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

I am pleased to present to the citizens of South Carolina this Annual Comprehensive Financial Report for the State of South Carolina for the fiscal year ended June 30, 2025. 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 Mauldin & Jenkins, LLC, 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, 2025. 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 begins on page 23.

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-third in population with approximately 5.5 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the eighteenth 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 and the State's major component units.

State of South Carolina

Additional information on the State's nonmajor component units can be found on pages 269 through 275 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 Other Budgeted Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at both the departmental and agency level. After the budget year begins, the Executive Budget Office (EBO) 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 EBO 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 section on pages 198 through 200.

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, moderately-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 is committed to working with employers to meet their workforce needs through State-supported workforce development initiatives.

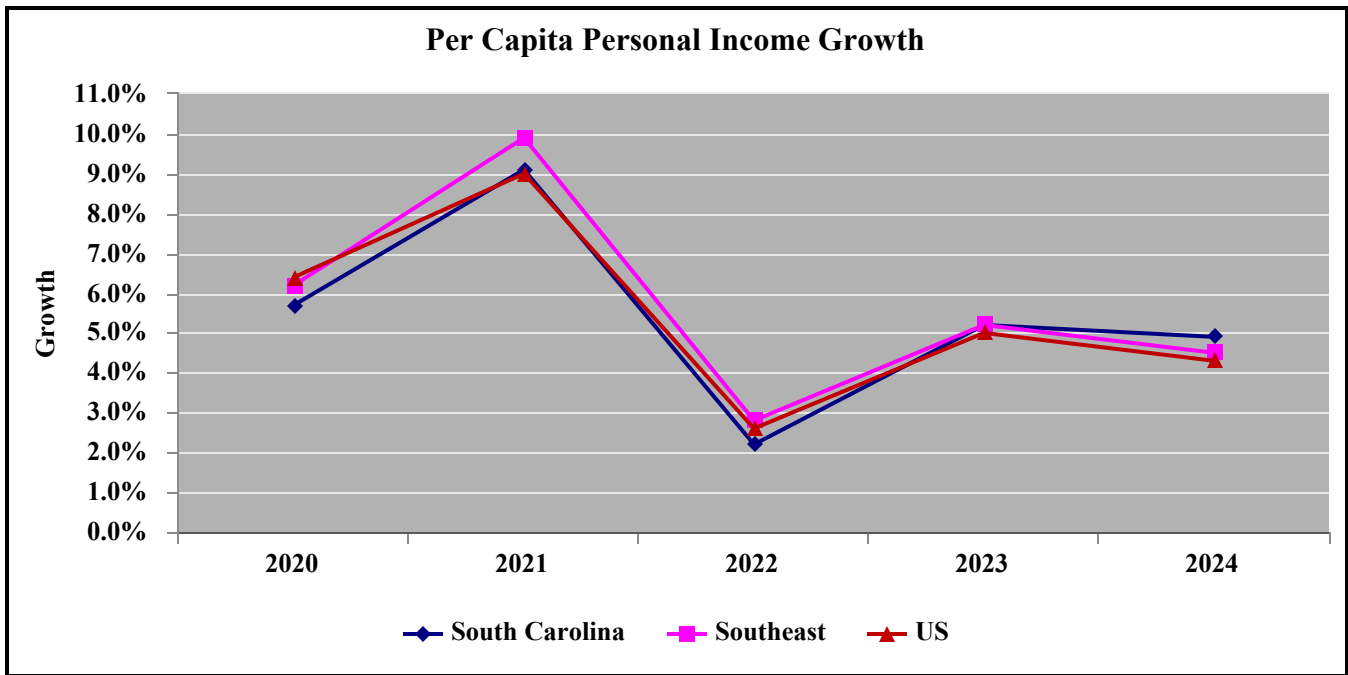
During the year ended June 30, 2025, total non-farm employment in the State increased by 38,000 (or 1.6%) to 2,420,400. Industry sector gains during that period were as follows: Education and Health Services (+17,900); Government (+10,600); Construction (+8,400); Professional and Business Services (+4,000); Mining, Logging, Information, and Other Services (+3,300); and Financial Activities (+2,500). Declines were experienced in Manufacturing (-6,200); Leisure and Hospitality (-1,500); and Trade, Transportation, and Utilities (-1,000).

South Carolina's unemployment rate was 4.1% in June 2025, which increased from the June 2024 rate of 3.6%. The State's unemployment rate was 4.3% in August 2025, the most recent month available. In comparison, the U.S. unemployment rate was 4.1% in June 2025 and 4.3% in August 2025.

The South Carolina Leading Index (SCLI) increased by 0.16 points from June 2024 to June 2025 to 102.99. Above the 100 mark, the SCLI forecasts generally improving economic conditions for South Carolina over the upcoming three to six months. The SCLI closed the month of August 2025 at 102.86, the most recent month available.

The number of real estate closings increased by 4.2% between June 2024 and June 2025 due in large part to falling mortgage rates and slowing inflation on housing. However, real estate selling prices in South Carolina have increased, with the median price of homes sold increasing 0.9% between June 2024 and June 2025. In addition, the number of residential building permits decreased by 12.6% compared to a year ago and the dollar amount of those permits decreased by 5.7% between June 2024 and June 2025.

The following graph compares 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% or more of State government’s total annual General Fund appropriations to provide an estimate of their projected General Fund expenditures for the next three fiscal years. The Revenue and Fiscal Affairs Office (RFAO) 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 of the Senate during the second quarter of each fiscal year.

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

The State’s long-term financial management practices include a five-year comprehensive capital improvement plan, updated annually, 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. The State legislature and EBO are responsible for taking appropriate action to keep the State’s budget in balance. If, at the end of the first, second, or third quarter of any fiscal year, the BEA reduces revenue by more than 3% below the amount projected for the fiscal year, the President of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year-end deficit. If the houses do not come into session within twenty days of the BEA determination, the Director of the EBO must reduce most agency appropriations evenly across-the-board to avoid a year-end deficit. The State is also required to maintain a General Reserve Fund amounting to 5% of total General Fund revenues for the latest completed fiscal year that can be used only for eliminating a year-end operating deficit. In 2022, a voter referendum decided to increase the General Reserve to 7% of total General Fund revenues by 0.5% annual increments starting in fiscal year 2024. Additionally, the State is required to annually fund a 2% Capital Reserve for the latest completed fiscal year to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly. In 2022 voters increased the annual required Capital Reserve to 3% starting in fiscal year 2024.

Legislation also directs that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary-basis surplus appropriations in a general or supplemental act or Capital Reserve Fund appropriations if the State's General Fund has a negative Unassigned fund balance when reported on a generally accepted accounting principles-basis (GAAP basis). There were no suspensions necessary for fiscal year 2025.

The State ended fiscal year 2025 with a positive budgetary-basis General Fund balance after reservation of \$6.604 billion, which was made up of legislatively-approved agency carryover appropriations of \$3.426 billion, the Contingency Reserve of \$332.294 million, the General Reserve of \$739.568 million, the Capital Reserve of \$369.784 million, and an unassigned surplus of \$1.736 billion.

MAJOR INITIATIVES

The State continues to fund programs related to job creation. In calendar year 2024 the State committed \$23.724 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 governments to develop the infrastructure necessary for new and expanding business. Programs like this helped to recently attract Isuzu North America Corporation to Greenville County, Eaton to Union County, TS Conductor to Jasper County, and Homanit to Clarendon County. Isuzu is expected to create over 700 jobs, Eaton is expected to create 700 jobs, TS Conductor is expected to create 462 jobs, and Homanit is expected to create 300 jobs 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 2024 alone, the State attracted more than \$5.38 billion in new capital investment from manufacturing companies, which resulted in the creation of more than 5,500 jobs.

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. 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 here. In 2012, the State established an Aerospace Task Force to prepare the State for future growth. The task force is focused on developing the aerospace supply chain for companies like Boeing, Lockheed Martin, and GE Turbine and supporting initiatives to assure that South Carolina has a workforce ready for the aerospace industry.

South Carolina's exports were \$38.027 billion in 2024, which is an increase of 2.0% from 2023. In 2024, South Carolina ranked 17th in the United States in exports. These export figures were bolstered by the fact that the State is the nation's top exporter of tires and amongst the nation's top exporters of completed passenger motor vehicles. The State also 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 currently 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 \$349.965 billion in 2024. Between 2023 and 2024, real GDP grew 6.9% compared to the southeast states' average growth of 6.0% during that period.

With our cost of living 6.4% 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 2024 had the third lowest unionization rate in the nation, at 2.8% of the workforce. As a result of this and other factors, *Area Development Magazine* ranked South Carolina second in its Top States for Doing Business 2025 survey. In this 2025 survey, South Carolina ranked first in the nation in business incentive programs, overall cost of doing business, and site readiness programs.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Annual Comprehensive Financial Report (ACFR) for the fiscal year that ended June 30, 2024. This was the thirty-seventh 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 ACFR. The ACFR 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 ACFR 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 this ACFR 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 my deepest gratitude to 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 that were necessary to successfully complete this important project.

Sincerely,



Brian J. Gaines
Comptroller General