
**MANAGEMENT'S DISCUSSION
AND ANALYSIS—
Required Supplementary Information
(Unaudited)**

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2024. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole*, using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 40 through 43 of this report.

There are two government-wide financial statements:

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

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The net revenues (expenses) column on the far right of this statement on page 42 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

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

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

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

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, the State Lottery Commission, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (included in Note 1a of the notes to the financial statements on page 74).

Fund Financial Statements

The fund financial statements on pages 44 through 61 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

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

The basic governmental fund statements are on pages 44 through 51 of this report.

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

The basic proprietary fund statements are on pages 52 through 58 of this report.

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

The basic fiduciary fund statements are on pages 60 and 61 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 62 through 65 of this report.

Notes to the Financial Statements

Immediately following the financial statements are notes that provide additional and pertinent information to the financial statement amounts. The notes on pages 66 through 191 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. On page 200, Note 5 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. Additionally, the required supplementary information section includes information on the State's five pension programs: The South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System, as well as on the Retiree Health Insurance Trust Fund and the Long-Term Disability Insurance Trust Fund. This required supplementary information is on pages 193 through 225 of this report.

Supplementary Information

Nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units are presented immediately following the required supplementary information. Combining and individual fund statements and a schedule of General Reserve Activity are found on pages 227 through 275 of this report.

Government-wide Financial Analysis

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

Exhibit 1
Government-wide Net Position
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change 2024-2023
	2024	2023 (as restated)	2024	2023	2024	2023 (as restated)	
Assets							
Current and other assets	\$ 28,956,879	\$ 27,808,871	\$ 2,278,554	\$ 2,120,578	\$ 31,235,433	\$ 29,929,449	4.4%
Capital and lease assets	22,177,321	20,717,751	295,719	361,058	22,473,040	21,078,809	6.6%
Total assets	51,134,200	48,526,622	2,574,273	2,481,636	53,708,473	51,008,258	5.3%
Deferred Outflows of Resources	1,682,387	1,638,755	10,409	11,584	1,692,796	1,650,339	2.6%
Liabilities							
Long-term liabilities	9,619,847	9,902,622	238,461	266,394	9,858,308	10,169,016	(3.1%)
Other liabilities	9,860,554	7,992,606	192,667	154,553	10,053,221	8,147,159	23.4%
Total liabilities	19,480,401	17,895,228	431,128	420,947	19,911,529	18,316,175	8.7%
Deferred Inflows of Resources	2,066,902	1,875,015	14,429	14,569	2,081,331	1,889,584	10.1%
Net Position							
Net investment in capital assets	20,459,092	18,942,599	284,321	349,988	20,743,413	19,292,587	7.5%
Restricted	8,222,878	10,589,777	1,861,416	1,723,151	10,084,294	12,312,928	(18.1%)
Unrestricted	2,587,314	862,758	(6,612)	(15,435)	2,580,702	847,323	204.6%
Total net position	\$ 31,269,284	\$ 30,395,134	\$ 2,139,125	\$ 2,057,704	\$ 33,408,409	\$ 32,452,838	2.9%

Net Position

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

Restricted net position generally is available for future spending but is subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State’s largest restricted balances include Transportation, General Government, and Education.

Unrestricted net position—resources normally available for future spending without restrictions—reported a balance of \$2.581 billion at June 30, 2024. This represents an increase of net position of \$1.733 billion over the prior year. Most of this increase resulted from a \$1.100 billion, or 14.8%, increase in retail sales and use tax revenues. The increase in retail sales and use tax revenue collections can be attributed to an improving nationwide economy and easing inflationary pressures on the consumer.

The State's business-type activities reported a deficit balance of (\$6.612) million in unrestricted net position. This represents an increase of \$8.823 million over the previous fiscal year. This resulted mostly from the Unemployment Compensation Fund's increasing revenues offset by unemployment compensation expenses which are now below pre-pandemic levels and follow the overall low unemployment levels South Carolina. The Unemployment Compensation Fund's increasing revenues were mostly fueled by increased interest earnings. The increased earnings were caused by increased interest rates within the current fiscal year over the previous one.

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2024	2023	2024	2023	2024	2023	2024-2023
Revenues							
Program revenues:							
Charges for services	\$ 4,895,909	\$ 5,008,621	\$ 310,673	\$ 312,532	\$ 5,206,582	\$ 5,321,153	(2.2)%
Operating grants and contributions	13,734,062	16,227,712	2	5,207	13,734,064	16,232,919	(15.4)%
Capital grants and contributions	1,285,601	1,046,733	8,371	42,557	1,293,972	1,089,290	18.8%
General revenues:							
Individual income tax	5,925,530	5,884,974	—	—	5,925,530	5,884,974	0.7%
Retail sales and use tax	8,523,366	7,423,406	—	—	8,523,366	7,423,406	14.8%
Other taxes	4,840,246	4,189,343	—	—	4,840,246	4,189,343	15.5%
Unrestricted grants and contributions	306	5	—	—	306	5	6020.0%
Unrestricted investment income	1,126,039	422,478	63,735	42,053	1,189,774	464,531	156.1%
Tobacco legal settlement	67,953	75,499	—	—	67,953	75,499	(10.0)%
Opioid legal settlement	4,399	10,690	—	—	4,399	10,690	(58.8)%
Other	935,111	914,464	1,368	1,251	936,479	915,715	2.3%
Total revenues	41,338,522	41,203,925	384,149	403,600	41,722,671	41,607,525	0.3%
Expenses							
Governmental activities:							
General government	11,018,645	12,309,745	—	—	11,018,645	12,309,745	(10.5)%
Education	8,676,056	8,179,679	—	—	8,676,056	8,179,679	6.1%
Health and environment	12,959,759	10,734,583	—	—	12,959,759	10,734,583	20.7%
Social services	2,651,952	3,553,243	—	—	2,651,952	3,553,243	(25.4)%
Administration of justice	1,504,038	1,495,855	—	—	1,504,038	1,495,855	0.5%
Resources and economic development	1,946,306	982,370	—	—	1,946,306	982,370	98.1%
Transportation	1,705,635	1,784,779	—	—	1,705,635	1,784,779	(4.4)%
Other	7,421	10,539	—	—	7,421	10,539	(29.6)%
Business-type activities:							
Unemployment compensation benefits	—	—	157,722	92,888	157,722	92,888	69.8%
Second Injury Fund	—	—	71	20,279	71	20,279	(99.6)%
Other	—	—	139,495	50,212	139,495	50,212	177.8%
Total expenses	40,469,812	39,050,793	297,288	163,379	40,767,100	39,214,172	4.0%
Excess (deficiency) before transfers	868,710	2,153,132	86,861	240,221	955,571	2,393,353	(60.1)%
Net transfers	5,440	39,638	(5,440)	(39,638)	—	—	—%
Change in net position	874,150	2,192,770	81,421	200,583	955,571	2,393,353	(60.1)%
Net position at beginning of year	30,395,134	28,202,364	2,057,704	1,857,121	32,452,838	30,059,485	8.0%
Net position, end of year	\$31,269,284	\$30,395,134	\$ 2,139,125	\$ 2,057,704	\$33,408,409	\$32,452,838	2.9%

Changes in Net Position

The State's total net position of its governmental activities and its business-type activities increased by \$955.571 million, or 2.9%, over the prior year. This overall improvement in the financial position of the State was experienced primarily through increased tax revenues within the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by \$874.150 million, or 2.9%. Revenue increased from last year by \$134.597 million, or 0.3%, which was mostly comprised of an increase of \$2.502 billion, or 13.2%, in general revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. Exhibit 3 illustrates the sources of revenues that support governmental activities.

Expenses associated with governmental activities increased by \$1.419 billion, or 3.6%, for the fiscal year ended June 30, 2024. These expenses were mostly associated with services provided for resources and development, health and environment, and education. Exhibit 4 compares the cost of these services with their program revenues—revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the net cost of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2024, the State used \$20.554 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Business-type activities transferred \$5.440 million to the State's governmental activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2024 fiscal year:

- Individual income tax revenues increased by \$40.556 million, or 0.7%, retail sales and use tax revenues increased by \$1.100 billion, or 14.8%, and other taxes revenues increased by \$650.903 million, or 15.5%. Overall tax collections increased by \$1.791 billion, or 10.2%, during fiscal year 2024 as economic growth was recovering with easing inflationary pressures. Additionally, individual income tax collections increased modestly even with lower tax rates being enacted within the 2024 fiscal year. Additionally, sales tax partially increased because of the Department of Revenue changed its methods of calculating allowances of sales tax collections.
- Operating grants and contributions decreased by \$2.494 billion, or 15.4%, over the prior year. This was primarily due to decreased federal funding as the COVID-19 pandemic ended.
- Unrestricted investment income increased by \$703.561 million, or 166.5%, from the previous fiscal year. This increase was attributed increased interest rates, as compared to the previous fiscal year. Additionally, higher interest rates led to higher investment earnings.
- General government expenses decreased by \$1.291 billion, or 10.5% over the prior year. The decrease in general government expenses was mostly attributable to the \$1.000 billion tax rebate distributed during fiscal year 2023 of up to \$800 per taxpayer.
- Education expenses increased by \$496.377 million, or 6.1% over the prior fiscal year. The increase in education expenses was primarily due to additional State appropriations made in the previous fiscal year to school districts for teacher salary and per student funding increases.
- Health and environment expenses increased by \$2.225 billion, or 20.7% over the previous fiscal year. These increases are attributed to increases in Medicaid and public assistance food payments over the previous year.
- Social services expenses decreased by \$901.291 million, or 25.4%, due to the decrease in demand for services as inflation began to ease within the nation's overall economy.
- Transportation expenses decreased by \$79.144 million, or 4.4%. The decrease in spending was primarily a result of expenditures for permanent improvements and maintenance that were federally funded were lower than planned due to the delayed execution of projects and weather-related delays. As a result, federal reimbursements were lower than anticipated.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2024

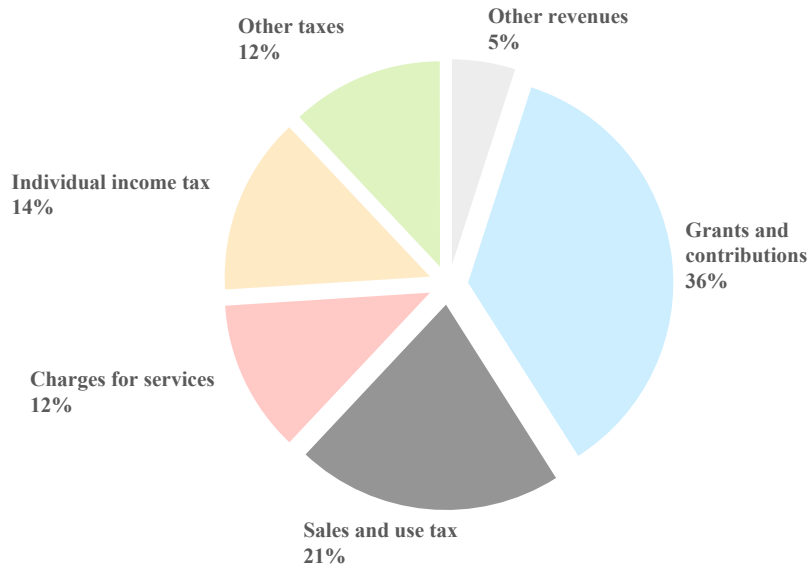
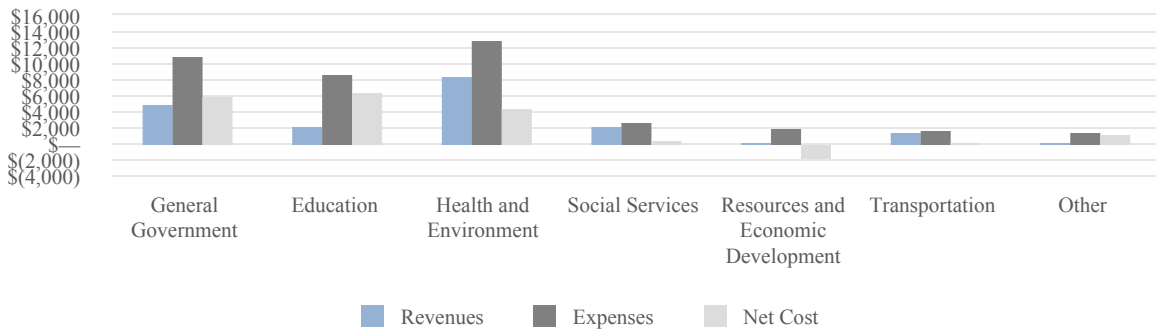


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2024
(In Millions)



	General Government	Education	Health and Environment	Social Services	Resources and Economic Development	Transportation	Other
Revenues	\$5,117	\$2,265	\$8,392	\$2,218	\$320	\$1,389	\$215
Expenses	\$11,019	\$8,676	\$12,960	\$2,652	\$1,946	\$1,706	\$1,511
Net Cost	\$5,902	\$6,411	\$4,568	\$434	(\$1,626)	\$317	\$1,296

Business-type Activities

The net position of the State's business-type activities increased by \$81.421 million, or 4.0%.

State of South Carolina

Most business-type activities are intended to be self-supporting. The Unemployment Compensation Fund accounts for the State’s unemployment compensation benefits in which federal grants and assessments on employers are obtained to pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund’s net position as of June 30, 2024 was \$1.820 billion, which was an increase of \$128.202 million, or 7.6%, from last year. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The Second Injury Fund’s net position as of June 30, 2024 was \$41.610 million, which was an increase of \$10.063 million, or 31.9%, from last year.

Operating revenues of the Unemployment Compensation Fund decreased by \$2.823 million, or 1.1%, and operating expenses for the payment of unemployment compensation benefits increased by \$64.834 million, or 69.8%, during the 2024 fiscal year. The decreases in operating revenues resulted directly from the declining assessments and federal grants related to the national CARES Act Programs to combat the COVID-19 pandemic ending. However, as the nationwide unemployment rate increased during the 2024 fiscal year, unemployment benefit expenses have grown during that time. It should also be noted that South Carolina’s unemployment rate is below pre-pandemic levels. The overall increase in the Unemployment Compensation Fund’s net position occurred because of an increase in interest income of \$16.629 million, or 62.4% due to rising interest rates throughout the fiscal year. Also, net transfers out of the Unemployment Compensation Fund decreased by \$28.919 million, or 99.1%. Additionally, operating expenses for the Second Injury Fund have decreased by \$20.208 million, or 99.6%, and operating revenues for the payment of Second Injury Fund claims remained at a low level during the 2024 fiscal year due to the Second Injury Fund’s closure plan that took effect in fiscal year 2019. The operating expenses of the Second Injury Fund increased due to a new and revised actuarial report on its claims.

Financial Analysis of the State’s Funds

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

Governmental Funds

Exhibit 5 shows the components of fund balance for the State’s various governmental funds as of June 30, 2024.

Exhibit 5
Governmental Fund Balances
For the Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 117,234	\$ 43,089	\$ —	\$ 10,082	\$ 19,976	\$ 190,381
Restricted	1,613,350	530,918	2,472,603	1,834,661	1,217,344	7,668,876
Committed	1,664,154	37,521	120,356	780,553	47,733	2,650,317
Assigned	3,368,333	371,872	—	—	422,666	4,162,871
Unassigned	2,632,884	(54,505)	—	—	—	2,578,379
Totals	\$ 9,395,955	\$ 928,895	\$ 2,592,959	\$ 2,625,296	\$ 1,707,719	\$ 17,250,824
Change from prior year	\$ (1,619,377)	\$ (66,711)	\$ 178,490	\$ 42,902	\$ 489,292	\$ (975,404)
Percentage change	(14.7)%	(6.7)%	7.4%	1.7%	40.2%	(5.4)%

At June 30, 2024, total ending fund balance for the State’s governmental funds was \$17.251 billion, which represents a decrease of \$0.975 billion, or 5.3%, from the prior year. This total contains an unassigned fund balance of \$2.578 billion. The total also includes \$2.633 billion reported by the General Fund as *unassigned* and available with no constraints for spending in the coming year. In addition, governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 44.5% of the total fund balance. The remaining fund balance is *nonspendable*, *committed*, or *assigned* and is not available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in individual income tax of \$40.926 million, or 0.7%, while increases in retail sales and use tax of \$1.030 billion, or 17.7%; and other taxes of \$1.683 million, or 0.2%, were experienced from the prior year. These revenues grew due to improving consumer sentiment that existed for most of the 2024 fiscal year, but this was stymied by higher interest rates during the same period of time. Additionally, the State lowered its individual income tax rates in the current fiscal year. This change caused individual income taxes to only grow modestly in the 2024 fiscal year. General Fund expenditures, increased by \$3.038 billion, or 19.6%. General Fund expenditures increased mostly within its intergovernmental expenditures. The increase of \$3.250 billion, or 48.5%, was mostly due to increases in State aid to school districts, counties, municipalities, colleges, and universities and the Department of Revenue's method of calculating sales tax dedicated to intergovernmental expenditures (i.e. the Education Improvement Act revenues were increased with its corresponding expenditures).

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens, thus expanding services when possible. During the 2024 fiscal year, the total fund balance decreased by \$66.711 million, or 6.7%, from the prior year. The decrease in fund balance was primarily the result of a decrease in federal grant funding of \$2.307 billion, or 15.0% over the previous fiscal year. The decrease in federal grant funding was related to the previous national efforts to fight the COVID-19 pandemic and to various federal economic stimulus programs. The federal funding is mostly grants that are primarily reimbursement-based.

The *Local Government Infrastructure Fund* accounts for grants, loans and other financial assistance to local governments for infrastructure projects. Certain motor fuel taxes, federal funds, and bond proceeds are the fund's primary resources. The fund balance increased by \$178.490 million, or 7.4%, during the 2024 fiscal year, leaving a balance of \$2.593 billion at the end of the fiscal year. The increase in fund balance was partially mostly the result of a decrease in expenditures of \$42.548 million, or 19.9%. The decrease was due to several infrastructure projects not reaching construction stage during the fiscal year, while federal grants revenues remained steady in the current fiscal year versus the prior fiscal year. Also, interest income increased by \$41.247 million, or 78.3%, due to rising interest rates during the fiscal year.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by \$42.902 million, or 1.7%, during the 2024 fiscal year, leaving a balance of \$2.625 billion at the end of the fiscal year. The increase in fund balance was primarily a result of the 2-cent per year gas tax increase for road projects and maintenance. DOT is in the process of undertaking these road projects, which as stated above, some have been delayed partially because of the weather.

Nonmajor Governmental Funds are used to account for funds that are restricted for specific purposes, including education, healthcare, and local governments. The \$489.292 million, or 40.2%, increase in fund balance during the 2024 fiscal year was primarily the result of net transfers into the nonmajor governmental funds increasing by \$879.378 million, or 1307.2%, from the past fiscal year. The increase in net transfers was mostly from the General Fund to the Capital Projects Fund related to general annual budgetary appropriations and General Fund capital reserve fund appropriations.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State’s various proprietary funds at June 30, 2024.

Exhibit 6
Proprietary Fund Net Position
For the Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

Fund Net Position	Enterprise Funds				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	\$ —	\$ —	\$ 284,321	\$ 284,321	\$ 95,111
Restricted, expendable	1,819,806	41,610	—	1,861,416	484,450
Unrestricted	—	—	(6,612)	(6,612)	280,286
Totals	\$ 1,819,806	\$ 41,610	\$ 277,709	\$ 2,139,125	\$ 859,847
Change from prior year	\$ 128,202	\$ 10,063	\$ (56,844)	\$ 81,421	\$ 109,174
Percentage change	7.6%	31.9%	(17.0)%	4.0%	14.5%

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

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

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by \$128.202 million, or 7.6%, over the prior year. As stated on page 31, the reasons for this slower net position growth were mostly due to the Unemployment Compensation Fund benefits and claims expenses increasing by \$64.834 million as a result of the nationwide unemployment rate slightly rising during the 2024 fiscal year, while its operating revenues decreased by \$2.823 million during the same period because of the national COVID-19 pandemic response ending during that time.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by \$10.063 million, or 31.9%, over the prior year. As stated on page 31, the Second Injury Fund’s closure plan started to take effect in fiscal year 2019. The last assessment for this plan was made in fiscal year 2018.

The net position of the State’s *nonmajor enterprise funds* decreased by \$56.844 million, or 17.0%, over the prior year. The decrease in the State’s *nonmajor enterprise funds’* net position was primarily due to the Palmetto Railways transferring \$84.100 million of land to the South Carolina Ports Authority. The decrease was partially offset by interest income and capital contributions totaling \$16.423 million within the 2024 fiscal year.

South Carolina’s *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. Internal Service Funds experienced an increase to their net position of \$109.174 million, or 14.5%, in the 2024 fiscal year. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds benefit primarily State government, South Carolina reports them as governmental activities in the government-wide financial statements. \$75.596 million, or 69.2%, of the increase in the State’s internal service funds’ net position can be attributed to the State’s Employee Insurance Fund’s operating revenues increasing by \$328.888 million, while its benefits and claims paid only increased by \$281.342 million from the previous fiscal year.

Budgetary General Fund Highlights

Estimated revenues for the 2024 fiscal year were \$13.352 billion. Actual revenues at June 30, 2024, were \$440.670 million, or 3.3%, under the estimated revenue used in the fiscal year 2024 budget appropriations act. This also represented an increase in collections over the prior year of \$585.609 million, or 4.8%. Individual income and sales tax collections are the fund’s major revenue sources. Individual income tax collections ended the year under the adjusted estimate by \$692.655 million and sales tax collections ended the year over the adjusted estimate by \$31.536 million.

Actual expenditures were \$747.661 million more than actual revenues. Also, expenditures were kept \$3.616 billion under fiscal year 2024 adjusted appropriations. In addition, \$9.959 million of unbudgeted spending occurred through “open-ended” appropriations. Actual expenditures were kept under budgeted expenditures due to conservative budgeting practices by the State.

Based on the above results of operations, fiscal year 2024 ended with a budgetary surplus, which resulted in a budgetary General Fund balance after reservation of \$6.020 billion.

See the *Required Supplementary Information* section on pages 193 through 200 of this report for a detailed budgetary comparison schedule.

Capital Assets, Lease Assets, and Debt Administration

Capital Assets

At the end of the 2024 fiscal year, the State had \$22.473 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of \$1.394 billion, or 6.6%, over the previous fiscal year (*see Exhibit 7-1*).

Exhibit 7-1
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2024	2023	2024	2023	2024	2023	2024-2023
Land and improvements	\$ 2,608,642	\$ 2,558,746	\$ 229,537	\$ 229,938	\$ 2,838,179	\$ 2,788,684	1.8%
Infrastructure	11,604,415	11,608,996	—	—	11,604,415	11,608,996	—%
Buildings and improvements	923,935	977,336	9,875	10,052	933,810	987,388	(5.4)%
Vehicles	382,635	334,531	17	49	382,652	334,580	14.4%
Machinery and equipment	247,200	242,267	4,231	3,236	251,431	245,503	2.4%
Works of art and historical treasures	1,388	1,448	—	—	1,388	1,448	(4.1)%
Construction in progress	6,117,346	4,771,853	52,059	117,783	6,169,405	4,889,636	26.2%
Intangible assets	1,161	3,388	—	—	1,161	3,388	(65.7)%
Lease assets	227,600	141,298	—	—	227,600	141,298	61.1%
Subscription assets	62,999	77,888	—	—	62,999	77,888	(19.1)%
Total	\$ 22,177,321	\$ 20,717,751	\$ 295,719	\$ 361,058	\$ 22,473,040	\$ 21,078,809	6.6%

Growth in capital asset investment occurred mostly in construction in progress. The Department of Transportation added a net of \$1.330 billion to construction in progress. These additions are part of new and on-going infrastructure projects within the Department of Transportation Special Revenue Fund and are funded by federal grants and the 2-cent per year gas tax increase for road projects and maintenance.

See Note 6 in the notes to the financial statements on page 111 of this report for additional information on the State’s capital assets.

Debt Outstanding

At June 30, 2024, the State had \$1.735 billion in bonds and notes outstanding - a decrease of 76.714 million, or 4.2%, from the previous year (see *Exhibit 8*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percent Change
	2024	2023	2024	2023	2024	2023	2024-2023
General obligation bonds	\$ 78,435	\$ 141,344	\$ —	\$ —	\$ 78,435	\$ 141,344	(44.5)%
Revenue bonds and notes	60,250	71,755	10,845	11,070	71,095	82,825	(14.2)%
Infrastructure Bank bonds	1,311,793	1,381,137	—	—	1,311,793	1,381,137	(5.0)%
Leases payable	213,914	132,219	—	—	213,914	132,219	61.8%
Subscriptions payable	60,007	74,433	—	—	60,007	74,433	(19.4)%
Total	\$ 1,724,399	\$ 1,800,888	\$ 10,845	\$ 11,070	\$ 1,735,244	\$ 1,811,958	(4.2)%

The repayment of principal on outstanding debt exceeded issuances of debt, resulting in a decrease in debt outstanding for governmental activities of \$76.489 million, or 4.2%. There were no issuances of bonds or notes in fiscal year 2024.

Three bond rating services assign ratings to bonds backed by the State with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as “AAA” and Moody’s Investors Service rated them as “Aaa” during the fiscal year ended June 30, 2024, the highest rating that these services assign. The State’s bond rating from Standard & Poor’s was “AA+” during the same period, its second highest rating.

The State limits the amount of annual payments for principal and interest (or annual debt service) on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2024, the State had the legal capacity to issue additional bonds as long as the new debt would not increase annual principal and interest payments by more than the following amounts: \$134.166 million for highway bonds, \$719.734 million for general obligation bonds (excluding institution and highway bonds), \$57.347 million for economic development bonds, and \$56.775 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements on page 144 of this report for additional information about the State’s long-term debt.

Economic Factors and Next Year’s Budget

The “Rainy Day Account”

The State’s General Reserve Fund, also called the rainy day account, had a \$715.242 million balance at June 30, 2024, which was \$139.957 million greater than the balance a year earlier. Funding for this reserve is mandated by State law and by the State Constitution. If the State withdraws funds from the General Reserve Fund to cover a year-end deficit, it must replace the funds within five years. The State Constitution also requires that at least one percent of the Budgetary General Fund revenue of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved. In any year withdrawals are made that reduce the account below its predetermined full-funding level, the State Constitution requires that full-funding of the General Reserve Fund be restored within three fiscal years. State law currently defines full funding as 5.0% of the Budgetary General Fund’s revenues of the prior fiscal year. In 2022, voters decided to increase the full funding threshold of the Budgetary General Fund to 7.0% by 0.5% increments starting in fiscal year 2024.

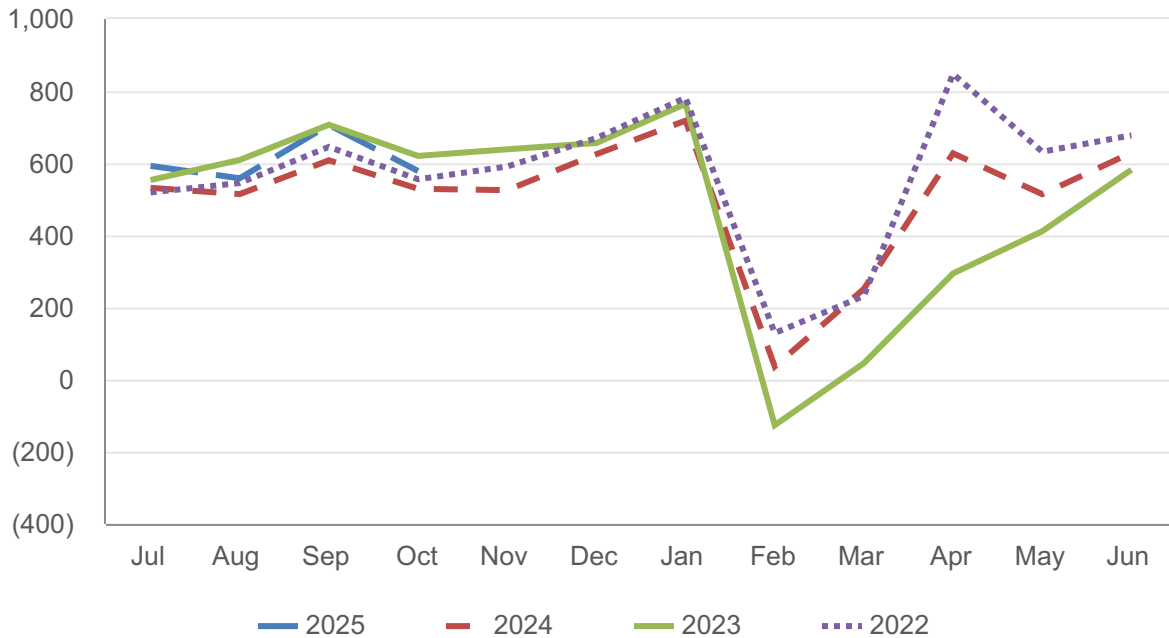
Forecasted Budgetary General Fund Revenues for Fiscal Year 2025

In May 2024, the State Board of Economic Advisors (BEA) forecast that there would be \$13.352 billion of budgetary General Fund revenues for fiscal year 2025, which was \$440.670 million, or 3.4%, more than actual corresponding revenues collected in fiscal year 2024. In November 2024, the BEA increased its 2025 fiscal year forecast another \$295.094 million. As a result, forecasted Budgetary General Fund revenues for fiscal year 2025 are currently \$735.764 million, or 5.7%, above actual revenue collections in fiscal year 2024.

Economic Conditions

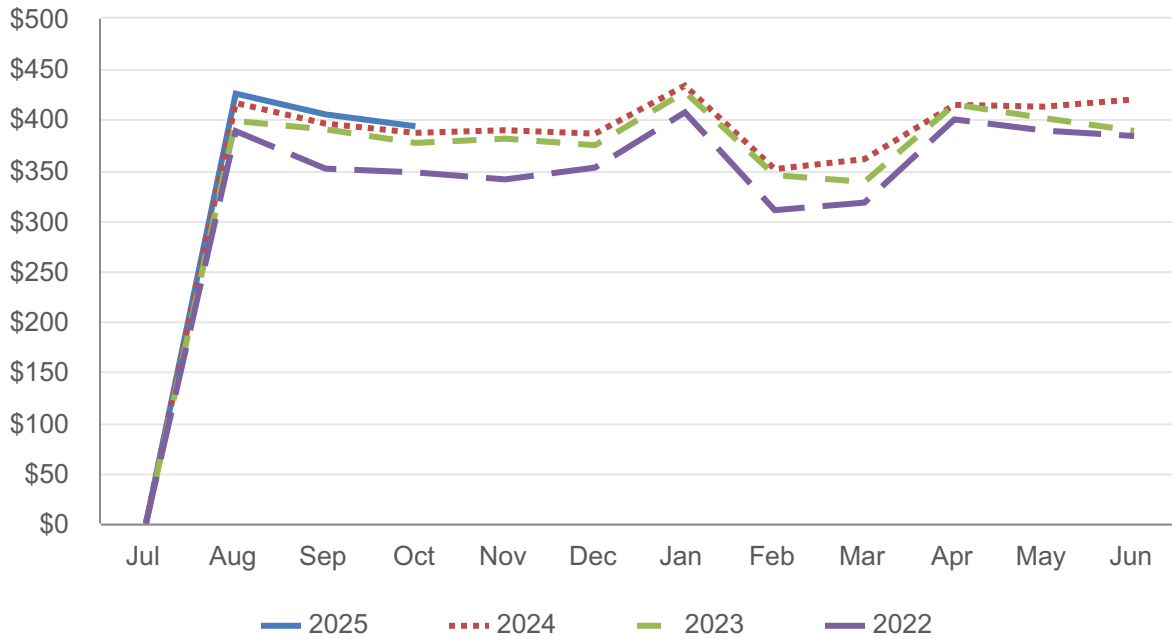
Budgetary General Fund revenues for the first four months of fiscal year 2025 were \$4.517 billion (net of \$800.815 million to the tax relief trust fund), which was an increase of \$437.467 million, or 10.7%, compared to the same period for fiscal year 2024. Total individual income taxes collected have increased by \$252.266 million, or 11.5%, compared to the same period in the prior year. Sales taxes have increased by \$24.860 million, or 2.1%, over the first four months of fiscal year 2024.

Individual Income Taxes
(Expressed in Millions)



Sales Tax

(Expressed in Millions)



Requests for Information

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

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