

**SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY**

(A component unit of the State of South Carolina)

FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020**



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

September 1, 2021

Members of the Board of Directors
South Carolina Jobs-Economic Development Authority
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Jobs-Economic Development Authority for the fiscal year ended June 30, 2021, was issued by Mauldin & Jenkins, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/sag

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **South Carolina Jobs-Economic Development Authority** (the "Authority"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Jobs-Economic Development Authority as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Schedule of the Authority's Proportionate Share of the Net Pension Liability (on page 43), the Schedule of Authority Pension Contributions (on page 44), the Schedule of the Authority's Proportionate Share of the Net OPEB Liability (on page 45), and the Schedule of Authority OPEB Contributions (on page 46) 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Summarized Schedule of Comparative Financial Information – Enterprise Fund is presented for purposes of additional analysis as required by the South Carolina Office of the Comptroller General and is not a required part of the basic financial statements.

The Summarized Schedule of Comparative Financial Information – Enterprise Fund is the responsibility of management, 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, the Summarized Schedule of Comparative Financial Information – Enterprise Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 1, 2021

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,281,049	\$ 726,272
Accounts receivable, net of allowance	60,343	57,993
Current portion of notes receivable	2,000,000	2,000,000
Investments	126,954	513,248
Total current assets	<u>3,468,346</u>	<u>3,297,513</u>
Non-current assets		
Investments	2,874,680	2,438,816
Notes receivable	3,300,000	3,300,000
Total non-current assets	<u>6,174,680</u>	<u>5,738,816</u>
Total assets	<u>9,643,026</u>	<u>9,036,329</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension - South Carolina Retirement System	140,848	130,525
Other postemployment benefits	178,525	117,254
Total deferred outflows of resources	<u>319,373</u>	<u>247,779</u>
LIABILITIES		
Current liabilities		
Accrued payroll and withholdings	68,000	63,106
Accrued compensated absences, due within one year	10,531	25,870
Total current liabilities	<u>78,531</u>	<u>88,976</u>
Non-current liabilities		
Accrued compensated absences, net of current portion	10,961	26,926
Net pension liability - South Carolina Retirement System	656,382	576,740
Net other postemployment benefits liability	561,219	461,206
Total non-current liabilities	<u>1,228,562</u>	<u>1,064,872</u>
Total liabilities	<u>1,307,093</u>	<u>1,153,848</u>
DEFERRED INFLOWS OF RESOURCES		
Pension - South Carolina Retirement System	13,597	20,745
Other postemployment benefits	48,369	57,806
Total deferred inflows of resources	<u>61,966</u>	<u>78,551</u>
NET POSITION		
Restricted for loan programs	3,300,000	3,300,000
Unrestricted	5,293,340	4,751,709
Total net position	<u>\$ 8,593,340</u>	<u>\$ 8,051,709</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating revenues		
Annual fees	\$ 423,335	\$ 384,911
Issuer fees	613,147	499,457
Miscellaneous	36,280	31,000
Total operating revenues	<u>1,072,762</u>	<u>915,368</u>
Operating expenses		
Salaries, wages, and employee benefits	486,678	464,836
Insurance	8,167	7,207
Contractual services	52,478	64,428
Office lease	13,714	13,370
Printing and supplies	1,914	97
Travel and training	10,594	21,212
Dues and subscriptions	12,002	10,580
Other operating expenses	13,881	6,438
Total operating expenses	<u>599,428</u>	<u>588,168</u>
Operating income	<u>473,334</u>	<u>327,200</u>
Non-operating revenues (expenses)		
Intergovernmental refund expense	(18,003)	(18,035)
Intergovernmental revenues - state assistance	22,146	21,147
Interest income	64,154	199,995
Total non-operating revenues, net	<u>68,297</u>	<u>203,107</u>
Change in net position	<u>541,631</u>	<u>530,307</u>
Net position, beginning of year	<u>8,051,709</u>	<u>7,521,402</u>
Net position, end of year	<u><u>\$ 8,593,340</u></u>	<u><u>\$ 8,051,709</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,070,412	\$ 877,666
Payments to suppliers	(112,750)	(123,332)
Payments to employees	(421,612)	(382,406)
Net cash provided by operating activities	<u>536,050</u>	<u>371,928</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Intergovernmental receipts	22,146	21,147
Intergovernmental refunds	(18,003)	(18,035)
Net cash provided by non-capital financing activities	<u>4,143</u>	<u>3,112</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of notes receivable	-	(2,000,000)
Net cash used in capital and related financing activities	<u>-</u>	<u>(2,000,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,520,238)	(2,124,300)
Proceeds from the sale and maturity of investments	2,470,668	3,849,231
Interest received	64,154	223,507
Net cash provided by investing activities	<u>14,584</u>	<u>1,948,438</u>
Increase in cash and cash equivalents	554,777	323,478
Cash and cash equivalents:		
Beginning of year	<u>726,272</u>	<u>402,794</u>
End of year	<u><u>\$ 1,281,049</u></u>	<u><u>\$ 726,272</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 473,334	\$ 327,200
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(2,350)	(37,702)
Deferred outflows of resources - pension and other postemployment benefits	(71,594)	36,216
Increase (decrease) in:		
Accrued payroll and withholdings	4,894	4,626
Accrued compensated absences	(31,304)	2,228
Deferred inflows of resources - pension and other postemployment benefits	(16,585)	38,397
Net other postemployment benefits liability	100,013	13,416
Net pension liability	79,642	(12,453)
Net cash provided by operating activities	<u><u>\$ 536,050</u></u>	<u><u>\$ 371,928</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Carolina Jobs-Economic Development Authority (the "Authority") was created by Section 41-43-30 of the Code of Laws of South Carolina, as a quasi-public instrument of the State, to maintain and expand job opportunities through financial assistance to small and middle market businesses. The Authority functions as a fixed asset lender providing low interest loans for the acquisition of real estate, machinery, and equipment. Loans are made through the packaging and issuance of industrial revenue bonds, direct loans, and guarantee of loans. Also, the Authority works cooperatively with and through existing financial institutions statewide. The Authority services a small number of loans for others including grants to qualifying entities under the Community Development Block Grant program.

The governing body of the Authority consists of a ten-member board of directors whose members are appointed by the Governor of South Carolina, with the advice and consent of the South Carolina State Senate. In addition, the State of South Carolina (the "State") can impose its will on the Authority by significantly influencing its activities. As a result, the Authority is considered a component unit of the State of South Carolina for financial reporting purposes as defined in Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity* as amended by GASB Statement 39, *Determining Whether Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. The Authority's financial information is included in the State of South Carolina's Comprehensive Annual Financial Report as a non-major discretely presented component unit.

Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority accounts for its activities in an enterprise fund.

Proprietary funds are accounted for using the *flow of economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses for proprietary funds include the cost to provide services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Enterprise funds are a type of proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments

Cash and Cash Equivalents - The amounts shown in the financial statements as “cash and cash equivalents” represent cash on hand, deposits in banks, repurchase agreements, and cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Because the State’s internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States of America and certain agencies of the United States of America, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Most State agencies participate in the State’s internal cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of funds.

The State’s internal 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; however, all earnings on that account are credited to the General Fund of the State. The Authority records and reports its deposits in the general deposit account at cost and reports its deposits in the special deposit account at fair value. Investments held by the pool are recorded at fair value. Reported interest income on deposits and investments include interest earned, realized gains/losses, and unrealized gains/losses arising from changes in fair value of investments in the pool.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

Interest earned by the Authority's special deposit accounts is posted to the Authority's account at the end of each month and is retained by the Authority. Interest earnings are allocated based on the percentage of an Authority's accumulated daily interest receivable to the total undistributed interest received by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

The Authority considers all highly liquid deposit accounts and investments with original maturities of three months or less at the time of acquisition to be cash equivalents.

Investments - Deposits and investments for the Authority are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". The Authority accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain or loss on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net position.

The Authority has a number of financial instruments, none of which are held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits and repurchase agreements, are reported at amortized cost which approximates fair value. See Note 2 for additional information.

Receivables

Accounts receivable consist mainly of receivables from annual fees and issuer fees receivable from entities eligible for participation in the Authority's activities. Allowances for doubtful accounts are maintained on a case-by-case basis as determined by management. Additionally, the Authority recognizes receivables from interest earnings on its investments as well as interest associated with the outstanding notes to the Business Development Corporation (BDC).

Amounts loaned to others, which were funded via the State Small Business Credit Initiative (SSBCI), are recorded as notes receivable. The Authority has two outstanding notes receivable, one of which was funded via the State Small Business Credit Initiative. The other note receivable is associated with the Paycheck Protection Program (PPP), however the loan does not constitute PPP funds as defined under the federal CARES Act. The Authority periodically evaluates the collectability of its outstanding notes receivable and has determined no provision for uncollectible amounts to be necessary. The notes receivable are stated at the amount of unpaid principal as of June 30, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees of the Authority may carry over a maximum of 45 days of vacation to the next year, which may be taken either as time off or as pay upon termination. There is no liability for nonvesting accumulated rights to receive sick pay benefits. All vacation pay is accrued when incurred in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Five (5) items relating to the Authority's Retirement Plan and four (4) items relating to the Authority's Other Postemployment Benefit Plan (OPEB) qualify for reporting in this category and are combined in the Statement of Net Position under the headings "Pension" and "Other Postemployment Benefits", respectively. The first item, experience losses, results from periodic studies by the actuaries of the Retirement Plan and OPEB Plan, which adjust the net pension liability and the net OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense and OPEB expense over the expected remaining service lives of the plan members. The second item, differences between projected investments return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability and net OPEB liability in future years. The fourth item, changes in the actuarial assumptions, adjust the net pension and net OPEB liabilities and are amortized into pension and OPEB expense over the expected remaining service lives of plan members. Additionally, any contributions made by the Authority to the pension plan and to the OPEB plan before year-end but subsequent to the measurement date of the Authority's net pension liability and net OPEB liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability and the net OPEB liability during the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two (2) items relating to the Authority's Retirement Plan and four (4) items relating to the Authority's OPEB Plan qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension" and "Other Postemployment Benefits", respectively. The first item, experience gains relating to the Authority's Retirement Plan and the Authority's OPEB Plan qualify for reporting in this category. Experience gains result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability and net OPEB liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension and OPEB expense over the expected remaining lives of the plan members. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions relating the Authority's pension and OPEB plans. These changes are reported as deferred inflows of resources and will be recognized as pension expense and OPEB expense, respectively, in future years. The third item, changes in the actuarial assumptions, adjusts the net OPEB liability and is amortized into OPEB expense over the expected remaining service lives of plan members. The fourth item results from differences between projected and actual OPEB plan investments. These differences are recognized in a systematic and rational manner over a closed five-year period.

Long-term Obligations

Long-term debt and obligations financed by the Authority, as applicable, are reported as liabilities in the Statement of Net Position.

Net Position Classification

Net position is classified and displayed in two components within the Statement of Net Position. These two classifications are as follows:

- a) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b) Unrestricted net position consists of all other net position that does not meet the definition of "restricted".

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-operating Revenues and Expenses

Operating revenues and expenses in the financial statements are those that result from providing services and delivering services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the Authority's financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. These reclassifications had no effect on previously reported net position or increases in net position.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021 and 2020 are summarized as follows:

	June 30,	
	2021	2020
As reported in the <i>Statements of Net Position</i> :		
Cash and cash equivalents	\$ 1,281,049	\$ 726,272
Investments	3,001,634	2,952,064
	<u>\$ 4,282,683</u>	<u>\$ 3,678,336</u>
Cash deposited with financial institutions	\$ 380,236	\$ 43,309
Cash deposited with the South Carolina State Treasurer's Office	900,813	682,963
Money market mutual funds	-	167,068
Certificates of deposit	-	147,523
U.S. agency securities	2,511,248	2,535,883
U.S. Treasury securities	389,477	-
Municipal bonds	100,909	101,590
	<u>\$ 4,282,683</u>	<u>\$ 3,678,336</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits and Investments. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2021 and 2020, all the Authority's funds were covered under federal deposit as required by South Carolina state statutes and as defined by GASB pronouncements. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority has an informal investment policy that limits investment to instruments with primarily short-term maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information regarding interest rate risk can be found on the following page.

As of June 30, 2021, the Authority was exposed to interest rate risk regarding its investments as follows:

	Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	5 - 10
Investment Type				
U.S. Treasury securities	\$ 389,477	\$ -	\$ 149,086	\$ 240,391
U.S. agency securities	2,511,248	76,347	1,398,545	1,036,356
Municipal bonds	100,909	50,607	-	50,302
	<u>\$ 3,001,634</u>	<u>\$ 126,954</u>	<u>\$ 1,547,631</u>	<u>\$ 1,327,049</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2020, the Authority was exposed to interest rate risk regarding its investments as follows:

Investment Type	Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	5 - 10
Money market mutual funds	\$ 167,068	\$ 167,068	\$ -	\$ -
Certificates of deposit	147,523	147,523	-	-
U.S. agency securities	2,535,883	198,657	2,187,770	149,456
Municipal bonds	101,590	-	51,191	50,399
	<u>\$ 2,952,064</u>	<u>\$ 513,248</u>	<u>\$ 2,238,961</u>	<u>\$ 199,855</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has adopted an investment policy in accordance with state statutes, which authorize the Authority to invest in the following:

1. Obligations of the United States of America and agencies thereof;
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. General obligations of the State of South Carolina or any of its political units;
4. Banks and savings and loan association deposits to the extent insured by the FDIC;
5. Certificates of deposit and repurchase agreements collateralized by securities, of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Additional information regarding investment credit risk is as follows at June 30, 2021:

Investment	Fair Value	Percentage of Portfolio	Credit Rating
Federal Home Loan Bank	\$ 1,021,571	23.87%	Aaa/AAA
Federal Home Loan Mortgage Company	650,966	15.20%	Aaa/AAA
Federal National Mortgage Association	145,637	3.40%	Aaa/AAA
Federal Farm Credit Bank	693,074	16.18%	Aaa/AAA
Municipal bonds	50,607	1.18%	Aaa/AAA
Municipal bonds	50,302	1.17%	Aa1/AA+
U.S. Treasuries	389,477	9.09%	Aaa/AAA
Total investments	3,001,634		
Cash and cash equivalents	1,281,049	29.91%	
	<u>\$ 4,282,683</u>		

Additional information regarding investment credit risk is as follows at June 30, 2020:

Investment	Fair Value	Percentage of Portfolio	Credit Rating
Federal Home Loan Bank	\$ 329,256	8.95%	Aaa/AAA
Federal Home Loan Mortgage Company	1,128,655	30.68%	Aaa/AAA
Federal National Mortgage Association	138,401	3.76%	Aaa/AAA
Federal Farm Credit Bank	939,571	25.54%	Aaa/AAA
Municipal bonds	51,191	1.39%	Aaa/AAA
Municipal bonds	50,399	1.37%	Aa1/AA+
Money market mutual funds	167,068	4.54%	N/A
Certificates of deposit	147,523	4.01%	N/A
Total investments	2,952,064		
Cash and cash equivalents	726,272	19.74%	
	<u>\$ 3,678,336</u>		

Fair Value Measurements. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; and Level 3 inputs are significant unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. (Continued)

The Authority has the following recurring fair value measurements as of June 30, 2021:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. agencies	\$ -	\$ 2,511,248	\$ -	\$ 2,511,248
U.S. Treasuries	389,477	-	-	389,477
Municipal bonds	-	100,909	-	100,909
Total investments measured at fair value	<u>\$ 389,477</u>	<u>\$ 2,612,157</u>	<u>\$ -</u>	<u>\$ 3,001,634</u>

The Authority has the following recurring fair value measurements as of June 30, 2020:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. agencies	\$ 287,857	\$ 2,248,026	\$ -	\$ 2,535,883
Municipal bonds	-	101,590	-	101,590
Money market mutual funds	167,068	-	-	167,068
Total investments measured at fair value	<u>\$ 454,925</u>	<u>\$ 2,349,616</u>	<u>\$ -</u>	2,804,541

Investments not subject
to level disclosure

Certificates of deposit	147,523
Total investments	<u>\$ 2,952,064</u>

The U.S. treasuries classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The U.S. agencies and municipal bonds investments classified in Level 2 of the fair value hierarchy are valued using pricing matrix technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Authority has no investments classified in Level 3 of the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Accounts receivable, including the allowances for uncollectible accounts, consisted of the following at June 30, 2021 and 2020:

	June 30,	
	<u>2021</u>	<u>2020</u>
Accounts receivable:		
Bond issuance and monitoring fees	\$ 43,617	\$ 27,993
State Small Business Credit Initiative	<u>23,754</u>	<u>30,000</u>
Total accounts receivable	67,371	57,993
Less: Allowance for uncollectible accounts	<u>(7,028)</u>	-
Net total accounts receivable	<u>\$ 60,343</u>	<u>\$ 57,993</u>

During fiscal year 2012, the Authority renegotiated the State Small Business Credit Initiative (SSBCI) note receivable agreement with Business Development Corporation (BDC). The Authority and BDC agreed that BDC shall refund to the Authority approximately 20% of amounts granted to BDC under the SSBCI, as defined by the agreement. In August 2017, the Authority and BDC signed a revised agreement with an effective date of April 1, 2017. This agreement and the revised terms adjusted to total principal amount to be received by the Authority of \$3,300,000. Under the terms of the agreement, the Authority may demand repayment of the note beginning at any time five years after the effective date of the agreement to be paid in quarterly installments of \$275,000. Should the Authority not demand repayment during this five-year period, principal payments are due to in quarterly installments of \$275,000 commencing on April 15, 2027, with a final maturity date of January 1, 2030. Additionally, interest is assessed on the outstanding balance of the note at a rate of 2% to be paid quarterly from the inception of the agreement through final maturity.

In April 2020, the Authority entered into a note receivable agreement with BDC in the amount of \$2,000,000. The Authority loaned the funds in support of BDC's efforts to loan monies to struggling businesses in need of funding. The loan was originally due in one installment on December 31, 2020. The loan due date was subsequently extended to July 31, 2021. Additionally, interest of 1% is to be paid at the time of repayment of principal.

The following is a summary of notes receivable activity for the Authority for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
State Small Business Credit Initiative - Business Development Corporation	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000	\$ -
Business Development Corporation	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 5,300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,300,000</u>	<u>\$ 2,000,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES (CONTINUED)

The following is a summary of notes receivable activity for the Authority for the fiscal year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
State Small Business Credit Initiative - Business Development Corporation	\$ 3,300,000	\$ -	\$ -	\$ 3,300,000	\$ -
Business Development Corporation	-	2,000,000	-	2,000,000	2,000,000
	<u>\$ 3,300,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 5,300,000</u>	<u>\$ 2,000,000</u>

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the Authority for the fiscal year ended June 30, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 52,796	\$ 26,827	\$ (58,131)	\$ 21,492	\$ 10,531
Net pension liability	576,740	163,505	(83,863)	656,382	-
Net OPEB liability	461,206	125,983	(25,970)	561,219	-
	<u>\$ 1,090,742</u>	<u>\$ 316,315</u>	<u>\$ (167,964)</u>	<u>\$ 1,239,093</u>	<u>\$ 10,531</u>

The following is a summary of long-term liability activity for the Authority for the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 50,568	\$ 52,796	\$ (50,568)	\$ 52,796	\$ 25,870
Net pension liability	589,193	102,343	(114,796)	576,740	-
Net OPEB liability	447,790	75,387	(61,971)	461,206	-
	<u>\$ 1,087,551</u>	<u>\$ 230,526</u>	<u>\$ (227,335)</u>	<u>\$ 1,090,742</u>	<u>\$ 25,870</u>

Compensated absences payable: As discussed in Note 1, this obligation represents accumulated annual leave and compensatory time benefits, which are accrued when incurred.

Net Pension Liability: See Note 6 for additional information.

Net OPEB Liability: See Note 7 for additional information.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONDUIT DEBT OBLIGATIONS

The Authority is authorized by South Carolina Code of Laws Section 41-43-110 to administer an industrial revenue bond program to benefit businesses in South Carolina. The Authority charges each borrower a nonrefundable application fee and a closing fee established by the State Fiscal Accountability Authority based upon the face value of the bonds to be issued.

A trustee handles the industrial revenue bond monies. Bonds are sold either in public markets or in private placements at the option of the borrower. The trustee issues the funds to borrowing businesses. The borrower makes principal and interest payments to the trustee who, in turn, pays the bondholder(s).

Industrial revenue bonds are generally secured by an irrevocable letter of credit or are secured by the property financed. Under the terms of the letter of credit, when certain specified conditions of default occur and the borrower business does not make its payments, the financial institution issuing the letter of credit repays the bondholders and holds the business liable for payment of any advances made under the letter of credit. The letter of credit is secured by the assets of the business. Upon repayment of the bonds, ownership of the financed asset(s) transfers to the private-sector entity served by the bond issuance. Thus, neither the full faith and credit nor the taxing power of the State of South Carolina, the Authority, or any of its political subdivisions is pledged to secure payment of the bonds.

Governmental accounting standards require the Authority to present the outstanding balance of all conduit debt at fiscal year-end. As of June 30, 2021, there were 246 series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$4.736 billion. As of June 30, 2020, there were 208 series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$4.430 billion.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM

Overview

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

Plan Description

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 employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Membership

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

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

State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with the investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS. For fiscal years ended June 30, 2021 and 2020, the Authority had no employees who made contributions to or participated in the State ORP plan.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms is presented on the following page.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Benefits (Continued)

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Contributions (Continued)

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent. For the years ended June 30, 2021 and 2020, respectively, the Authority contributed \$49,319 and \$44,593 to the SCRS plan.

Required employee contribution rates for the fiscal years ended June 30, 2021 and 2020, are as follows:

South Carolina Retirement System		
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2020
Employee class two	9.00%	9.00%
Employee class three	9.00%	9.00%

Required employer contribution rates for the years ended June 30, 2021 and 2020, are as follows:

South Carolina Retirement System		
	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2020
Employer class two	15.41%	15.41%
Employer class three	15.41%	15.41%
Employer incidental death benefit	0.15%	0.15%

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019, for first use in the July 1, 2021 actuarial valuation.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The June 30, 2020, (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2019, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

Assumptions and methods used in the July 1, 2019, valuation for the System are as follows:

	<u>SCRS</u>
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)
Includes inflation at	2.25%
Benefit adjustments	lesser of 1% or \$500

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

Assumptions used in the July 1, 2019, valuations for SCRS are as follows:

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability (TPL) includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global equity	51.0%		
Global public equity	35.0%	7.81%	2.73%
Private equity	9.0%	8.91%	0.80%
Equity options securities	7.0%	5.09%	0.36%
Real assets	12.0%		
Real estate (private)	8.0%	5.55%	0.44%
Real estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (private)	2.0%	4.88%	0.10%
Infrastructure (public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global tactical asset allocation	7.0%	3.56%	0.25%
Other opportunistic strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High yield bonds/ bank loans	4.0%	4.21%	0.17%
Emerging markets debt	4.0%	3.44%	0.14%
Private debt	7.0%	5.79%	0.40%
Rate sensitive	14.0%		
Core fixed income	13.0%	1.60%	0.21%
Cash and short duration (net)	1.0%	0.56%	0.01%
	100%		
Total expected real return			5.80%
Inflation for actuarial purposes			2.25%
Total expected nominal return			8.05%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's 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.

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2021.

<u>South Carolina Retirement System</u>			
<u>Sensitivity of the Net Position Liability to Changes in the Discount Rate</u>			
<u>Fiscal</u> <u>Year</u>	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
2021	\$ 813,505	\$ 656,382	\$ 525,182

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2020.

<u>South Carolina Retirement System</u>			
<u>Sensitivity of the Net Position Liability to Changes in the Discount Rate</u>			
<u>Fiscal</u> <u>Year</u>	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
2020	\$ 726,635	\$ 576,740	\$ 451,736

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2019. The net pension liability of the System was, therefore, determined based on the July 1, 2019 actuarial valuations, using membership data as of July 1, 2019, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2020, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by the System's consulting actuary, Gabriel, Roeder, Smith and Company.

For the Authority's fiscal years ending June 30, 2021 and 2020, the net pension liability for the South Carolina Retirement System is as follows:

	2021	2020
Total pension liability	\$ 1,331,877	\$ 1,264,846
Plan fiduciary net position	675,495	688,106
Employers' net pension liability	\$ 656,382	\$ 576,740
Plan fiduciary net position as a percentage of the total pension liability	50.7%	54.4%
Authority's proportionate share of the collective net pension liability	0.0025690%	0.0025260%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

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

For the fiscal year ended June 30, 2021, the Authority recognized pension expense of \$111,490. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Carolina Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,574	\$ 2,482
Changes of assumptions	804	-
Net difference between projected and actual earnings on pension plan investments	48,282	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,869	11,115
Employer contributions subsequent to the measurement date	49,319	-
Total	\$ 140,848	\$ 13,597

For the fiscal year ended June 30, 2020, the Authority recognized pension expense of \$102,343. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Carolina Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 396	\$ 4,143
Changes of assumptions	11,622	-
Net difference between projected and actual earnings on pension plan investments	5,106	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,808	16,602
Employer contributions subsequent to the measurement date	44,593	-
Total	\$ 130,525	\$ 20,745

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, Authority contributions subsequent to the measurement date of \$49,319 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended June 30, 2022. For the year ended June 30, 2020, Authority contributions subsequent to the measurement date of \$44,593 were reported as deferred outflows of resources and were recognized as a reduction of the net pension liability during the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

South Carolina Retirement System

Year ended June 30:	<u>2021</u>	<u>2020</u>
2021	\$ -	\$ 51,230
2022	32,437	15,263
2023	14,143	(3,122)
2024	19,030	1,816
2025	12,322	-

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NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS

Overview

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278, effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July 1 of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

Plan Description

The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retiree to the PEBA – Insurance Benefits. Non-employer contributions for active employees consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the fiscal years ended June 30, 2021 and 2020 was 6.25, respectively. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

GASB Statement No. 75 paragraph 69 part (b) requires participating employers to recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the fiscal years ended June 30, 2021 and 2020, the Authority recognized \$4,146 and \$3,147, respectively, as a non-operating revenue from contributions from non-employer contributing entities.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions and Funding Policies (Continued)

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

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

Actuarial Assumptions and Methods

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Individual Entry - Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	2.45% as of June 30, 2020 (measurement date)
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% for retirees who are eligible for partial funded premiums 20% for retirees who are eligible for non-funded premiums
Notes:	The discount rate changed from 3.13% as of the June 30, 2019, measurement date to 2.45% as of the June 30, 2020, measurement date.

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to June 30, 2020, (measurement date used for the Authority's reporting as of June 30, 2021).

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

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

For the Authority's fiscal years ending June 30, 2021 and 2020, the OPEB liability for the South Carolina Retiree Health Insurance Trust Fund is as follows:

	2021	2020
Total OPEB liability	\$ 612,589	\$ 503,746
Plan fiduciary net position	51,370	42,540
Employers' net OPEB liability	<u>\$ 561,219</u>	<u>\$ 461,206</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.39%	8.44%
Authority's proportionate share of the collective net pension liability	0.0031090%	0.0030500%

Single Discount Rate

The Single Discount Rates of 2.45% and 3.13% were used to measure the total OPEB liability for the SCRHITF for fiscal years ended June 30, 2021 and 2020, respectively. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash equivalents	20.00%	0.35%	0.07%
Total	100.00%		
Total expected weighted real return			0.55%
Inflation for actuarial purposes			2.25%
Total expected nominal return			2.80%
Investment return assumption			2.75%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability as of June 30, 2021, calculated using a Single Discount Rate of 2.45%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>South Carolina Retiree Health Insurance Plan</u> Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
2021	\$ 669,647	\$ 561,219	\$ 474,577

The following table presents the SCRHITF's net OPEB liability as of June 30, 2020, calculated using a Single Discount Rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>South Carolina Retiree Health Insurance Plan</u> Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
2020	\$ 546,755	\$ 461,206	\$ 392,551

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability for fiscal year ended June 30, 2021, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

<u>South Carolina Retiree Health Insurance Plan</u> Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
Fiscal Year	1% Decrease (5.40% decreasing to 3.00%)	Current Healthcare Cost Trend Rates (6.40% decreasing to 4.00%)	1% Increase (7.40% decreasing to 5.00%)
2021	\$ 454,253	\$ 561,219	\$ 701,697

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis (Continued)

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability for fiscal year ended June 30, 2020, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

South Carolina Retiree Health Insurance Plan			
Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
		Current Healthcare Cost Trend Rates	
Fiscal Year	1% Decrease (5.40% decreasing to 3.15%)	(6.40% decreasing to 4.15%)	1% Increase (7.40% decreasing to 5.15%)
2020	\$ 376,394	\$ 461,206	\$ 571,658

OPEB Expense

Items included in total employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions. The Authority recorded OPEB expense of \$53,945 and \$38,253 for fiscal years ended June 30, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

South Carolina Retiree Health Insurance Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,051	\$ 12,781
Changes of assumptions	83,516	22,351
Net difference between projected and actual earnings on OPEB plan investments	-	1,309
Changes in proportion and differences between employer contributions and proportionate share of contributions	59,461	11,928
Employer contributions subsequent to the measurement date	19,497	-
Total	<u>\$ 178,525</u>	<u>\$ 48,369</u>

Authority contributions subsequent to the measurement date of \$19,497 for the SCRHITF plan are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

South Carolina Retiree Health Insurance Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,431	\$ 14,992
Changes of assumptions	30,518	28,560
Net difference between projected and actual earnings on pension plan investments	540	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,055	14,254
Employer contributions subsequent to the measurement date	16,710	-
Total	<u>\$ 117,254</u>	<u>\$ 57,806</u>

Authority contributions subsequent to the measurement date of \$16,710 for the SCRHITE plan were reported as deferred outflows of resources and were recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

As of June 30, 2021 and 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

South Carolina Retiree Health Insurance Plan

Year ended June 30:	2021	2020
2021	\$ -	\$ 7,213
2022	19,277	7,213
2023	19,097	7,036
2024	18,810	6,755
2025	23,783	14,521
Thereafter	29,692	-

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RELATED PARTY TRANSACTIONS

The Authority has significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of limited accounting records from the Comptroller General, composite investing functions from the State Treasurer, and legal services from the Attorney General.

Other services received at no cost from the various State Agencies include audit services, grant services, personnel management, procurement services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions. The Authority also receives retirement and health plan administration services from SC Public Employee Benefits Authority.

The Authority had financial transactions with various State agencies during the fiscal year. Significant payments were made to a division of the State Fiscal Accountability Authority for insurance coverage and Public Employee Benefits Authority for retirement and insurance plan contributions.

For fiscal years 2021 and 2020, the Authority received no State appropriated funds from the General Assembly as set forth in Appropriation Act. Section 41-43-50 of the 1976 Code of Laws of South Carolina authorizes the Authority to retain unexpended funds regardless of the source and expend them in subsequent fiscal years.

In May 2007, the Authority relocated their office to space rented by the South Carolina Department of Commerce. During the fiscal years ended June 30, 2021 and 2020, the Authority paid \$35,857 and \$35,550, respectively, for rent and other administrative expenses.

In prior years the South Carolina Department of Commerce Division of Economic Opportunity transferred various loans to the Authority for no consideration. They have also transferred various agreements to the Authority in prior years under which the Authority receives grant program income. For the fiscal years ended June 30, 2021 and 2020, the Authority refunded \$18,003 and \$18,035, respectively, to the Department of Commerce for Community Development Block Grant for federal grant revenue received by the Authority. These transactions are reported in these financial statements as a non-operating expense titled "intergovernmental refund expense".

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Authority pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

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

1. Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Public Employee Benefits Authority – Insurance Benefits); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefits Authority – Insurance Benefits).

All of the coverage's listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

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

1. Automobile liability and collision; and
2. Torts.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. The IRF's rates are determined actuarially.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT (CONTINUED)

No payments for uninsured losses were made during the fiscal years ended June 30, 2021 and 2020.

The Authority has not reported an estimated claims loss expenditure, and the related liability at June 30, 2021 and 2020, based on the requirements of GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30 and the amount of the loss is reasonably estimable have not been satisfied.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE PLAN YEAR ENDED JUNE 30,

South Carolina Retirement System					
Plan Year Ended June 30,	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered payroll	Authority's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.002569%	\$ 656,382	\$ 286,588	229.0%	50.7%
2019	0.002526%	576,740	266,715	216.2%	54.4%
2018	0.002630%	589,193	272,492	216.2%	54.1%
2017	0.002141%	481,974	216,000	223.1%	53.3%
2016	0.001794%	383,196	173,729	220.6%	52.9%
2015	0.001770%	335,689	166,000	202.2%	57.0%
2014	0.001779%	306,285	161,500	189.7%	59.9%
2013	0.001779%	319,089	154,751	206.2%	56.4%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30,

South Carolina Retirement System						
Fiscal Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll	
2021	\$ 49,319	\$ 49,319	\$ -	\$ 316,962	15.56%	
2020	44,593	44,593	-	286,588	15.56%	
2019	38,434	38,434	-	266,715	14.41%	
2018	36,950	36,950	-	272,492	13.56%	
2017	24,646	24,646	-	216,000	11.41%	
2016	18,954	18,954	-	173,729	10.91%	
2015	17,845	17,845	-	166,000	10.75%	
2014	16,876	16,876	-	161,500	10.45%	

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

Actuarial assumptions used in determining the statutorily required contribution are as follows:

System	SCRS
Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year Smoothed
Amortization method	Level % of pay
Amortization period	29 years maximum, closed period
Investment return	7.25%
Inflation	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

FOR THE PLAN YEAR ENDED JUNE 30,

South Carolina Retiree Health Plan					
Plan Year Ended June 30,	Authority's proportion of the net OPEB liability	Authority's proportionate share of the net OPEB liability	Authority's covered payroll	Authority's share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.003109%	\$ 561,219	\$ 286,588	195.8%	8.39%
2019	0.003050%	461,206	266,715	172.9%	8.44%
2018	0.003160%	447,790	272,492	164.3%	7.91%
2017	0.002561%	346,883	216,000	160.6%	7.60%
2016	0.002561%	370,542	173,729	213.3%	6.62%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020.

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF AUTHORITY OPEB CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30,

South Carolina Retiree Health Plan					
Fiscal Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 19,497	\$ 19,497	\$ -	\$ 316,962	6.15%
2020	16,710	16,710	-	286,588	5.83%
2019	16,086	16,086	-	266,715	6.03%
2018	14,711	14,711	-	272,492	5.40%
2017	10,542	10,542	-	216,000	4.88%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The actuarial assumptions used in determining the statutorily required contribution can be found in note 7 of the financial statements.

SUPPLEMENTARY INFORMATION

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

SUMMARIZED SCHEDULE OF COMPARATIVE FINANCIAL INFORMATION ENTERPRISE FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Condensed Statements of Net Position	2021	2020
Assets		
Current	\$ 3,468,346	\$ 3,297,513
Noncurrent	6,174,680	5,738,816
Total assets	<u>9,643,026</u>	<u>9,036,329</u>
Deferred Outflows of Resources	<u>319,373</u>	<u>247,779</u>
Liabilities		
Current	78,531	88,976
Noncurrent	1,228,562	1,064,872
Total liabilities	<u>1,307,093</u>	<u>1,153,848</u>
Deferred Inflows of Resources	<u>61,966</u>	<u>78,551</u>
Net Position		
Restricted	3,300,000	3,300,000
Unrestricted	5,293,340	4,751,709
Total net position	<u>\$ 8,593,340</u>	<u>\$ 8,051,709</u>
Condensed Statements of Revenues, Expenses, and Changes in Net Position	2021	2020
Program Revenues		
Charges for services	\$ 1,072,762	\$ 915,368
Operating grants and contributions	22,146	21,147
Program expenses	(617,431)	(606,203)
Net program revenue	<u>477,477</u>	<u>330,312</u>
General Revenues		
Interest income	<u>64,154</u>	<u>199,995</u>
Change in Net Position	<u>541,631</u>	<u>530,307</u>
Net position, beginning of year	<u>8,051,709</u>	<u>7,521,402</u>
Net position, end of year	<u>\$ 8,593,340</u>	<u>\$ 8,051,709</u>

Note: The above information is provided in accordance with the requirements of the South Carolina Office of the Comptroller General Audited Financial Statement Manual.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **South Carolina Jobs-Economic Development Authority** (the "Authority"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 1, 2021.

Internal Control over Financial Reporting

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

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

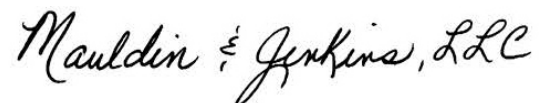
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly prominent.

Columbia, South Carolina
September 1, 2021

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X None Reported

Significant deficiencies identified not considered
to be material weaknesses?

___ Yes X None Reported

Noncompliance material to financial statements noted?

___ Yes X No

A single audit of federal awards was not required due to the Authority expending less than \$750,000 in federal awards for the fiscal year ended June 30, 2021.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

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SECTION III SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.