and commercialization services on a contractual basis.

The *Patriots Point Development Authority* was established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association* was established to provide medical malpractice insurance on a self-supporting basis.

The *South Carolina First Steps to School Readiness* is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

The *Children's Trust Fund of South Carolina, Inc*. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations.

Combining Statement of Net Position

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2016
(Expressed in Thousands)

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University	South Carolina State University
ASSETS						
Cash and cash equivalents	$ 42,797	$ 53,253	$ 46,703	$ 18,896	$ 13,112	$ 5,122
Investments	110,424	—	1,451	4,226	12,956	—
Invested securities lending collateral	71	130	244	17	18	15
Receivables, net:						
Accounts	5,370	4,148	1,316	514	463	1,203
Contributions	21,467	—	9,026	2,571	13	—
Accrued interest	160	319	121	15	210	—
Student accounts	825	485	1,384	524	401	3,677
Loans and notes	—	—	—	—	145	—
Due from Federal government and other grantors	623	5,487	7,193	357	1,744	2,798
Due from primary government	1,308	—	82	258	—	—
Inventories	1,910	506	246	—	303	—
Restricted assets:						
Cash and cash equivalents	10,038	43,386	130,366	7,971	1,003	15,359
Investments	143,778	—	79,986	19,554	1,149	113
Loans receivable	659	1,216	2,495	1,621	1,488	2,976
Other	1,883	—	—	—	—	—
Prepaid items	1,054	3,546	4,118	928	270	719
Other assets	1,059	—	538	881	201	149
Capital assets-nondepreciable	6,866	88,639	90,463	21,513	14,272	3,132
Capital assets-depreciable, net	116,305	363,128	303,729	73,973	73,935	112,642
Total assets	466,597	564,243	679,461	153,819	121,683	147,905
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding	—	761	406	—	—	—
Pension contributions susbsequent to measurement date	4,026	7,362	8,399	2,830	1,919	2,389
Difference between actual & expected experience	1,268	2,172	2,660	921	603	1,049
Net Difference between earnings- pension investment	482	832	1,016	351	231	398
Change between contributions & proportionate share contributions	590	4,391	2,395	18	9	—
Total deferred outflows of resources	6,366	15,518	14,876	4,120	2,762	3,836
LIABILITIES						
Accounts payable	11,555	5,066	14,327	457	507	8,972
Accrued salaries and related expenses	2,419	12,495	9,910	217	245	1,680
Accrued interest payable	334	1,121	2,259	425	187	1,234
Retainages payable	83	1,464	706	548	101	10
Intergovernmental payables	—	—	—	—	—	—
Due to primary government	—	1,244	—	—	314	15,333
Unearned revenues and deferred credits	3,944	4,778	4,519	726	3,340	4,483
Deposits	2,988	—	2,243	—	193	705
Amounts held in custody for others	4,400	244	794	210	49	238
Securities lending collateral	101	184	346	24	26	20
Liabilities payable from restricted assets	—	—	—	—	—	—
Other liabilities	3,357	1,747	2,578	1,512	2,346	1,241
Long-term liabilities:						
Due within one year	5,589	8,684	11,731	2,697	2,891	4,565
Due in more than one year	94,664	363,992	368,714	80,868	70,181	114,254
Total liabilities	129,434	401,019	418,127	87,684	80,380	152,735
DEFERRED INFLOWS OF RESOURCES						
Deferred nonexchange revenues	180	—	—	—	—	—
Difference between actual and expected experience	125	211	260	91	59	104
Change between contributions & proportionate share contributions	27	—	—	9	24	3,881
Total deferred inflows of resources	332	211	260	100	83	3,985
NET POSITION						
Net investment in capital assets	97,142	210,873	212,976	65,883	50,637	54,822
Restricted:						
Expendable:						
Education	87,042	—	48,373	11,192	10,647	12,193
Transportation	—	—	—	—	—	—
Capital projects	3,691	33,232	64,506	2,894	2,291	3,162
Debt service	344	2,866	7,113	—	718	5,570
Loan programs	—	—	—	—	—	—
Other	—	—	—	—	—	—
Nonexpendable:						
Education	100,762	105	41,851	14,667	4,563	863
Unrestricted	54,216	(68,545)	(98,869)	(24,481)	(24,874)	(81,589)
Total net position (deficit)	**$ 343,197**	**$ 178,531**	**$ 275,950**	**$ 70,155**	**$ 43,982**	**$ (4,979)**

Exhibit G-1

Winthrop University	Aiken Technical College	Central Carolina Technical College	Denmark Technical College	Florence-Darlington Technical College	Greenville Technical College	Horry-Georgetown Technical College	Technical College of the Lowcountry	Midlands Technical College	Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College
$ 20,110	$ 14,427	$ 10,289	$ 3,245	$ 8,642	$ 46,834	$ 15,916	$ 11,484	$ 11,991	$ 2,541	$ 11,500	$ 22,878
—	—	1,951	—	—	7,871	28,406	—	58,153	—	2,701	3,209
80	—	—	—	—	1	—	—	16	—	—	—
201	241	—	1,973	2,450	167	—	317	—	6	147	304
1,396	—	—	—	—	2,402	—	—	—	—	—	83
34	63	1	—	—	59	136	10	—	—	15	—
3,342	213	347	426	2,565	276	6,108	2,553	3,709	1,009	112	504
—	—	—	—	—	406	45	402	—	—	—	—
1,295	1,312	521	1,235	1,462	4,909	4,526	841	831	112	776	281
1,387	—	—	—	—	—	—	—	—	—	99	—
379	302	284	291	1,155	3,291	—	184	—	98	223	—
16,359	19	37	—	10,736	1,578	143	7	5,244	263	—	—
43,326	—	252	—	—	—	—	—	—	—	—	936
2,315	—	—	—	303	—	—	—	—	—	—	—
—	—	—	—	—	3,161	—	—	1,509	—	—	—
1,556	66	110	—	140	63	177	141	247	—	58	71
—	—	—	—	—	2,117	—	—	—	38	4	—
5,738	947	1,462	192	3,497	42,322	18,238	3,468	14,508	758	131	3,152
103,860	26,057	38,643	3,785	40,164	99,207	55,459	12,573	72,647	7,742	13,379	28,174
201,378	43,647	53,897	11,147	71,114	214,664	129,154	31,980	168,855	12,567	29,145	59,592
2,522	—	—	—	375	286	—	—	309	—	—	—
4,371	780	1,341	533	1,988	4,403	2,060	1,283	4,691	425	1,230	1,804
1,499	257	442	188	646	1,423	657	294	1,481	151	388	609
569	97	167	72	244	538	248	111	560	57	148	231
7	—	—	397	1,571	155	262	153	610	20	78	5
8,968	1,134	1,950	1,190	4,824	6,805	3,227	1,841	7,651	653	1,844	2,649
1,101	131	50	259	984	3,773	2,112	338	1,782	—	198	629
5,672	194	483	129	359	858	1,383	280	1,838	70	281	387
588	—	23	—	197	369	—	13	359	—	—	—
—	—	—	—	—	—	372	—	267	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	102	—	219	—	165	—	—	—	—	—
3,936	1,195	7,427	175	4,014	6,295	2,471	4,373	5,791	583	800	1,472
7,314	—	—	—	—	—	—	—	135	—	—	37
144	—	28	315	136	2,540	869	8	453	26	—	—
111	—	—	—	—	1	—	—	23	—	—	—
2,592	4	—	—	—	—	—	—	—	—	—	—
2,178	—	—	—	420	2,893	—	16	—	—	—	1
7,682	41	387	44	964	6,140	146	182	1,466	64	66	553
137,204	15,029	26,764	11,030	52,817	152,579	38,650	18,182	109,512	8,829	22,988	35,111
168,522	16,594	35,264	11,952	60,110	175,448	46,168	23,392	121,626	9,572	24,333	38,190
14	—	—	—	—	—	—	—	—	—	—	—
148	26	44	19	65	142	66	30	148	15	38	61
1,050	802	527	82	—	554	3	—	—	4	—	218
1,212	828	571	101	65	696	69	30	148	19	38	279
55,734	27,004	38,715	3,977	28,011	70,028	73,697	15,076	63,896	8,500	13,509	31,316
4,522	59	164	—	32	4,942	190	14	—	26	—	1,435
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	1,817	—	8,714	—	—	49,780	238	1,672	10,643
1,137	—	—	—	10,704	—	—	—	10,065	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
41,722	—	262	—	—	6,500	—	—	—	—	—	936
(62,503)	296	(19,129)	(5,510)	(22,984)	(44,859)	12,257	(4,691)	(69,009)	(5,135)	(8,563)	(20,558)
$ 40,612	**$ 27,359**	**$ 20,012**	**$ 284**	**$ 15,763**	**$ 45,325**	**$ 86,144**	**$ 10,399**	**$ 54,732**	**$ 3,629**	**$ 6,618**	**$ 23,772**

Continued on Next Page

Combining Statement of Net Position (Continued)

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2016
(Expressed in Thousands)

	Spartanburg Community College	Tri-county Technical College	Trident Technical College	Williamsburg Technical College	York Technical College	Connector 2000	Education Assistance Authority
ASSETS							
Cash and cash equivalents	$ 15,355	$ 52,215	$ 44,003	$ 9,560	$ 19,823	$ 1,761	$ 93,778
Investments	5,665	—	4,987	—	12,733	—	—
Invested securities lending collateral	—	—	—	—	—	—	—
Receivables, net:							
Accounts	386	—	731	—	7	95	44,423
Contributions	230	295	—	—	1,282	—	—
Accrued interest	26	93	—	69	—	—	423
Student accounts	476	1,035	4,597	81	3,555	—	—
Loans and notes	3,071	—	—	—	—	—	69,450
Due from Federal government and other grantors	4,353	1,798	1,299	180	2,512	—	—
Due from primary government	—	—	131	—	—	—	—
Inventories	474	687	1,081	59	—	276	—
Restricted assets:							
Cash and cash equivalents	1,188	—	—	7	—	7,543	3,276
Investments	—	19,830	—	—	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Prepaid items	331	1,012	868	22	—	62	5
Other assets	291	217	—	—	23	127,190	—
Capital assets-nondepreciable	7,589	7,618	9,857	127	3,205	307	—
Capital assets-depreciable, net	58,935	34,786	91,048	513	28,334	155	93
Total assets	98,370	119,586	158,602	10,618	71,474	137,389	211,448
DEFERRED OUTFLOWS OF RESOURCES							
Unamortized loss on refunding	—	—	—	—	—	—	—
Pension contributions susbsequent to measurement date	1,829	1,880	4,856	330	1,726	—	—
Difference between actual & expected experience	596	588	1,619	108	566	—	—
Net Difference between earnings- pension investment	225	223	618	41	214	—	—
Change between contributions & proportionate share contributions	—	35	282	9	41	—	—
Total deferred outflows of resources	2,650	2,726	7,375	488	2,547	—	—
LIABILITIES							
Accounts payable	528	3,958	1,229	77	1,155	103	10,857
Accrued salaries and related expenses	733	74	867	400	446	—	—
Accrued interest payable	130	—	64	—	—	—	—
Retainages payable	—	—	77	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—
Due to primary government	—	—	—	—	156	27	194
Unearned revenues and deferred credits	1,686	6,044	5,843	2,351	2,979	266	—
Deposits	—	—	—	—	—	17	—
Amounts held in custody for others	—	—	190	—	44	—	—
Securities lending collateral	—	—	—	—	—	—	—
Liabilities payable from restricted assets	—	—	40	—	—	—	555
Other liabilities	—	—	69	—	—	—	757
Long-term liabilities:							
Due within one year	386	557	1,706	17	109	4,572	380
Due in more than one year	52,498	38,557	101,627	6,374	33,029	185,164	44,447
Total liabilities	55,961	49,190	111,712	9,219	37,918	190,149	57,190
DEFERRED INFLOWS OF RESOURCES							
Deferred nonexchange revenues	—	—	—	—	—	—	—
Difference between actual and expected experience	60	59	158	11	56	—	—
Change between contributions & proportionate share contributions	1,190	453	151	208	17	—	—
Total deferred inflows of resources	1,250	512	309	219	73	—	—
NET POSITION							
Net investment in capital assets	48,788	37,639	92,698	640	31,540	462	93
Restricted:							
Expendable:							
Education	7,543	7,771	—	—	5,686	—	—
Transportation	—	—	—	—	—	879	—
Capital projects	4,425	35,422	17,642	—	—	—	—
Debt service	—	—	—	—	—	—	7,285
Loan programs	—	—	—	—	—	—	65,709
Other	—	—	—	—	—	—	—
Nonexpendable:							
Education	—	13,334	—	7	3,478	—	—
Unrestricted	(16,947)	(21,556)	(56,384)	1,021	(4,674)	(54,101)	81,171
Total net position (deficit)	**$ 43,809**	**$ 72,610**	**$ 53,956**	**$ 1,668**	**$ 36,030**	**$ (52,760)**	**$ 154,258**

Exhibit G-1

Jobs-Economic Development Authority	South Carolina Research Authority	Patriots Point Development Authority	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
$ 932	$ 32,495	$ 4,269	$ 10,640	$ 6,494	$ 489	$ 651,554
1,750	18,405	—	16,276	5	877	292,046
—	—	14	—	2	—	608
2,714	2,183	387	1,594	—	6	71,346
—	2,225	—	—	—	—	40,990
35	—	—	154	—	—	1,943
—	—	—	—	—	—	38,204
—	—	—	—	—	—	73,519
—	54,147	—	—	1,097	3,984	105,673
—	—	—	—	—	—	3,265
—	—	302	—	—	—	12,051
—	102,409	20	—	—	—	356,952
—	2,526	—	—	—	—	311,450
—	—	—	—	—	—	13,073
—	—	—	—	—	—	6,553
—	—	9	—	—	46	15,619
—	6,408	—	1,119	—	—	140,235
—	7,174	5,102	—	—	—	360,277
—	30,330	16,686	—	427	12	1,806,721
5,431	258,302	26,789	29,783	8,025	5,414	4,302,079
—	—	—	—	—	—	4,659
19	—	378	—	412	—	63,264
6	—	119	—	106	—	20,416
2	—	45	—	40	—	7,760
—	—	279	—	6	—	11,313
27	—	821	—	564	—	107,412
—	69,478	49	400	641	1,810	142,526
—	—	478	—	—	—	41,898
—	—	—	—	—	—	7,303
—	—	—	—	—	—	3,628
—	—	—	—	—	695	695
—	—	8,321	—	855	—	26,930
—	730	1,081	8,130	—	619	90,051
—	—	—	—	—	—	13,632
—	—	—	73	—	—	10,761
—	—	20	—	3	—	859
—	100,059	—	—	—	—	103,250
—	1,074	—	—	540	73	20,802
—	5,619	242	13,000	241	—	80,721
371	13,006	6,913	57,841	6,176	45	2,267,416
371	189,966	17,104	79,444	8,456	3,242	2,810,472
—	—	—	—	—	—	194
1	—	12	—	11	—	2,020
1	—	—	—	—	—	9,201
2	—	12	—	11	—	11,415
—	18,879	13,588	—	427	12	1,366,562
—	—	—	—	6,332	—	208,163
—	—	—	—	—	—	879
—	—	—	—	—	—	240,129
—	—	—	—	—	—	45,802
—	—	—	—	—	—	65,709
—	10,822	—	2,258	—	—	13,080
—	—	—	—	—	—	229,050
5,085	38,635	(3,094)	(51,919)	(6,637)	2,160	(581,770)
$ 5,085	**$ 68,336**	**$ 10,494**	**$ (49,661)**	**$ 122**	**$ 2,172**	**$ 1,587,604**

Combining Statement of Activities

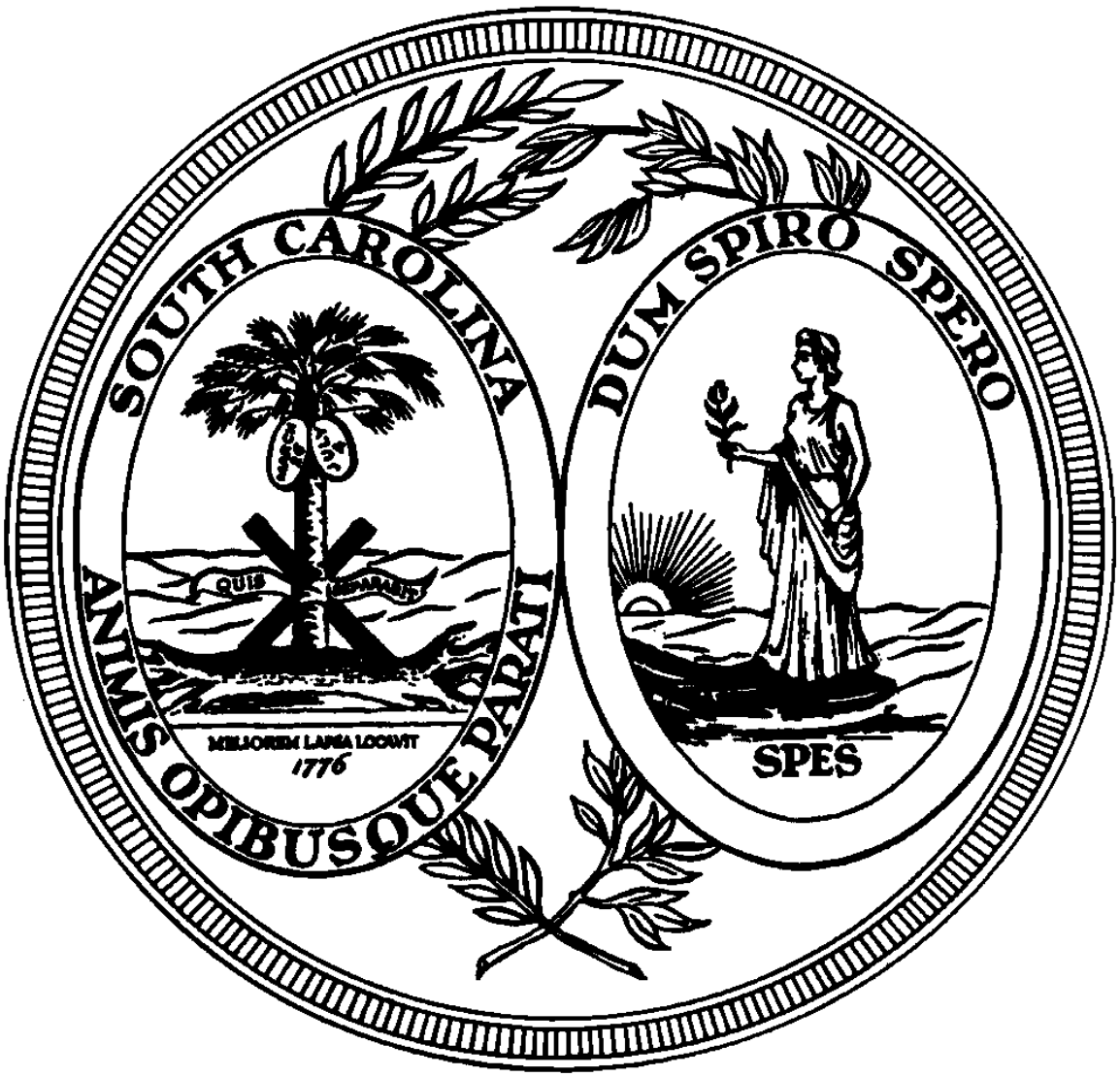
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

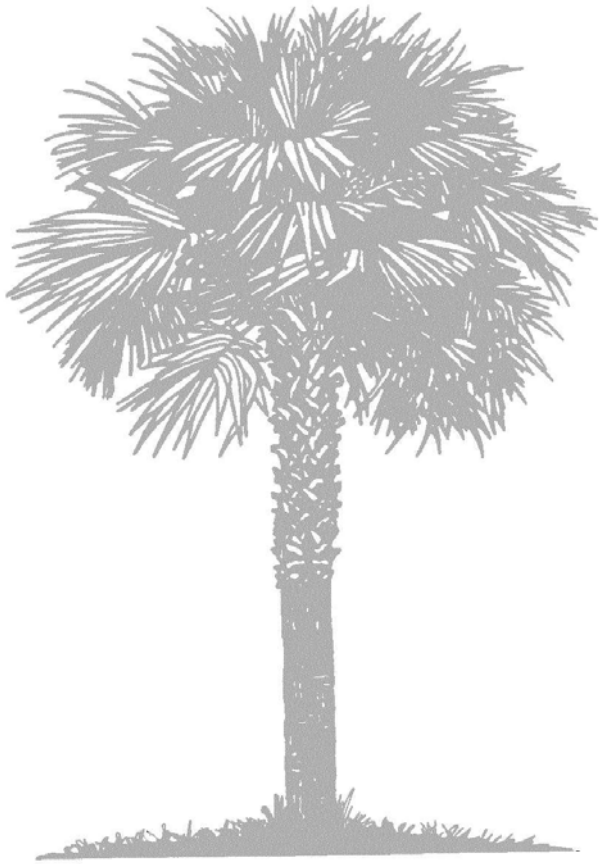
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expenses)
The Citadel	$ 124,276	$ 81,926	$ 25,316	$ 3,271	$ (13,763)
Coastal Carolina University	203,761	178,580	19,667	9,961	4,447
College of Charleston	265,502	224,319	24,663	1,042	(15,478)
Francis Marion University	70,010	40,905	11,642	5,159	(12,304)
Lander University	54,435	34,458	7,990	—	(11,987)
South Carolina State University	84,914	54,370	11,613	928	(18,003)
Winthrop University	119,857	90,369	11,568	442	(17,478)
Aiken Technical College	21,490	9,910	7,586	1,157	(2,837)
Central Carolina Technical College	32,725	14,146	11,484	1,058	(6,037)
Denmark Technical College	15,726	6,446	3,293	1,824	(4,163)
Florence- Darlington Technical College	54,934	23,535	21,312	353	(9,734)
Greenville Technical College	111,404	56,283	39,007	1,546	(14,568)
Horry- Georgetown Technical College	57,482	30,372	20,758	9,111	2,759
Technical College of the Lowcountry	21,179	10,171	7,106	85	(3,817)
Midlands Technical College	106,521	50,574	32,937	3,211	(19,799)
Northeastern Technical College	10,344	3,669	3,711	316	(2,648)
Orangeburg- Calhoun Techncial College	25,778	9,672	9,521	1,000	(5,585)
Piedmont Technical College	43,182	19,006	15,832	378	(7,966)
Spartanburg Community College	49,836	19,728	17,517	6,739	(5,852)
Tri-county Technical College	53,728	33,833	13,614	2,502	(3,779)
Trident Technical College	129,899	65,831	43,619	2,945	(17,504)
Williamsburg Technical College	6,347	2,172	2,542	190	(1,443)
York Technical College	41,237	20,651	15,114	1,017	(4,455)
Connector 2000	19,261	8,581	361	—	(10,319)
Education Assistance Authority	8,284	10,046	—	—	1,762
Jobs- Economic Development Authority	349	641	18	—	310
South Carolina Research Authority	433,314	427,256	6,472	—	414
Patriots Point Development Authority	12,969	11,151	224	415	(1,179)
South Carolina Medical Malpractice Liability Joint Underwriting Association	8,879	14,912	343	—	6,376
South Carolina First Steps to School Readiness Board of Trustees	49,496	—	8,577	—	(40,919)
Children's Trust Fund of S.C., Inc.	13,152	—	13,296	—	144
Totals	**$ 2,250,271**	**$ 1,553,513**	**$ 406,703**	**$ 54,650**	**$ (235,405)**

Exhibit G-2

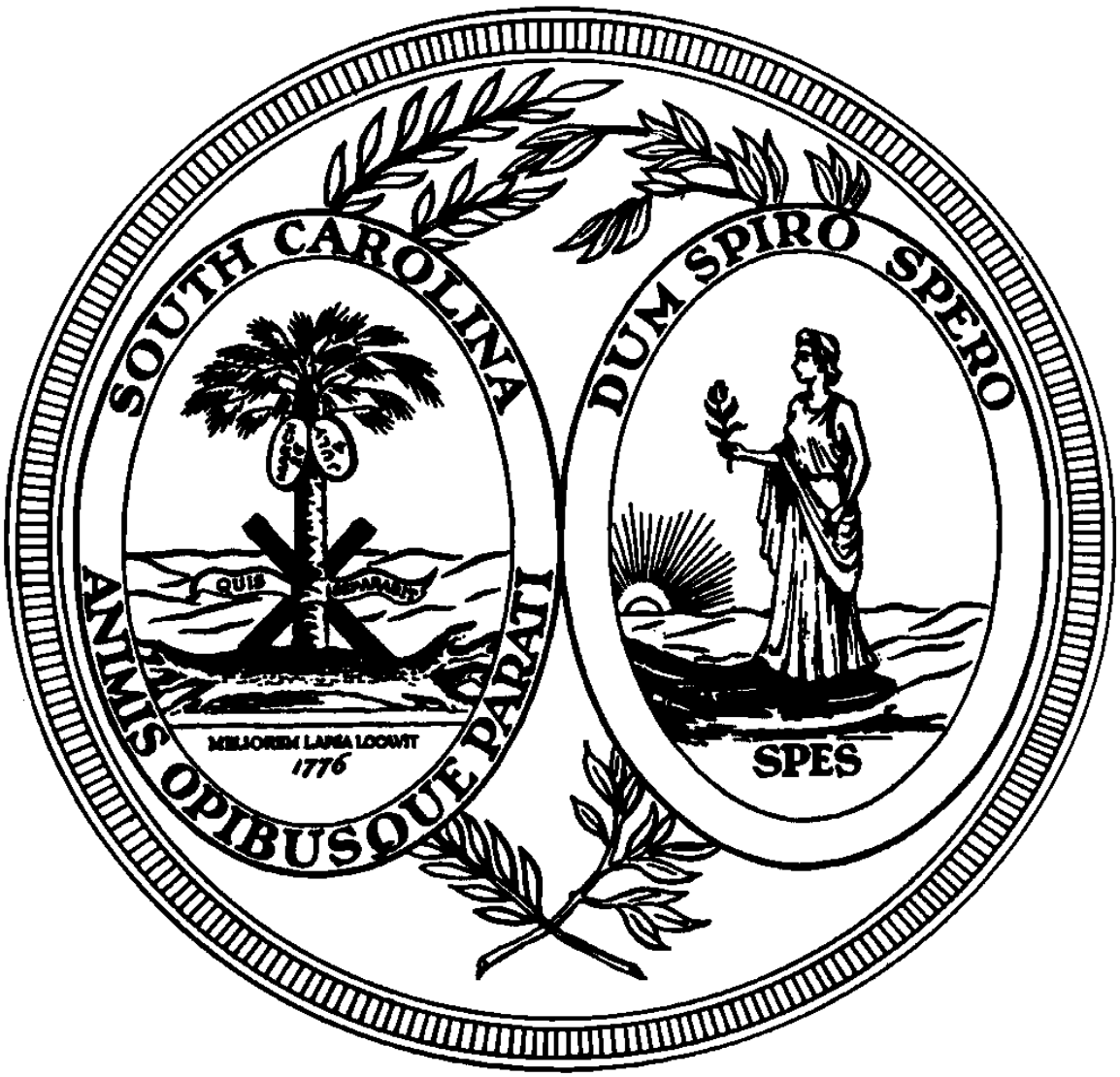
Additions to Endowments	State Appropriations	Net Position (Deficit) Beginning Restated	Net Position (Deficit) Ending
$ 3,793	$ 10,329	$ 342,838	$ 343,197
—	12,212	161,872	178,531
3,044	22,597	265,787	275,950
231	14,482	67,746	70,155
99	7,669	48,201	43,982
—	24,227	(11,203)	(4,979)
2,877	15,065	40,148	40,612
—	4,201	25,995	27,359
—	5,205	20,844	20,012
—	2,405	2,042	284
—	8,888	16,609	15,763
1,293	17,842	40,758	45,325
—	8,521	74,864	86,144
—	3,797	10,419	10,399
—	17,106	57,425	54,732
—	2,212	4,065	3,629
—	4,781	7,422	6,618
39	7,745	23,954	23,772
—	7,495	42,166	43,809
261	9,077	67,051	72,610
—	17,510	53,950	53,956
—	1,900	1,211	1,668
35	7,207	33,243	36,030
—	—	(42,441)	(52,760)
—	—	152,496	154,258
—	—	4,775	5,085
—	—	67,922	68,336
—	—	11,673	10,494
—	—	(56,037)	(49,661)
—	35,689	5,352	122
—	—	2,028	2,172
$ 11,672	**$ 268,162**	**$ 1,543,175**	**$ 1,587,604**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LANEA LOCAVIT
1776
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Statistical Section (Unaudited)



This section presents certain economic and social data and financial trends over a ten-year period.


SOUTH CAROLINA
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Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina's overall financial health.

CONTENTS

Page

Financial Trends 240

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity 250

These schedules contain information to help the reader assess the State's most significant revenue sources, the personal income tax and the retail sales tax.

Debt Capacity 256

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information 265

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information 270

These schedules contain service and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

SOURCES

Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

Net Position by Component

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	2015 (as restated)	2014	2013
Governmental activities				
Net Investment in capital assets.....	$ 13,088,862	$ 12,667,605	$ 11,892,515	$ 11,455,604
Restricted.....	6,691,147	6,062,068	5,488,629	5,323,431
Unrestricted.....	(2,257,941)	(2,685,933)	(2,128,973)	326,353
Total governmental activities net position.....	**$ 17,522,068**	**$ 16,043,740**	**$ 15,252,171**	**$ 17,105,388**
Business-type activities				
Net Investment in capital assets.....	$ 203,351	$ 146,739	$ 124,223	$ 72,497
Restricted.....	302,080	70,395	185,732	56
Unrestricted.....	79,776	(2,232)	(413,206)	(541,375)
Total business-type activities net position.....	**$ 585,207**	**$ 214,902**	**$ (103,251)**	**$ (468,822)**
Primary government				
Net Investment in capital assets.....	$ 13,292,213	$ 12,814,344	$ 12,016,738	$ 11,528,101
Restricted.....	6,993,227	6,132,463	5,674,361	5,323,487
Unrestricted.....	(2,178,165)	(2,688,165)	(2,542,179)	(215,022)
Total primary government net position.....	**$ 18,107,275**	**$ 16,258,642**	**$ 15,148,920**	**$ 16,636,566**

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses and related net position balances. Amounts for fiscal years prior to 2014 have not been restated.

Other restatements have been made, see Note 14 on pages 129 and 130 for details.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 1

Ended June 30

2012	2011	2010	2009	2008	2007
$ 11,251,603	$ 10,766,855	$ 10,966,666	$ 10,276,019	$ 10,044,439	$ 9,728,397
3,158,419	3,273,224	3,202,747	3,351,417	3,597,084	3,498,173
1,760,245	759,206	(371,761)	(161,946)	46,185	603,503
$ 16,170,267	**$ 14,799,285**	**$ 13,797,652**	**$ 13,465,490**	**$ 13,687,708**	**$ 13,830,073**
$ 2,742,733	$ 2,628,292	$ 2,539,652	$ 2,429,521	$ 2,315,357	$ 2,133,862
1,438,402	1,443,470	1,225,352	1,123,060	1,381,777	1,406,468
974,730	707,961	322,575	399,730	646,266	594,033
$ 5,155,865	**$ 4,779,723**	**$ 4,087,579**	**$ 3,952,311**	**$ 4,343,400**	**$ 4,134,363**
$ 13,994,336	$ 13,395,147	$ 13,506,318	$ 12,705,540	$ 12,359,796	$ 11,862,259
4,596,821	4,716,694	4,428,099	4,474,377	4,978,861	4,904,641
2,734,975	1,467,167	(49,186)	237,784	692,451	1,197,536
$ 21,326,132	**$ 19,579,008**	**$ 17,885,231**	**$ 17,417,701**	**$ 18,031,108**	**$ 17,964,436**

Changes in Net Position

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	2015 (as restated)	2014	2013
Expenses				
Governmental activities:				
General government	$ 4,693,397	$ 5,348,501	$ 5,377,689	$ 5,303,836
Education	4,906,919	4,742,995	4,250,632	4,243,187
Health and environment	7,683,019	7,832,147	7,071,800	6,403,284
Social services	1,832,743	1,821,016	1,977,904	2,087,077
Administration of justice	883,458	873,450	830,536	719,891
Resources and economic development	463,630	389,814	334,898	281,763
Transportation	1,310,449	1,118,603	1,159,917	931,980
Unallocated interest expense	23,537	33,322	36,896	44,451
Total governmental activities expenses	**21,797,152**	**22,159,848**	**21,040,272**	**20,015,469**
Business-type activities:				
Higher education	—	—	—	—
Higher education institution support	—	—	—	—
Unemployment compensation benefits	208,710	226,470	342,741	616,064
Second injury fund benefits	27	7,461	2,547	52,656
Financing of housing facilities	—	—	—	—
Medical malpractice insurance	—	—	—	—
Financing of student loans	—	—	—	—
Tuition prepayment program	—	—	—	—
State maritime museum	—	—	—	—
Insurance claims processing	—	—	—	—
Other	45,855	55,325	35,194	54,061
Total business-type activities expenses	**254,592**	**289,256**	**380,482**	**722,781**
Total primary government expenses	**22,051,744**	**22,449,104**	**21,420,754**	**20,738,250**
Program Revenues				
Governmental activities:				
Charges for services:				
General government	2,732,909	2,592,512	2,426,885	2,327,752
Other activities	543,485	657,266	790,717	551,319
Operating grants and contributions	8,823,007	8,388,996	7,661,223	7,328,281
Capital grants and contributions	582,940	680,842	806,657	716,702
Total governmental activities program revenues	**12,682,341**	**12,319,616**	**11,685,482**	**10,924,054**
Business-type activities:				
Charges for services:				
Higher education	—	—	—	—
Higher education institution support	—	—	—	—
Unemployment compensation benefits	429,895	460,824	507,907	467,256
Second injury fund benefits	59,874	60,000	60,043	1,520
Other activities	46,759	44,208	45,815	42,790
Operating grants and contributions	11,909	14,335	90,107	323,321
Capital grants and contributions	39,480	12,567	210	3
Total business-type activities program revenues	**587,917**	**591,934**	**704,082**	**834,890**
Total primary government activities program revenues	**13,270,258**	**12,911,550**	**12,389,564**	**11,758,944**
Net Revenues (Expenses)				
Governmental activities	(9,114,811)	(9,840,232)	(9,354,790)	(9,091,415)
Business-type activities	333,325	302,678	323,600	112,109
Total primary government net revenues (expense)	**(8,781,486)**	**(9,537,554)**	**(9,031,190)**	**(8,979,306)**

Table 2

Ended June 30

2012	2011	2010	2009	2008	2007
$ 4,685,050	$ 4,462,454	$ 4,475,571	$ 4,331,740	$ 4,521,252	$ 3,430,569
4,163,313	4,004,703	4,400,125	4,109,666	4,401,108	4,078,954
5,778,883	6,584,487	6,007,179	5,825,749	5,209,149	4,897,060
2,066,923	1,900,026	1,847,028	1,533,666	1,300,347	1,152,324
658,925	746,462	760,379	774,533	789,071	742,064
207,810	221,075	351,882	372,073	407,392	367,727
1,194,222	1,203,952	1,179,611	940,226	941,924	1,018,800
87,929	90,848	81,838	98,728	102,825	108,401
18,843,055	**19,214,007**	**19,103,613**	**17,986,381**	**17,673,068**	**15,795,899**
3,844,159	3,684,769	3,520,564	3,396,191	3,405,491	3,120,278
1,359,870	1,321,213	1,252,222	1,200,456	1,121,483	965,686
1,066,105	2,171,063	2,026,866	1,332,402	449,775	390,087
1,564	1,648	1,720	1,699	1,677	1,553
197,555	272,880	238,191	180,555	174,152	158,031
9,705	2,591	2,324	(6,724)	13,259	24,809
15,336	21,847	36,694	52,699	77,249	61,537
737	4,750	910	10,598	(5,844)	8,100
9,883	8,614	9,300	8,622	7,848	7,061
1,830	1,648	1,720	1,699	1,677	1,553
27,753	23,630	23,843	28,935	25,937	25,905
6,534,497	**7,514,653**	**7,114,354**	**6,207,132**	**5,272,704**	**4,764,600**
25,377,552	**26,728,660**	**26,217,967**	**24,193,513**	**22,945,772**	**20,560,499**
2,039,415	1,929,867	1,945,319	1,654,616	1,694,147	1,617,400
584,966	533,342	411,485	463,801	466,621	453,957
7,366,197	8,118,411	8,274,731	7,045,052	6,313,817	5,848,554
646,148	615,292	570,743	382,979	333,255	503,633
10,636,726	**11,196,912**	**11,202,278**	**9,546,448**	**8,807,840**	**8,423,544**
2,688,543	2,579,679	2,377,719	2,454,076	2,337,123	2,116,206
1,376,960	1,363,957	1,314,062	1,201,181	1,075,408	984,723
438,115	2,298,971	1,575,257	791,037	343,104	339,715
1,560	1,473	1,645	2,091	1,673	1,548
133,133	133,195	154,051	189,406	206,113	173,689
1,553,432	1,115,603	1,042,850	409,628	438,376	577,625
84,654	94,893	99,239	50,718	45,553	85,259
6,276,397	**7,587,771**	**6,564,823**	**5,098,137**	**4,447,350**	**4,278,765**
16,913,123	**18,784,683**	**17,767,101**	**14,644,585**	**13,255,190**	**12,702,309**
(8,206,329)	(8,017,095)	(7,901,335)	(8,439,933)	(8,865,228)	(7,372,355)
(258,100)	73,118	(549,531)	(1,108,995)	(825,354)	(485,835)
(8,464,429)	**(7,943,977)**	**(8,450,866)**	**(9,548,928)**	**(9,690,582)**	**(7,858,190)**

Continued on Next Page

Changes in Net Position (Continued)

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	2015 (as restated)	2014	2013
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Individual income	$ 3,884,855	$ 3,741,800	$ 3,422,532	$ 3,479,143
Retail sales and use	4,279,959	4,357,672	4,178,102	3,988,918
Corporate income	408,297	377,329	327,809	386,847
Gas and motor vehicle	698,090	666,772	636,216	557,209
Insurance	156,766	152,314	138,037	139,240
Hospital	265,689	263,557	262,962	263,435
Other	666,017	645,783	601,692	568,040
Unrestricted grants and contributions	90	1	1	159
Unrestricted investment income	108,313	71,691	115,150	66,152
Tobacco legal settlement	71,119	70,419	109,113	73,326
Other revenues	53,026	280,491	684,412	587,729
Special and extraordinary items	—	—	—	—
Transfers	918	3,972	(47,900)	(60,968)
Total governmental activities	**10,593,139**	**10,631,801**	**10,428,126**	**10,049,230**
Business-type activities:				
Unrestricted investment income	28,952	16,306	26,107	8,632
Other revenues	8,946	3,141	204	85
Additions to endowments	—	—	—	—
Gain on early extinguishment of debt	—	—	—	—
Transfers	(918)	(3,972)	47,900	60,968
Total business-type activities	**36,980**	**15,475**	**74,211**	**69,685**
Total primary government	**10,630,119**	**10,647,276**	**10,502,337**	**10,118,915**
Change in Net Position				
Governmental activities	1,478,328	791,569	1,073,336	957,815
Business-type activities	370,305	318,153	397,811	181,794
Total primary government	**$ 1,848,633**	**$ 1,109,722**	**$ 1,471,147**	**$ 1,139,609**

For fiscal years 2015 and 2016 (December 31, 2015 year-ends), the State implemented GASB Statement No. 68 (GASB 68). The implementation resulted in the restatement of prior year pension-related expenses. Prior year amounts have not been restated.

For fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in the reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Source: South Carolina Comptroller General's Office

Table 2

Ended June 30

2012	2011	2010	2009	2008	2007
$ 3,101,861	$ 2,880,504	$ 2,659,728	$ 2,805,998	$ 3,341,265	$ 3,349,358
4,148,010	3,969,218	3,855,095	3,908,318	4,236,156	3,803,732
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
2,000,124	1,835,036	1,616,347	1,682,300	1,838,101	1,787,974
93,970	223,959	205,965	23,896	19,279	15,642
77,729	15,097	41,555	86,639	156,974	134,196
74,122	69,808	68,709	95,115	83,494	79,912
509,742	571,998	433,166	301,321	57,256	61,926
—	—	—	—	5,611	—
(640,774)	(546,892)	(653,389)	(685,972)	(1,015,273)	(951,021)
9,364,784	**9,018,728**	**8,227,176**	**8,217,615**	**8,722,863**	**8,281,719**
6,953	—	—	—	—	—
62	—	—	—	—	—
20,171	36,945	30,480	31,934	19,118	—
119	35,189	—	—	—	—
640,774	546,892	653,389	685,972	1,015,273	951,021
668,079	**619,026**	**683,869**	**717,906**	**1,034,391**	**951,021**
10,032,863	**9,637,754**	**8,911,045**	**8,935,521**	**9,757,254**	**9,232,740**
1,158,455	1,001,633	325,841	(222,318)	(142,365)	909,364
409,979	692,144	134,338	(391,089)	209,037	465,186
$ 1,568,434	**$ 1,693,777**	**$ 460,179**	**$ (613,407)**	**$ 66,672**	**$ 1,374,550**

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	**2015**	**2014**	**2013**
General Fund				
Reserved [1]	$ —	$ —	$ —	$ —
Non-spendable	94,624	74,743	68,128	67,717
Restricted	530,698	502,620	359,073	337,687
Committed	1,142,072	976,846	967,245	650,545
Assigned	416,089	369,967	444,630	996,539
Unassigned, previously unreserved	1,313,562	1,019,061	1,083,862	489,197
Total General Fund	**3,497,045**	**2,943,237**	**2,922,938**	**2,541,685**
All other governmental funds				
Reserved [1]	—	—	—	—
Non-spendable	24,897	800,713	775,675	771,168
Restricted	3,652,234	2,581,099	2,624,909	2,045,302
Committed	465,712	475,586	346,688	166,205
Assigned	5,311	6,842	5,387	156,918
Special revenue funds	a	a	a	a
Capital projects fund	a	a	a	a
Permanent funds	a	a	a	a
Unassigned, previously unreserved	(608,503)	(656,236)	(748,859)	(366,066)
Total all other governmental funds	**3,539,651**	**3,208,004**	**3,003,800**	**2,773,527**
Total fund balances, governmental funds	**$7,036,696**	**$ 6,151,241**	**$ 5,926,738**	**$5,315,212**

Note: Certain fiscal year data has been restated for consistency.
Balances were not restated for GASB 54 effects in this presentation.

[1] Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal 2010-2011.
a Information detailed in presentation changed in fiscal 2010-2011 with the implementation of GASB 54.

Source: South Carolina Comptroller General's Office

Table 3

Ended June 30

2012	2011	2010	2009	2008	2007
$ —	$ —	$ 184,645	$ 231,201	$ 341,773	$ 413,157
67,842	86,993	a	a	a	a
1,335	1,077	a	a	a	a
384,252	582,085	a	a	a	a
495,878	349,619	a	a	a	a
944,742	478,756	(36,290)	(125,972)	(9,977)	679,780
1,894,049	**1,498,530**	**148,355**	**105,229**	**331,796**	**1,092,937**
—	—	2,167,253	2,124,977	2,077,825	2,153,086
795,761	790,205	a	a	a	a
2,330,297	2,297,364	a	a	a	a
145,613	127,220	a	a	a	a
132,045	104,298	a	a	a	a
a	a	726,389	806,524	1,258,938	1,454,483
a	a	362,097	248,130	234,123	240,134
a	a	1,473	1,502	1,209	1,070
(635,940)	(1,000,102)	1,089,959	1,056,156	1,494,270	1,695,687
2,767,776	**2,318,985**	**3,257,212**	**3,181,133**	**3,572,095**	**3,848,773**
$4,661,825	**$3,817,515**	**$3,405,567**	**$3,286,362**	**$3,903,891**	**$4,941,710**

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	**2015**	**2014**	**2013**
Revenues				
Taxes:				
Individual income	$ 3,884,855	$ 3,741,800	$ 3,422,532	$ 3,480,213
Retail sales and use	4,279,959	4,357,672	4,178,102	3,961,867
Corporate Income	408,297	377,329	327,809	386,847
Gas and motor vehicle	698,090	666,772	636,216	557,209
Insurance	156,766	152,314	138,037	139,240
Hospital	265,689	263,557	262,962	263,435
Other	666,017	645,783	601,692	591,992
Licenses, fees, and permits	614,339	588,594	543,558	500,684
Interest and other investment income	98,105	52,274	97,308	48,449
Federal	8,311,023	8,434,117	7,812,816	7,464,240
Local and private grants	62,100	57,977	57,589	51,766
Departmental services	841,391	808,512	950,754	776,895
Contributions	531,825	448,014	433,931	390,124
Fines and penalties	180,244	187,524	146,722	131,236
Tobacco legal settlement	71,119	70,419	109,113	73,326
Other	468,076	338,467	741,857	523,672
Total revenues	**21,537,895**	**21,191,125**	**20,460,998**	**19,341,195**
Expenditures				
Current:				
General government	745,201	767,487	784,515	738,335
Education	1,028,316	971,961	948,137	993,174
Health and environment	8,112,805	8,090,340	7,323,555	6,646,790
Social services	1,816,736	1,802,517	1,978,585	2,075,475
Administration of justice	805,266	814,443	798,031	698,055
Resources and economic development	246,418	221,350	203,833	138,793
Transportation	694,038	768,196	692,243	731,793
Capital outlay	656,003	599,316	702,651	454,053
Debt service:				
Principal retirement	261,979	278,729	270,081	270,223
Interest and fiscal charges	161,055	171,106	183,008	201,304
Intergovernmental	6,168,555	6,509,788	6,043,436	5,763,966
Total expenditures	**20,696,372**	**20,995,233**	**19,928,075**	**18,711,961**
Excess of revenues over (under) expenditures	**841,523**	**195,892**	**532,923**	**629,234**
Other financing sources (uses)				
Refunding bonds issued	573,505	—	86,575	424,910
Bonds and notes issued	115,370	18,110	100,235	—
Accrued interest on refunding bonds issued	—	—	—	—
Premiums on bonds issued	44,852	3,070	30,389	53,560
Discounts on bonds issued	—	—	—	—
Capital leases	411	—	7,466	—
Receipts from swap counter-parties	—	—	—	—
Payment of termination fee to swap counter-party	—	—	—	—
Payments to refunded bond escrow agent	(692,095)	—	(101,062)	(476,620)
Redemption of refunded bonds	—	—	—	—
Transfers in	851,955	270,402	808,132	431,827
Transfers out	(850,066)	(262,971)	(849,982)	(484,200)
Total other financing sources (uses)	**43,932**	**28,611**	**81,753**	**(50,523)**
Net change in fund balances	**$ 885,455**	**$ 224,503**	**$ 614,676**	**$ 578,711**
Debt service as a percentage of noncapital expenditures	**2.1%**	**2.2%**	**2.4%**	**2.6%**

Table 4

Ended June 30

2012	2011	2010	2009	2008	2007
$ 3,114,888	$ 2,898,388	$ 2,658,700	$ 2,828,668	$ 3,360,054	$ 3,337,312
4,148,009	3,969,218	3,855,095	3,908,318	4,254,318	3,805,628
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
2,046,220	1,753,388	1,586,023	1,653,678	1,810,088	1,762,708
474,826	511,818	468,758	502,811	522,131	519,707
140,384	81,772	172,561	225,837	315,962	273,949
7,615,387	8,404,416	8,475,813	6,801,787	6,015,003	5,770,911
54,098	55,466	40,287	50,523	52,347	9,715
989,677	625,124	232,079	746,106	747,419	638,441
371,989	437,570	434,832	379,042	331,689	373,238
115,161	122,790	163,389	120,705	121,359	113,340
74,122	69,808	68,709	95,115	83,493	79,912
672,398	572,361	446,384	376,747	129,096	126,857
19,817,159	**19,502,119**	**18,602,630**	**17,689,337**	**17,742,959**	**16,811,718**
700,179	690,566	711,761	752,983	824,171	857,359
946,054	809,161	820,352	811,215	872,898	811,465
6,397,669	6,867,229	5,963,035	6,219,832	5,564,099	5,243,672
2,056,782	1,878,099	1,831,650	1,529,925	1,271,986	1,143,967
720,769	681,808	686,975	716,476	751,182	698,429
189,366	173,047	163,858	205,489	256,526	231,468
835,064	867,372	902,784	655,964	715,538	742,299
400,354	568,225	470,201	384,197	220,744	342,857
324,456	313,261	713,643	353,204	789,639	264,967
217,890	205,811	200,409	220,309	341,027	254,938
5,602,752	5,705,721	6,109,264	5,869,496	6,178,735	5,113,092
18,391,335	**18,760,300**	**18,573,932**	**17,719,090**	**17,786,545**	**15,704,513**
1,425,824	**741,819**	**28,698**	**(29,753)**	**(43,586)**	**1,107,205**
398,665	676,115	388,450	—	275,730	102,015
810	205,507	301,672	91,521	—	306,991
—	—	—	—	957	—
47,398	37,581	49,600	4,541	—	9,456
—	(5,314)	(87)	—	(8,249)	(8)
230	166	—	19	513	—
—	—	—	—	7,599	—
—	—	—	—	(7,599)	—
(422,456)	(528,423)	—	—	(251,180)	(118,350)
(19,834)	(184,087)	—	—	—	—
167,133	311,010	735,715	759,447	1,099,105	384,755
(820,960)	(849,777)	(1,383,899)	(1,443,304)	(2,111,109)	(1,410,006)
(649,014)	**(337,222)**	**91,451**	**(587,776)**	**(994,233)**	**(725,147)**
$ 776,810	**$ 404,597**	**$ 120,149**	**$ (617,529)**	**$ (1,037,819)**	**$ 382,058**
3.0%	**2.9%**	**5.0%**	**3.3%**	**6.5%**	**3.4%**

Personal Income by Industry

Last Ten Calendar Years
(expressed in millions)

Sources	Calendar Year 2015	2014	2013
Farm earnings	$ 373	$ 361	$ 816
Agricultural services, forestry, fishing, and other	492	438	399
Mining	119	106	100
Construction	7,252	6,715	6,224
Manufacturing	17,641	16,956	15,960
Transportation and public utilities	5,272	4,892	4,615
Wholesale trade	5,752	5,457	5,094
Retail trade	8,929	8,611	8,302
Finance, insurance, and real estate	8,750	8,332	8,087
Services	44,377	42,078	39,736
Federal government, civilian	3,216	3,013	2,980
Military	3,582	3,538	3,623
State and local government	18,269	17,640	17,093
Other [a]	62,262	59,105	56,240
Total personal income	**$ 186,286**	**$177,242**	**$ 169,269**
Average effective rate [b]	[c]	1.9%	1.8%

Information has been updated when modifications are provided by the Federal Government Sources.

[a] Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[b] The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

[c] Information not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 5

2012	2011	2010	2009	2008	2007	2006
$ 515	$ 284	$ 407	$ 462	$ 424	$ 292	$ 458
392	367	360	325	329	344	352
100	97	87	80	110	95	100
5,931	5,518	5,637	6,055	7,065	7,756	7,684
15,436	14,820	13,616	13,466	15,063	14,981	14,666
4,354	4,256	4,000	3,944	4,152	4,145	4,055
4,939	4,717	4,446	4,456	4,954	4,804	4,428
7,966	7,828	7,589	7,494	7,865	8,055	7,821
9,084	7,270	8,058	8,271	7,411	6,798	6,648
38,417	36,825	34,635	33,228	33,886	32,363	30,448
2,945	2,869	2,798	2,609	2,501	2,349	2,218
3,691	3,611	3,589	3,540	3,302	3,048	2,877
17,091	16,882	16,528	16,731	16,555	15,628	14,720
56,607	54,566	50,564	48,503	47,874	43,524	39,416
$ 167,468	**$ 159,910**	**$ 152,314**	**$ 149,164**	**$ 151,491**	**$ 144,182**	**$ 135,891**
1.8%	1.8%	1.8%	1.8%	1.9%	2.1%	2.2%

Taxable Sales by Industry

Last Ten Fiscal Years
(expressed in millions)

Sources	For the Fiscal Year 2016 [b]	2015 [b]	2014 [b]	2013 [b]
Retail trade	$ 48,777	$ 45,579	$ 42,828	$ 40,817
Services	12,479	11,661	10,957	10,443
Transportation, communication, and utilities.	5,379	5,027	4,724	4,502
Wholesale trade	3,132	2,927	2,751	2,621
Other	1,711	1,599	1,502	1,432
Total taxable sales	**$ 71,478**	**$ 66,793**	**$ 62,762**	**$ 59,815**

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year 2016	2015	2014	2013
Retail trade	68.2%	68.2%	68.2%	68.2%
Services	17.5%	17.5%	17.5%	17.5%
Transportation, communication, and utilities.	7.5%	7.5%	7.5%	7.5%
Wholesale trade	4.4%	4.4%	4.4%	4.4%
Other	2.4%	2.4%	2.4%	2.4%
Total taxable sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sales tax rate[a]	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[a] Excludes the 2% accommodations tax and the local option sales tax; includes the 5% retail sales tax and 1% Education Improvement Act sales tax.

[b] Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

Table 6

Ended June 30					
2012 [b]	2011 [b]	2010	2009	2008	2007
$ 32,435	$ 31,293	$ 37,132	$ 38,129	$ 44,061	$ 47,331
15,923	14,990	4,976	5,189	5,754	5,426
2,139	2,125	5,403	5,292	5,229	5,041
1,988	2,041	2,338	2,519	2,869	2,851
925	933	1,276	1,539	1,748	1,935
$ 53,410	**$ 51,382**	**$ 51,125**	**$ 52,668**	**$ 59,661**	**$ 62,584**

Table 7

Ended June 30					
2012	2011	2010	2009	2008	2007
60.7%	60.9%	72.6%	72.4%	73.9%	75.6%
29.8%	29.2%	9.7%	9.9%	9.6%	8.7%
4.0%	4.1%	10.6%	10.0%	8.8%	8.1%
3.7%	4.0%	4.6%	4.8%	4.8%	4.6%
1.8%	1.8%	2.5%	2.9%	2.9%	3.0%
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
6.0%	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**

Personal Income Tax Rates

Table 8

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets		Average Effective Rate[a]
			Low	High	
2015	0.0% - 7.0%	6	2,910	14,550	b
2014	0.0% - 7.0%	6	2,880	14,400	1.9%
2013	0.0% - 7.0%	6	2,850	14,250	1.8%
2012	0.0% - 7.0%	6	2,800	14,000	1.8%
2011	0.0% – 7.0%	6	2,760	13,800	1.8%
2010	0.0% – 7.0%	6	2,740	13,700	1.8%
2009	0.0% – 7.0%	6	2,740	13,700	1.8%
2008	0.0% – 7.0%	6	2,670	13,350	1.9%
2007	0.0% – 7.0%	6	2,630	13,150	2.1%
2006	2.5% – 7.0%	6	2,570	12,850	2.2%

[a] The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

[b] Not yet available.

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

Personal Income Tax Filers and Liability by Income Level

Table 9

Calendar Years 2014 and 2005
(dollars, except income level, expressed in thousands)

2014 [a]

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	111,857	5.1%	$ 1,422,559	43.4%
$75,001 - $100,000	79,089	3.6%	406,816	12.4%
$50,001 - $75,000	152,361	6.9%	539,071	16.4%
$25,001 - $50,000	310,695	14.2%	594,483	18.1%
$10,001 - $25,000	359,284	16.4%	241,358	7.4%
$10,000 and lower	1,181,647	53.8%	74,797	2.3%
Total	**2,194,933**	**100.0%**	**$ 3,279,084**	**100.0%**

2005

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	68,007	3.6%	$ 1,088,767	40.2%
$75,001 - $100,000	51,773	2.7%	269,825	10.0%
$50,001 - $75,000	127,435	6.7%	456,754	16.9%
$25,001 - $50,000	287,719	15.1%	570,231	21.0%
$10,001 - $25,000	356,077	18.7%	270,598	10.0%
$10,000 and lower	1,015,980	53.2%	52,894	1.9%
Total	**1,906,991**	**100.0%**	**$ 2,709,069**	**100.0%**

[a] Information for 2015 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2016	**2015**	**2014**	**2013**
Governmental Activities				
General obligation bonds	$ 962,196	$1,126,138	$1,320,532	$1,376,697
Limited obligation bonds	—	185	919	2,408
Tobacco Authority bonds	—	—	—	—
Infrastructure Bank bonds	1,854,451	1,942,456	2,016,518	2,003,486
Revenue bonds	14,144	17,680	21,072	24,318
Notes payable	16,875	11,185	18,265	27,126
Capital leases	3,395	4,493	6,004	349
Total governmental activities	2,851,061	3,102,137	3,383,310	3,434,384
Business-Type Activities				
Revenue bonds	5,895	6,055	6,210	6,360
Total business-type activities	5,895	6,055	6,210	6,360
Total primary government	**$2,856,956**	**$3,108,192**	**$3,389,520**	**$3,440,744**
Debt as a percentage of personal income	[a]	1.7%	1.9%	2.0%
Debt per capita expressed in actual dollars	[a]	$ 635	$ 701	$ 721

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 10

Ended June 30 2012	2011	2010	2009	2008	2007
$1,571,957	$1,756,397	$1,950,048	$1,857,510	$2,016,952	$2,214,865
3,822	5,161	6,435	7,629	9,352	10,985
—	63,161	120,653	176,180	242,891	769,755
2,074,308	2,135,772	2,051,545	2,091,864	2,125,640	2,162,973
27,424	30,400	33,251	35,982	38,598	41,044
41,430	50,172	60,944	35,820	20,362	15,622
318	261	242	404	672	939
3,719,259	4,041,324	4,223,118	4,205,389	4,454,467	5,216,183
—	—	—	—	—	—
—	—	—	—	—	—
$3,719,259	**$4,041,324**	**$4,223,118**	**$4,205,389**	**$4,454,467**	**$5,216,183**
2.2%	2.5%	2.8%	2.8%	2.9%	3.6%
$ 788	$ 865	$ 911	$ 916	$ 984	$ 1,174

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2016	**2015**	**2014**	**2013**
Governmental Activities				
Capital improvement bonds	$ 55,629	$ 99,296	$ 148,642	$ 191,926
State highway bonds	263,083	311,034	358,484	390,046
State school facilities bonds	31,500	76,909	143,868	204,120
Infrastructure Bank bonds	39,326	42,061	44,533	44,052
State economic development bonds	426,280	427,646	436,379	356,623
Research university infrastructure bonds	113,410	133,165	149,609	147,989
Air carrier hub terminal facilities bonds	32,968	36,027	39,017	41,941
Total governmental activities	962,196	1,126,138	1,320,532	1,376,697
Total primary government	**$ 962,196**	**$ 1,126,138**	**$ 1,320,532**	**$ 1,376,697**
Debt as a percentage of personal income	[a]	0.6%	0.8%	0.8%
Debt per capita expressed in actual dollars	[a]	$ 230	$ 273	$ 288

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 11

Ended June 30 2012	2011	2010	2009	2008	2007
$ 243,248	$ 294,497	$ 355,264	$ 424,080	$ 514,410	$ 603,762
433,266	470,125	510,365	548,278	622,145	663,582
264,245	321,243	375,742	427,355	476,498	523,305
45,953	48,055	50,026	51,921	53,742	55,491
377,809	398,026	417,633	206,371	217,449	227,992
162,626	176,817	190,594	199,505	132,708	140,733
44,810	47,634	50,424	—	—	—
1,571,957	1,756,397	1,950,048	1,857,510	2,016,952	2,214,865
$ 1,571,957	**$ 1,756,397**	**$ 1,950,048**	**$ 1,857,510**	**$ 2,016,952**	**$ 2,214,865**
1.0%	1.2%	1.3%	1.2%	1.4%	1.6%
$ 333	$ 376	$ 421	$ 405	$ 445	$ 498

Computation of Legal Debt Margin

June 30, 2016
(Expressed in Thousands)

Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

HIGHWAY BONDS		
2014-2015 Budgetary General Fund revenues pledged for highway bonds	$	10,603
2014-2015 other revenues pledged for highway bonds		650,800
2014-2015 revenues pledged for highway bonds		661,403
15% of 2014-2015 revenues pledged for highway bonds		99,210
Less: maximum annual debt service for highway bonds [a]		54,646
Legal debt service margin at June 30, 2016--highway bonds	**$**	**44,564**
GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)[d]		
2014-2015 Budgetary General Fund revenues	$	6,960,389
Less: 2014-2015 Budgetary General Fund revenues pledged for highway bonds [b]		10,603
2014-2015 net Budgetary General Fund revenues		6,949,786
6% of 2014-2015 net Budgetary General Fund revenues		416,987
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes [a]		111,150
Legal debt service margin at June 30, 2016--general obligation bonds excluding institution and highway bonds and bond anticipation notes	**$**	**305,837**

Table 12

ECONOMIC DEVELOPMENT BONDS[e]		
2014-2015 Budgetary General Fund revenues	$	6,960,389
Less: 2014-2015 Budgetary General Fund revenues pledged for highway bonds[b]		10,603
2014-2015 net Budgetary General Fund revenues		6,949,786
0.5% of 2014-2015 net Budgetary General Fund revenues		34,749
Less: maximum annual debt service for economic development bonds[f]		22,771
Legal debt service margin at June 30, 2016--economic development bonds	**$**	**11,978**
RESEARCH UNIVERSITY INFRASTRUCTURE BONDS		
2014-2015 Budgetary General Fund revenues	$	6,960,389
Less: 2014-2015 Budgetary General Fund revenues pledged for highway bonds[b]		10,603
2014-2015 net Budgetary General Fund revenues		6,949,786
0.5% of 2014-2015 net Budgetary General Fund revenues		34,749
Less: maximum annual debt service for research university infrastructure bonds[c]		19,375
Legal debt service margin at June 30, 2016--research university infrastructure bonds	**$**	**15,374**

[a] As of June 30, 2016, the maximum annual debt service will occur in the fiscal year ending June 30, 2017.

[b] For the fiscal year ended June 30, 2016, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

[c] As of June 30, 2016, the maximum annual debt service will occur in the fiscal year ending June 30, 2020.

[d] During the fiscal year ended June 30, 2010, the State issued $50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than $50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

[e] During the fiscal year ended June 30, 2010, the State issued $170 million of Economic Development bonds, during the fiscal year ended June 30, 2014, the State issued an additional $85 million of Economic Development bonds, during the fiscal year ended June 30, 2015, the State issued an additional $18.11 million of Economic Development bonds, and during the fiscal year ended June 30, 2016, the State issued an additional $44.56 million of Economic Development bonds, which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. The $170 million, $85 million, $18.11 million, and $44.56 million bond issues have been excluded from the debt service limit calculations.

[f] As of June 30, 2016, the maximum annual debt service will occur in the fiscal year ending June 30, 2023.

Source: South Carolina Comptroller General's Office

Legal Debt Margin Information

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2016	**2015**	**2014**	**2013**
State Highway Bonds				
Debt service limitation	$ 99,210	$ 96,244	$ 93,314	$ 95,326
Debt service applicable to limit	54,646	56,534	57,365	57,717
Legal debt margin at June 30	**$ 44,564**	**$ 39,710**	**$ 35,949**	**$ 37,609**
Legal debt margin as a percentage of debt service limitation	**44.9%**	**41.3%**	**38.5%**	**39.5%**
General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes				
Debt service limitation	$ 416,987	$ 392,469	$ 382,796	$ 350,844
Debt service applicable to limit	111,150	141,006	175,354	173,992
Legal debt margin at June 30	**$ 305,837**	**$ 251,463**	**$ 207,442**	**$ 176,852**
Legal debt margin as a percentage of debt service limitation	**73.3%**	**64.1%**	**54.2%**	**50.4%**
Economic Development Bonds				
Debt service limitation	$ 34,749	$ 32,706	$ 31,900	$ 29,237
Debt service applicable to limit	22,771	24,473	24,493	24,521
Legal debt margin at June 30	**$ 11,978**	**$ 8,233**	**$ 7,407**	**$ 4,716**
Legal debt margin as a percentage of debt service limitation	**34.5%**	**25.2%**	**23.2%**	**16.1%**
Research University Infrastructure Bonds				
Debt service limitation	$ 34,749	$ 32,706	$ 31,900	$ 29,237
Debt service applicable to limit	19,375	21,521	21,663	20,452
Legal debt margin at June 30	**$ 15,374**	**$ 11,185**	**$ 10,237**	**$ 8,785**
Legal debt margin as a percentage of debt service limitation	**44.2%**	**34.2%**	**32.1%**	**30.0%**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Source: South Carolina Comptroller General's Office

Table 13

Ended June 30 2012	2011	2010	2009	2008	2007
$ 95,525	$ 93,729	$ 93,382	$ 98,037	$ 101,853	$ 96,128
58,390	58,831	60,997	64,078	71,766	71,766
$ 37,135	**$ 34,898**	**$ 32,385**	**$ 33,959**	**$ 30,087**	**$ 24,362**
38.9%	**37.2%**	**34.7%**	**34.6%**	**29.5%**	**25.3%**
$ 337,073	$ 313,772	$ 331,738	$ 382,086	$ 397,558	$ 370,495
180,387	183,438	199,556	198,074	221,525	225,409
$ 156,686	**$ 130,334**	**$ 132,182**	**$ 184,012**	**$ 176,033**	**$ 145,086**
46.5%	**41.5%**	**39.8%**	**48.2%**	**44.3%**	**39.2%**
$ 28,089	$ 26,148	$ 27,645	$ 31,841	$ 33,130	$ 30,875
24,521	24,655	24,655	21,229	21,229	21,284
$ 3,568	**$ 1,493**	**$ 2,990**	**$ 10,612**	**$ 11,901**	**$ 9,591**
12.7%	**5.7%**	**10.8%**	**33.3%**	**35.9%**	**31.1%**
$ 28,089	$ 26,148	$ 27,645	$ 31,841	$ 33,130	$ 30,875
20,624	20,820	21,019	21,019	13,777	13,882
$ 7,465	**$ 5,328**	**$ 6,626**	**$ 10,822**	**$ 19,353**	**$ 16,993**
26.6%	**20.4%**	**24.0%**	**34.0%**	**58.4%**	**55.0%**

Pledged Revenue Coverage

Table 14

Last Ten Fiscal Years
(expressed in thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Department of Administration—Revenue Bonds					
2016	$ 2,379	$ 2,055	$ 324	$ 2,379	1.00
2015	2,387	1,965	422	2,387	1.00
2014	2,385	1,870	515	2,385	1.00
2013	2,384	1,780	604	2,384	1.00
2012	2,384	1,695	689	2,384	1.00
2011	2,382	1,620	762	2,382	1.00
2010	2,371	1,540	831	2,371	1.00
2009	2,367	1,470	897	2,367	1.00
2008	2,324	1,385	939	2,324	1.00
2007	2,298	1,320	978	2,298	1.00
Infrastructure Bank Bonds					
2016	$ 288,284	$ 78,125	$ 87,548	$ 165,673	1.74
2015	219,487	67,125	89,129	156,254	1.40
2014	208,256	71,550	92,522	164,072	1.27
2013	212,078	60,730	95,789	156,519	1.35
2012	217,883	54,410	103,703	158,113	1.38
2011	246,542	48,418	96,606	145,024	1.70
2010	213,689	46,275	99,624	145,899	1.46
2009	207,747	40,750	99,446	140,196	1.48
2008	194,969	44,355	103,541	147,896	1.32
2007	195,754	41,070	90,284	131,354	1.49
Tobacco Settlement Revenue Management Authority Bonds					
2016	$ 71,119	$ —	$ —	$ —	N/A
2015	70,419	—	—	—	N/A
2014	109,113	—	—	—	N/A
2013	73,326	—	—	—	N/A
2012	74,122	71,700	3,585	75,285	0.98
2011	69,808	65,265	3,585	68,850	1.01
2010	68,709	63,035	10,000	73,035	0.94
2009	95,115	75,730	13,787	89,517	1.06
2008	83,493	390,735	48,540	439,275	0.19
2007	79,912	—	50,761	50,761	1.57

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Demographic Statistics

Table 15

Last Ten Calendar Years

Year	Population at July 1 [a]	Per Capita Income [b]	Average Annual Unemployment Rate [c]
2015	4,896,991	$ 38,041	5.9%
2014	4,832,482	36,677	6.4%
2013	4,771,929	35,472	7.5%
2012	4,722,621	35,461	9.1%
2011	4,673,054	34,220	10.4%
2010	4,636,290	32,853	11.1%
2009	4,589,872	32,499	11.3%
2008	4,528,996	33,449	7.0%
2007	4,444,110	32,443	5.7%
2006	4,357,847	31,183	6.5%

Information has been updated when modifications are provided by the Federal Government Sources.

[a] Source: U.S. Census Bureau

[b] Source: U.S. Department of Commerce, Bureau of Economic Statistics

[c] Source: U.S. Department of Commerce, Bureau of Economic Statistics

Employment by Industry

Table 16

Latest Completed Calendar Year and Nine Years Prior

Sources	2015 Number of Employees	2015 Percent of Total	2006 Number of Employees	2006 Percent of Total
Farming	7,511	0.4%	7,595	0.4%
Agricultural services, forestry, fishing, and other	7,217	0.3%	7,322	0.4%
Mining	1,237	0.1%	1,508	0.1%
Construction	89,140	4.3%	131,406	6.6%
Manufacturing	236,292	11.3%	255,377	12.8%
Transportation and public utilities	73,099	3.5%	65,734	3.3%
Wholesale trade	71,098	3.4%	70,113	3.5%
Retail trade	243,483	11.7%	237,881	11.9%
Finance, insurance, and real estate	99,535	4.8%	101,621	5.1%
Services	855,428	40.9%	733,119	36.7%
Federal government, civilian	32,872	1.6%	29,308	1.5%
Military	53,382	2.6%	53,621	2.7%
State and local	319,402	15.1%	304,217	15.0%
Total wage and salary employment	**2,089,696**	**100.0%**	**1,998,822**	**100.0%**

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: U.S. Department of Commerce, Bureau of Economic Statistics

Ten Largest Employers

Table 17

Latest Completed Calendar Year and Nine Years Prior
(Listed alphabetically)

2015	2006
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Health System	Michelin North America, Inc.
Michelin North America, Inc.	Palmetto Health Alliance, Inc.
Palmetto Health Alliance, Inc.	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

Government Employees by Function

Last Ten Fiscal Years

Function	Permanent Employees			
	2016 [a]	2015 [a]	2014 [a]	2013 [a]
General government	6,102	6,068	6,023	5,748
Education	2,898	2,857	2,773	2,717
Higher education	—	—	—	—
Health and environment	9,489	9,741	9,683	9,675
Social services	3,675	3,438	3,294	3,222
Administration of justice	8,578	8,886	9,205	9,261
Resources and economic development	1,607	1,612	1,525	1,477
Transportation	4,602	4,361	4,291	4,417
Other	76	66	56	66
Totals	**37,027**	**37,029**	**36,850**	**36,583**

[a] Beginning with fiscal year 2012-2013, the following entities are reported as discretely presented component units rather than as part of the primary government: Higher education institutions, Housing Authority, Education Assistance Authority, Jobs-Economic Development Authority, and Patriots Point Development Authority.

Source: South Carolina Comptroller General's Office

Table 18

as of June 30					
2012	**2011**	**2010**	**2009**	**2008**	**2007**
5,927	5,915	6,108	6,307	6,532	6,457
2,726	2,772	2,968	2,990	3,084	3,014
29,518	28,547	28,414	28,271	26,972	26,095
9,875	10,399	10,998	11,487	12,286	12,237
3,150	3,235	3,689	3,990	3,998	3,904
9,295	9,442	9,631	9,954	10,280	10,098
1,410	1,437	1,675	1,738	1,856	1,818
4,471	4,536	5,006	5,050	5,065	4,880
300	307	314	317	313	314
66,672	**66,590**	**68,803**	**70,104**	**70,386**	**68,817**

Operating Indicators by Function

Last Ten Fiscal Years

	For the Fiscal Year			
	2016 [a]	2015 [a]	2014 [a]	2013 [a]
General government				
Individual income tax returns processed	2,995,483	2,582,598	2,514,090	2,444,843
Corporate income tax returns processed	129,511	212,072	209,677	208,208
Department of Motor Vehicles transactions	14,113,064	13,401,505	12,767,033	11,541,043
Workers' compensation cases reviewed	63,480	63,164	63,541	53,683
Education				
Public school enrollment	760,500	753,485	742,325	731,679
Average operating miles per school bus	14,798	14,715	14,862	16,041
State Museum visitors	161,372	181,284	127,943	143,199
Health and environment				
Medicaid eligible participants	1,424,039	1,336,550	1,246,546	1,162,210
Women, Infant and Children (WIC) participants	107,257	114,562	112,131	125,368
Community mental health center clients	82,241	80,792	78,825 [b]	89,510
Social services				
Average food stamp households per month	371,331	382,054	403,281	415,475
Child Protective Services investigations	24,980	19,784	14,606	11,924
Administration of justice				
Adult prison average daily population	20,593	20,948	21,581	22,152
Juvenile facility average daily population	534	560	523	508
Resources and economic development				
Dept of Commerce capital investment projects	150	146	127	151
Welcome Center visitors	3,018,376	2,054,310	2,001,594	2,046,582
Hunting and fishing licenses processed	918,677	995,773	962,561	938,736
Watercraft registrations	500,687	481,144	460,300	462,926
Transportation				
Miles of surface repairs	171,818	160,674	166,174	150,859
Miles of roadway inspections	198,161	178,761	354,953	341,907
Higher education and support				
Total headcount enrollment	N/A	N/A	N/A	N/A
Degrees awarded	N/A	N/A	N/A	N/A
Unemployment compensation benefits				
Initial claims	159,186	179,984	225,420	264,447
Total benefit weeks claimed	1,197,550	956,586	1,365,992	1,787,530
Financing of housing facilities				
Mortgage loans serviced	N/A	N/A	N/A	N/A
Families receiving rental assistance	N/A	N/A	N/A	N/A
Medical malpractice insurance				
Membership total	2,833	2,988	3,311	3,020
Financing of student loans				
Number of student loans outstanding	N/A	N/A	N/A	N/A
Tuition prepayment program				
Individual accounts	5,575	5,662	5,758	5,841
State maritime museum				
Museum visitors and other area patrons	N/A	N/A	N/A	N/A
Insurance claims processing				
Second Injury Fund claims paid	1,567	1,759	1,964	2,190
Other				
Public railway carloads (calendar year)	133,147	117,550	122,475	105,775

[a] Beginning with fiscal year 2012-2013, Higher education institutions, Housing Authority, Education Assistance Authority, and Patriots Point Development Authority are not part of the primary government.

[b] Processing changes resulted in evaluation differences for service monitoring.

Source: South Carolina Comptroller General's Office

Table 19

Ended June 30

2012	2011	2010	2009	2008	2007
2,406,252	2,482,647	2,379,693	2,393,919	2,421,786	2,273,202
194,680	197,608	183,224	185,200	166,237	164,855
10,522,707	9,898,064 [b]	11,989,686	12,430,183	13,234,198	13,331,078
44,327	43,464	53,407	63,493	77,961	82,603
719,201	714,421	712,240	707,739	701,749	698,290
15,048	15,950	15,795	15,600	15,651	16,000
185,124	136,346	156,810	154,487	131,731	141,202
1,069,195	1,019,508	975,275	934,090	903,397	902,308
130,646	130,097	133,942	134,618	124,033	112,467
83,880	85,244 [b]	88,726	88,999	87,762	87,641
444,268	384,936	346,807	287,867	248,314	231,053
15,803	17,763	18,805	17,621	18,560	18,168
22,776	23,358	24,105	24,081	23,958	23,437
532	635	739	858	910	985
149	172	161	190	179	139
2,158,943	2,023,488	2,323,877	2,123,161	2,281,295	2,378,630
965,598	996,890	958,014	840,956	839,696	811,025
450,935	442,057	429,233	429,532	430,377	433,158
137,479	150,590	178,084	162,938	158,512	167,551
325,930	361,226	448,492	401,426	342,981	332,559
208,302	205,080	200,204	187,253	180,479	176,415
38,545	35,958	27,705	26,835	26,237	26,063
278,714	310,528	386,818	545,137	292,661	304,464
2,402,387	2,992,594	4,331,564	4,206,476	1,964,982	1,998,836
15,977	15,740	15,813	16,789	16,379	14,400
19,886	19,918	19,931	19,955	20,100	20,129
3,374	3,570	4,230	4,568	5,466	6,320
482,691	537,090	371,205	386,748	189,292	351,024
5,935	6,052	6,135	6,239	6,315	6,388
273,283	270,802	268,965	264,244	264,326	259,425
3,312	3,224	3,118	3,404	3,661	3,951
88,746	66,618	64,554	92,136	95,521	82,036

Capital Assets by Function

Last Ten Fiscal Years

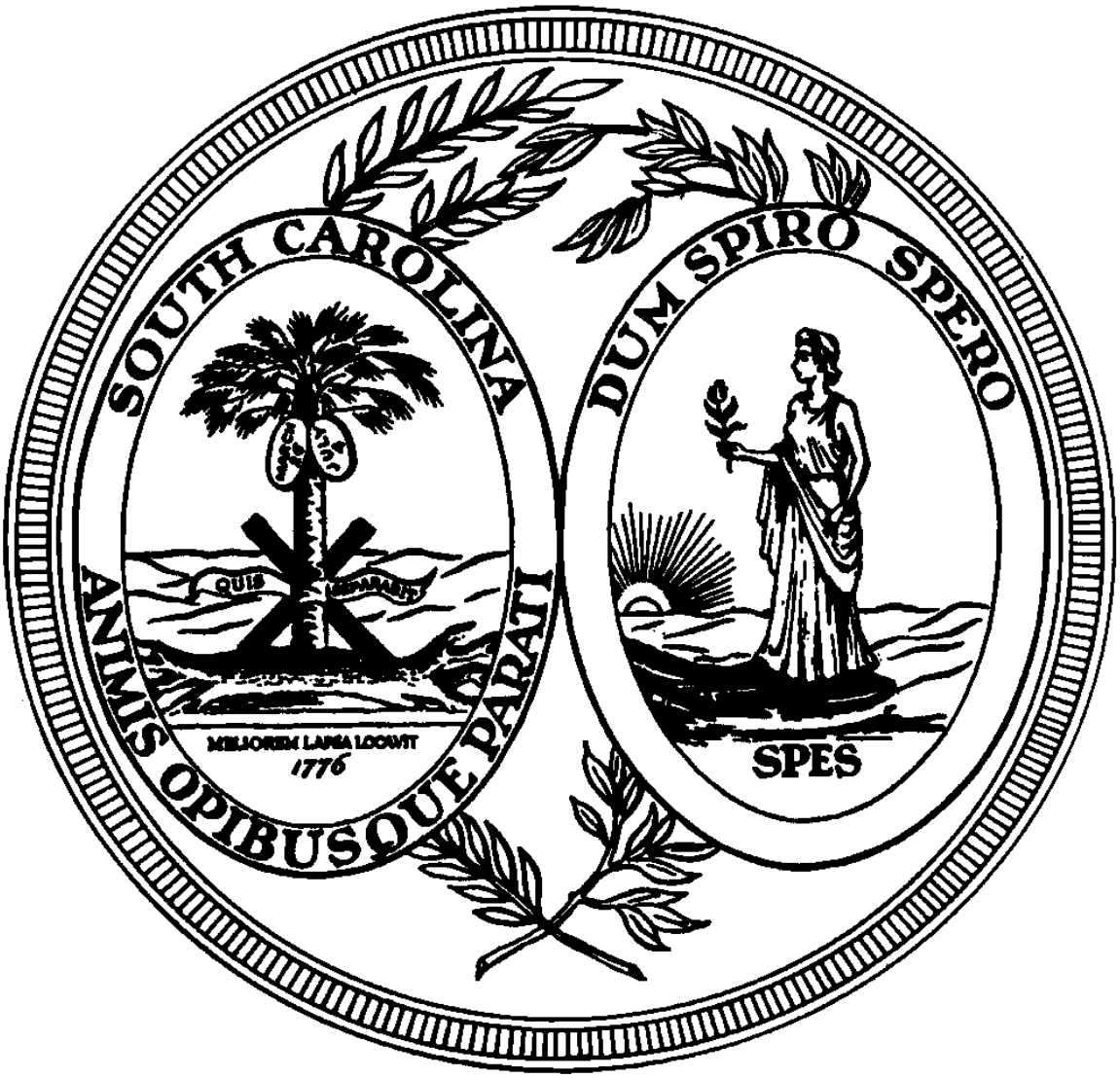
	For the Fiscal Year			
	2016[a]	2015[a]	2014[a]	2013[a]
General government				
Buildings and facilities	49	49	49	46
State armories	57	58	59	66
Fleet vehicles	3,000	3,029	3,093	2,991
Motor vehicle district offices	67	66	66	67
Education				
School buses	5,617	5,776	5,640	5,705
Television transmitters	11	11	11	11
Vocational training/client centers	35	35	35	35
Health and environment				
Mental health buildings	141	144	149	148
Community mental health centers	64	64	64	51
Regional special needs centers	5	5	5	5
Social services				
Buildings and facilities	69	69	69	65
Administration of justice				
Adult correctional institutions	23	24	25	26
Juvenile correctional facilities	7	7	7	7
Highway patrol district offices	6	6	6	6
Highway patrol vehicles	1,442	1,442	1,351	1,050
Resources and economic development				
Acres of State parks	86,445	86,445	86,445	86,370
Acres of State forests	94,462	94,462	94,245	94,215
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
DNR vehicles and boats	1,213	1,169	1,292	1,081
Transportation				
Miles of State highways (calendar year)	41,377	41,391	41,414	41,432
Weigh stations	8	8	8	8
Traffic cameras	359	360	360	360
Miles of cable median barriers	490	480	480	480
Higher education				
Number of campuses	N/A	N/A	N/A	N/A
Buildings-universities	N/A	N/A	N/A	N/A
Buildings-technical colleges	N/A	N/A	N/A	N/A
Buildings-student residences	N/A	N/A	N/A	N/A
State maritime museum				
Vintage aircraft	N/A	N/A	N/A	N/A
Historical period exhibits	N/A	N/A	N/A	N/A
Other				
Rail yards	3	3	3	3
State-owned locomotives	12	10	10	10

[a] Beginning with fiscal year 2012-2013, Higher education institutions and Patriots Point Development Authority are not part of the primary government.

Source: South Carolina Comptroller General's Office

Table 20

Ended June 30					
2012	2011	2010	2009	2008	2007
33	33	32	32	32	33
63	63	63	65	63	62
3,092	2,957	3,316	3,599	3,831	3,515
67	68	69	69	69	69
5,630	5,636	5,677	6,117	6,420	6,274
11	11	11	11	11	11
35	35	35	35	35	35
149	150	151	150	154	137
48	48	47	49	47	59
5	5	5	5	5	5
66	66	66	66	66	66
27	28	28	28	28	28
7	7	7	7	7	7
6	6	7	7	7	7
1,054	1,060	1,162	1,162	1,237	1,004
84,604	83,118	83,118	82,813	81,824	81,807
94,215	94,215	92,552	92,552	91,466	91,466
53	53	53	53	53	53
3	3	3	3	3	3
1,223	841	1,121	1,203	1,280	1,026
41,448	41,470	41,460	41,468	41,476	41,468
8	8	9	9	9	9
360	350	350	320	300	300
480	480	476	476	476	470
33	33	33	33	33	33
852	857	833	792	773	787
310	308	303	302	297	286
319	297	300	327	388	373
4	4	4	4	4	4
15	15	15	15	15	15
3	3	3	3	3	3
10	10	10	10	10	13



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information: Total printing cost was $306.00; 100 copies were printed at a cost of $3.06 each.