

DENMARK TECHNICAL COLLEGE
ANNUAL FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

June 30, 2021

DENMARK TECHNICAL COLLEGE

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DENMARK TECHNICAL COLLEGE
Organizational Data
June 30, 2021

AREA COMMISSION MEMBERS AND OFFICERS

Mr. Kevin Whitt, Chairperson	At-Large
Mr. Jim Kearse, Vice Chairperson	Barnwell County
Rev. Dr. Herman Wallace, Secretary	Barnwell County
Mr. James Pinkney	Allendale County
Mr. James Bowden	At-Large
Mr. Philip G. Homan Representative of State Board for Technical and Comprehensive Education	Ex-Officio

Key Administrative Staff

Dr. Willie L. Todd, Jr.	President and Chief Executive Officer
Dr. A. Clifton Myles	Executive Vice President/Chief Strategy Officer
Mr. Clarence F. Bonnette	Vice President for Business and Finance
Ms. Tia Wright-Richards	Vice President for Academic Affairs
Dr. Lamar White	Vice President for Student Affairs
Dr. Sasha Johnson-Coleman	Vice President for Institutional Advancement and Effectiveness



INDEPENDENT AUDITOR'S REPORT

**To the President and Members of the Area Commission
of Denmark Technical College
Denmark, South Carolina**

Report on the Financial Statements

We have audited the accompanying financial statements of **Denmark Technical College** (the "College"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denmark Technical College as of June 30, 2021, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 5 through 12), the Schedules of College's Proportionate Share of the Net Pension Liability (on page 44), the Schedules of College Pension Contributions (on page 45), the Schedules of College's Proportionate Share of the Net OPEB Liability (on page 46), and the Schedules of College OPEB Contributions (on page 47), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated October 25, 2021, on our consideration of Denmark Technical College'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. That report will be issued under separate cover in the College's "Report of Independent Certified Public Accountants in Accordance with the Uniform Guidance and *Government Auditing Standards*". 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 College'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 College's internal control over financial reporting and compliance.

Report on State Lottery Tuition Assistance Program

We have also issued our report dated October 25, 2021 on our consideration of Denmark Technical College's administration of the State Lottery Tuition Assistance Program and on our tests of its compliance with certain provisions of State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

Mauldin & Jenkins, LLC

Columbia, South Carolina
October 25, 2021

DENMARK TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Denmark Technical College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2021. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The College's financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting Entity*, and *Co5, Colleges and Universities*. This financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

Financial Highlights

- The College's liabilities and deferred inflows exceeded its assets and deferred outflows at June 30, 2021 by \$9,828,572. The total unrestricted net position as of that date is \$(14,309,236). This amount includes a net reported unfunded pension obligation of \$7,751,751 as required by GASB Statement No. 68 and a net unfunded other post-employment benefits (OPEB) obligation of \$7,399,945 required by GASB Statement No. 75. Excluding these obligations, the College's unrestricted net position is \$842,460. These unfunded pension and OPEB obligations greatly affect the reported net position and the amount available to meet the College's ongoing obligations from unrestricted activities.
- The College's net position decreased by \$940,869, the result of an approximately \$0.3 million decrease in assets and deferred outflows and an increase in liabilities and deferred inflows of approximately \$0.6 million.
- Student tuition and fees and auxiliary enterprise revenues, net of scholarship allowances, increased by approximately \$0.5 million during the fiscal year, while grant and contract revenue increased by about \$0.3 million. Operating expenses also increased by approximately \$1.9 million. As a result, the College's operating loss increased from about \$4.3 million for the prior fiscal year to \$6.1 million. Reported State appropriations and other non-operating revenue decreased by nearly \$0.8 million, resulting in a decrease in net position of \$0.9 million.
- The College maintained a forgivable loan of \$908,839 from a financial institution under the SBA's Payroll Protection Program. The loan proceeds and accrued interest may be forgiven in full or in part if used for qualifying expenses. The College has submitted a loan forgiveness application to the financial institution requesting forgiveness for the entire loan amount, reporting that the entire loan proceeds were used for qualifying payroll expenses. The response to the application has not yet been received.

Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) which are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year, and classifies assets and liabilities into current and noncurrent. The difference between the sum of total assets and deferred outflows less total liabilities and deferred inflows equals net position. Net position is reported in three broad categories: net investment in capital assets, restricted, and unrestricted.

The Statement of Revenues, Expenses and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues are categorized as operating and non-operating, while expenses are reported by object type. Expenses are reported by function in the notes to the financial statements.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, noncapital financing, and investing activities. This statement also emphasizes the importance of state and county appropriations by displaying them separately from operating cash flows.

Beginning with the year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting & Financial Reporting for Pensions*, as reflected in these financial statements. The Statement requires participating employers to report their proportionate share of their retirement plans' net pension liability, pension expense, and deferred inflows and outflows of resources. For the year ended June 30, 2021, the College's reported net pension liability was \$7,635,208. This accounting treatment has a major negative impact on the presentation of the College's net position and financial condition.

GASB Statement No. 68 also calls for the reporting of deferred inflows and outflows of resources, which relate to such factors as differences occurring between expected and actual experience, differences between projected and actual earnings on pension plan investments, and plan contributions made subsequent to the measurement date. Deferred outflows of resources at June 30, 2021 totaled \$1,133,503, while deferred inflows of resources amounted to \$1,250,046.

Beginning with the fiscal year ended June 30, 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The reporting is similar to that required by GASB Statement No. 68. This Statement requires participating employers to report their proportionate share of their OPEB plans' net OPEB liability, OPEB expense, and deferred inflows and outflows of resources. For the year ended June 30, 2021, the College's reported net OPEB liability was \$6,823,915. Deferred outflows and inflows of resources, which relate to factors similar to those in GASB Statement No. 68, totaled \$1,425,411 and \$2,001,441, respectively, as of June 30, 2021. This accounting treatment also has a major negative impact on the presentation of the College's net position and financial condition.

Statement of Net Position

The Statement of Net Position provides a snapshot of the College's assets, deferred outflows, liabilities, deferred inflows and net position at the end of the fiscal year. It provides the reader with information concerning the College's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year, and non-current, those that are longer term in nature.

Net position is divided into three major categories. The first, *net investment in capital assets*, provides the equity in property, plant and equipment owned by the College. The next category, *restricted net position*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The final category of net position is *unrestricted*. These funds may be used to meet the College's ongoing obligations from unrestricted activities.

The following schedule is a condensed version of the College's assets, deferred outflows, liabilities, deferred inflows and net position and is prepared from the Statement of Net Position.

Condensed Summary of Net Position As of June 30, 2021 and 2020 (In millions)

	2021	2020	Increase (Decrease)
Current Assets	\$ 4.2	\$ 6.1	\$ (1.9)
Non-current Assets:			
Capital Assets, Net of			
Accumulated Depreciation	4.5	4.1	0.4
Deferred Outflows of Resources	2.5	1.3	1.2
Total Assets and Deferred Outflows	11.2	11.5	(0.3)
Current Liabilities	3.1	2.8	0.3
Non-current Liabilities	14.7	13.1	1.6
Deferred Inflows of Resources	3.2	4.5	(1.3)
Total Liabilities and Deferred Inflows	21.0	20.4	0.6
Net Position:			
Net Investment in Capital Assets	4.5	4.1	0.4
Restricted	-	2.9	(2.9)
Unrestricted	(14.3)	(15.9)	1.6
Total Net Position	\$ (9.8)	\$ (8.9)	\$ (0.9)

Net position may serve over time as a useful indicator of an entity's financial health. Liabilities and deferred inflows exceed assets and deferred outflows by \$9.8 million, an increase of approximately \$0.9 million over the prior fiscal year. An analysis of revenues and expenses for the fiscal year provides details of the increase.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, accounts receivable net of allowances, and inventories. Current assets decreased by \$1.9 million from the prior fiscal year. The primary cause for this decrease was the collection of a \$2.9 million receivable from the State. The receivable was previously restricted for use on two construction projects; however, the State permitted the repurposing of these funds to be used for College operations. Also included in this decrease is a reduction in cash and cash equivalents of \$886,292 to \$1,018,784 at June 30, 2021.

Capital Assets and Debt Administration

The College's investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, stands at nearly \$4.5 million for the fiscal year. Annual depreciation expense on the College's total capitalized assets for the year was nearly \$0.4 million, while the acquisition of new equipment plus other improvements exceeded the depreciation amount, resulting in an increase in the net investment in capital assets net position of over \$0.4 million. The College does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities increased by approximately \$0.3 million. This increase primarily resulted from an increase in accounts payable by a comparable amount. Non-current liabilities consist of the long term portion of compensated absences and the net pension and OPEB liabilities discussed earlier. The change in non-current liabilities from the prior year relates to increases in net pension and OPEB liabilities of \$0.6 million and \$1.0 million, respectively.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year under the categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the College; however, the College depends heavily on financial support from the State. This support, as well as Pell grant revenue, is reflected as non-operating revenue based on governmental accounting standards; therefore, the College will likely report a significant operating deficit due to its dependence on state and local funding. Non-operating revenues and expenses were not sufficient to offset the operating deficit for the fiscal year, and resulted in a decrease in net position of \$0.9 million for the year.

Operating Results

A summary of the College's operating results for the fiscal years 2021 and 2020 is presented below.

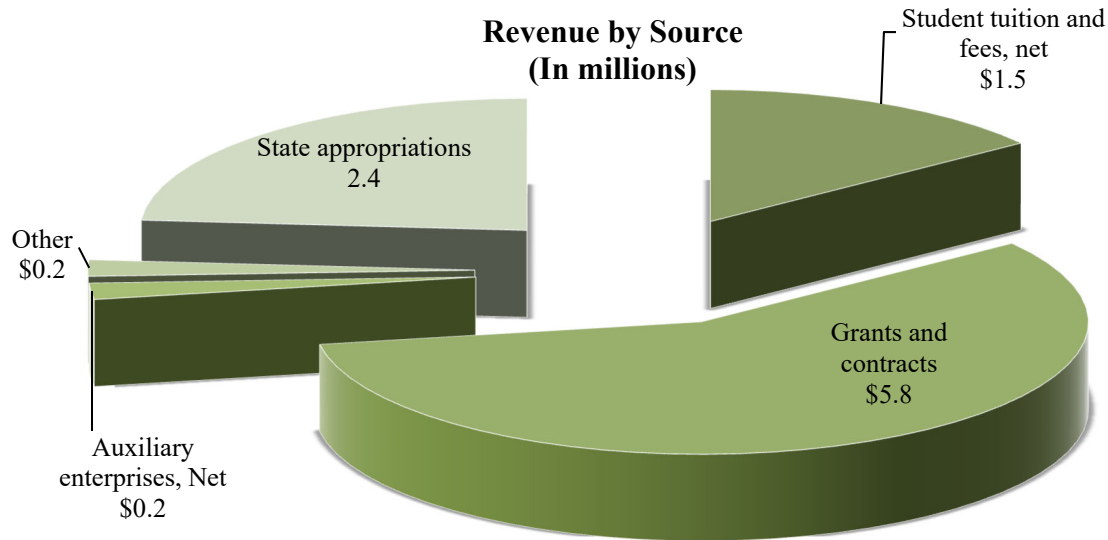
Operating Results for the Fiscal Years Ended June 30, 2021 and June 30, 2020 (in millions)

REVENUES	2021	2020	Increase (Decrease)
Operating Revenue:			
Student tuition and fees, net	\$ 1.5	\$ 1.0	\$ 0.5
Grants and contracts	3.1	3.4	(0.3)
Auxiliary enterprises, net	0.2	0.3	(0.1)
Other	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
	4.9	4.8	0.1
Less Operating Expenses	<u>11.0</u>	<u>9.1</u>	<u>1.9</u>
Net operating loss	(6.1)	(4.3)	(1.8)
Non-operating Revenue:			
State appropriations	2.4	3.8	(1.4)
Grants and contracts	2.7	2.1	0.6
Other	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
Total Non-operating Revenue	5.2	6.0	(0.8)
Decrease in net position	(0.9)	1.7	(2.6)
Net position, beginning of year	<u>(8.9)</u>	<u>(10.6)</u>	<u>1.7</u>
Net position, end of year	\$ (9.8)	\$ (8.9)	\$(0.9)
Total Operating and Non-operating Revenue	\$ 10.1	\$ 10.8	\$(0.7)

Revenue

Total revenue for June 30, 2021 decreased by \$0.7 million from the prior fiscal year. The primary component of this decrease was a reduction in State appropriations of approximately \$1.4 million, which was partially offset by increases in net tuition and fees of \$0.5 million and grant and contract revenue of \$0.3 million.

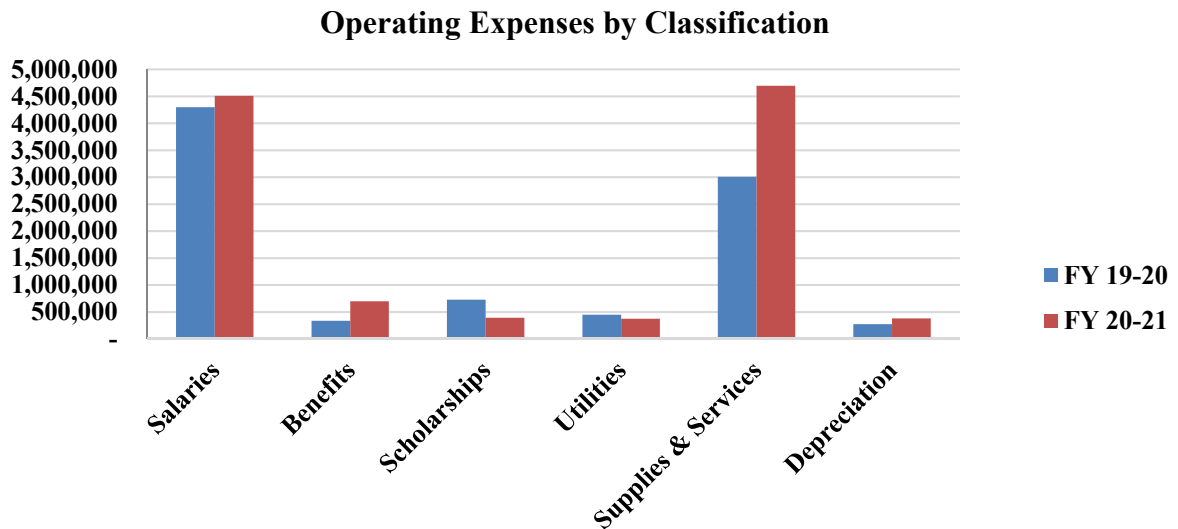
Sources of revenue and corresponding amounts are shown in millions in the following chart.



Expenses

Operating expenses for the fiscal year totaled \$11.0 million, an increase of \$1.9 million from the prior fiscal year. The most significant change was an increase in the area of Supplies and Services, up approximately \$1.7 million. Salaries, Benefits and Depreciation all had modest increases from the prior fiscal year, with Scholarships and Utilities having modest decreases to partially offset the increases. The increase in benefits is impacted by the GASB 68 and GASB 75 adjustments recognized against pension and health insurance expense.

A comparison of operating expenses by classification is found in the following chart.



Statement of Cash Flows

The Statement of Cash Flows is the final financial statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will likely report a net use of cash in the section “Cash Flows from Operating Activities” every year due to the College’s dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and identifies the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section expresses cash flows from capital and related financing activities and highlights the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash and cash equivalents decreased by \$0.9 million from last year.

Economic Factors

The economic condition of the College is dependent to a large degree on that of the state and local governments. Increases in tuition and fees received and grant and contract revenue helped to partially offset an increase in total expenses, which resulted in a decrease in net position of \$0.9 million. The College’s revenue from county sources decreased from \$61,715 last fiscal year to \$5,000 this year. With the College’s service area comprising some of the poorest counties of the state, the local support received by the College remains disproportionately the lowest of the State’s technical colleges.

The College’s operations have been significantly impacted by the effects of the worldwide COVID-19 pandemic. Federal funding through the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) has been received to assist the College in overcoming these challenges. Classroom instruction and on-campus housing have both resumed, albeit with changes to operational methods in effect prior to the pandemic. The College is closely monitoring conditions and changes to expert guidance to enable the College to operate in ways that best serve our students, faculty and staff.

Summary

The College continues in a period of right-sizing and resetting its operations based on changes in enrollment trends and economic condition. The College remains in fairly sound financial condition, despite reported financial losses and decreased enrollment in prior years. Unrestricted net position, due to GASB 68 and GASB 75 adjustments to reflect pension and OPEB liabilities, continues to substantially worsen the College's perceived financial condition. The College continues to provide affordable, post-secondary education to individuals from diverse educational and socioeconomic backgrounds seeking skills and knowledge for the emerging job market, culminating in associate degrees, diplomas, certificates, and transitions to four-year institutions.

Contact Information

Questions related to the Management Discussion and Analysis and the accompanying financial statements should be directed to Mr. Clarence F. Bonnette, Chief Financial Officer, Post Office Box 327, Denmark, South Carolina 29042.

DENMARK TECHNICAL COLLEGE
Statement of Net Position
June 30, 2021

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,018,784
Accounts receivable, net	3,110,155
Inventories	44,001
Total Current Assets	<u>4,172,940</u>
Capital assets, net of accumulated depreciation	<u>4,480,664</u>
Total Assets	8,653,604

Deferred Outflows of Resources	
Deferred outflows on net pension liability	1,133,503
Deferred outflows on net OPEB liability	1,425,411
Total Deferred Outflows of Resources	<u>2,558,914</u>

Total Assets and Deferred Outflows of Resources	<u>11,212,518</u>
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LIABILITIES

Current Liabilities	
Accounts payable	516,066
Accrued payroll and related liabilities	120,268
Unearned revenue and deposits	1,461,304
Note payable	908,839
Funds held for others	9,009
Compensated absences payable, current portion	49,526
Total Current Liabilities	<u>3,065,012</u>

Noncurrent Liabilities	
Compensated absences payable, long term portion	265,468
Net pension liability	7,635,208
Net OPEB liability	6,823,915
Total Non-current Liabilities	<u>14,724,591</u>

Total Liabilities	17,789,603
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Deferred Inflows of Resources	
Deferred inflows on net pension liability	1,250,046
Deferred inflows on net OPEB liability	2,001,441
Total Deferred Inflows of Resources	<u>3,251,487</u>

Total Liabilities and Deferred Inflows of Resources	<u>21,041,090</u>
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NET POSITION

Investment in capital assets	4,480,664
Unrestricted	<u>(14,309,236)</u>

Total Net Position (Deficit)	<u><u>\$ (9,828,572)</u></u>
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

REVENUES

Operating Revenue:	
Student tuition and fees (net of scholarship allowances of \$929,455)	\$ 1,524,468
Federal grants and contracts	2,440,792
State grants and contracts	578,291
Other grants and contracts	33,051
Auxiliary enterprises (net of scholarship allowances of \$797,752)	211,475
Other revenues	87,758
	<hr/>
Total Operating Revenue	4,875,835

EXPENSES

Operating Expenses:	
Salaries	4,508,209
Employee benefits	697,431
Scholarships	391,531
Utilities	374,489
Supplies and other services	4,693,314
Depreciation	379,382
	<hr/>
Total Operating Expenses	11,044,356

OPERATING LOSS (6,168,521)

NONOPERATING REVENUES (EXPENSES)

State appropriations	1,993,358
State capital appropriations	461,708
County appropriations	5,000
Federal grants and contracts	2,502,463
State and local grants and contracts	199,142
Interest income	536
Other nonoperating revenue	83,348
Loss on disposal of capital assets	(17,903)
	<hr/>
Total Nonoperating Revenues, Net	5,227,652

Decrease in Net Position (940,869)

Net Position Beginning of Year (8,887,703)

Net Position End of Year \$ (9,828,572)

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

DENMARK TECHNICAL COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees (net of scholarship allowances)	\$ 707,885
Federal, state and local grants and contracts	5,209,239
Auxiliary enterprise charges (net of scholarship allowances)	211,475
Other receipts	87,758
Payments to vendors	(6,494,041)
Payments to employees	(4,562,212)
Net Cash Used in Operating Activities	(4,839,896)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	1,993,358
County appropriations	31,715
Funds held for others	(1,768)
Non-operating federal, state and local grants and contracts	2,199,393
Other receipts	22,000
Net Cash Provided by Noncapital Financing Activities	4,244,698

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State capital appropriations	461,708
Donations received	61,348
Purchase of capital assets	(814,686)
Net Cash Used in Capital and Related Financing Activities	(291,630)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	536
Net Cash Provided by Investing Activities	536

Net Decrease in Cash and Cash Equivalents (886,292)

Cash and Cash Equivalents - Beginning of Year 1,905,076

Cash and Cash Equivalents - End of Year **\$ 1,018,784**

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities

Operating expenses over revenue	\$ (6,168,521)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation expense	379,382
Change in Assets and Liabilities:	
Receivables, net	1,487,997
Inventories	(3,676)
Prepaid expenses	40,072
Deferred outflows	(1,207,946)
Accounts payable	357,698
Accrued payroll and related liabilities	(41,188)
Unearned revenue and deposits	(92,569)
Compensated absences	(12,815)
Deferred inflows	(1,198,273)
Net pension liability	561,837
Net OPEB liability	1,058,106

Net Cash Used in Operating Activities **\$ (4,839,896)**

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Denmark Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Allendale, Bamberg, and Barnwell counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the discrete component units of the State, organizations for which the State is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Denmark Technical College, as a discrete component unit of the State.

C. Financial Statements: The financial statements are presented in accordance with GASB Codification Sections 2100-2900, *Financial Reporting Entity*, and Co5, *Colleges and Universities*. This financial statement presentation provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net position, revenues, expenses, changes in net position and cash flows that replaces the fund-group perspective previously required.

D. Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Certificates of deposit are reported as cash equivalents if they have a maturity date of three months or less from the purchase date.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds." The GASB Codification Section 150, *Investments*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with the GASB Codification. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations, and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. The College has adopted a monthly depreciation convention, with depreciation calculated on a prorated amount in the years of acquisition and disposition.

J. Unearned Revenues and Deposits: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned. Total unearned revenues at June 30, 2021 amounted to \$1,310,354.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Student deposits at June 30, 2021 totaled \$150,950.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of both current and long-term liabilities in the statement of net assets and as a component of salaries and employee benefits expenses in the statement of revenues, expenses, and changes in net position.

L. Net Position: The College's net position is classified as follows:

Net investment in capital assets: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - expendable: Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Restricted expendable net position consists of amounts restricted for capital improvements.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

O. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services and dormitories. Revenues of internal service and auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

P. Pensions: For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System and the South Carolina Police Officers Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis of accounting as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Q. Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF) and additions to/deductions from the Trust Funds' fiduciary net position have been determined on the same basis of accounting as they are reported by the Trust Funds. For this purpose, benefit payments are recognized when due and payable in accordance with the terms of the plans. Investments are reported at fair value.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

R. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates inherent in the preparation of financial statements include estimates of the allowance for uncollectible accounts and useful lives of depreciable assets.

NOTE 2—STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2021.

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$ 1,993,358</u>
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Total non-capital appropriations recorded as current year revenue	<u>\$ 1,993,358</u>
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CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$ 461,708</u>
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Total capital appropriations recorded as current year revenue	<u>\$ 461,708</u>
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NOTE 3—CASH, DEPOSITS, AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 3—CASH, DEPOSITS, AND INVESTMENTS...continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that the College will not be able to recover deposits if the depository financial institution fails, or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College’s policy concerning credit risk permits the College President to invest surplus funds in approved financial institutions’ investment accounts. The College has contracted with a local financial institution to collateralize all deposits in excess of federally insured amounts with securities held in the College’s name.

The cash and cash equivalent deposits with a bank balance of \$1,254,468 for Denmark Technical College at June 30, 2021, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College’s custodial bank in the College’s name.

The College also held a collateralized bank certificate of deposit of \$81,001 yielding .10% maturing August 10, 2021 and is reported at fair value. Subsequent to year end, this certificate and the accumulated earnings were reinvested for six months yielding .05%.

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The following schedule reconciles cash and cash equivalents reported on the Statement of Net Position to footnote disclosure provided for cash, deposits and investments.

Statement of Net Position:

Cash and Cash Equivalents	<u>\$ 1,018,784</u>
 Total Statement of Net Position	 <u>\$ 1,018,784</u>

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not held by State Treasurer	\$ 937,783
Certificate of deposit not held by State Treasurer	<u>81,001</u>
 Total Disclosure, Cash, Deposits and Investments	 <u>\$ 1,018,784</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021 including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 1,281,416
Due from Federal and Other Grantors	<u>2,189,306</u>
Gross Receivables	<u>3,470,722</u>
Less: Allowance for Uncollectible:	
Student Accounts	<u>(360,567)</u>
Total Allowance for Uncollectible	<u>(360,567)</u>
Receivables, Net	<u>\$ 3,110,155</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

NOTE 5—CAPITAL ASSETS

	Beginning Balance 6/30/2020	Increases	Decreases	Ending Balance 6/30/2021
Capital Assets not being depreciated				
Land and Improvements	\$ 174,020	-	-	\$ 174,020
Construction in Progress	17,903	-	(17,903)	-
	191,923	-	(17,903)	174,020
Other Capital Assets:				
Buildings and Improvements	8,880,015	-	-	8,880,015
Machinery, Equipment and Other	3,013,400	771,495	-	3,784,895
Vehicles	526,173	43,191	-	569,364
Intangibles	151,286	-	-	151,286
Total Other Capital Assets at Historical Cost	12,570,874	814,686	-	13,385,560
Less Accumulated Depreciation for:				
Buildings and Improvements	5,206,316	156,972	-	5,363,288
Machinery, Equipment and Other	2,823,050	213,431	-	3,036,481
Vehicles	518,882	8,979	-	527,861
Intangibles	151,286	-	-	151,286
Total Accumulated Depreciation	8,699,534	379,382	-	9,078,916
Other Capital Assets, Net	3,871,340	435,304	-	4,306,644
Capital Assets, Net	\$ 4,063,263	\$ 435,304	\$ (17,903)	\$ 4,480,664

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 6—NOTE PAYABLE

On May 21, 2020, the College was granted a loan from Wells Fargo, N.A. in the amount of \$908,839 under the Payroll Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), to be administered by the United States Small Business Administration. The loan proceeds and accrued interest may be forgiven in full or in part if the College uses the funds for qualifying expenses, including payroll, related benefits, rents and utilities. The College has submitted its loan forgiveness application to Wells Fargo, reporting that all loan funds were used for qualifying payroll expenses, and is awaiting confirmation of the forgiven amount.

Any unforgiven portion of the loan proceeds will be payable monthly over two years, including interest at 1%, with the first payment due on or around October 4, 2021. If the entire loan amount were required to be repaid, the monthly payments would total \$38,263. As of June 30, 2021, the entire loan amount of \$908,839 was still outstanding and is expected to be forgiven in fiscal year 2022.

NOTE 7—PENSION PLAN(S)

Plan Descriptions/Membership

The majority of employees of the Denmark Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment. The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

As an alternative to membership in SCRS, certain newly hired State, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State Optional Retirement Program (ORP), a defined contribution plan. 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. The benefits are the liability of the four third party service providers. Employee and employer contributions to the 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.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit pension plan. Generally, to be eligible for PORS membership, employees must be required by the terms of their 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 permanent position; or to serve as a peace officer employed by certain State agencies. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS. 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. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available on 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, South Carolina 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 State's ACFR.

Benefits

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

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 over a period that does not exceed the number of years scheduled in State statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with State statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in State statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

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

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

SCRS	
Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation
State ORP	
Employee	9.00% of earnable compensation
PORS	
Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contribution rates for the fiscal year ended June 30, 2021 are as follows:

SCRS	
Employer Class Two	15.41% of earnable compensation
Employer Class Three	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP	
Employer Contribution	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	17.84% of earnable compensation
Employer Class Three	17.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

The College’s actual contributions to the SCRS (including ORP of \$45,671) were approximately \$456,244 for the year ended June 30, 2021. The College’s actual contributions to the PORS for the year ended June 30, 2021 were approximately \$12,711. The College contributed 100% of the required contributions for the current year.

Payables to the Pension Plan

As of June 30, 2021, the College had \$76,433 in payables outstanding to the pension plans for its legally required contributions.

Actuarial Assumptions and Methods

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

The June 30, 2019, total pension liability, net pension liability, and sensitivity information were determined by the Systems’ consulting actuary, Gabriel, Roeder, Smith and Company and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled forward from the valuation date to the plans’ fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

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

Assumptions used in the determination of the June 30, 2020, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The net pension liability is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that System’s fiduciary net position. The College’s proportionate share of the liabilities were determined based on the percentage of the College’s employer contributions paid relative to total employer contributions paid to each system for the year ended June 30, 2020.

The College’s share of PEBA’s total net pension liability for the retirement systems reported as of June 30, 2021, expressed in terms of dollars and percentages are as follows:

	<u>SCRS</u>		<u>PORS</u>	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
SYSTEM:				
Total Pension Liability	\$51,844,187,763	\$50,073,060,256	\$8,046,386,629	\$7,681,749,768
Plan Fiduciary Net Position	<u>26,292,418,682</u>	<u>27,238,916,138</u>	<u>4,730,174,642</u>	<u>4,815,808,554</u>
Net Pension Liability	25,551,769,081	22,834,144,118	3,316,211,987	2,865,941,214
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.7%	54.4%	58.8%	62.7%
Denmark Technical College:				
Share of Net Pension Liability	\$7,526,205	\$6,979,256	\$109,003	\$94,115
Percentage	.029455%	.030565%	.003287%	.003284%

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 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.

No change has been reported in the College's share of the total systems' liabilities since the June 30, 2020 measurement date.

Deferred Outflows and Inflows of Resources and Pension Expense

For the year ended June 30, 2021, the College recognized pension expense of (\$154,837) and (\$18,343) for the SCRS and PORS Plans, respectively. For the year ended June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 86,842	\$ 2,317	\$ 89,159	\$ 28,460	\$ 480	\$ 28,940
Changes of assumptions	9,221	1,330	10,551	-	-	-
Net difference between projected and actual earnings on pension plan investments	553,615	11,162	564,777	-	-	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	61	61	1,180,248	40,858	1,221,106
College contributions subsequent to the measurement date	<u>456,244</u>	<u>12,711</u>	<u>468,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,105,922</u>	<u>\$27,581</u>	<u>\$1,133,503</u>	<u>\$1,208,708</u>	<u>\$41,338</u>	<u>\$1,250,046</u>

The amount \$468,955 reported as deferred outflows relating to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2021.

<u>Fiscal Year</u>	<u>SCRS</u>	<u>PORS</u>
<u>Ending June 30</u>		
2022	\$(664,387)	\$(24,945)
2023	(161,172)	(7,289)
2024	125,261	2,879
2025	<u>141,269</u>	<u>2,886</u>
	<u>\$(559,029)</u>	<u>\$(26,469)</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 7—PENSION PLAN(S)...continued

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 rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

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

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	<u>1.0%</u>	0.56%	<u>0.01%</u>
 Total Expected Real Return	 100.0%		 5.80%
Inflation for Actuarial Purposes			<u>2.25%</u>
 Total Expected Nominal Return			 <u>8.05%</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
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NOTE 7—PENSION PLAN(S)...continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS 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, each 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 total pension liability.

Sensitivity Analysis

The following table presents the College’s share of the net pension liability calculated using the discount rate of 7.25%, as well as what the College’s share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$9,327,808	\$7,526,205	\$6,021,844
PORS	144,302	109,003	80,660

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the systems’ audited financial statements for the fiscal year ended June 30, 2020. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2020.

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

In accordance with Act 195, the OPEB Trusts are 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 Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, 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

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

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

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 surcharge was 6.25% of annual covered payroll for the fiscal year ended June 30, 2021. The College paid approximately \$215,640 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2021. Other sources of funding for the SCRHITF include the implicit subsidy of (\$3,800), which is an age-related subsidy inherent in the healthcare premiums structure, and investment income.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee paid was \$3.22 for the fiscal year ended June 30, 2021. The College recorded employer contributions expenses applicable to these insurance benefits for active employees of approximately \$2,486 for the year ended June 30, 2021. Employees are not required to contribute to the plan. The SCLTDITF is also funded through investment income.

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, South Carolina 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, OPEB Trust Fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts regarding the net OPEB liability 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 of 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, 2019
Actuarial Cost Method:	Individual Entry - Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense, including inflation
Single Discount Rate:	2.45% as of June 30, 2020
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
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 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020; updates were made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the “Cadillac Tax”

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Individual Entry - Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense, including inflation
Single Discount Rate:	2.83% as of June 30, 2020
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015
Disability Incidence:	The disability rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The discount rate changed from 3.04% as of June 30, 2019 to 2.83% as of June 30, 2020

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to June 30, 2020.

Payables to the OPEB Plans

As of June 30, 2021, the College had \$17,701 in payables outstanding to the OPEB plans for its legally required contributions.

Net OPEB Liability

The net OPEB liability is calculated separately for each OPEB Trust Fund and represents that particular trust's total OPEB liability determined in accordance with GASB No. 74 less that trust's fiduciary net position. 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 Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. 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.

The total OPEB liability is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The net OPEB liability 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 are not applicable for other purposes, such as determining the Trusts' funding requirements.

The College's proportionate share of the liabilities were determined by PEBA based on the percentage of the College's employer contributions paid relative to total employer contributions paid to each plan for the year ended June 30, 2020.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

The College's share of PEBA's total net OPEB liability for its plans reported as of June 30, 2020, expressed in terms of dollars and percentages are as follows:

	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total OPEB</u>
PEBA:			
Total OPEB Liability	\$19,703,745,672	\$42,782,316	\$19,746,527,988
Plan Fiduciary Net Position	<u>1,652,299,185</u>	<u>42,479,106</u>	<u>1,694,778,291</u>
Net OPEB Liability	18,051,446,487	303,210	18,051,749,697
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.39%	99.29%	
Denmark Technical College:			
Share of Net OPEB Liability	\$6,823,808	\$107	\$6,823,915
Percentage	.037802%	.035447%	

No change has been reported in the College's share of the total plans' liabilities since the June 30, 2020 measurement date.

Deferred Outflows and Inflows of Resources and OPEB Expense

For the fiscal year ended June 30, 2021, the College reported OPEB expense of \$175,731 and \$2,856 for the SCRHITF and SCLTDITF, respectively. For the year ended June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total</u>	<u>SCRHITF</u>	<u>SCLTDITF</u>	<u>Total</u>
Differences between expected and actual experience	\$ 195,167	\$ -	\$ 195,167	\$ 155,403	\$ 446	\$155,849
Changes of assumptions	1,015,468	450	1,015,918	271,759	54	271,813
Net difference between projected and actual earnings on OPEB plan investments	-	-	-	15,916	896	16,812
Changes in proportion and differences between College contributions and proportionate share of contributions	-	-	-	1,556,650	317	1,556,967
College contributions subsequent to the measurement date	<u>211,840</u>	<u>2,486</u>	<u>214,326</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,422,475</u>	<u>\$ 2,936</u>	<u>\$1,425,411</u>	<u>\$ 1,999,728</u>	<u>\$ 1,713</u>	<u>\$ 2,001,441</u>

The amount \$214,326 (\$211,840 + \$2,486) reported as deferred outflows of resources relating to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2021.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>SCRHITF</u>	<u>SCLTDITF</u>
2022	\$(245,796)	\$(195)
2023	(247,995)	(273)
2024	(251,479)	(372)
2025	(190,992)	(264)
2026	9,457	(51)
Thereafter	137,712	(108)

Single Discount Rate

The Single Discount Rate of 2.45% 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).

A Single Discount Rate of 2.83% was used to measure the total OPEB liability for the SCLTDITF. The Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate of 2.45%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at \$38.64 per year for each covered active employee. Based on these assumptions, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2041. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2041, and the municipal bond rate was applied to all benefit payments after that date.

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 table on the following page:

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

South Carolina Retiree Health Insurance Trust Fund

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	80.00%	0.60%	0.48%
Cash equivalents	<u>20.00%</u>	0.35%	<u>0.07%</u>
Total	100.00%		0.55%
Expected Inflation			<u>2.25%</u>
Total Return			<u>2.80%</u>
Investment Return Assumption			<u>2.75%</u>

South Carolina Long-Term Disability Insurance Trust Fund

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	80.00%	0.95%	0.76%
Cash equivalents	<u>20.00%</u>	0.35%	<u>0.07%</u>
Total	100.00%		0.83%
Expected Inflation			<u>2.25%</u>
Total Return			<u>3.08%</u>
Investment Return Assumption			<u>3.00%</u>

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRHITF net OPEB liability calculated using a Single Discount Rate of 2.45%, as well as what the College's share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower (1.45%) or 1.00% higher (3.45%) than the current rate:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Single Discount Rate

<u>1.00% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1.00% Increase (3.45%)</u>
\$8,142,172	\$6,823,808	\$5,770,336

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS...continued

Regarding the sensitivity of the SCRHITF’s net OPEB liability to changes in the healthcare cost trend rates, the following table presents the College’s share of the plan’s net OPEB liability, calculated using the assumed trend rates as well as what the College’s share of the net OPEB liability would be if it were calculated using a trend rate that is 1.00% lower or 1.00% higher:

Sensitivity of the SCRHITF Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
\$5,523,217	\$6,823,808	\$8,531,857

The following table presents the College’s proportionate share of the SCLTDITF net OPEB liability calculated using a Single Discount Rate of 2.83%, as well as what the College’s share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower (1.83%) or 1.00% higher (3.83%) than the current rate:

Sensitivity of the SCLTDITF Net OPEB Liability to Changes in the Single Discount Rate

<u>1.00% Decrease (1.83%)</u>	<u>Current Discount Rate (2.83%)</u>	<u>1.00% Increase (3.83%)</u>
\$633	\$107	\$(415)

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the trust funds’ audited financial statements for the fiscal year ended June 30, 2020. Additional actuarial information is available in the accounting and financial reporting actuarial valuations as of June 30, 2020.

NOTE 9—CONTINGENCIES, LITIGATION, AND COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College’s financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 9—CONTINGENCIES, LITIGATION, AND COMMITMENTS...continued

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2021, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

NOTE 10—LEASE OBLIGATIONS

Operating Leases

The College leases copier and other equipment under cancelable operating leases, with the charges on most items based primarily or exclusively on usage. In the normal course of business, operating leases are generally renewed or replaced by five year cancelable rental agreements and are generally payable on a monthly basis. Rental agreements are due to expire from November 2022 to March 2026. Operating lease payments made during the fiscal year ended June 30, 2021, totaled \$52,956 to external parties and \$0 to other State agencies.

NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

	July 1, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
Accrued Compensated Absences	<u>\$ 327,809</u>	<u>\$ 87,921</u>	<u>\$(100,736)</u>	<u>\$ 314,994</u>	<u>\$ 49,526</u>
Total Long-Term Liabilities	<u>\$ 327,809</u>	<u>\$ 87,921</u>	<u>\$(100,736)</u>	<u>\$ 314,994</u>	<u>\$ 49,526</u>

NOTE 12—RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Management reviewed its relationship with Denmark Technical College Foundation under the existing guidance of the GASB Codification. The College excluded this organization from the reporting entity because the Foundation's assets are not significant to the College's overall assets.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2021.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 12—RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS...continued

The Denmark Technical College Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

During the year ended June 30, 2021 the Foundation had minimal financial activity, and the only transaction between the College and the Foundation was a \$13,191 donation made by the Foundation to the College to assist in the purchase of a passenger van.

NOTE 13—RISK MANAGEMENT

The College 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. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

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June 30, 2021

NOTE 13—RISK MANAGEMENT...continued

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

NOTE 14—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2021, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$1,601,316	\$ 310,996	\$ -	\$ -	\$ 80,113	\$ -	\$80,113.00
Academic Support	453,630	13,191	-	-	50,552	-	517,373
Student Services	595,549	43,031	-	-	265,781	-	904,361
Operation and Maintenance of Plant	292,528	34,502	-	374,489	892,871	-	1,594,390
Institutional Support	1,388,524	267,550	-	-	2,934,399	-	4,590,473
Scholarships	-	-	391,531	-	-	-	391,531
Auxiliary Enterprises	176,662	28,161	-	-	469,598	-	674,421
Depreciation	-	-	-	-	-	379,382	379,382
Total Operating Expenses	<u>\$4,508,209</u>	<u>\$ 697,431</u>	<u>\$ 391,531</u>	<u>\$ 374,489</u>	<u>\$ 4,693,314</u>	<u>\$ 379,382</u>	<u>\$11,044,356</u>

NOTE 15—TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from various State agencies include pension plan administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2021

NOTE 16—STATEMENT OF ACTIVITIES

The following information is required by the Office of the Comptroller General for the State of South Carolina’s comprehensive annual financial report:

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 4,875,835	\$ 4,813,997	\$ 61,838
Non-Operating Revenues	2,772,586	2,127,312	645,274
Less: Expenses	<u>(11,044,356)</u>	<u>(9,085,059)</u>	<u>(1,959,297)</u>
Net Program Expense	(3,395,935)	(2,143,750)	(1,252,185)
Transfers:			
State Appropriations	1,993,358	3,725,887	(1,732,529)
State Capital Appropriations	<u>461,708</u>	<u>126,038</u>	<u>335,670</u>
Change in Net Position	(940,869)	1,708,175	(2,649,044)
Net Position Beginning of Year	<u>(8,887,703)</u>	<u>(10,595,878)</u>	<u>1,708,175</u>
Net Position End of Year	<u>\$ (9,828,572)</u>	<u>\$ (8,887,703)</u>	<u>\$ (940,869)</u>

DENMARK TECHNICAL COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
For the Plan Year Ended June 30,

South Carolina Retirement System

Plan Year Ended June 30	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.029455%	\$ 7,526,205	\$ 3,013,377	249.76%	50.7%
2019	0.030565%	6,979,256	3,147,562	221.74%	54.4%
2018	0.035050%	7,853,647	3,602,276	218.02%	54.1%
2017	0.044269%	9,965,664	4,467,697	223.06%	53.3%
2016	0.048541%	10,368,286	4,616,622	224.59%	52.9%
2015	0.054609%	10,356,860	5,024,875	206.11%	57.0%
2014	0.051732%	8,906,535	4,706,622	189.23%	59.9%

Police Officers Retirement System

Plan Year Ended June 30	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.003287%	\$ 109,003	\$ 49,654	219.53%	58.8%
2019	0.003284%	94,115	47,632	197.59%	62.7%
2018	0.003855%	109,243	58,143	187.89%	61.7%
2017	0.007809%	213,932	115,841	184.68%	60.9%
2016	0.009460%	239,951	120,608	198.95%	60.4%
2015	0.009860%	214,942	129,453	166.04%	64.6%
2014	0.014830%	283,910	179,847	157.86%	67.5%

Notes to the schedules: The above schedules will present 10 years of information once it is accumulated.

DENMARK TECHNICAL COLLEGE
Schedule of College Retirement Contributions
For the Fiscal Year Ended June 30,

South Carolina Retirement System

Fiscal Year Ended June 30	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 410,573	\$ (410,573)	\$ -	\$ 2,935,026	13.99%
2020	418,073	(418,073)	-	3,013,377	13.87%
2019	401,779	(401,779)	-	3,147,562	12.76%
2018	483,065	(483,065)	-	3,602,276	13.41%
2017	509,764	(509,764)	-	4,467,697	11.41%
2016	503,673	(503,673)	-	4,616,622	10.91%
2015	540,174	(540,174)	-	5,024,875	10.75%

Police Officers Retirement System

Fiscal Year Ended June 30	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 12,711	\$ (12,711)	\$ -	\$ 76,489	16.62%
2020	7,817	(7,817)	-	49,654	15.74%
2019	6,787	(6,787)	-	47,632	14.25%
2018	9,210	(9,210)	-	58,143	15.84%
2017	16,032	(16,032)	-	115,841	13.84%
2016	16,089	(16,089)	-	120,608	13.34%
2015	16,842	(16,842)	-	129,453	13.01%

Notes to the schedules: The above schedules will present 10 years of information once it is accumulated.

Actuarial assumptions used in determining the statutorily required contribution rates are discussed in Note 7.

DENMARK TECHNICAL COLLEGE
Schedule of the College's Proportionate Share of the Net OPEB Liability
For the Plan Year Ended June 30,

South Carolina Retiree Health Insurance Trust Fund

Plan Year Ended June 30	College's proportion of the net OPEB liability	College's proportionate share of the net OPEB liability	College's covered payroll	College's proportionate share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.037802%	\$ 6,823,808	\$ 3,484,472	195.83%	8.39%
2019	0.038125%	5,765,081	3,334,354	172.90%	8.44%
2018	0.043185%	6,119,567	3,724,168	164.32%	7.91%
2017	0.054354%	7,362,160	4,583,538	160.62%	7.60%
2016	0.054354%	7,864,280	4,737,230	166.01%	7.60%

South Carolina Long-Term Disability Insurance Trust Fund

Plan Year Ended June 30	College's proportion of the net OPEB liability	College's proportionate share of the net OPEB liability	College's covered payroll	College's proportionate share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.035447%	\$ 107	N/A	N/A	99.29%
2019	0.037009%	728	N/A	N/A	95.17%
2018	0.043115%	1,320	N/A	N/A	92.20%
2017	0.053158%	964	N/A	N/A	95.29%
2016	0.053158%	369	N/A	N/A	95.29%

Notes to the schedules: The above schedules will present 10 years of information once it is accumulated.

DENMARK TECHNICAL COLLEGE
Schedule of College OPEB Contributions
For the Fiscal Year Ended June 30,

South Carolina Retiree Health Insurance Trust Fund

Fiscal Year Ended June 30	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 215,640	\$ (215,640)	\$ -	\$ 3,450,234	6.25%
2020	217,780	(217,780)	-	3,484,472	6.25%
2019	201,728	(201,728)	-	3,334,354	6.05%
2018	204,829	(204,829)	-	3,724,168	5.50%
2017	244,303	(244,303)	-	4,583,538	5.33%

South Carolina Long-Term Disability Insurance Trust Fund

Fiscal Year Ended June 30	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered payroll
2021	\$ 2,486	\$ (2,486)	\$ -	N/A	N/A
2020	2,666	(2,666)	-	N/A	N/A
2019	2,734	(2,734)	-	N/A	N/A
2018	3,130	(3,130)	-	N/A	N/A
2017	3,903	(3,903)	-	N/A	N/A

Notes to the schedules: The above schedules will present 10 years of information once it is accumulated.

Actuarial assumptions used in determining the statutorily required contribution rates are discussed in Note 8.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE STATE LOTTERY TUITION ASSISTANCE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

**To the President and Members of the Area Commission
of Denmark Technical College
Denmark, South Carolina**

Report on Compliance for the State Lottery Tuition Assistance Program

We have audited **Denmark Technical College's** (the "College") compliance with the types of compliance requirements described in the State Lottery Tuition Assistance Program Policy 3-2-307 and procedure 3-2-307.1, issued by the State Board for Technical and Comprehensive Education, that could have a direct and material effect on the College's State Lottery Assistance Program for the fiscal year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of State Law and Policy 3-2-307 and procedure 3-2-307.1 related to its State Lottery Tuition Assistance Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's State Lottery Tuition Assistance Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and State Lottery Tuition Assistance Program Policy 3-2-307 and procedure 3-2-307.1, issued by the State Board for Technical and Comprehensive Education. Those standards and policy require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the State Lottery Assistance Program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the State Lottery Tuition Assistance program. However, our audit does not provide a legal determination of the College's compliance.

Opinion

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State Lottery Tuition Assistance program for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the State Lottery Tuition Assistance Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the State Lottery Tuition Assistance Program and to test and report on internal control over compliance in accordance with the State Lottery Tuition Assistance Program Policy 3-2-307 and procedure 3-2-307.1, issued by the State Board for Technical and Comprehensive Education, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the State Lottery Tuition Assistance Program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the State Lottery Tuition Assistance Program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the State Lottery Tuition Assistance Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Lottery Tuition Assistance Program Policy 3-2-307 and procedure 3-2-307.1, issued by the State Board for Technical and Comprehensive Education. Accordingly, this report is not suitable for any other purpose.



Columbia, South Carolina
October 25, 2021

DENMARK TECHNICAL COLLEGE

SCHEDULE OF STATE LOTTERY TUITION ASSISTANCE PROGRAM FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDIT RESULTS

State Lottery Tuition Assistance Program

Internal control over State Lottery Tuition Assistance Program:

Material weaknesses identified?

Yes No

Significant deficiencies not considered to be
material weaknesses?

Yes None Reported

Type of auditor's report issued on compliance for
State Lottery Tuition Assistance Program

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the State Law
and Policy 3-2-307 and Procedure 3-2-307.1
of the State Board for Technical College
and Comprehensive Education?

Yes No

SECTION II STATE LOTTERY TUITION ASSISTANCE PROGRAM FINDINGS AND QUESTIONED COSTS

None reported.