

GOING FURTHER

**SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**



CPAs & ADVISORS



September 30, 2025

Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Department of Transportation for the fiscal year ended June 30, 2025, 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,

Sue F. Moss, CPA
Interim State Auditor

South Carolina Department of Transportation

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Independent Auditor's Report

Ms. Sue F. Moss, CPA
Interim State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the **South Carolina Department of Transportation** (the "Department"), a department of the State of South Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Department as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Connector 2000 Association, Inc., which represents 100% of the assets and revenues of the discretely presented component unit as of June 30, 2025, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Connector 2000 Association, Inc. is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Connector 2000 Association, Inc. were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical reporting requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the discretely presented component unit, and each major fund of the State of South Carolina that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

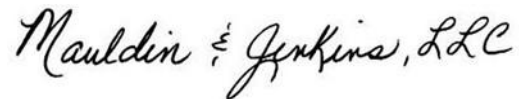
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11), the budgetary comparison schedule (on pages 48 and 49), the Schedules of the Department's Proportionate Share of the Net Pension Liability (on pages 52 and 53), the Schedules of the Department's Pension Contributions (on page 54), the Schedule of the Department's Proportionate Share of the Net OPEB Liability (on page 56), and the Schedule of the Department's OPEB Contributions (on page 56), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the South Carolina Department of Transportation'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 Department'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 Department's internal control over financial reporting and compliance.



Columbia, South Carolina
September 30, 2025

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

As management of the South Carolina Department of Transportation (the "Department"), we provide this *Management's Discussion and Analysis* of the Department's financial statements for the fiscal year ended June 30, 2025 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Department's financial statements, which follow.

Included in these financial statements is the discretely reported information of one component unit, the *Connector 2000 Association, Inc. (the Association)*, which operates the Southern Connector toll road in Greenville County under a license agreement with the Department. Component units are legally separate organizations for which the elected/appointed officials of the primary entity are financially accountable. The Department's inclusion of the Association as a component unit is done for the purpose of communicating information about its component unit as required by generally accepted accounting principles. It is not intended to create the perception that the Department has a legal or financial responsibility for the Association. The Association's financial statements are independently audited and a separate annual report with the auditor's opinion is dated April 21, 2025. We refer readers to that report and our financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Primary Entity

Net Position - The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2025 by \$22.9 billion (presented as "Net Position"). Of this amount, an excess of \$319.3 million was reported as "unrestricted net position." Part of the excess in unrestricted net position is due to the Department reporting \$756.1 million in pension and OPEB liabilities. The Department's component unit, Connector 2000 Association, Inc. reported a *net position deficit* of (\$131.9) million as of December 31, 2024, the close of its fiscal year.

Changes in Net Position - The Department's total net position increased by \$1.5 billion, or 7.3% in fiscal year 2025. The increase in net position can be attributed to an increase in self-constructed infrastructure assets net of accumulated depreciation and a donation of infrastructure assets from the South Carolina Transportation Infrastructure Bank, as well as \$891.8 million in revenues from the Infrastructure Maintenance Trust Fund.

Capital Assets – Capital Assets, net of depreciation, which include infrastructure, were approximately \$20.9 billion at June 30, 2025, for the Department. Capital additions for the year totaled \$1.6 billion. The carrying value of capital assets removed from the records this year was \$6.2 million.

Long-term Obligations - The Department's total net long-term obligations increased by \$125.3 million (18.3%) during the current fiscal year to \$810.4 million. This change is primarily attributable to a \$41.9 million decrease in OPEB and pension liabilities.

FUND ACTIVITY

Governmental Funds - Fund Balances - As of the close of fiscal year 2025, the Department's governmental funds reported a combined ending fund balance of \$2.8 billion, an increase of \$224 million in comparison with the prior year. Of this total amount, \$1.1 billion represents the committed fund balance which has been committed for spending at the Department's discretion on future road and bridge construction and maintenance or other necessary activities, \$1.4 billion in restricted fund balance to fund maintenance expenditures on existing roadways, bridges, and capital purchases and \$395.7 million in restricted fund balance to fund the County Transportation Committees Fund. Revenue and other financing sources exceed expenditures by \$219.1 million.

In the current fiscal year, highway maintenance expenditures increased by 19.4% over the previous year while capital assets decreased by 0.47%. Operating expenditures, excluding debt service increased by 26.9%, debt service increased by 21.3% and allocations to other entities increased by 0.53%. Overall revenues increased by 14%. Federal revenues decreased 7.4% over last year; and motor fuel and fee revenue were up 1.36% from the previous year. Revenues from the Infrastructure Maintenance Trust Fund increased 0.04%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements include three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These sections are described below:

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad overview of the Department's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Department's financial position, which assists in assessing the Department's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Position* presents all of the Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as "net position". Over time, increases or decreases in the Department's net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Department.

Both of the above financial statements have separate columns for two different types of programs or activities. These two types of activities are:

Governmental Activities – The activities in this column are mostly supported by motor fuel taxes and intergovernmental revenues (federal grants). All services normally associated with the Department fall into this category.

Component Unit – The activities in this column are solely supported by the activities of the component unit. All services associated with the component unit fall into this category.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The Department, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are categorized as governmental funds. The discretely presented component unit, Connector 2000 Association, Inc., is considered a proprietary fund. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds – Most of the basic services provided by the Department are financed through the governmental funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Department's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Department.

Because the focus of the governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the Departmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Department has three governmental funds, which are special revenue funds, described as follows:

Transportation Special Revenue Fund – The Transportation Special Revenue Fund, which is a special revenue fund, generally records the expenditure of revenues that are committed or restricted to specific programs or projects. This special revenue fund accounts for federal grant program revenues, taxes levied with statutorily defined distributions, and other resources committed or restricted as to purpose. Charges for and costs of operations of vehicles and other equipment utilized for road and bridge network projects are reported in this fund. The Transportation Special Revenue Fund was established pursuant to Section 57-11-20 of the Code of Laws of South Carolina (the "Code").

This fund accounts for, among others, gasoline user fee, and other special imposts upon highway users for the construction and maintenance of highways and bridges and for other operations of the Department. This fund also accounts for revenue from the sales of goods and services and from participation agreements between the Department and other entities for the sharing of costs of construction projects. The Department's appropriation from the State's General Fund is also included in this fund.

Infrastructure Maintenance Trust Special Revenue Fund – Established during fiscal year 2017, the Infrastructure Maintenance Trust Fund was created by South Carolina Act 40 of 2017 and provides additional funding to the Department to be used for the repairs, maintenance and improvements to the existing transportation system.

This fund accounts for a 2 cents increase to the existing gasoline user fee per year for six years, an infrastructure maintenance fee imposed on the registration of vehicles, trailers, semi-trailers and other items pursuant to Chapter 3 of Title 56 of the Code, a motor carrier road use fee, an increase in biennial vehicle registration fees and a road use fee on hybrid and alternative fuel vehicles. The Infrastructure Maintenance Trust Fund is a special revenue fund as all funds are restricted by law to the repairs, maintenance, and improvements of the existing transportation matching and \$200 million for the County Transportation Committees system.

County Transportation Committees Fund – The County Transportation Committees Fund was established pursuant to Section 12-28-2740 of the Code to provide for the receipt and use of the 2.66 cents per gallon gasoline user fee designated for the County Transportation Committees. Beginning July 1, 2018, the South Carolina Act 40 of 2017, increased the County Transportation Committees' portion annually by .3325 cents per gallon through July 1, 2021, when the total amount reached 3.99 cents per gallon. The County Transportation Committees Fund also receives a transfer of up to \$20.5 million annually from the Infrastructure Maintenance Trust Fund. Each county has a Transportation Committee that is appointed by the county legislative delegation to administer the use of these funds. Based on the legally prescribed allocation formula, these monies are either paid directly to the counties for infrastructure projects that are administered by the counties or to vendors on behalf of the counties for expenditures incurred on projects that the County Transportation Committees have contracted the Department to administer.

The governmental funds financial statements can be found immediately following the government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Required Supplementary Information

The basic financial statements are preceded by the management discussion and analysis and are followed by another section of required supplementary information. This section includes a budgetary comparison schedule for the *governmental funds*, which includes comparisons of original budget to final budget to actual outflow (expenditures) on a non-GAAP budgetary basis. This section also includes financial disclosures of the Department’s proportionate share of SCRS and PORS pension liabilities, actual contributions to these two retirement programs on behalf of current and former employees of the Department, retiree health benefit (OPEB) liabilities, and related contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The Department’s assets and deferred outflows of resources (all classified as governmental activities) exceeded liabilities and deferred inflows of resources by \$22.9 billion at the close of business on June 30, 2025, (See **Table A-1** for a summary of net position for fiscal years 2024-2025 and 2023-2024). The largest portion of the Department’s net position (90.8%) reflects its investment in infrastructure and other capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The Department uses these capital assets to fulfill its primary mission to provide a safe and efficient transportation system for the State of South Carolina. Consequentially, these assets are not available for future spending. Although the Department’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
SCDOT Net Position
(In Millions)

	Governmental Activities	
	2025	2024
Current assets	\$ 3,738.1	\$ 3,698.9
Noncurrent assets	0.3	0.3
Capital assets	20,914.3	19,585.0
Deferred outflows of resources	240.3	129.3
Total assets and deferred outflows of resources	\$ 24,893.0	\$ 23,413.5
Current liabilities	934.2	1,107.0
Noncurrent liabilities	786.8	649.7
Deferred inflows of resources	266.4	294.5
Total liabilities and deferred inflows of resources	\$ 1,987.4	\$ 2,051.2
Net position:		
Net investments in capital assets	20,805.6	19,576.8
Restricted	1,780.7	1,825.9
Unrestricted	319.3	(40.4)
Total net position	\$ 22,905.6	\$ 21,362.3

At June 30, 2025, the Department's net position includes resources that are subject to external restrictions on how they may be used or represent amounts invested in capital assets net of related debt. The remaining or unrestricted balance of net position is an excess of \$319.3 million primarily caused by the Department's pension and OPEB liabilities. Internally imposed designations of resources are not presented as restricted net position.

Changes in Net Position

The Department's net position increased by \$1.5 billion, or 7.3%. The balance of the increase in net position can be attributed to an increase in self-constructed infrastructure assets net of accumulated depreciation. As stated earlier, the primary purpose of the Department is to maintain and preserve road infrastructure assets. Furthermore, the South Carolina Transportation Infrastructure Bank donated \$8.5 million in infrastructure assets to the Department.

In 2025, the Department's program expenses exceeded program revenues by \$219.1 million. A breakdown of the \$3.5 billion in gross revenues reveals that motor fuel user fees of \$1.0 billion represented 29.4 %, while federal grants and contributions of \$1 billion represented 28.8%. Other revenue sources representing 41.8% of revenues came from various sources including motor vehicle fees, charges for services, state appropriations, and interest income.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and included \$25 billion to transit agencies to help to prevent, prepare for, and respond to the COVID-19 pandemic. The apportionment for South Carolina was \$120 million - \$75.2 million for large and small urban transit systems and \$44.8 million for rural transit systems. Funding is provided at a 100-percent federal share for all 27 public transit systems in the state, with no local match required. (These funds are administered by the Federal Transit Administration and in fiscal year 2025, the Department received approximately \$18.7 million in reimbursements).

Table A-2 presents a breakdown of these revenues and expenses for fiscal year 2024-2025 with comparative figures for the prior year.

Table A-2
SCDOT Changes in Net Position
(In Millions)

	Governmental Activities			
	2025	% of Revenue	2024	% of Revenue
Revenues:				
Program Revenues:				
Charges for Services	\$ 89.5	3%	\$ 106.4	3%
Operating Grants and Contributions	120.0	3%	153.7	5%
Capital Grants and Contributions	912.8	26%	980.0	31%
General Revenues:				
Motor Fuel User Fees	1,039.7	29%	1,025.8	33%
Infrastructure Maintenance Fees	383.4	11%	368.8	12%
Taxes	13.8	0%	11.1	0%
Unclaimed Income Tax Credit	-	0%	2.6	0%
Other Revenues	141.9	4%	127.8	4%
State Appropriations	687.0	19%	223.6	7%
Investment Earnings	165.5	5%	138.6	4%
Total revenues	\$ 3,553.6	100%	\$ 3,138.4	100%
Expenses:				
Public Transportation	1,990.4		1,593.7	
Unallocated Interest Expense	-		0.6	
Total Expenses	1,990.4		1,594.3	
Changes in Net Position	\$ 1,563.2		\$ 1,544.1	

FINANCIAL ANALYSIS OF THE DEPARTMENT'S INDIVIDUAL FUNDS

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Department's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Department's Transportation Special Revenue Fund reported ending fund balance of \$1.06 billion, an increase of \$269.3 million in comparison with the prior year. Committed fund balance is 99.02% of the total fund balance or \$1.05 billion, which has been approved by the Board of Commissioners for spending in the coming years. The remainder of fund balance is "non-spendable" for 1) for inventories and prepaid items (\$10.1 million), 2) for long-term receivables (\$54 thousand) and 3) for other assets (\$203 thousand).

The Department's Infrastructure Maintenance Trust Special Revenue Fund reported ending fund balance of \$1.38 billion, a decrease of \$228.3 million from prior year. Restricted fund balance is 100% of the total fund balance or \$1.38 billion, as it has been restricted by law to fund maintenance expenditures of existing roadways.

The Department's County Transportation Committees Special Revenue Fund reported ending fund balance of \$395.6 million, an increase of \$53 thousand from the prior year. Restricted fund balance is 100% of the total fund balance or \$395.6 million, as it has been restricted by law to fund county transportation committees' expenditures.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The South Carolina Appropriations Act as enacted becomes the legal operating budget for the Department. The Department's legally adopted budget is presented at the program level including the restricted, earmarked, and general funds appropriated and is included in Other Budgeted Funds for the State. Legal level of authority exists at the program level and any revisions to the budget over and above the amount totally appropriated must be approved by the State Fiscal Accountability Authority. The Department has the authority to carry forward any unspent cash balances in certain earmarked accounts and appropriate those balances to meet program expenditures.

Program expenditures for permanent improvements and maintenance that are 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 budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$26.9 billion, less accumulated depreciation of \$6 billion, leaving a net book value of \$20.9 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally stationary in nature and can be preserved for a significantly longer period than most capital assets. In the case of the Department, infrastructure assets are classified into three networks: roads, bridges and right of ways. Costs or estimated costs of infrastructure and related depreciation were recorded retroactively back to the year 1917. The Department has chosen to depreciate infrastructure assets (excluding right of ways).

Table A-3 summarizes capital assets for fiscal year 2024-2025 with comparative figures for the prior year.

Table A-3
SCDOT Capital Assets

(In Millions)

	Primary Government	
	2025	2024
Land and improvements	\$ 4.6	\$ 4.7
Buildings and Improvements	93.4	94.2
Furniture, Vehicles and Equipment	364.0	344.4
Subscription Based IT Arrangements	22.1	17.4
Infrastructure		
Right of Way	2,046.1	1,979.1
Roads and Bridges	18,074.5	17,005.9
Construction in Progress	6,325.2	5,891.4
Total Cost	\$ 26,929.9	\$ 25,337.1
Less Accumulated Depreciation	6,015.6	5,752.1
Net Capital Assets	\$ 20,914.3	\$ 19,585.0

The total increase in the Department's investment in capital assets for the current fiscal year was about 12.8% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$1.6 billion for the year. Donated assets equaled \$8.5 million. Depreciation charges for the year totaled \$274.1 million. There was a total of \$6.2 million in net capital assets disposed of during the year. Refer to note 6 in the financial statements for additional information on capital assets.

Long Term Debt and Other Long Term Obligations

The authority of the Department to incur debt is described in Sections 57-11-210 of the South Carolina Code and continued and amended by Section 11-27-30 thereof, authorizing the issuance of general obligation State Highway Bonds for highway construction and related purposes backed by the full faith and credit of the state. State Highway Bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for state highway purposes from gasoline and fuel oil taxes and motor vehicle license fees.

The Department's total net long-term obligations increased by \$125.3 million during the current fiscal year to \$810.4 million. The net increase is primarily attributed to the increase in net OPEB liability (\$91.1 million). Other long-term debt includes accrued compensated absences of \$45.7 million (net increase for the year of \$13.4 million). Due within one year for all long-term obligations is \$26.7 million. Refer to notes 7, 8 and 9 of the financial statements for additional information on debt administration and the in-substance defeasance.

The Department's net pension liability has been recorded in accordance with GASB Statement No. 68 and represents the Department's share of the State's net pension liability. The net pension liability as of June 30, 2024 was \$380.6 million and at June 30, 2025, it had increased to \$414.2 million. The decrease is due to an overall decrease in the net pension liability in the pension plan of the State. GASB Statement No. 68 does not affect the Department's required contributions to the pension plan. See note 12 to the financial statements for additional information regarding the Department's pension plan.

The Department is required to record its proportionate share of the net OPEB liability in accordance with GASB Statement No. 75 and represents the Department's share of the State's net OPEB liability related to the State's Retiree Health Insurance Trust Fund. The net OPEB liability as of June 30, 2025 was \$341.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

One of the largest revenue sources for the Department are federal funds derived from the federal motor fuel user fees.

On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58, also known as the "Bipartisan Infrastructure Law") into law. The IIJA is the largest long-term investment of infrastructure and the economy in the Nation's history. Nationally, it provides \$550 billion over fiscal years 2022 through 2026 in new Federal investment in infrastructure, including in roads, bridges, and mass transit, water infrastructure, resilience, and broadband.

The IIJA will integrate well into SCDOT's 10-Year plan to upgrade and improve South Carolina's road and bridge network. The 10-Year Plan was launched in 2017 and is backed by a combination of state and federal funds, including having already incorporated into it the baseline funding included in the bipartisan federal infrastructure funding package. The 10-Year Plan is focused on repaving thousands of miles of highways in the state, replacing hundreds of bridges, widening of critical segments of our interstates and improving many rural roads to drive down our state's rural fatality rate.

The IIJA also included some additional funding, above and beyond the baseline levels. The additional federal funding is projected to be approximately \$250 million per year and will flow directly to SCDOT for incorporation into the 10-Year Plan.

During the 2024-2025 Legislative Session, the General Assembly provided the Department the following: \$120 million in recurring funds to provide match for the increased Federal Funding, \$1 million for off-interstate litter pickup, \$200 million for Bridge Modernization and \$35 million for unreimbursed Hurricane Helene expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Department's finances for all of the Department's taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Department's accountability for the money it receives.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Department of Transportation
Deputy Secretary of Finance and Administration
955 Park Street, Suite 304
Columbia, South Carolina 29202-0191

The Department's component unit, Connector 2000 Association, Inc., issues its own separately audited financial statements. These statements may be obtained by directly contacting Southern Connector at Post Office Box 408, Piedmont, South Carolina 29673 or by telephone at (864) 527-2150.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF NET POSITION

JUNE 30, 2025

(In Thousands)

	Primary Entity Governmental Activities	Component Unit
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	\$ 2,507,808	\$ 2,681
Invested securities lending collateral	105,694	-
Receivables:		
Federal government	124,866	-
State government	921,477	-
Local governments	23,637	-
Other entities, net of allowances	5,055	-
Accrued interest receivable	39,364	-
Prepaid items	3,976	89
Inventories	6,180	78
Total current assets	3,738,057	2,848
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	-	20,975
Total restricted assets	-	20,975
Receivables, net of current portion:		
Other entities	54	-
Other assets	203	-
Non-depreciable capital assets	8,375,856	-
Capital assets, net of accumulated depreciation	12,538,447	95,856
Total noncurrent assets	20,914,560	116,831
TOTAL ASSETS	24,652,617	119,679
Deferred outflows of resources:		
Deferred outflows of resources related to pensions	102,492	-
Deferred outflows of resources related to OPEB	137,760	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 240,252	\$ -

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF NET POSITION

JUNE 30, 2025

(Continued)

(In Thousands)

	<u>Primary Entity Governmental Activities</u>	<u>Component Unit</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Liabilities:		
Current liabilities:		
Bonds payable, including unamortized premium	\$ -	\$ 13,697
Note payable, current portion	-	156
Accounts payable	411,095	250
Intergovernmental payable:		
Due to state agency	18,717	-
Financed purchase payable	340	-
Subscription liability	3,792	-
Accrued payroll and related liabilities	31,467	-
Accrued compensated absences	32,294	-
Unearned revenue	327,468	1,236
Deposits	3,308	-
Securities lending collateral	105,694	-
Total current liabilities	934,175	15,339
Noncurrent liabilities:		
Bonds payable, net of current portion	-	235,988
Note payable, net of current portion	-	254
Financed purchase payable, net of current portion	2,444	-
Subscription liability, net of current portion	2,058	-
Accrued compensated absences, net of current portion	26,219	-
Net pension liability	414,190	-
Net OPEB liability	341,872	-
Total noncurrent liabilities	786,783	236,242
TOTAL LIABILITIES	1,720,958	251,581
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	20,460	-
Deferred inflows of resources related to OPEB	145,892	-
Deferred inflows of resources related to public-public partnership	100,085	-
TOTAL DEFERRED INFLOWS OF RESOURCES	266,437	-
Net position:		
Net investment in capital assets	20,805,585	(471)
Restricted:		
SCDOT maintenance	1,384,913	5,116
County Transportation Committees	395,655	-
Unrestricted	319,322	(136,547)
TOTAL NET POSITION	\$22,905,475	\$ (131,902)

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

(In Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Primary entity:						
Public transportation	\$ 1,989,948	\$ 89,458	\$ 120,040	\$ 912,834	\$ (867,616)	\$ -
Unallocated interest expense	421	-	-	-	(421)	-
Total primary entity	1,990,369	89,458	120,040	912,834	(868,037)	-
Component unit:						
Toll operations	\$ 25,339	\$ 20,348	\$ -	\$ -	\$ -	\$ (4,991)
Totals					(868,037)	(4,991)
General revenues:						
Motor fuel user fees					1,039,676	-
Taxes (sales and use/electric power)					14,050	-
Infrastructure maintenance fees					383,374	-
Unclaimed tax credit					15	-
Other revenues					202,663	-
State appropriations					625,964	-
Interest/investment income					165,478	657
Total general revenues					2,431,220	657
Change in net position					1,563,183	(4,334)
Net Position - beginning of year, as previously presented					21,362,280	(127,568)
Restatement					(19,988)	-
Net Position - beginning of year, as restated					21,342,292	-
Net position - end of year					\$ 22,905,475	\$ (131,902)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

(In Thousands)

	Transportation Special Revenue Fund	Infrastructure Maintenance Trust Fund	County Transportation Committees Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 716,885	\$ 1,369,081	\$ 421,842	\$ 2,507,808
Invested securities lending collateral	105,694	-	-	105,694
Receivables:				
Federal government	124,866	-	-	124,866
State agencies	751,452	147,523	22,502	921,477
Local governments	23,637	-	-	23,637
Other entities, net of allowances	5,053	2	-	5,055
Accrued interest receivable	11,156	21,715	6,493	39,364
Prepaid items	3,976	-	-	3,976
Inventories	6,180	-	-	6,180
Total current assets	1,748,899	1,538,321	450,837	3,738,057
Noncurrent assets:				
Receivables, net of current portion				
Other entities	54	-	-	54
Other assets	203	-	-	203
Total noncurrent assets	257	-	-	257
TOTAL ASSETS	\$ 1,749,156	\$ 1,538,321	\$ 450,837	\$ 3,738,314
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 227,856	\$ 152,372	\$ 30,866	\$ 411,094
Intergovernmental payable				
Due to state agencies	18,717	-	-	18,717
Accrued payroll and related liabilities	30,431	1,036	-	31,467
Unearned revenue	303,153	-	24,315	327,468
Deposits	3,308	-	-	3,308
Securities lending collateral	105,694	-	-	105,694
TOTAL LIABILITIES	689,159	153,408	55,181	897,748
Fund Balances:				
Nonspendable				
Inventories and prepaid items	10,156	-	-	10,156
Long-term receivables	54	-	-	54
Other assets	203	-	-	203
Restricted	-	1,384,913	395,656	1,780,569
Committed	1,049,584	-	-	1,049,584
TOTAL FUND BALANCES	1,059,997	1,384,913	395,656	2,840,566
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,749,156	\$ 1,538,321	\$ 450,837	\$ 3,738,314

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025
(In Thousands)

FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,840,566

Amounts reported for governmental activities in the statement of net position are different because:

Assets are capitalized and depreciated or amortized in the statement of net position and are charged to expenditures in the governmental funds:
Capital assets and subscriptions, net of accumulated depreciation and amortization 20,914,303

Unearned revenues are recognized on an accrual basis in the statement of net position and on the modified accrual basis in the governmental funds:
Participation agreements, net of allowance for bad debts

Deferred outflow of resources are recognized in the statement of net position, but are not reported on in the governmental funds:
Deferred outflows of resources related to pensions 102,492
Deferred outflows of resources related to OPEB 137,760

Deferred inflow of resources are recognized in the statement of net position, but are not reported on in the governmental funds:
Deferred inflows of resources related to pensions (20,460)
Deferred inflows of resources related to OPEB (145,892)
Deferred inflows of resources related to public-public partnership (100,085)

Liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds:
Financed purchase payable (2,784)
Subscription liability (5,850)
Accrued compensated absences (58,513)
Net pension liability (414,190)
Net OPEB liability (341,872) (823,209)

NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 22,905,475**

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

(In Thousands)

	Transportation Special Revenue Fund	Infrastructure Maintenance Trust Fund	County Transportation Committees Fund	Total
REVENUES:				
Taxes:				
Sales and use	\$ 264	\$ 8,229	\$ -	\$ 8,493
Electric power	5,557	-	-	5,557
Fees:				
Motor fuel user fees	517,310	409,332	113,034	1,039,676
Infrastructure maintenance fees	-	383,374	-	383,374
Other fees, fines, and permits	141,609	-	-	141,609
Unclaimed tax credit	-	15	-	15
State appropriations	425,964	-	200,000	625,964
Federal grants - FHWA	808,984	-	-	808,984
Federal grants - FTA	18,742	-	-	18,742
Federal grants - Other	192,728	-	-	192,728
Interest/investment income	49,647	90,860	24,971	165,478
Sales of goods and fees for services	10,931	-	-	10,931
Other revenues	4,628	-	-	4,628
Participation agreement/project revenues	122,726	-	12,227	134,953
TOTAL REVENUES	2,299,090	891,810	350,232	3,541,132
EXPENDITURES:				
Current:				
General administration	65,952	-	-	65,952
Engineering	185,475	-	-	185,475
Toll facilities	5	-	-	5
Public transportation	39,129	-	-	39,129
Highway maintenance	738,877	338,345	-	1,077,222
County Transportation Committees	-	-	317,709	317,709
Capital outlay:				
Rights of way land	70,716	583	-	71,299
Construction in progress				
Infrastructure - road and bridge network	850,520	644,895	-	1,495,415
Other	1,048	-	-	1,048
Equipment and furniture	13,563	-	-	13,563
Subscription based IT arrangements	4,660	-	-	4,660
Vehicles	15,013	-	-	15,013
Debt service:				
Principal	6,555	-	-	6,555
Interest and fiscal charges	421	-	-	421
Allocations to other entities:				
State agency - Transportation Infrastructure Bank	28,511	-	-	28,511
TOTAL EXPENDITURES	2,020,445	983,823	317,709	3,321,977
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	278,645	(92,013)	32,523	219,155
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	179	-	-	179
Subscriptions issued	4,660	-	-	4,660
Transfer in	-	14,122	20,500	34,622
Transfer out	(14,122)	(20,500)	-	(34,622)
TOTAL OTHER FINANCING SOURCES (USES)	(9,283)	(6,378)	20,500	4,839
NET CHANGE IN FUND BALANCE	269,362	(98,391)	53,023	223,994
FUND BALANCE, beginning of year	790,635	1,483,304	342,633	2,616,572
FUND BALANCE, end of year	\$ 1,059,997	\$ 1,384,913	\$ 395,656	\$ 2,840,566

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

(In Thousands)

INCREASE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 223,994
Amounts reported for governmental activities in the statement of activities are different because:	
Costs of capital assets are reported as expenditures in the governmental fund and are reported as capital asset additions in the statement of net position	1,600,998
Donated capital assets for right of ways land and infrastructure - road and bridge network are reported in the statement of activities but are not reported in the governmental fund	8,521
Depreciation and amortization of capital assets and subscription assets is reported as expenses in the statement of activities	(274,050)
Costs less accumulated depreciation of capital assets disposed of are reported as expenses in the statement of activities	(6,209)
Changes related to pension liabilities are reported as expenses in the statement of activities	8,439
Contributions to the OPEB plan by nonemployer entities are reported as revenue in the statement of activities	50
Changes related to OPEB liabilities are reported as expenses in the statement of activities	1,974
Amortization of deferred inflows of resources from public-public partnership arrangements are reported as revenues in the statement of activities	3,850
Unearned revenues are reported on a modified accrual basis in the governmental fund and on an accrual basis in the statement of activities	(1)
Proceeds from leases are reported as other financing sources in the governmental fund and an increase in the liabilities in the statement net position	(4,660)
Repayments of long-term debt are reported as expenditures in the governmental fund and are reported as a reduction of liabilities in the statement of net position:	
Financed purchase payable	\$ 329
Subscription liability payable	6,226
	6,555
Changes in accrued compensated absences is reported as expense in the statement of activities	(6,278)
INCREASE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 1,563,183

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The South Carolina Department of Transportation (the "Department") was established pursuant to Section 57-1-20 of the Code of Laws of South Carolina (the "State") as an administrative agency of the State, comprised of a Division of Intermodal Planning; a Division of Engineering; and a Division of Finance and Administration. The Department is responsible for the planning, construction, maintenance and operation of the highway system of the State and the coordination of statewide mass transit activities.

The Department is governed by the South Carolina Transportation Commission (the "Commission"), which is composed of nine members: one member from each Congressional District and two at-large members. The District members are appointed by the Governor, subject to approval of the legislative delegations of their respective Districts. The at-large members are appointed by the Governor, subject to approval by a separate confirmation vote in both the Senate and the House of Representatives.

The Commission serves as a general policy-making body for the various functions and purposes of the Department as prescribed by law. The Commission defines policies that are to be administered by the Secretary of Transportation.

The core of a financial reporting entity is normally the primary government, which has a separately elected governing body. The Department is reported as part of the primary government of the State as a major governmental fund. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. The Department is identified herein as such a primary entity. As required by generally accepted accounting principles, the financial reporting entity includes both the primary entity and all of its component units. Component units are legally separate organizations for which the elected officials of the primary entity are financially accountable, or entities that if excluded would make the financial statements misleading or incomplete. In turn, component units may have component units. The Department has determined it has one component unit, the Connector 2000 Association, Inc. (the "Association"). The Association issues a separate, stand-alone financial report that can be obtained by contacting the Connector 2000 Association, Inc., P.O. Box 408, Piedmont, SC 29673.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent and there is a potential for the organization to provide a financial benefit or impose a financial burden on the primary entity, even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- 1) Determines its budget without another government having the authority to approve and modify that budget;
- 2) Levies taxes or set rates or charges without approval by another government; or,
- 3) Issues bonded debt without approval by another government.

Based on the above described financial accountability criterion, the Department has determined it is not a component unit of another entity and the Association is a component unit of the Department under Statements 14, 39 and 61 of the Governmental Accounting Standards Board ("GASB"). The Association is a component unit due to the nature and significance of the relationship between the Association and the Department. This financial reporting entity includes only the Department (a primary entity) and its component unit.

Government-Wide and Fund Financial Statements

The financial statements of the Department and its component unit are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. The GASB is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements

The Government-wide financial statements are prepared on the accrual basis of accounting and include a "Statement of Net Position" which discloses the financial position of the Department; and a "Statement of Activities" which demonstrates the degree to which the direct expenses by function of the Department's programs are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) Charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government.

Fund Financial Statements

The Department uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and, the difference between the assets and liabilities is fund balance.

Transportation Special Revenue Fund – The Transportation Special Revenue Fund, which is a special revenue fund, generally records the expenditure of revenues that are committed or restricted to specific programs or projects. This special revenue fund accounts for federal grant program revenues, taxes levied with statutorily defined distributions, and other resources committed or restricted as to purpose. Charges for and costs of operations of vehicles and other equipment utilized for road and bridge network projects are reported in this fund. The State Transportation Special Revenue Fund was established pursuant to Section 57-11- 20 of the Code of Laws of South Carolina (the "Code").

This fund accounts for, among others, gasoline user fee, and other special imposts upon highway users for the construction and maintenance of highways and bridges and for other operations of the Department. This fund also accounts for revenue from the sales of goods and services and from participation agreements between the Department and other entities for the sharing of costs of construction projects. The Department's appropriation from the State's General Fund is also included in this fund.

Infrastructure Maintenance Trust Special Revenue Fund – The Infrastructure Maintenance Trust Fund was created by South Carolina Act 40 of 2017 and provides additional funding to the Department to be used for the repairs, maintenance and improvements to the existing transportation system.

This fund accounts for a 2 cents increase to the existing gasoline user fee per year for six years, an infrastructure maintenance fee imposed on the registration of vehicles, trailers, semi-trailers and other items pursuant to Chapter 3 of Title 56 of the Code, a motor carrier road use fee, an increase in biennial vehicle registration fees and a road use fee on hybrid and alternative fuel vehicles. The 2 cent annual increase to the existing gasoline user fee ended July 1, 2022 when the total amount reach 12 cents per gallon. The Infrastructure Maintenance Trust Fund is a special revenue fund as all funds are restricted by law to the repairs, maintenance, and improvements of the existing transportation system.

County Transportation Committees Fund – The County Transportation Committees Fund records was established pursuant to Section 12-28-2740 of the Code to provide for the receipt and use of the 2.66 cents per gallon gasoline user fee designated for the County Transportation Committees. Beginning July 1, 2018, the South Carolina Act 40 of 2017, increased the County Transportation Committees’ portion annually by .3325 cents per gallon through July 1, 2021, when the total amount reached 3.99 cents per gallon. The County Transportation Committees Fund also receives a transfer of up to \$20.5 million annually from the Infrastructure Maintenance Trust Fund. Each county has a Transportation Committee that is appointed by the county legislative delegation to administer the use of these funds. Based on the legally prescribed allocation formula, these monies are either paid directly to the counties for infrastructure projects that are administered by the counties or to vendors on behalf of the counties for expenditures incurred on projects that the county Transportation Committees have contracted the Department to administer.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the Department considers major sources of revenues to be available if they are collected within sixty days of the end of the current fiscal year. Major sources of revenue reported in compliance with policy are taxes and fees, federal grants, and participation agreements. The Department also accrues current amounts due on long-term receivables based on set repayment schedules.

Expenditures generally are recorded when a liability is incurred, except for principal and interest on bonds payable and other long-term obligations, as under accrual accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place and the transaction revenues are recorded in the fiscal year in which the resources are measurable and become available on the modified accrual basis.

Non-exchange transactions, in which the Department receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted or authorized; matching requirements, in which the Department must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis contingent upon the federal authority to claim the funds.

Budget Policy

All activity in the Department’s governmental funds is budgeted, and inclusive of State General Funds and Other Funds. The State General Assembly enacts the annual appropriation which becomes the Transportation Special Revenue Fund, Infrastructure Maintenance Trust Special Revenue Fund, and County Transportation Committees Funds operating budget. Please refer to the information contained in Required Supplementary Information for the budgeted and actual expenditures on the budgetary basis of accounting and related notes on pages 50-51.

Cash and Cash Equivalents

The amounts shown in the financial statements of the Department as “cash and cash equivalents” represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Most State agencies, including the Department, participate in the State’s internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments, such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Information pertaining to carrying amounts, fair value, and credit risk of the State Treasurer’s investments is disclosed in the Annual Comprehensive Financial Report (“ACFR”) of the State of South Carolina.

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 Department records and reports its deposits in the general deposit account at cost, and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Department’s special deposit accounts is posted to the Department’s account at the end of each month and is retained. Interest/investment earnings are allocated based on the percentage of the Department’s accumulated daily income receivable to the income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses and unrealized gains/losses arising from changes in the fair value of investments in 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.

Some State Treasurer accounts are not included in the State’s internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition. At year-end, the Department held no investments.

Capital Assets

Capitalized assets include land, improvements to land, easements, right-of-ways, buildings, building improvements, vehicles, equipment, furniture, infrastructure, and subscription based information technology agreements, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Infrastructure assets acquired prior to fiscal years ended June 30, 1980 are reported at cost beginning with fiscal year 1917. Capital assets also include assets purchased with Federal funds in which the Federal government retains a reversionary interest.

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gift. Assets contributed by another state agency are recorded at the carrying value of that agency. The Department follows capitalization guidelines established by the State. Major additions, renovations, and other improvements which provide new uses, or extend the useful life of an existing capital asset, are capitalized. Routine repairs and maintenance are charged to operations in the year in which the expense is incurred.

Depreciation is computed using a full month of depreciation recorded upon the initial acquisition of the asset. A full month of depreciation will be recorded during the life of the asset each month and this will continue until retirement of the asset or until full depreciation of that asset has occurred.

A summary of the Department's capitalization thresholds and useful life by asset category is as follows:

Asset Category	Capitalization	Useful Life (Years)
Land	All, regardless of cost	Indefinite
Non-depreciable land improvements	All, regardless of cost	Indefinite
Depreciable land improvements	Any costing more than \$100,000	30
Infrastructure: Roads	Any costing more than \$500,000	75
Bridges		50
Buildings and building improvements	Any costing more than \$100,000	30
Vehicles, non-IT equipment and furniture	Any costing more than \$5,000	5 – 12
IT equipment	Any costing more than \$2,500	3 - 5
Subscription based information technology arrangements	Any costing more than \$2,500	Length of contract

Receivables

Receivables are reported net of any allowances for uncollectible amounts and any discounts, if applicable. The Department's receivables consist of amounts due from the Federal government, State agencies, local governments, and other entities and individuals. Some of the receivables are evidenced by notes and contracts. The notes and contracts are related to costs shared by other entities in construction projects.

Prepaid Items

The Department makes certain payments to vendors to reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements.

Inventories

The Department maintains inventories for its use and resale to other state agencies, local governments, and other entities. All inventories are valued at cost using the weighted average method. Expenditures for inventory are accounted for using the consumption method of accounting.

Other Assets

Other assets consist of right of way land the Department had to purchase for economic reasons that was not allocable to project construction costs. These purchases are held until they are disposed of and are reflected in the accompanying financial statements at the original cost to the Department. Expenditures for this land are accounted for using the consumption method of accounting in which the purchase is recorded as expenditure when purchased. Gains or losses on the disposition of right of way land are included in the other revenues category in the fund financial statements. Right of way land transferred to county and municipal governments for no consideration are recorded as allocations to other entities – county and municipal governments in the fund financial statements.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources consist of deferred losses on refunding of bonds, amounts related to the net pension and other post-employment benefits (“OPEB”) liabilities, and the public-public partnership arrangement with the Connector 2000 association. The deferred losses on refunding of bonds result from the current or advance refunding of bonds resulting in the defeasance of debt. The difference between the reacquisition price and the net carrying amount of the old debt is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Refer to Notes 7, 13, and 14 for information on the Department's deferred outflows and inflows of resources.

Unearned Revenue

Unearned revenue in the government-wide financial statements consists of advance payments received for construction projects which have not been earned. Revenues are recognized in the period in which the project outlays are made. Revenues from participation agreements and other project contracts are recognized as earned based on the percentage of completion method. The unearned portion is reflected as unearned revenue in the liability section of the financial statements of the Department until earned.

Unearned revenue in the fund financial statements represents the long-term portion of receivables that will not be collected within one year of the balance sheet date and advance payments for construction projects.

Compensated Absences

Generally, all permanent, full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon separation from State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but will forfeit any payment for unused sick leave; however, a Class Two member of the retirement system can receive a retirement credit of up to 90 days of their unused sick leave balance. The compensated absences liability includes accrued annual and sick leave that has accumulated for which the employees are more likely than not to be used for paid time off or payment at separation, less the employee potential retirement credit. The Department calculates the gross compensated absences liability based on recorded balances of unused and unpaid leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, less any applicable retirement credit, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates include but are not limited to the amounts remaining on outstanding construction contracts, the allowance for doubtful accounts and the useful life of capital assets and estimates of the pension and OPEB liabilities.

Net Position

The Department presents the following classifications of net position in the “Statement of Net Position” in accordance with GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. \$1.4 billion of net position is restricted by enabling legislation related to the Infrastructure Maintenance Trust Fund. \$396.0 million of net position is restricted by enabling legislation related to the County Transportation Committees Fund.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Department’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The following categories of fund balance are being used in the fund level financial statement of the governmental fund in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. The use of the Infrastructure Maintenance Trust Special Revenue Fund and County Transportation Committees fund is restricted by law and as such, its fund balances is presented as restricted.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Department recognizes committed fund balances that have been approved for specific purposes by Department Commission before the fiscal year end.

The Department pre-defines the use of committed fund balance with two key actions. 1) The Commission submits a budget to the governor, the budget, in some revised form, is later approved by the legislature and governor, which generally governs the purpose and use of departmental funds and resources. 2) The Commission also develops and approves, following public comment, the Statewide Transportation Improvement Plan (“STIP”) which further prioritizes the use of Departmental funds and resources for the following six years. Amendments to either the annual budget or the STIP require formal submission to the State Budget Office or to the Commission respectively.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Department's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Department's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Department's highest level of authority. Assigned fund balance amounts in the Department's financial statements represent amounts approved by the Department to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. The Department had no assigned fund balance at June 30, 2025 as it was all restricted or committed.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. The Department's governmental funds are presented as special revenue funds, and therefore, there was no unassigned fund balance.

Based on the Department's policies regarding fund balance classifications as noted above, the Department considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the Department's Commission has been made.

Implementation of New Accounting Pronouncements

For the fiscal year ended June 30, 2025, the Department implemented GASB Statement No. 101, *Compensated Absences*. Due to this implementation, the Department added an accrued leave balance of \$19.9 million related to unused and unpaid sick leave which increased the Department's compensated absence liability at June 30, 2024.

The effect on beginning net position of governmental activities of the Department related to the implementation of the new accounting pronouncements was as follows:

(In Thousands)

	Net Position at June 30, 2024, as previously reported	Change in accounting principle	Net Position at June 30, 2024, as restated
Government Activities	\$ 21,362,280	\$ (19,988)	\$ 21,342,292

NOTE 2. DEPOSITS AND INVESTMENTS:

The following schedule reconciles deposits and investments within the footnotes to the amounts in the financial statements.

Deposits Held by State Treasurer

The deposits of the Department held by the State Treasurer are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. The State's investment policy by law authorizes investments that vary by fund, but generally include obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper.

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

More information pertaining to carrying amounts, fair value, credit and other risks as required by GASB Statement No. 40, *Deposits and Investments - Risk Disclosures*, and GASB Statement No. 72, *Fair Value Measurement and Application* of the State Treasurer’s investments are disclosed in the ACFR of the State of South Carolina.

The following schedule reconciles deposits and investments within the footnotes to the amounts in the financial statements:

	(In Thousands)		
Primary Entity:	<u>Financial Statements</u>		<u>Footnote</u>
Unrestricted current assets:		Deposits held by State	
Cash and cash equivalents	\$2,507,808	Treasurer	\$2,507,808

Cash and cash equivalents reported include an unrealized gain of \$22.6 million for the governmental funds as of June 30, 2025, arising from changes in the fair value. Interest/investment income includes an unrealized gain of \$72.3 million for the year ended June 30, 2025, for the Department’s governmental funds.

NOTE 3. STATE APPROPRIATIONS:

The original appropriation is the Department’s base budget amount as presented in House Bill 5100 Section 84 of the 2024-2025 Appropriation Act. The Department received \$2.7 billion in original appropriations for the Transportation Special Revenue and Infrastructure Maintenance Trust Funds and \$123 million for the County Transportation Committees Fund. The original appropriations included \$123.0 million of state general funds for the Transportation Special Revenue Fund. Additional general fund appropriations of \$364.0 million were received for the Transportation Special Revenue Fund and \$200 million for the County Transportation Committees. State General Fund appropriations carried forward from fiscal year 2024 to 2025 were \$248.6 million. State General Fund appropriations of \$172.0 million were expended in fiscal year 2025 in the Transportation Special Revenue Fund and \$200 million in the County Transportation Committee Funds. State General Fund appropriations of \$571.4 million are included as a state government receivable and will be carried forward from fiscal year 2025 to 2026. In fiscal year 2025, the Department expended \$3.7 billion on the budgetary basis of accounting and \$3.3 billion was expended under the modified accrual basis of accounting.

During fiscal year 2025, the Department was informed that \$61.0 million of funds received in fiscal year 2023 as General Fund appropriations were instead American Rescue Plan Act (ARPA) funds. The \$61.0 million remains unspent at June 30, 2025 and current year General Fund appropriations have been adjusted to recognize these funds as unearned federal revenue.

NOTE 4. RECEIVABLES:**PRIMARY ENTITY:**

The following schedule summarizes receivables at June 30, 2025, which include various notes, contracts and other accounts receivable.

(In Thousands)

<u>Due From / Description</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Totals</u>
<u>Intergovernmental:</u>			
Federal Government:			
Amounts due under various grant programs and reimbursable contracts	\$ 124,866	\$ -	\$ 124,866
	<u>124,866</u>	<u>-</u>	<u>124,866</u>
<u>State Government:</u>			
South Carolina General Fund	571,379	-	571,379
South Carolina Department of Motor Vehicles	87,949	-	87,949
South Carolina Department of Revenue	189,730	-	189,730
Various Agencies	72,419	-	72,419
	<u>921,477</u>	<u>-</u>	<u>921,477</u>
<u>Local Governments:</u>			
Long-term contracts for construction projects	4,608	-	4,608
Participation agreements	19,029	-	19,029
	<u>23,637</u>	<u>-</u>	<u>23,637</u>
<u>Other:</u>			
Long-term contracts for construction projects	1,125	54	1,179
Sales of goods and services	4,510	-	4,510
Less: allowance for doubtful accounts	(580)	-	(580)
	<u>5,055</u>	<u>54</u>	<u>5,109</u>
Total Receivables	<u>\$1,075,035</u>	<u>\$ 54</u>	<u>\$1,075,089</u>

The balances due under long-term contracts for construction projects from local governments and other entities represent loans to those entities for their share of the costs of construction projects.

NOTE 5. INVENTORIES:

The following schedule summarizes inventories at June 30, 2025:

(In Thousands)

Sign Shops	1,043
Repairs Shops	2,937
Supply Depot	<u>2,200</u>
	<u>\$6,180</u>

NOTE 6. CAPITAL ASSETS: PRIMARY ENTITY:

The following schedule summarizes changes in the Department's capital assets and their funding sources for the year ended June 30, 2025:

(In Thousands)

	Ending Balances June 30, 2024	Increases	Decreases	Transfers	Ending Balances June 30, 2025
Capital assets not being depreciated:					
Land and improvements	\$ 4,660	-	(27)	-	\$ 4,633
Right of way land	1,979,097	72,950	(5,975)	-	2,046,072
Construction in progress:					
Infrastructure - road and bridge network	5,878,713	1,502,285	-	(1,069,614)	6,311,384
Other	12,719	1,048	-	-	13,767
Total capital assets not being depreciated	<u>7,875,189</u>	<u>1,576,283</u>	<u>(6,002)</u>	<u>(1,069,614)</u>	<u>8,375,856</u>
Other capital assets:					
Infrastructure - road and bridge network	17,005,934	-	(1,019)	1,069,614	18,074,529
Buildings and improvements	94,152	-	(736)	-	93,416
Equipment and furniture	200,023	13,563	(5,744)	-	207,842
Subscription based IT arrangements	17,433	4,660	-	-	22,093
Vehicles	144,372	15,013	(3,188)	-	156,197
Total other capital assets	<u>17,461,914</u>	<u>33,236</u>	<u>(10,687)</u>	<u>1,069,614</u>	<u>18,554,077</u>
Less accumulated depreciation for:					
Infrastructure - road and bridge network	5,406,546	243,749	(1,015)	-	5,649,280
Buildings and improvements	63,881	1,978	(736)	-	65,123
Equipment and furniture	138,125	15,813	(5,608)	-	148,330
Subscription based IT arrangements	10,177	5,816	-	-	15,993
Vehicles	133,331	6,694	(3,121)	-	136,904
Total accumulated depreciation	<u>5,752,060</u>	<u>274,050</u>	<u>(10,480)</u>	<u>-</u>	<u>6,015,630</u>
Other capital assets, net	<u>11,709,854</u>	<u>(240,814)</u>	<u>(207)</u>	<u>1,069,614</u>	<u>12,538,447</u>
Total capital assets for governmental activities, net	<u>\$ 19,585,043</u>	<u>\$ 1,335,469</u>	<u>\$ (6,209)</u>	<u>-</u>	<u>\$ 20,914,303</u>

The following schedule further summarizes additions to capital assets and their funding sources for the year ended June 30, 2025

(In Thousands)

Additions:

Increases per above:

 Capital assets not being depreciated \$ 1,576,283

 Other capital assets 33,236

Total additions \$ 1,609,519

Funding Sources:

 Governmental fund \$ 1,600,998

 Donated capital assets:

 SC Transportation Infrastructure Bank 8,521

Total funding sources \$ 1,609,519

Included in the Department's capital assets as of June 30, 2025, is approximately \$192.6 million that was paid for by the Association for the Southern Connector. The same amount has been capitalized by the Association as an intangible right-to-use asset captioned as "Interest in License Agreement" with the Department. Accumulated depreciation on these assets was \$99.9 million at June 30, 2025. Depreciation expense on these assets for the year ended June 30, 2025, was \$3.7 million.

At June 30, 2025, the estimated total costs of Department projects in progress to construct, acquire, and maintain various capitalized assets amounted to approximately \$9.8 million for facilities, capital projects, and approximately \$19 billion for infrastructure projects including capital and non-capital costs. The estimated costs to complete the facilities capital projects amounted to approximately \$15.9 million and the infrastructure projects amounted to approximately \$6.4 billion at June 30, 2025. The outstanding contractual obligations attributable to the facilities capital projects were approximately \$1.7 million and to the infrastructure projects were approximately \$3.5 billion. The estimated time frame for completion of these projects is from one to five or more years. The costs of the projects in progress and future projects will be funded from taxes and fees, federal grants, bond proceeds, and other Department revenues. The amounts for infrastructure projects exclude those infrastructure project costs funded by the South Carolina Transportation Infrastructure Bank. The total amount of depreciation expense recorded by the Department in fiscal year 2025 was \$274.1 million.

NOTE 7. PUBLIC-PUBLIC PARTNERSHIP AGREEMENT:

On February 11, 1998, the Department entered into a public-public partnership arrangement (the "PPP Arrangement") with the Connector 2000 Association, Inc. (a discretely presented component unit of the Department), under which the Association was granted the rights and obligations to finance, acquire, construct, and operate the Southern Connector Toll Road (the "Toll Road") for fifty (50) years after substantial completion of the Toll Road. The Department accepted the Toll Road on June 30, 2001.

The PPP arrangement is accounted for by the Department under the provisions of GASB Statement No. 94. Accordingly, at the time of the execution of the agreement, the Department would have recorded a receivable and deferred inflows of resources related to the Toll Road at the estimated carrying value of the operator. When the Toll Road was received, the Department would have removed the receivable and recorded the capital asset. The deferred inflow of resources is being amortized over the life of the arrangement. As of June 30, 2025, the Department reports the Toll Road within its capital assets at a carrying value of \$123.6 million and related deferred inflow of resources related to the PPP Arrangement of \$100.1 million.

The following summarizes the deferred inflow of resources related to the public-public partnership agreement.

(In Thousands)	
Deferred inflow related to the public-public arrangement	\$ 192,472
Less: Accumulated Amortization	(88,537)
Net Deferred inflow at June 30, 2025	103,935
Current year amortization	(3,850)
Balance of deferred inflow	\$ 100,085

NOTE 8. CHANGES IN LONG-TERM OBLIGATIONS

The following schedule summarizes changes in long-term obligations of the Department for the year ended June 30, 2025:

(In Thousands)

	Balances			Balances	Due
	at	Increases	Decreases	at	Within
	June 30, 2024			June 30, 2025	One Year
Financed purchase payable	\$ 3,113	\$ -	\$ 329	\$ 2,784	\$ 340
Subscription liability	7,415	4,661	6,226	5,850	3,792
Accrued compensated absences	52,235	6,278	-	58,513	32,294
Net pension liability	380,593	77,614	44,017	414,190	-
Net OPEB liability	250,767	91,155	50	341,872	-
Total governmental activities	<u>\$ 694,123</u>	<u>\$ 179,708</u>	<u>\$ 50,622</u>	<u>\$ 823,209</u>	<u>\$ 36,426</u>

The beginning balance of compensated absences has been restated to reflect implementation of GASB statement 101. In accordance with the new standard, the change shown for the current year is a net change.

The following schedule summarizes principal and interest expenditures/expenses attributable to long-term obligations of the Department for year ended June 30, 2025:

(In Thousands)

	Principal	Interest	Totals
Financed purchase payable	\$ 329	\$ 96	\$ 425
Subscription based IT arrangement	6,226	325	6,551
Total expenditures - governmental funds	<u>\$ 6,555</u>	<u>\$ 421</u>	<u>\$ 6,976</u>

Long-term liabilities are primarily extinguished by the Transportation Special Revenue Fund.

NOTE 9. BONDS PAYABLE:

Sections 57-11-210, et seq. of the Code (the "State Highway Bond Act"), as continued and amended by Section 11-27-30 thereof, authorized the issuance of general obligation State Highway Bonds for highway construction and related purposes backed by the full faith, credit, and taxing power of the State. State Highway Bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for State highway purposes from any and all taxes, fees, or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the State. Such taxes and fees include the gasoline user fee, the fuel oil tax, the road tax and the motor vehicle license fees described herein. So long as any State Highway Bonds are outstanding the amount of revenues made applicable thereto by the General Assembly may not be less than the amounts needed to fund the general operations budget of the Department and meet debt service requirements for annual principal and interest payments on such bonds. Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

HIGHWAY BONDS

(In Thousands)

2023-2024 Budgetary General Fund revenues pledged for highway bonds	\$ 11,695
2023-2024 other revenues pledged for highway bonds	888,219
2023-2024 revenues pledged for highway bonds	<u>899,914</u>
15% of 2023-2024 revenues pledged for highway bonds	134,987
Less: maximum annual debt service for highway bonds	<u>-</u>
Legal debt service margin at June 30, 2025--highway bonds	<u><u>\$ 134,987</u></u>

From time to time, the State Fiscal Accountability Authority may authorize the issuance of various amounts of State Highway Bonds for specific types of projects or individual projects and may authorize the total to be issued in one or more series depending on the projections of the timing of project expenditures to be funded from the proceeds.

NOTE 10. INTERGOVERNMENTAL PAYABLE – DUE TO STATE AGENCY:

The Department entered into various intergovernmental agreements with the South Carolina Transportation Infrastructure Bank (the “Bank”) and various local governments to provide financial assistance for highway and transportation facilities projects.

In December 2021, the Department completed an in-substance defeasance of the previously outstanding loans payable to the South Carolina Transportation Infrastructure Bank (the Bank). At the time of the transaction, the Department used existing resources to place \$116.2 million in an escrow account with U.S. Bank pursuant to an irrevocable trust indenture for the future retirement of these loans based on intergovernmental agreements with the Bank. The funds deposited with U.S. Bank were invested in U.S. Treasury Notes and State and Local Government Securities.

At the time of the defeasance, the loans payable to the Bank had the following balances: Charleston County Project (\$44.0 million), US-17 Project in Beaufort and Colleton Counties (\$55.9 million), and Multi-Project Loan (\$4.9 million). Because these loans are now considered defeased, the liability for this debt has been removed from the Department’s statement of net position. The amount placed on deposit with the escrow agent by the Department at the time of defeasance differed from the net book value of these loans by \$11.4 million. In accordance with GASB Statement No. 86, this loss resulting from the in-substance defeasance of debt using existing resources was all recognized in the year of the transaction.

The outstanding balance of loans considered defeased as of June 30, 2025 for which the escrow agent is paying the Bank is as follows: Charleston County Project (\$17.3 million) and US-17 Project in Beaufort and Colleton Counties (\$47.0 million).

NOTE 11. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS:

The Department utilizes subscription based information technology arrangements instead of purchasing assets. These contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the liability valuation. These are recognized as expenses in the period that they occur. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2025.

As of June 30, 2025, the Department had 11 active Subscription Based IT arrangements. The leases have payments that range from \$51 thousand to \$1.6 million and interest rates that range from 3.25% to 7.00%. As of June 30, 2025 the total combined valued of the lease liability is \$5.8 million. The Department amortizes the arrangements on a straight-line basis throughout the remainder of the contract terms.

The following is a schedule by fiscal year of principal and interest payments due for lease payments as of June 30, 2025:

(In Thousands)

Year Ending June 30	Principal	Interest	Total
2026	\$ 3,792	\$ 262	\$ 4,054
2027	1,991	74	2,065
2028	67	4	71
Total liabilities	<u>\$ 5,850</u>	<u>\$ 340</u>	<u>\$ 6,190</u>

NOTE 12. FINANCED PURCHASE PAYABLE:

In March 2018, the Department entered into an agreement with TD Equipment Finance, Inc. through the State Treasurer Master Lease program to purchase energy, water, and wastewater services performance contract for the Department Headquarters Guaranteed Energy Savings Contract. The equipment has a cost of \$4.5 million and at the end of the term of the loan ownership of the equipment will transfer to the Department. The interest rate of the agreement is 3.040%.

(In Thousands)

Year ending June 30	Principal	Interest	Total
2026	\$ 340	\$ 86	\$ 426
2027	350	75	425
2028	361	66	427
2029	372	54	426
2030	384	42	426
2031-2032	977	50	1,027
Totals	<u>\$ 2,784</u>	<u>\$ 373</u>	<u>\$ 3,157</u>

NOTE 13. PENSION PLAN:

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and benefit 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 8-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 an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Annual Comprehensive 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 annual comprehensive financial report of the state.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its 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.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third-party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third-party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first term individuals elected to the South Carolina General Assembly at or after the 2012 general election. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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 district, and public higher education institution employees, as well as first term individuals elected to the S.C. General Assembly at or after the 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider 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.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three Member Benefits.

Benefit

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/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS - 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 and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars 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.

- PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

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. Effective July 1, 2017, employee rates were increased and capped at 9 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 until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
SCRS		
Employer Class Two	18.56% ³	18.56% ³
Employer Class Three	18.56% ³	18.56% ³
State ORP		
Employer Contribution ²	18.56% ³	18.56% ³
PORS		
Employer Class Two	21.24% ⁴	21.24% ⁴
Employer Class Three	21.24% ⁴	21.24% ⁴

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

³ Includes incidental death benefit contribution rate of 0.15%.

⁴ Includes incidental death benefit and accidental death benefit contribution rate of 0.20% each.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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.

The June 30, 2024, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2023. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2024, using generally accepted actuarial principles.

There was no legislation enacted during the 2025 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024.

Actuarial cost method	SCRS	PORS
	Entry age normal	Entry age normal
Investment rate of return ¹	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2024, TPL are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. The Department's proportionate share of the State's NPL totals, as of June 30, 2024 (reported at June 30, 2025), for SCRS and PORS are presented below.

Proportionate Share of Net Pension Liability (in Thousands)

System	Total Pension Liability	Plan Fiduciary Net Position	Department's Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 1,081,819	\$ 668,440	\$ 413,379	61.8%
PORS	2,752	1,941	811	70.5%
Total	<u>\$ 1,084,571</u>	<u>\$ 670,381</u>	<u>\$ 414,190</u>	

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The Department's proportionate share of the net pension liability for both SCRS and PORS is as follows for the years ended June 30, 2025 and 2024:

System	June 30, 2025	June 30, 2024	Change
SCRS	1.762787%	1.570923%	0.191864%
PORS	0.027040%	0.025746%	0.001294%

The Department's change in proportionate share of the net pension liability and related deferred inflows and outflows of resources will be amortized into pension expense over the respective average remaining service lives of each system.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. 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. 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 2024 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 below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
Total Expected Real Return	<u>100%</u>		<u>5.49%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.74%</u>

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Sensitivity Analysis

The following table presents the collective NPL of the Department calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
(In Thousands)			
System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 535,693	\$ 413,379	\$ 300,738
PORS	\$ 1,175	\$ 811	\$ 513

Deferred Outflows (Inflows) of Resources Related to Pensions

For the year ended June 30, 2025, the Department recognized pension expense of \$40.3 million. At June 30, 2025, the Department reported deferred outflows (inflows) of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 48,726	-
Change in proportionate share of net pension liability and differences in actual and proportionate share of employer contributions	32,799	3,970
Assumption changes	7,306	-
Differences in actual and expected experience	13,661	517
Net differences between projected and actual earnings on plan investments	-	15,973
	<u>\$ 102,492</u>	<u>\$ 20,460</u>

The Department reported approximately \$48.7 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Department's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2024. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2025 was 3.616 years for SCRS and 3.755 years for PORS.

(In Thousands)

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS	Total
2025	2026	\$ 2,981	\$ (33)	\$ 2,948
2026	2027	27,308	27	27,335
2027	2028	7,204	14	7,218
2028	2029	(4,183)	(12)	(4,195)
Net Balance of Deferred Outflows / Inflows of Resources		<u>\$ 33,310</u>	<u>\$ (4)</u>	<u>\$ 33,306</u>

NOTE 14. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective in 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 OPEB Trust 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 OPEB Trust is a cost-sharing multiple-employer defined benefit OPEB plan. 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 plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – 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 annual comprehensive financial report of the state.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the post-employment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions 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 year ended June 30, 2024 was 6.35 percent. The South Carolina Retirement System collects the monthly covered payroll 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 consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. However, due to the COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income. During the year ended June 30, 2025, the Department contributed \$14.8 million to the SCRHITF.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should 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 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 OPEB Trust, and additions to and deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they were reported by the OPEB Trust. 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 PEBA – 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 annual comprehensive 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.

Additional information as of the latest actuarial valuation for SCRHITF

Valuation Date:	June 30, 2023
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.97% as of June 30, 2024
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of scale MP-2019 to account for future mortality improvements.
Health Care Trend Rate:	Initial trend starting at 6.50% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Aging Factors	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums; 59% participation for retirees who are eligible for Partial Funded Premiums; 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 3.86% as of June 30, 2023 to 3.97% as of June 30, 2024.

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2023. Update procedures were used to roll forward the total OPEB liability to June 30, 2024, the Department’s measurement date.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated for the OPEB Trust Fund and represents the Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less 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.

The following table represents the components of the Departments proportional share of the net OPEB liability as of June 30, 2024:

Fiscal Year Ending	System	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2024	SCRHITF	\$ 379,460	\$ 37,589	\$ 341,872	9.91%

The TOL is calculated by the Trust's actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2025, the Department reported a liability of \$341.9 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to June 30, 2024. The Department's proportion of the net OPEB liability was based on a projection of the Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2025, the Department's proportion was 2.120555%, an increase of 0.205057% from the Department's proportion at the prior measurement date.

Single Discount Rate

The Single Discount Rate of 3.97% was used to measure the total OPEB liability for the SCRHITF. 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).

Long-term Expected Rate of Return

The long-term expected rate of return represents 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	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.0%	0.95%	0.76%
Cash equivalents	20.0%	0.35%	0.07%
Total	100.0%		0.83%
Expected Inflation			2.25%
Total Return			3.08%
Investment Return Assumption			2.75%

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.97%, 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:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate (In Thousands)			
OPEB Trust	1.00% Decrease (2.97%)	Current Discount Rate (3.97%)	1.00% Increase (4.97%)
SCRHITF	\$ 405,829	\$ 341,872	\$ 296,676

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, 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:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in Healthcare Cost Trend Rate (In Thousands)			
OPEB Trust	1.00% Decrease	Current Healthcare Cost	1.00% Increase
SCRHITF	\$ 281,125	\$ 341,872	\$ 420,663

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, the Department recognized OPEB expense of \$12.7 million. At June 30, 2025, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 14,835	\$ -
Net differences between projected and actual experience	17,771	50,599
Assumption Changes	73,220	70,197
Net difference between projected and actual investment experience	1,668	-
Change in proportionate share of net OPEB liability and differences in actual and proportionate share of employer contributions	30,266	25,096
	<u>\$ 137,760</u>	<u>\$ 145,892</u>

Contributions subsequent to the measurement date of \$14.8 million were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining service lives of all employees provided with OPEB through the June 30, 2024 was 6.83 years for SCRHITF:

(In Thousands)

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2025	2026	\$ (6,407)
2026	2027	(6,493)
2027	2028	(12,899)
2028	2029	(15,187)
2029	2030	6,671
Thereafter		11,348
		<u>\$ (22,967)</u>

NOTE 15. DEFERRED COMPENSATION PLANS:

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Department have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), 403(b), and Roth 401(k) are administered by third parties and are not included in the ACFR of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. The Department has not made any contributions to these plans.

NOTE 16. TRANSACTIONS WITH STATE ENTITIES / RELATED PARTIES:

The Department has significant transactions with the State and various State agencies. The Department purchases goods and services from various State agencies. Total purchases from State agencies were approximately \$39.6 million for the year ended June 30, 2025. The Department sells supply items and provides services for various State agencies. Total sales to State agencies were approximately \$592 thousand for the year ended June 30, 2025.

The gasoline user fees, special fuels user fees and max sales taxes are collected by the South Carolina Department of Revenue (DOR) and remitted on a monthly basis. The user fees and sales taxes collected by DOR for the Department amounted to \$1.0 billion, net of transfers for IFTA, for the year ended June 30, 2025, of which \$186.5 million was accrued as a receivable at June 30, 2025. Gasoline user fees revenues collected by DOR for the County Transportation Committees Fund amounted to \$113 million for the year ended June 30, 2025. The Department transferred \$20.5 million from the Infrastructure Maintenance Trust Fund to the County Transportation Committees Fund. The Infrastructure Maintenance Trust Fund received \$15,000 of unclaimed tax credit from the Department of Revenue and as required by SC Code Section 12-6-3780. Tax year 2022 is the last year that taxpayers are eligible to claim the Preventative Maintenance Tax Credit and the beginning January 2023 all revenue generated from the infrastructure maintenance fee on the out-of-state vehicle transfers were credit to the Infrastructure Maintenance Fund.

The Department participates in the International Fuel Tax Agreement (IFTA) program. This program is an agreement between the lower 48 states of the United States and the Canadian provinces, to simplify the reporting of fuel use by motor carriers that operate in more than one jurisdiction. Alaska, Hawaii, and the Canadian territories do not participate. An operating carrier with IFTA receives an IFTA license and two decals for each qualifying vehicle it operates. The carrier files a quarterly fuel tax report. This report is used to determine the net tax or refund due and to redistribute taxes from collecting states to states that it is due. This tax is required for motor vehicles used, designed, or maintained for transportation of persons or property and:

- Having two axles and a gross vehicle weight rating or registered gross vehicle weight in excess of 26,000 pounds, and/or
- Having three or more axles regardless of weight, and/or
- Is used in combination, when the weight of such combination exceeds 26,000 pounds gross vehicle Or registered gross vehicle weight.

Exceptions exist for Recreational Vehicles (such as motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure by an individual). Some states have their own exemptions that often apply to farm vehicles or government vehicles. Additional information about the IFTA can be found at <http://www.iftach.org/>.

The calculation of net amount owed or due is performed by this central organization. This calculation has historically resulted in a net amount due from the Department to the central organization. The Department remitted \$19.4 million of fuel oil user fee revenue to the South Carolina Department of Motor Vehicles (“DMV”) in fiscal year 2025 for the IFTA calculation. The DMV then remits that amount to the central IFTA organization for redistribution to other member states. The Department remitted \$17.4 million in FY 2024 for the same calculation.

Services received at no cost from the various state agencies, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

Significant payments were made to other state agencies for retirement plan contributions and health insurance premiums, insurance coverage, office supplies, printing, telephone, and inter-agency mail. The amounts of expenditures applicable to related party transactions are not readily available.

Workers' compensation insurance premiums for the fiscal year 2025 of \$16.2 million were paid to the State Accident Fund and \$5 thousand was paid for Unemployment Insurance, to the South Carolina Unemployment Trust Fund. The Department provided no material services free of charge to other State agencies during the fiscal year.

The Department provided the Bank administrative services, clerical assistance, and project oversight during fiscal year 2025 for which it was paid \$113 thousand. The Bank also reimbursed the Department \$1.2 million in direct project costs. Allocations to other entities - State agency represented amounts paid to the Bank and totaled \$28.5 million for the year ended June 30, 2025. The payments represent an amount not to exceed the one cent per gallon collected in accordance with Section 11-43-160 of the Code for the on-going funding of construction and maintenance of highways.

A summary of intergovernmental payable to other State agencies in the governmental fund balance sheet at June 30, 2025 is as follows:

(In Thousands)

<u>Due To / Description</u>	
Department of Archives and History	\$ 3
Department of Administration	1,124
Department of Environmental Services	80
Department of Motor Vehicles	253
Department of Public Safety	1,163
Department of Revenue	1
Housing Finance & Development	30
Ports Authority	11,090
Revenue and Fiscal Affairs Office	20
Department of Corrections	79
Transportation Infrastructure Bank	4,855
State Fiscal Accountability Authority	19
	<u>\$ 18,717</u>

NOTE 17. FEDERAL GRANTS:

The Department receives funds from the Federal government, the South Carolina Emergency Management Division (SCEMD) and the Department of Administration (DOA) for the funding of costs related to the programs described in the grants. These funds are subject to audit and/or adjustment by the various funding sources. The Department does not expect any significant impact should grantors audit and/or adjust reimbursement amounts.

NOTE 18. RISK MANAGEMENT:

The Department 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 that carried in the prior year. Settled claims have not exceeded this coverage in the prior three years. The Department 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 deductibles.

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 Benefit Authority – Insurance Benefits);
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefit Authority – Insurance Benefits).

The State offers two self-insured health plans and a Tricare Supplemental plan to qualified employees. Additionally, all other coverages (such as dental, vision, life and long-term disability) are extended through the State's insurance offerings with premiums being remitted to the PEBA.

The Department 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:

- Theft of, damage to, or destruction of assets
- Data processing equipment
- Motor vehicles and Equipment
- Business interruptions
- Real property and contents Torts
- Inland Marine (Rental Equipment)
- Certificates of Insurance (Public Engagement Events)

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from re-insurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and IRF.

The Department self-insures itself for any losses beyond those covered by insurance because it believes the likelihood of losses is remote. The Department has not transferred the portion of the risk of loss related to insurance policy deductibles and limits for capital assets and fidelity overages to a State or commercial insurer.

The Department has not reported an estimated claims loss expenditure, and the related liability at June 30, 2025, based on the requirements of GASB Statement No. 10 and No. 30 which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2025, and the amount of the loss is reasonably estimable. Liabilities include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claims liabilities when recorded are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 using past experience adjusted for factors that would modify past experience.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Department's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded and, therefore, no loss accrual has been recorded.

NOTE 19. CONTINGENCIES:

The Department is a defendant in various lawsuits arising from the conduct of its normal business primarily regarding rights-of-way. Although any litigation has an element of uncertainty, it is management's and legal counsel's opinions that the outcome of any litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Department.

South Carolina Department of Transportation
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
Governmental Fund (State, Earmarked, Restricted Funds)
June 30, 2025

(In Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earmarked	\$ 128	\$ 128	\$ 476	\$ 348
General	735,091	735,091	372,003	(363,088)
Restricted	2,858,280	3,408,280	2,761,428	(646,852)
Federal	-	305,136	204,382	(100,754)
Total Revenues	\$ 3,593,499	\$ 4,448,635	\$ 3,338,289	\$ (1,110,346)
Expenditures				
General Fund				
Mass Transit	\$ 57	\$ 57	\$ 57	-
Engineering - Const	-	3,045	3,045	-
Other Operating Other	7,413	11,637	11,637	-
Perm Improve Bridges	23,023	37,132	37,132	-
Perm Improve Rehab Resurf	14,648	2,084	2,084	-
Perm Improve Op & Safety	32,290	41,103	41,103	-
Perm Improve Widening	36,502	22,241	22,241	-
Perm Improve Enhancements	6,124	2,758	2,758	-
Litter Pickup	3,000	3,000	2,861	139
Bridge Modernization	100,000	100,000	-	100,000
Charleston County-Highway 61 Corridor Imprv	2,000	2,000	2,000	-
City of Belton-Sidewalk Repair	800	800	800	-
City of Columbia-Assembly St. Railroad Grade Separation Project	5,000	5,000	-	5,000
City of Columbia-Bridge to Greenway	2,500	2,500	2,500	-
City of Columbia-Five Points Parking Garage	2,500	2,500	2,500	-
City of Columbia-Five Points Project	2,500	2,500	2,500	-
City of Columbia-Quite Zone-Infra & Technology	1,500	1,500	1,500	-
City of Greenville - East North Gateway	2,250	2,250	2,250	-
City of Greenville-Infrastructure Improvements	2,250	2,250	2,250	-
City of Travelers Rest-N. Poinsett Hwy Project	1,000	1,000	1,000	-
SCDOT-Devine Street Corridor	2,000	2,000	61	1,939
Greenville County-Bracken Road	2,900	2,900	2,900	-
Historic Sol Legare Community Safety Project	1,000	1,000	1,000	-
Horry County-Augusta Plantation Interchange at SC 31	2,000	2,000	2,000	-
Lexington County-Caulks Ferry Road Interchange	1,000	1,000	1,000	-
Locust Hill Road/Highway 290 WideningGreer Middle College	1,000	1,000	1,000	-
Pickens County CTC-Traffic Mitigation in Easley	2,500	2,500	2,500	-
SCDOT-Highway 90 Improvements	2,000	2,000	-	2,000
SCDOT-Old Buncombe Rd Crash Mitigation Project	915	915	915	-
Town of Ravenel-Public Safety Project Highway 165 Sidewalk	576	576	-	576
Williamsburg County-Soccee Bridge and Approaches	368	368	368	-
York County-Transportation Infrastructure	8,000	8,000	8,000	-
Bridge Acceleration Fund	100,000	100,000	113	99,887
Rural Road Safety Program	117,401	117,401	5,141	112,260
County Transportation Program	200,000	200,000	200,000	-

General Administration				
Executive director	310	250	250	-
Classified positions	21,531	22,174	22,119	55
Unclassified position	500	414	414	-
Other personal services	229	331	329	2
Other operating	48,930	47,873	38,470	9,403
Permanent improvement	-	132	128	4
Debt service	-	426	426	-
Land & Buildings				
Other operating	2,128	1,535	909	626
Permanent improvement	1,357	1,313	1,132	181
Other operating	16,830	30,057	27,647	2,410
Engineering - Construction				
Other operating	75,440	212,551	514,561	(302,010)
Permanent improvements	2,519,394	2,287,156	1,722,732	564,424
Highway Maintenance				
Classified positions	137,475	130,104	124,485	5,619
Other personal services	8,000	23,304	16,904	6,400
Other operating	184,000	185,926	174,038	11,888
Permanent improvements	-	70	65	5
Non-Federal Aid				
Other operating Bridges Minor Repair	847	10,547	9,479	1,068
Other operating Rehab & Resurfacing	2	52	(8)	60
Mass Transit				
Unclassified position	5,571	3,411	3,146	265
Classified positions	171	325	325	-
Other operating	900	1,277	174	1,103
Allocations municipal - restricted	3,000	-	-	-
Allocations other entities	33,769	41,331	31,760	9,571
Toll Operations				
Other operating	-	8	5	3
Employer Contributions				
	120,452	136,817	136,817	-
County Transportation				
Permanent improvements	30,000	81,721	81,141	580
Other operating	1,000	2,294	2,294	-
Allocations municipal - restricted	1,000	329	329	-
Distributions to subdivisions	327,563	275,219	226,073	49,146
Total Expenditures	<u>\$ 4,316,859</u>	<u>\$ 4,316,859</u>	<u>\$ 3,622,978</u>	<u>\$ 693,882</u>

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2025

NOTE 1. BUDGETARY FUNDS

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust fund activities.

The Department's legally adopted budget is part of the Total Funds budget for the State. It is presented on a combined basis for the Transportation and Infrastructure Maintenance Trust Special Revenue Funds at the program level including the restricted, earmarked, and general funds appropriated to the Department.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS BASIS OF PRESENTATION

The original appropriations presented in the accompanying schedule for the Transportation Special Revenue Fund include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Transportation Special Revenue Fund. However, Section 115 (Recapitulations) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the Transportation Special Revenue Fund is presented as required supplementary information.

As operating conditions change, the Department may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

NOTE 3. LEGAL LEVEL OF BUDGETARY CONTROL

The Department maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

NOTE 4. BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used.

State law does not precisely define the State’s basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year’s appropriations through July 14.
- The gasoline and motor fuel taxes are recorded on the modified accrual basis in accordance with State law.
- All other revenues are recorded only when the State receives the related cash.
- The accrual basis is used for other non-payroll expenditures.

NOTE 5. RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Department to charge the previous fiscal year’s appropriations.

	(In Thousands)		
	General Fund	Other Budgeted Funds	Total
Total expenditures, budgetary basis	\$ 365,216	\$ 3,257,762	\$ 3,622,978
Basis of accounting differences:			
Change in accrued salaries	-	(21,797)	(21,797)
Change in accounts payable	-	1,843	1,843
Transfer to other entities not expenditures under budgetary basis	-	20,500	20,500
Other basis difference	-	(301,547)	(301,547)
Total expenditures, GAAP basis	<u>\$ 365,216</u>	<u>\$ 2,956,761</u>	<u>\$ 3,321,977</u>

South Carolina Department of Transportation Required Supplementary Information

**Schedule of the South Carolina Department of Transportation's Proportionate Share of the Net Pension Liability
South Carolina Retirement System as of June 30, 2025
Last Ten Fiscal Years***

	(In Thousands)				
	2025	2024	2023	2022	2021
SCDOT's proportion of the net pension liability	1.76%	1.57%	1.57%	1.65%	1.76%
SCDOT's proportionate share of the net pension liability	\$ 413,379	\$ 379,809	\$ 380,377	\$ 357,314	\$ 450,598
SCDOT's covered payroll	\$ 236,546	\$ 193,667	\$ 182,047	\$ 182,301	\$ 201,499
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	174.76%	196.11%	208.94%	196.00%	223.62%
Plan fiduciary net position as a percentage of the total pension liability	61.80%	58.60%	57.10%	60.70%	50.70%
	2020	2019	2018	2017	2016
SCDOT's proportion of the net pension liability	1.82%	1.89%	1.99%	1.96%	1.89%
SCDOT's proportionate share of the net pension liability	\$ 415,285	\$ 422,832	\$ 448,473	\$ 418,310	\$ 359,827
SCDOT's covered payroll	\$ 201,976	\$ 192,463	\$ 198,382	\$ 187,553	\$ 171,918
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	205.61%	219.70%	226.07%	223.04%	209.30%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	53.30%	52.90%	57.00%

*The state implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, the last ten years' information is available

South Carolina Department of Transportation Required Supplementary Information

**Schedule of the South Carolina Department of Transportation's Proportionate Share of the Net Pension Liability
Police Officers Retirement System as of June 30, 2025
Last Ten Fiscal Years***

	(In Thousands)				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
SCDOT's proportion of the net pension liability	0.027%	0.028%	0.032%	0.031%	0.028%
SCDOT's proportionate share of the net pension liability	\$ 811	\$ 784	\$ 956	\$ 800	\$ 937
SCDOT's covered payroll	\$ 530	\$ 450	\$ 504	\$ 466	\$ 420
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	153.02%	174.22%	189.68%	171.67%	223.10%
Plan fiduciary net position as a percentage of the pension liability	70.50%	67.80%	66.40%	70.40%	58.80%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
SCDOT's proportion of the net pension liability	0.027%	0.026%	0.021%	0.030%	0.029%
SCDOT's proportionate share of the net pension liability	\$ 767	\$ 729	\$ 587	\$ 761	\$ 632
SCDOT's covered payroll	\$ 383	\$ 412	\$ 429	\$ 400	\$ 265
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	200.26%	176.94%	136.83%	190.25%	238.49%
Plan fiduciary net position as a percentage of the pension liability	62.70%	61.70%	60.90%	60.40%	64.57%

*The state implemented GASB 68 in fiscal year 2015, which changed prior calculations of the total pension liabilities. As such, the last ten years' information is available

**South Carolina Department of Transportation Required Supplementary Information
Schedule of the South Carolina Department of Transportation's Contributions
South Carolina Retirement System as of June 30, 2025
Last Ten Fiscal Years**

(In Thousands)

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 48,600	\$ 43,903	\$ 34,008	\$ 30,147	\$ 28,366
Contributions in relation to the contractually required contribution	48,600	43,903	34,008	30,147	28,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCDOT covered payroll	\$ 260,450	\$ 236,546	\$ 193,667	\$ 182,047	\$ 182,301
Contributions as a percentage of the covered-employee payroll	18.66%	18.56%	17.56%	16.56%	15.56%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 29,331	\$ 27,388	\$ 26,098	\$ 22,933	\$ 20,743
Contributions in relation to the contractually required contribution	29,331	27,388	26,098	22,933	20,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCDOT covered payroll	\$ 201,449	\$ 201,976	\$ 192,463	\$ 198,382	\$ 187,553
Contributions as a percentage of the covered-employee payroll	14.56%	13.56%	13.56%	11.56%	11.06%

**South Carolina Department of Transportation Required Supplementary Information
Schedule of the South Carolina Department of Transportation's Contributions
Police Officer Retirement System as of June 30, 2025
Last Ten Fiscal Years**

(In Thousands)

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 126	\$ 113	\$ 91	\$ 97	\$ 85
Contributions in relation to the contractually required contribution	126	113	91	97	85
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCDOT covered payroll	\$ 593	\$ 530	\$ 450	\$ 504	\$ 466
Contributions as a percentage of the covered-employee payroll	21.24%	21.34%	20.24%	18.56%	18.56%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 78	\$ 66	\$ 58	\$ 59	\$ 55
Contributions in relation to the contractually required contribution	78	66	58	59	55
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCDOT covered payroll	\$ 420	\$ 383	\$ 412	\$ 429	\$ 400
Contributions as a percentage of the covered-employee payroll	18.56%	17.23%	14.32%	13.75%	13.75%

**South Carolina Department of Transportation Required Supplementary Information -
Actuarial Methods and Assumption Used to Determine the Contribution Rates
For Year Ended June 30, 2025**

Item	SCRS	PORS
(1)	(2)	(3)
Actuarial Valuation Date:	July 1, 2022	July 1, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5-year smoothed	5-year smoothed
Amortization Method:	Level % of Pay	Level % of Pay
Amortization Period as of the actuarial valuation date:	25-years maximum, closed	25-years maximum, closed
Investment Return:	7.00%	7.00%
Inflation:	2.25%	2.25%
Salary Increases:	3.00% plus step-rate increases for members with less than 21 years of service.	3.50% plus step-rate increases for members with less than 21 years of service.
Mortality:	The 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates multiplied by 97% for noneducators and 95% for educators. Female rates multiplied by 107% for noneducators and 94% for educators.	The 2020 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale UMP from the year 2020. Male rates are multiplied by 127% and female rates are multiplied by 107%
Comment on the development of the actuarially determined and actual contribution rate:	Contribution rate for fiscal year 2024 is determined in accordance with the Retirement System Funding and Administration Act of 2017.	Contribution rate for fiscal year 2024 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

South Carolina Department of Transportation Required Supplementary Information
Schedule of the South Carolina Department of Transportation's Proportionate Share
of the Net OPEB Liability - South Carolina Health Insurance Trust Fund

(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Department's proportion of the net OPEB liability	2.121%	1.915%	1.924%	2.027%	2.160%	2.222%	2.290%	2.400%
Department's proportionate share of the net OPEB liability	\$341,872	\$250,767	\$ 292,672	\$ 422,099	\$ 389,973	\$ 355,988	\$ 324,484	\$ 325,592
Department's covered payroll	\$243,121	\$199,428	\$ 188,010	\$ 187,724	\$ 197,771	\$ 197,527	\$ 192,018	\$ 185,610
Department's proportionate share of the as percentage of covered payroll	140.62%	125.74%	155.67%	224.85%	197.18%	180.22%	168.99%	175.42%
Plan fiduciary net position as a percentage of the total OPEB liability	9.91%	11.24%	9.64%	7.48%	8.39%	8.44%	7.91%	7.60%

Note: The amounts presented above were determined as of June 30th of the preceding year.

South Carolina Department of Transportation Required Supplementary Information
Schedule of the South Carolina Department of Transportation's Contributions
South Carolina Health Insurance Trust Fund
Last Nine Fiscal Years*

(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 14,835	\$ 15,268	\$ 12,544	\$ 11,807	\$ 11,515	\$ 11,089	\$ 10,864	\$ 10,561	\$ 9,893
Contributions in relation to the contractually required contribution	14,835	15,268	12,544	11,807	11,515	11,089	10,864	10,561	9,893
Contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department covered payroll	\$ 269,727	\$ 243,121	\$ 199,428	\$ 188,010	\$ 187,724	\$ 197,771	\$ 197,527	\$ 192,018	\$ 185,610
Contributions as a percentage of the covered payroll	5.50%	6.28%	6.29%	6.28%	6.13%	5.61%	5.50%	5.50%	5.33%

*The State implemented GASB 75 in fiscal year 2018, which changed prior calculations of the total OPEB liabilities. As such, only the last nine years' information is available