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

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## 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, 2021. 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 38 through 41 of this report.

There are two government-wide financial statements:

***Statement of net position:*** This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered, 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 40 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

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

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

***Business-type activities:*** These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund and Second Injury Fund 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 70).

### Fund Financial Statements

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

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The State reports three types of *funds*:

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

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

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

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

***Fiduciary funds***: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust-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 58 and 59 of this report.

## **Component Unit Financial Statements**

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

## **Notes to the Financial Statements**

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 182 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 190, 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 183 through 215 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 217 through 265 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 2021-2020
	2020		2020		2020		
	2021	(as restated)	2021	(as restated)	2021	(as restated)	
<b>Assets</b>							
Current and other assets.....	\$ 22,038,469	\$ 18,330,660	\$ 1,658,645	\$ 1,850,860	\$ 23,697,114	\$ 20,181,520	17.4%
Capital assets.....	19,318,176	18,884,311	324,093	294,491	19,642,269	19,178,802	2.4%
<b>Total assets.....</b>	<b>41,356,645</b>	<b>37,214,971</b>	<b>1,982,738</b>	<b>2,145,351</b>	<b>43,339,383</b>	<b>39,360,322</b>	<b>10.1%</b>
<b>Deferred Outflows of Resources</b>	<b>1,695,060</b>	<b>1,132,012</b>	<b>14,776</b>	<b>3,672</b>	<b>1,709,836</b>	<b>1,135,684</b>	<b>50.6%</b>
<b>Liabilities</b>							
Long-term liabilities.....	10,911,573	10,154,595	268,096	236,039	11,179,669	10,390,634	7.6%
Other liabilities.....	4,596,892	4,986,677	164,109	324,919	4,761,001	5,311,596	(10.4%)
<b>Total liabilities.....</b>	<b>15,508,465</b>	<b>15,141,272</b>	<b>432,205</b>	<b>560,958</b>	<b>15,940,670</b>	<b>15,702,230</b>	<b>1.5%</b>
<b>Deferred Inflows of Resources</b>	<b>565,569</b>	<b>547,674</b>	<b>5,454</b>	<b>1,531</b>	<b>571,023</b>	<b>549,205</b>	<b>4.0%</b>
<b>Net Position</b>							
Net investment in capital assets.....	17,534,618	16,902,032	312,603	282,806	17,847,221	17,184,838	3.9%
Restricted.....	9,497,442	9,612,909	1,366,066	1,721,780	10,863,508	11,334,689	(4.2%)
Unrestricted.....	(54,389)	(3,856,904)	(118,814)	(418,052)	(173,203)	(4,274,956)	95.9%
<b>Total net position.....</b>	<b>\$ 26,977,671</b>	<b>\$ 22,658,037</b>	<b>\$ 1,559,855</b>	<b>\$ 1,586,534</b>	<b>\$ 28,537,526</b>	<b>\$ 24,244,571</b>	<b>17.7%</b>

**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 deficit balance of (\$173.203) million at June 30, 2021. This represents an increase net position of \$4.102 billion over the prior year. Most of this increase resulted from a \$2.909 billion increase in federal grants and a \$1.909 billion increase in tax revenues. The increases in federal grant monies and tax revenues were the result of large federal grants to fight the COVID pandemic and federal stimulus monies to help keep the United States economy from declining.

The State’s *business-type activities* reported a (\$118.814) million deficit unrestricted net position. This balance consisted mostly of a \$28.952 million deficit unrestricted net position in the State-run college Tuition Prepayment Program, a \$39.415 million net pension liability, and a \$35.041 million net other post-employment benefits other than pensions (OPEB) liability. The negative unrestricted net position in the Tuition Prepayment Program, which has no pension or OPEB liabilities, was the result of projected benefits exceeding assets on hand on June 30, 2021. The pension and OPEB liabilities are required to be recognized by Governmental Accounting Standards Board Statement (GASB Statement) No. 68 (see Note 7 starting on page 104) and GASB Statement No. 75 (see Note 8 starting on page 112), respectively.

*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 Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
<b>Revenues</b>							
Program revenues:							
Charges for services.....	\$ 4,421,231	\$ 4,163,001	\$ 325,665	\$ 344,474	\$ 4,746,896	\$ 4,507,475	5.3%
Operating grants and contributions.....	13,306,491	9,677,634	2,969,920	2,377,360	16,276,411	12,054,994	35.0%
Capital grants and contributions.....	707,650	905,754	20,966	53,113	728,616	958,867	(24.0%)
General revenues:							
Individual income tax.....	5,584,914	5,045,819	—	—	5,584,914	5,045,819	10.7%
Retail sales and use tax.....	6,106,578	5,167,804	—	—	6,106,578	5,167,804	18.2%
Other tax.....	3,302,243	2,871,172	—	—	3,302,243	2,871,172	15.0%
Unrestricted grants and contributions.....	—	40	—	—	—	40	(100.0%)
Unrestricted investment income.....	71,582	470,543	48,517	55,291	120,099	525,834	(77.2%)
Tobacco legal settlement.....	88,349	71,750	—	—	88,349	71,750	23.1%
Other.....	927,258	594,187	1,213	3,344	928,471	597,531	55.4%
<b>Total revenues.....</b>	<b>34,516,296</b>	<b>28,967,704</b>	<b>3,366,281</b>	<b>2,833,582</b>	<b>37,882,577</b>	<b>31,801,286</b>	<b>19.1%</b>
<b>Expenses</b>							
Governmental activities:							
General government.....	9,004,041	6,950,505	—	—	9,004,041	6,950,505	29.5%
Education.....	5,913,437	5,233,490	—	—	5,913,437	5,233,490	13.0%
Health and environment.....	9,182,050	8,752,266	—	—	9,182,050	8,752,266	4.9%
Social services.....	2,454,063	1,783,094	—	—	2,454,063	1,783,094	37.6%
Administration of justice.....	1,105,209	1,108,837	—	—	1,105,209	1,108,837	(0.3%)
Resources and economic development.....	495,883	481,058	—	—	495,883	481,058	3.1%
Transportation.....	1,723,480	1,761,563	—	—	1,723,480	1,761,563	(2.2%)
Other.....	8,135	10,888	—	—	8,135	10,888	(25.3%)
Business-type activities:							
Unemployment compensation benefits.....	—	—	3,595,804	3,038,557	3,595,804	3,038,557	18.3%
Second Injury Fund.....	—	—	1,205	1,484	1,205	1,484	(18.8%)
Other.....	—	—	106,315	57,216	106,315	57,216	85.8%
<b>Total expenses.....</b>	<b>29,886,298</b>	<b>26,081,701</b>	<b>3,703,324</b>	<b>3,097,257</b>	<b>33,589,622</b>	<b>29,178,958</b>	<b>15.1%</b>
<b>Excess (deficiency) before transfers.....</b>	<b>4,629,998</b>	<b>2,886,003</b>	<b>(337,043)</b>	<b>(263,675)</b>	<b>4,292,955</b>	<b>2,622,328</b>	<b>63.7%</b>
Net transfers.....	(310,364)	(472,328)	310,364	472,328	—	—	—
<b>Change in net position.....</b>	<b>4,319,634</b>	<b>2,413,675</b>	<b>(26,679)</b>	<b>208,653</b>	<b>4,292,955</b>	<b>2,622,328</b>	<b>63.7%</b>
Net position at beginning of year, as restated <sup>a</sup> .....	22,658,037	20,244,362	1,586,534	1,377,881	24,244,571	21,622,243	12.1%
<b>Net position, end of year.....</b>	<b>\$ 26,977,671</b>	<b>\$ 22,658,037</b>	<b>\$ 1,559,855</b>	<b>\$ 1,586,534</b>	<b>\$ 28,537,526</b>	<b>\$ 24,244,571</b>	<b>17.7%</b>

a - See Note 15, Fund Equity Reclassifications and Restatements, on page 146 of the financial statements.

**Changes in Net Position**

The State’s total net position of its governmental activities and its business-type activities increased by \$4.293 billion, or 17.7%, over the prior year. This overall improvement in the financial position of the State was experienced primarily through increased tax revenues and federal grant revenues within the State’s governmental activities.

Governmental Activities

The net position of the State’s governmental activities increased by \$4.320 billion, or 19.1%. Revenue increased from last year by \$5.549 billion, or 19.2%, which was mostly comprised of an increase of \$1.860 billion, or 13.1%, 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.

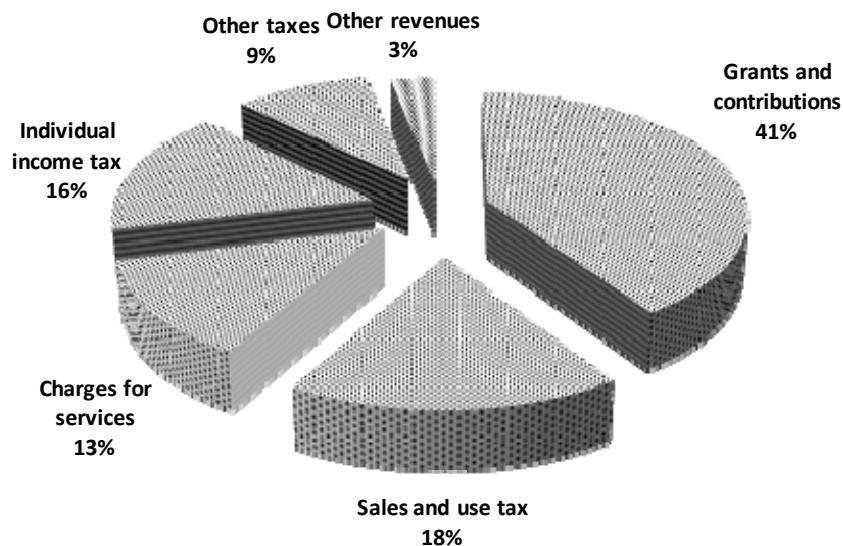
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Expenses associated with governmental activities increased by \$3.805 billion, or 14.6%, for the fiscal year ended June 30, 2021. These expenses were mostly associated with services provided for health and environment, education, general government, social services, and transportation. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State’s taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2021, the State used \$11.451 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 received \$310.364 million in net transfers from the State’s governmental activities.

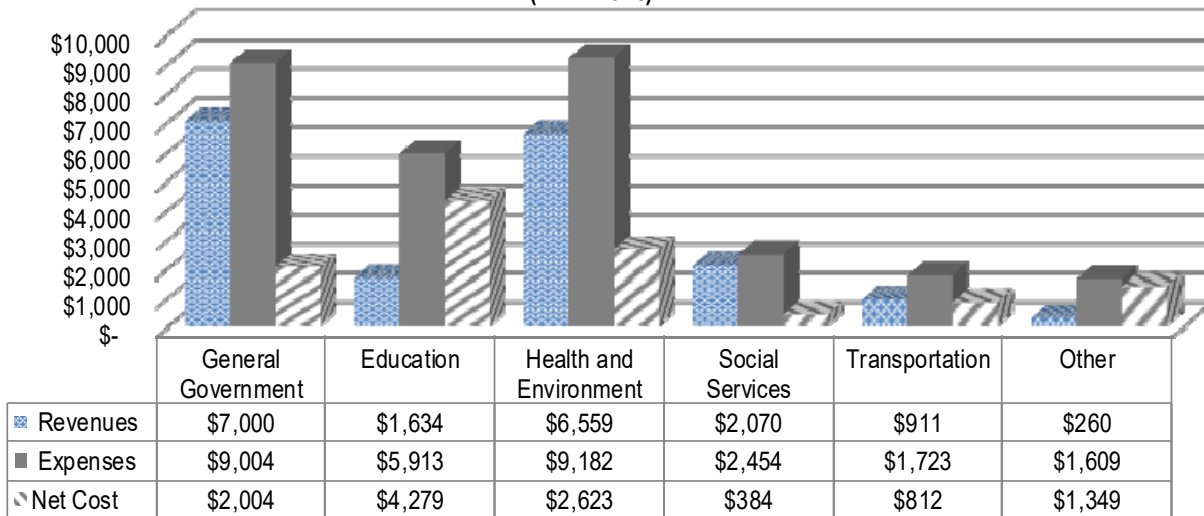
The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2021 fiscal year:

- Individual income tax revenues increased by \$539.095 million, or 10.7%, retail sales and use tax revenues increased by \$938.774 million, or 18.2%, and other taxes revenues increased by \$431.071 million, or 15.0%. Overall tax collections increased during fiscal year 2021 due to increased enforcement and improvements in consumer spending for the majority of the fiscal year 2021.
- Operating grants and contributions increased by \$3.629 billion, or 37.5%, over the prior year. This was primarily due to increased federal funding to fight the COVID-19 pandemic.
- Unrestricted investment income decreased by \$398.961 million, or 84.8%, from the previous fiscal year. This decrease was attributed to maturity date timing outside of the 2021 fiscal year.
- General government expenses increased by \$2.054 billion, or 29.6% over the prior year. The increase in general government expenses was attributable to improvements in the State’s economy, availability of budgetary appropriations, and increased demand for government services.
- Education expenses increased by \$679.947 million, or 13.0% over the prior fiscal year. The increase in education expenses was primarily due to additional State appropriations to school districts for teacher salaries and per student funding.
- Social services expenses increased by \$670.969 million, or 37.6%, due to the increase in demand for services largely caused by the COVID-19 pandemic.

**Exhibit 3**  
**Sources of Revenues Supporting Governmental Activities**  
**For the Fiscal Year Ended June 30, 2021**



*Exhibit 4*  
**Governmental Activities - Net Cost of Services**  
**For the Fiscal Year Ended June 30, 2021**  
**(In Millions)**



**Business-type Activities**

The net position of the State’s business-type activities decreased by \$26.679 million, or 1.7%.

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, 2021 was \$1.287 billion, which was a decrease of \$28.039 million, or 2.1%, 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, 2021 was \$65.384 million, which was an increase of \$10.041 million, or 18.1%, from last year.

Operating revenues of the Unemployment Compensation Fund increased by \$555.181 million, or 20.6%, and operating expenses for the payment of unemployment compensation benefits increased by \$557.247 million, or 18.3%, during the 2021 fiscal year. The increases in operating revenues and expenses resulted directly from the effects of the COVID-19 pandemic on unemployment rates within the State and throughout the country. Additionally, operating revenues for the Second Injury Fund have increased by \$395 thousand, or 3.6%, and operating expenses for the payment of Second Injury Fund claims remained at a low level during the 2021 fiscal year due to the Second Injury Fund’s closure plan that took effect in fiscal year 2019.

**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, 2021.

Exhibit 5

**Governmental Fund Balances**  
**For the Fiscal Year Ended June 30, 2021**  
*(Expressed in Thousands)*

	<b>General Fund</b>	<b>Departmental Program Services</b>	<b>Local Government Infrastructure</b>	<b>Department of Transportation Special Revenue</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable.....	\$ 138,407	\$ 76,596	\$ —	\$ 10,372	\$ 11,914	\$ 237,289
Restricted.....	1,343,636	1,637,021	2,218,756	1,091,829	936,713	7,227,955
Committed.....	627,935	61,280	—	366,624	58,306	1,114,145
Assigned.....	371,923	—	—	—	93,093	465,016
Unassigned.....	8,148,491	(1,344,594)	—	—	—	6,803,897
<b>Totals.....</b>	<b>\$10,630,392</b>	<b>\$ 430,303</b>	<b>\$ 2,218,756</b>	<b>\$ 1,468,825</b>	<b>\$ 1,100,026</b>	<b>\$ 15,848,302</b>
<b>Change from prior year.....</b>	<b>\$ 3,684,470</b>	<b>\$ (57,348)</b>	<b>\$ (72,701)</b>	<b>\$ 316,372</b>	<b>\$ 132,173</b>	<b>\$ 4,002,966</b>
<b>Percentage change.....</b>	<b>53.0%</b>	<b>(11.8%)</b>	<b>(3.2%)</b>	<b>27.5%</b>	<b>13.7%</b>	<b>33.8%</b>

At June 30, 2021, total ending fund balance for the State’s governmental funds was \$15.848 billion, which represents an increase of \$4.003 billion, or 33.8%, from the prior year. This total contains an *unassigned* fund balance of \$6.804 billion. The total also includes \$8.148 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 45.6% 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 \$541.604 million, or 10.8%; retail sales and use tax of \$724.032 million, or 17.8%; insurance tax of \$10.693 million, or 5.0%; and other taxes of \$63.843 million, or 9.9%, from the prior year. General Fund expenditures, which decreased by \$367.249 million, or 3.4%, were also below the total General Fund revenues, indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens, thus expanding services when possible. During the 2021 fiscal year, the total fund balance decreased by \$57.348 million, or 11.8%, from the prior year. The decrease in fund balance was primarily the result of increased federal grant expenditures related to the efforts to fight the COVID-19 pandemic. The primary source of revenue for the fund is federal revenues, which account for \$12.079 billion, or 94.2%, of the total revenue reported. These grants are mostly 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 decreased by \$72.701 million, or 3.2%, during the 2021 fiscal year, leaving a balance of \$2.219 billion at the end of the fiscal year. The decrease in fund balance was mostly the result of a \$123.814 million decrease in interest and other investment income and contributions income.

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 \$316.372 million, or 27.5%, during the 2021 fiscal year, leaving a balance of \$1.469 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.

*Nonmajor Governmental Funds* are used to account for funds that are restricted for specific purposes, including education, healthcare, and local governments. The \$132.173 million, or 13.7%, increase in fund balance during the 2021 fiscal year was primarily the result of increases in accommodations and local option sales tax revenues.



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## Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2021.

*Exhibit 6*  
**Proprietary Fund Net Position**  
**For the Fiscal Year Ended June 30, 2021**  
*(Expressed in Thousands)*

<u>Fund Net Position</u>	<u>Enterprise Funds</u>			<u>Total Enterprise</u>	<u>Internal Service Funds</u>
	<u>Unemployment Compensation</u>	<u>Second Injury</u>	<u>Nonmajor Enterprise</u>		
Net investment in capital assets.....	\$ —	\$ —	\$ 312,603	\$ 312,603	\$ 79,544
Restricted, expendable.....	1,300,682	65,384	—	1,366,066	481,057
Unrestricted.....	(14,017)	—	(104,797)	(118,814)	329,711
<b>Totals.....</b>	<b>\$ 1,286,665</b>	<b>\$ 65,384</b>	<b>\$ 207,806</b>	<b>\$ 1,559,855</b>	<b>\$ 890,312</b>
<b>Change from prior year.....</b>	<b>\$ (28,039)</b>	<b>\$ 10,041</b>	<b>\$ (8,681)</b>	<b>\$ (26,679)</b>	<b>\$ 4,921</b>
<b>Percentage change.....</b>	<b>(2.1%)</b>	<b>18.1%</b>	<b>(4.0%)</b>	<b>(1.7%)</b>	<b>0.6%</b>

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, decreased by \$28.039 million, or 2.1%, over the prior year. The decrease in net position was the result of additional expenses related to unemployment benefits and claims related to the COVID-19 pandemic, but the fund was still able to operate without obtaining additional advances from the Federal government since May 2011.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by \$10.041 million, or 18.1%, over the prior year. As stated on page 29, 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 \$8.681 million, or 4.0%, over the prior year. The decrease in the State's *nonmajor enterprise funds'* net position was primarily due to the Other Enterprise fund's portion of the State's net pension and OPEB liabilities increasing within the fund by \$47.009 million during the current fiscal year. Its proportion of these liabilities increased mostly due to the GASB Statement No. 84, *Fiduciary Activities*, change in accounting principle. The increase in expenses within the Other Enterprise Fund was partially offset by a \$19.252 million increase in license, fee, and permit revenues, which also was attributable to GASB Statement No. 84.

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 \$4.921 million, or 0.6%, in the 2021 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.

### Budgetary General Fund Highlights

Estimated revenues for the 2021 fiscal year were \$8.923 billion. Actual revenues at June 30, 2021, were \$1.537 billion, or 17.2%, over the estimated revenue used in the fiscal year 2021 budget appropriations act. This also represented an increase in collections over the prior year of \$1.280 billion, or 13.9%. Individual income and sales tax collections are the fund's major revenue sources. Individual income tax collections ended the year over the adjusted estimate by \$713.365 million and sales tax collections ended the year over the adjusted estimate by \$425.994 million.

Actual expenditures were \$2.062 billion less than actual revenues. Also, expenditures were kept \$681.328 million under fiscal year 2021 adjusted appropriations. In addition, \$1.482 million of unbudgeted spending occurred through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2021 ended with a budgetary surplus, which resulted in a budgetary General Fund balance after reservation of \$3.615 billion.

See the *Required Supplementary Information* section on pages 183 through 190 of this report for a detailed budgetary comparison schedule.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the 2021 fiscal year, the State had \$19.642 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of \$463.466 million, or 2.4%, over the previous fiscal year (see *Exhibit 7*).

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

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2020		2020		2020		2021-2020
	2021	(as restated)	2021	(as restated)	2021	(as restated)	
Land and improvements.....	\$ 2,336,603	\$ 2,294,497	\$ 191,184	\$ 170,982	\$ 2,527,787	\$ 2,465,479	2.5%
Infrastructure.....	11,490,950	10,930,987	—	—	11,490,950	10,930,987	5.1%
Buildings and improvements.....	962,597	1,007,960	14,227	14,711	976,824	1,022,671	(4.5%)
Vehicles.....	269,768	248,030	633	743	270,401	248,773	8.7%
Machinery and equipment.....	228,579	223,665	3,967	3,566	232,546	227,231	2.3%
Works of art and historical treasures...	3,298	3,362	—	—	3,298	3,362	(1.9%)
Construction in progress.....	3,883,575	3,941,195	114,082	104,488	3,997,657	4,045,683	(1.2%)
Intangible assets.....	142,806	234,617	—	—	142,806	234,617	(39.1%)
<b>Total.....</b>	<b>\$ 19,318,176</b>	<b>\$ 18,884,313</b>	<b>\$ 324,093</b>	<b>\$ 294,490</b>	<b>\$ 19,642,269</b>	<b>\$ 19,178,803</b>	<b>2.4%</b>

Growth in capital asset investment occurred mostly in infrastructure. The Department of Transportation converted \$782.046 million of previous and current year construction in progress into infrastructure. 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 102 of this report for additional information on the State’s capital assets.

# State of South Carolina

## Debt Outstanding

At June 30, 2021, the State had \$1.851 billion in bonds and notes outstanding—a decrease of \$216.266 million, or a 10.5%, from the previous year (see *Exhibit 8*).

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

	Governmental		Business-type		Totals—Primary Government		Total
	Activities		Activities				Percentage
	2021	2020	2021	2020	2021	2020	Change
							2021-2020
<b>Backed by the State:</b>							
General obligation bonds.....	\$ 265,229	\$ 368,747	\$ —	\$ —	\$ 265,229	\$ 368,747	(28.1%)
<b>Backed by Specific Revenues:</b>							
Revenue bonds and notes.....	102,026	128,374	11,490	11,685	113,516	140,059	(19.0%)
Infrastructure Bank bonds.....	1,472,319	1,558,524	—	—	1,472,319	1,558,524	(5.5%)
<b>Total.....</b>	<b>\$1,839,574</b>	<b>\$ 2,055,645</b>	<b>\$ 11,490</b>	<b>\$ 11,685</b>	<b>\$1,851,064</b>	<b>\$ 2,067,330</b>	<b>(10.5%)</b>

The repayment of principal on outstanding debt exceeded issuances of debt, resulting in a decrease in debt outstanding for governmental activities of \$216.071 million, or 10.5%. Contributing to this decline was a major refunding of general obligation bonds.

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, 2021, 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, 2021, 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: \$100.837 million for highway bonds, \$520.297 million for general obligation bonds (excluding institution and highway bonds), \$41.612 million for economic development bonds, and \$41.040 million for research university infrastructure bonds.

See Note 12 in the notes to the financial statements on page 136 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 \$440.238 million balance at June 30, 2021, which was \$34.025 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 pre-determined full-funding level, the State Constitution requires that full-funding of the General Reserve Fund be restored within three fiscal years. State law defines full funding as 5.0% of the Budgetary General Fund’s revenues of the prior fiscal year.

### Forecasted Budgetary General Fund Revenues for Fiscal Year 2022

In April 2021, the State Board of Economic Advisors (BEA) forecast that there would be \$9.163 billion of budgetary General Fund revenues for fiscal year 2022, which was \$1.297 billion, or 12.4%, less than actual corresponding revenues collected in fiscal year 2021. In November 2021, the BEA increased its 2022 fiscal year forecast another \$1.095 billion. As a

# State of South Carolina

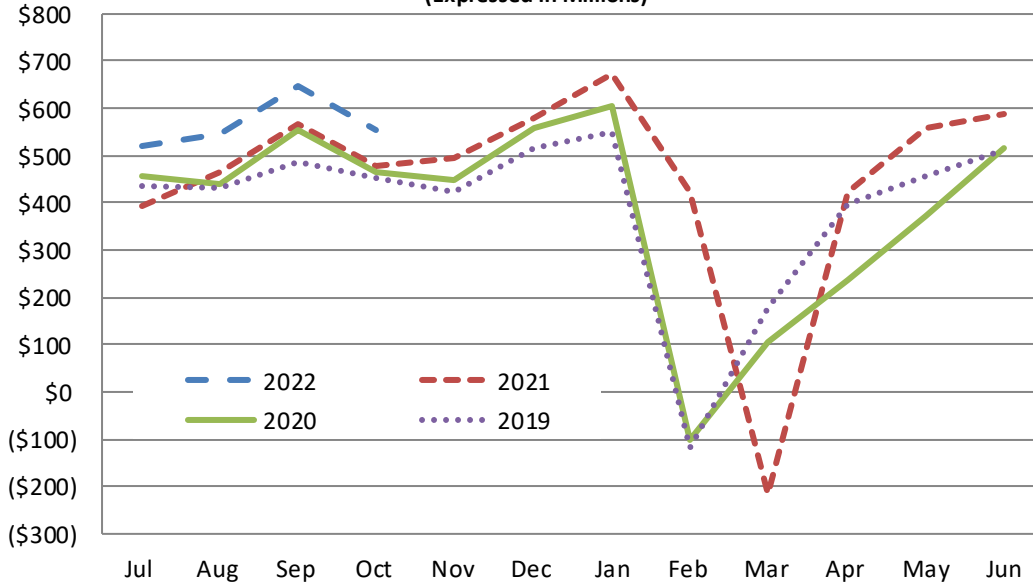
result, forecasted Budgetary General Fund revenues for fiscal year 2022 are currently \$202.451 million, or 1.9%, below actual revenue collections in fiscal year 2021.

## Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2022 were \$3.222 billion (net of \$650.023 million to the tax relief trust fund), which was an increase of \$619.117 million, or 23.8%, compared to the same period for fiscal year 2021. Total individual income taxes collected have increased by \$360.129 million, or 18.9%, compared to the same period in the prior year. Sales taxes have increased by \$193.489 million, or 21.6%, over the first four months of fiscal year 2021.

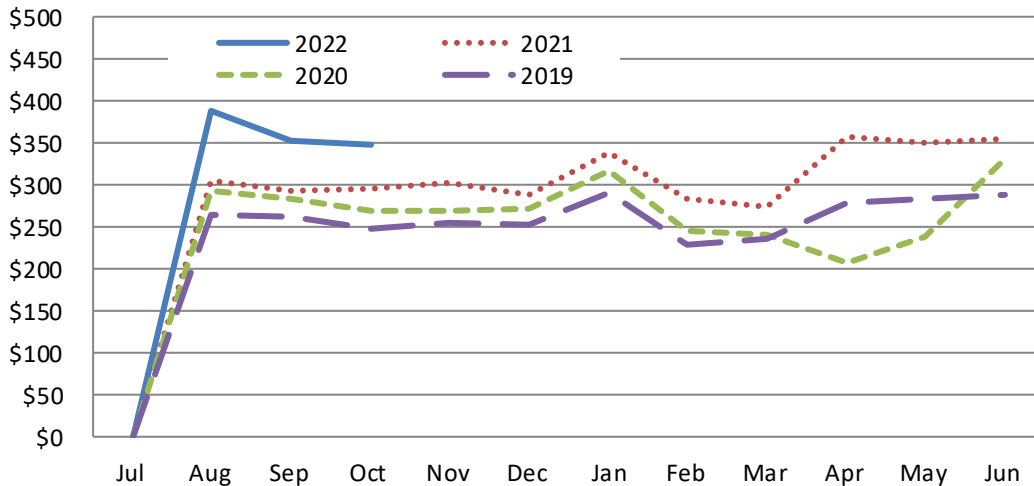
### Individual Income Taxes

(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:

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