

DENMARK TECHNICAL COLLEGE
ANNUAL FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

June 30, 2022

DENMARK TECHNICAL COLLEGE

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DENMARK TECHNICAL COLLEGE
Organizational Data
June 30, 2022

AREA COMMISSION MEMBERS AND OFFICERS

Mr. Kevin Whitt, Chairperson	At-Large
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 for Administration and Innovation
Mr. Rashad Rogers	Vice President for Fiscal Affairs
Ms. Tia Wright-Richards	Vice President for Academic Affairs
Dr. Lamar White	Vice President for Student Affairs



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Denmark Technical College** (the "College"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability – South Carolina Retirement System and Police Officer's Retirement System, the Schedule of College Contributions – South Carolina Retirement System and Police Officer's Retirement System, and the Schedule of the College's Proportionate Share of the Net OPEB Liability, and the Schedule of College OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 10, 2022, 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 10, 2022, 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 10, 2022

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, 2022. 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, 2022 by \$8,252,314. The total unrestricted net position as of that date is \$(13,243,142). This amount includes a net reported unfunded pension obligation of \$6,743,480 as required by GASB Statement 68 and a net unfunded other post-employment benefits (OPEB) obligation of \$7,451,963 required by GASB Statement 75. Excluding these obligations, the College's unrestricted net position is \$952,301. 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 increased by \$1,576,258, the result of an approximately \$0.8 million increase in assets and deferred outflows and a decrease in liabilities and deferred inflows of approximately \$0.7 million.
- Student tuition and fees and auxiliary enterprise revenues, net of scholarship allowances, increased by approximately \$2.2 million during the fiscal year, while operating grant and contract revenue increased by about \$0.1 million. Operating expenses also increased by approximately \$6.4 million. As a result, the College's operating loss increased from about \$6.1 million for the prior fiscal year to \$10.2 million. Reported State appropriations and other non-operating revenue increased by \$6.5 million, resulting in an increase in net position of over \$1.5 million.
- The College obtained full forgiveness for a loan of \$908,839 from a financial institution under the SBA's Payroll Protection Program. The College met the program's terms for full forgiveness by expending the entire loan proceeds for qualifying payroll expenses. The loan forgiveness is reported as nonoperating revenue on the Statement of Revenues, Expenses and Changes in Net Position.

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 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, 2022, the College's reported net pension liability was \$6,253,722. This accounting treatment has a major negative impact on the presentation of the College's net position and financial condition.

GASB Statement 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, 2022 totaled \$1,056,268, while deferred inflows of resources amounted to \$1,546,026.

Beginning with the fiscal year ended June 30, 2018, the College implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The reporting is similar to that required by GASB Statement 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, 2022, the College's reported net OPEB liability was \$7,703,952. Deferred outflows and inflows of resources, which relate to factors similar to those in GASB Statement 68, totaled \$1,961,413 and \$1,709,424, respectively, as of June 30, 2022. 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, 2022 and 2021 (In millions)

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Current Assets	\$ 4.0	\$ 4.2	\$ (0.2)
Non-current Assets:			
Capital Assets, Net of			
Accumulated Depreciation	5.0	4.5	0.5
Deferred Outflows of Resources	<u>3.0</u>	<u>2.5</u>	<u>0.5</u>
Total Assets and Deferred Outflows	12.0	11.2	0.8
Current Liabilities	2.8	3.1	(0.3)
Non-current Liabilities	14.2	14.7	(0.5)
Deferred Inflows of Resources	<u>3.3</u>	<u>3.2</u>	<u>0.1</u>
Total Liabilities and Deferred Inflows	20.3	21.0	(0.7)
Net Position:			
Net Investment in Capital Assets	5.0	4.5	0.5
Restricted	-	-	-
Unrestricted	<u>(13.3)</u>	<u>(14.3)</u>	<u>1.0</u>
Total Net Position	<u>\$ (8.3)</u>	<u>\$ (9.8)</u>	<u>\$ 1.5</u>

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 \$8.3 million, a decrease of over \$1.5 million from the prior fiscal year. An analysis of revenues and expenses for the fiscal year provides details of the decrease.

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 \$0.2 million from the prior fiscal year. The primary causes for this decrease were a reduction in cash of \$0.2 million and a reduction in net accounts receivable of \$0.3 million. These were partially offset by an increase in prepaid expenses of \$0.3 million.

Capital Assets and Debt Administration

The College's investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, stands at nearly \$5.0 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 construction costs exceeded the depreciation amount, resulting in an increase in the net investment in capital assets net position of \$0.5 million. The College does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities decreased by approximately \$0.3 million. This decrease resulted from the forgiveness of the College's loan through the SBA's Payroll Protection Program. This liability reduction was partially offset by increases in accounts payable, accrued payroll and related liabilities, and unearned revenue and deposits. 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 a decrease in the net pension liability of \$1.4 million and an increase in the net OPEB liability of \$0.9 million.

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 federal Pell grant revenue and Higher Education Emergency Relief Funds (HEERF), 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 more than sufficient to offset the operating deficit for the fiscal year, resulting in an increase in net position of over \$1.5 million for the year.

Operating Results

A summary of the College's operating results for the fiscal years 2022 and 2021 is presented below.

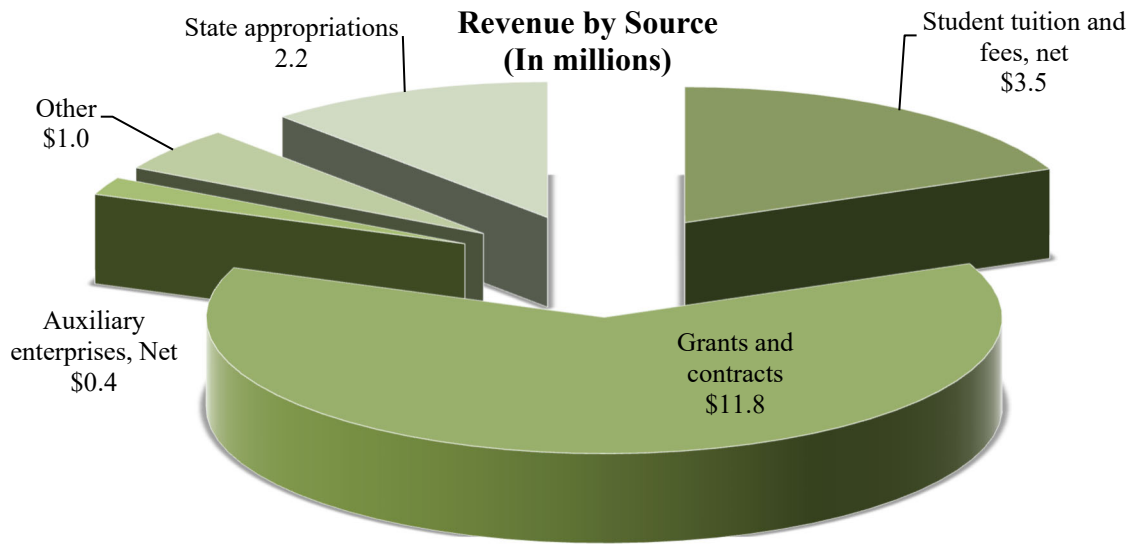
Operating Results for the Fiscal Years Ended June 30, 2022 and June 30, 2021 (in millions)

REVENUES	2022	2021	Increase (Decrease)
Operating Revenue:			
Student tuition and fees, net	\$ 3.5	\$ 1.5	\$ 2.0
Grants and contracts	3.2	3.1	0.1
Auxiliary enterprises, net	0.4	0.2	0.2
Other	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
	7.2	4.9	2.3
Less Operating Expenses	<u>17.4</u>	<u>11.0</u>	<u>6.4</u>
Net operating loss	(10.2)	(6.1)	(4.1)
Non-operating Revenue:			
State appropriations	2.2	2.4	(0.2)
Grants and contracts	8.6	2.7	5.9
Other	<u>0.9</u>	<u>0.1</u>	<u>0.8</u>
Total Non-operating Revenue	11.7	5.2	6.5
Increase in net position	1.5	(0.9)	2.4
Net position, beginning of year	<u>(9.8)</u>	<u>(8.9)</u>	<u>(0.9)</u>
Net position, end of year	\$ (8.3)	\$ (9.8)	\$ 1.5
Total Operating and Non-operating Revenue	\$ 18.9	\$ 10.1	\$ 8.8

Revenue

Total revenue for June 30, 2022 increased by \$8.8 million from the prior fiscal year. The primary components of this increase were by increases in net tuition and fees of \$2.0 million and grant and contract revenue of \$6.0 million.

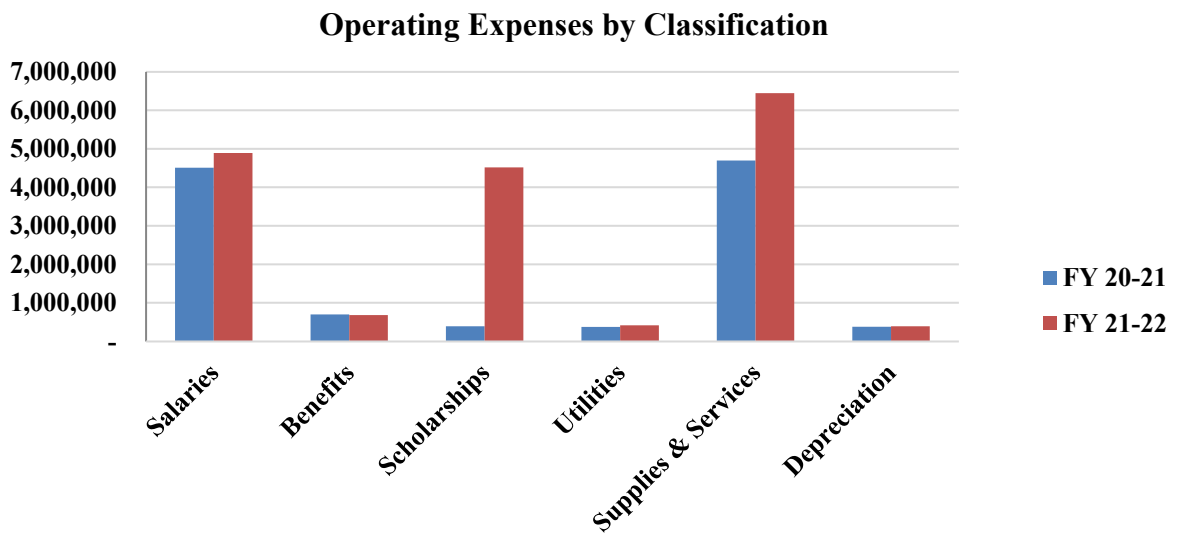
Sources of revenue and corresponding amounts are shown in millions in the following chart.



Expenses

Operating expenses for the fiscal year totaled \$17.4 million, an increase of \$6.4 million from the prior fiscal year. The most significant change was an increase in the areas of Scholarships and Supplies and Services, up approximately \$3.6 million and \$2.3 million, respectively. Salaries had a modest increase from the prior fiscal year, with the other expense categories having minimal changes from the prior year.

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 \$0.2 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 offset an increase in total expenses, resulting in an increase in net position of \$1.5 million. The College’s revenue from county sources remained at \$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 increased, as the impacts of the pandemic have subsided. 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 sound financial condition, with increased enrollment in continuing education and other programs. The College also benefitted from federal pandemic-related funding during enrollment declines, permitting the upgrading of classrooms and other facilities. 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. Rashad Rogers, Vice President for Fiscal Affairs, Post Office Box 327, Denmark, South Carolina 29042.

DENMARK TECHNICAL COLLEGE
Statement of Net Position
June 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 829,723
Accounts receivable, net	2,822,893
Inventories	49,668
Prepaid expenses	278,299
Total Current Assets	3,980,583

Capital assets, net of accumulated depreciation	4,990,828
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Total Assets	8,971,411
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Deferred Outflows of Resources

Deferred outflows on net pension liability	1,056,268
Deferred outflows on net OPEB liability	1,961,413
Total Deferred Outflows of Resources	3,017,681

Total Assets and Deferred Outflows of Resources	11,989,092
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LIABILITIES

Accounts payable	605,069
Accrued payroll and related liabilities	236,126
Unearned revenue and deposits	1,830,024
Funds held for others	21,538
Compensated absences payable, current portion	63,260
Total Current Liabilities	2,756,017

Compensated absences payable, long term portion	272,265
Net Pension Liability	6,253,722
Net OPEB Liability	7,703,952
Total Non-current Liabilities	14,229,939

Total Liabilities	16,985,956
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Deferred Inflows of Resources

Deferred inflows on net pension liability	1,546,026
Deferred inflows on net OPEB liability	1,709,424
Total Deferred Inflows of Resources	3,255,450

Total Liabilities and Deferred Inflows of Resources	20,241,406
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NET POSITION (DEFICIT)

Investment in Capital Assets	4,990,828
Unrestricted	(13,243,142)
	(8,252,314)

Total Net Position (Deficit)	\$ (8,252,314)
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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, 2022

REVENUES

Operating Revenue:	
Student tuition and fees (net of scholarship allowances of \$799,448)	\$ 3,486,050
Federal grants and contracts	1,739,910
State grants and contracts	866,544
Other grants and contracts	641,708
Sales and services of educational departments	320
Auxiliary enterprises (net of scholarship allowances of \$1,257,024)	375,256
Other revenue	63,114
	<hr/>
Total Operating Revenue	7,172,902

EXPENSES

Operating Expenses:	
Salaries	4,890,889
Employee benefits	683,050
Scholarships	4,514,729
Utilities	417,552
Supplies and other services	6,445,463
Depreciation	390,344
	<hr/>
Total Operating Expenses	17,342,027

OPERATING LOSS (10,169,125)

NONOPERATING REVENUES

State appropriations	2,159,526
County appropriations	5,000
Interest income	110
Federal grants and contracts	8,253,167
State and local grants and contracts	413,741
Other nonoperating revenue	913,839
	<hr/>
Total Nonoperating Revenues	11,745,383

Increase in Net Position 1,576,258

Net Position (Deficit) Beginning of Year (9,828,572)

Net Position (Deficit) End of Year \$ (8,252,314)

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

DENMARK TECHNICAL COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees (net of scholarship allowances)	\$ 4,033,895
Federal, state and local grants and contracts	3,674,900
Auxiliary enterprise charges (net of scholarship allowances)	375,256
Sales and services of educational departments	320
Other receipts	63,114
Payments to vendors	(13,212,010)
Payments to employees	(4,754,500)
Net Cash Used in Operating Activities	<u>(9,819,025)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	2,159,526
County appropriations	5,000
Funds held for others	12,529
Non-operating federal, state and local grants and contracts	8,348,307
Net Cash Provided by Noncapital Financing Activities	<u>10,525,362</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Donations received	5,000
Purchase of capital assets	(900,508)
Net Cash Used in Capital and Related Financing Activities	<u>(895,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	110
Net Cash Provided by Investing Activities	<u>110</u>
Net Decrease in Cash and Cash Equivalents	(189,061)
Cash and Cash Equivalents - Beginning of Year	<u>1,018,784</u>
Cash and Cash Equivalents - End of Year	<u>\$ 829,723</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (10,169,125)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	390,344
Change in assets and liabilities and deferred outflows of resources and deferred inflows of resources:	
Receivables, net	605,863
Inventories	(5,667)
Prepaid expenses	(278,299)
Deferred outflows of resources	(458,767)
Accounts payable	89,003
Accrued payroll and related liabilities	115,858
Unearned revenue and deposits	368,720
Compensated absences	20,531
Deferred inflows of resources	3,963
Net pension liability	(1,381,486)
Net OPEB liability	880,037
Net Cash Used in Operating Activities	<u>\$ (9,819,025)</u>
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
PPP loan forgiveness	\$908,839

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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 discretely presented 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 regardless of maturity and funds invested through the State of South Carolina State Treasurer’s Office are considered cash equivalents.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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 position.

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 acquisition 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, 2022 amounted to \$1,675,324.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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, 2022 totaled \$154,700.

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 position 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, 2022

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 additions to/deductions from the Trust Fund's fiduciary net position have been determined on the same basis of accounting as they are reported by the Trust Fund. 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, 2022

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, 2022.

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ <u>2,159,526</u>
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Total non-capital appropriations recorded as current year revenue	\$ <u>2,159,526</u>
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CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ <u>0</u>
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Total capital appropriations recorded as current year revenue	\$ <u>0</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, 2022

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 \$1,219,194 for Denmark Technical College at June 30, 2022, 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 \$81,062 yielding .05% maturing August 10, 2022 and is reported at amortized cost, which approximates 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>\$ 829,723</u>
Total Statement of Net Position	<u>\$ 829,723</u>

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not held by State Treasurer	\$ 748,661
Certificate of deposit not held by State Treasurer	<u>81,062</u>
Total Disclosure, Cash, Deposits and Investments	<u>\$ 829,723</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022 including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 1,028,861
Due from Federal and Other Grantors	<u>2,462,792</u>
Gross Receivables	<u>3,491,653</u>

Less: Allowance for Uncollectible:

Student Accounts	<u>(668,760)</u>
Total Allowance for Uncollectible	<u>(668,760)</u>

Receivables, Net	<u>\$ 2,822,893</u>
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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 6/30/2021	Increases	Decreases	Ending Balance 6/30/2022
Capital Assets not being depreciated				
Land and Improvements	\$ 174,020	-	-	\$ 174,020
Construction in Progress	-	499,337	-	499,337
	174,020	499,337	-	673,357
Other Capital Assets:				
Buildings and Improvements	8,880,015	-	-	8,880,015
Machinery, Equipment and Other	3,784,895	341,248	-	4,126,143
Vehicles	569,364	59,923	-	629,287
Intangibles	151,286	-	-	151,286
Total Other Capital Assets at Historical Cost	13,385,560	401,171	-	13,786,731
Less Accumulated Depreciation for:				
Buildings and Improvements	5,363,288	156,972	-	5,520,260
Machinery, Equipment and Other	3,036,481	216,559	-	3,253,040
Vehicles	527,861	16,813	-	544,674
Intangibles	151,286	-	-	151,286
Total Accumulated Depreciation	9,078,916	390,344	-	9,469,260
Other Capital Assets, Net	4,306,644	10,827	-	4,317,471
Capital Assets, Net	\$ 4,480,664	\$ 510,164	\$ -	\$ 4,990,828

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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.

During the year ended June 30, 2022, the College was notified that it had received forgiveness for the entire loan amount. The loan forgiveness of \$908,839 is reported as other nonoperating revenue on the Statement of Revenues, Expenses and Changes in Net Position.

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, 2022

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 through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, 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, 2022

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, 2022

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, 2022 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, 2022 are as follows:

SCRS	
Employer Class Two	16.41% of earnable compensation
Employer Class Three	16.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP	
Employer Contribution	16.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	18.84% of earnable compensation
Employer Class Three	18.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

The College's actual contributions to the SCRS (including ORP of \$39,362) were approximately \$544,700 for the year ended June 30, 2022. The College's actual contributions to the PORS for the year ended June 30, 2022 were approximately \$19,042. The College contributed 100% of the required contributions for the current year.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 7—PENSION PLAN(S)...continued

Payables to the Pension Plan

As of June 30, 2022, the College had \$93,241 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.

The June 30, 2021, total pension liability, net pension liability, and sensitivity information were determined by the Systems’ consulting actuary, Gabriel Roeder Smith & Company and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled forward from the valuation date to the plans’ fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2021.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 7—PENSION PLAN(S)...continued

Assumptions used in the determination of the June 30, 2021, total pension liability are as follows:

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

Net Pension Liability

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB 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, 2021.

The College's share of PEBA's total net pension liability for the retirement systems reported as of June 30, 2022, expressed in terms of dollars and percentages are as follows:

	<u>SCRS</u>	<u>PORS</u>
SYSTEM:		
Total Pension Liability	\$55,131,579,363	\$8,684,586,488
Plan Fiduciary Net Position	<u>33,490,305,970</u>	<u>6,111,672,064</u>
Net Pension Liability	21,641,273,393	2,572,914,424
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.7%	70.4%
Denmark Technical College:		
Share of Net Pension Liability	\$6,122,844	\$130,878
Percentage	.028292%	.005087%

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 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 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 7—PENSION PLAN(S)...continued

Deferred Outflows and Inflows of Resources and Pension Expense

For the year ended June 30, 2022, the College recognized pension expense of (\$422,224) and (\$3,627) for the SCRS and PORS Plans, respectively. For the year ended June 30, 2022, 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	\$ 104,296	\$ 4,452	\$108,748	\$ 8,264	\$ 408	\$ 8,672
Changes of assumptions	335,144	9,335	344,479	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	889,424	29,342	918,766
Changes in proportion and differences between College contributions and proportionate share of contributions	-	39,299	39,299	606,998	11,590	618,588
College contributions subsequent to the measurement date	<u>544,700</u>	<u>19,042</u>	<u>563,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 984,140</u>	<u>\$72,128</u>	<u>\$1,056,268</u>	<u>\$1,504,686</u>	<u>\$41,340</u>	<u>\$1,546,026</u>

The amount \$563,742 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, 2023. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2022.

<u>Fiscal Year</u>	<u>SCRS</u>	<u>PORS</u>
<u>Ending June 30</u>		
2023	\$ (438,785)	\$ 164
2024	(153,049)	10,358
2025	(140,600)	9,975
2026	<u>(332,812)</u>	<u>(8,751)</u>
	\$(1,065,246)	\$11,746

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.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 7—PENSION PLAN(S)...continued

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 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% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% 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>
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	<u>3.0%</u>	5.08%	<u>0.15%</u>
 Total Expected Return	 100.0%		 5.18%
Inflation for Actuarial Purposes			<u>2.25%</u>
			<u>7.43%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7%. 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 table on the following page presents the College's share of the net pension liability calculated using the discount rate of 7%, 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%) or 1.00% higher (8%) than the current rate.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 7—PENSION PLAN(S)...continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
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System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$8,020,163	\$6,122,844	\$4,545,779
PORS	189,887	130,878	82,540

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, 2021. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2021.

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.

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. PEBA, Insurance Benefits contributes to the SCRHITF and the SCLTDITF, cost sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the PEBA, Insurance Benefits, a part of the PEBA.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires 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.

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, 2022. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions toward the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. However, due to the COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

The College paid approximately \$239,259 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2022. Other sources of funding for the SCRHITF include the College's implicit subsidy of \$1,199.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

In accordance with part (b) of paragraph 69 of GASB Statement 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB 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.

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 annual comprehensive financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts 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.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2020
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:	1.92% as of June 30, 2021
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% of Scale UMP to account for future mortality improvements and adjusted with multipliers based on plan experience.
Health Care Trend Rate:	Initial trend starting at 6.00% 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 2.45% as of June 30, 2020 to 1.92% as of June 30, 2021; demographic and salary increase assumptions were updated to reflect the 2020 SCRS experience study and the health care trend rates were reset to better reflect the plan's anticipated experience.

Roll Forward Disclosures

The actuarial valuation was performed as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to June 30, 2021.

Payables to the OPEB Plans

As of June 30, 2022, the College had \$21,466 in payables outstanding to the OPEB plans for its legally required contributions.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

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 74 less that trust's fiduciary net position. The allocation of each employer's proportionate share of the collective net OPEB liability and collective OPEB expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

At June 30, 2022, the College reported a liability of \$7,703,952 for its proportionate share of the SCRHITF net OPEB liability. At June 30, 2021, the College's proportion of the SCRHITF net OPEB liability was 0.036997%.

Deferred Outflows and Inflows of Resources and OPEB Expense

For the fiscal year ended June 30, 2022, the College reported OPEB expense of \$292,739 for the SCRHITF. For the year ended June 30, 2022, 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>
Differences between expected and actual experience	\$ 155,904	\$ 197,464
Changes of assumptions	1,566,250	185,501
Net difference between projected and actual earnings on OPEB plan investments	-	2,084
Changes in proportion and differences between College contributions and proportionate share of contributions	-	1,324,375
College contributions subsequent to the measurement date	<u>239,259</u>	<u>-</u>
	<u>\$1,961,413</u>	<u>\$1,709,424</u>

The \$239,259 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, 2023.

The schedule on the following page reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2022.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

Fiscal Year Ending June 30,	
2023	\$(152,832)
2024	(156,241)
2025	(97,042)
2026	103,033
2027	210,773
Thereafter	105,039

Single Discount Rate

The Single Discount Rate of 1.92% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation- Weighted Long- Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	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>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

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

Sensitivity Analysis

The following table presents the College's proportionate share of the SCRHITF net OPEB liability calculated using a Single Discount Rate of 1.92%, 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 or 1.00% higher than the current rate:

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

<u>1.00% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1.00% Increase (2.92%)</u>
\$9,285,168	\$7,703,952	\$6,457,358

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>
\$6,180,643	\$7,703,952	\$9,733,711

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, 2021. Additional actuarial information is available in the accounting and financial reporting actuarial valuations as of June 30, 2021.

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, 2022

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, 2022, the College had commitment balances totaling approximately \$64,363 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—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022 was as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Accrued Compensated Absences	\$ 314,994	\$ 59,983	\$(39,452)	\$ 335,525	\$ 63,260
Total Long-Term Liabilities	<u>\$ 314,994</u>	<u>\$ 59,983</u>	<u>\$(39,452)</u>	<u>\$ 335,525</u>	<u>\$ 63,260</u>

NOTE 11—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, 2022.

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, 2022 the Foundation had minimal financial activity, and the only transaction between the College and the Foundation was a \$5,000 donation made by the Foundation to the College to assist in the purchase of a vehicle.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 12—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

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.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2022

NOTE 13—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2022, 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	\$1,826,297	\$ 315,071	\$ -	\$ -	\$ 559,113	\$ -	\$2,700,481
Academic Support	316,892	23,808	-	-	117,719	-	458,419
Student Services	804,358	52,576	-	-	493,168	-	1,350,102
Operation and Maintenance of Plant	358,012	62,168	-	383,290	1,146,793	-	1,950,263
Institutional Support	1,404,451	208,990	-	-	3,450,696	-	5,064,137
Scholarships	-	-	4,514,729	-	-	-	4,514,729
Auxiliary Enterprises	180,879	20,437	-	34,262	677,974	-	913,552
Depreciation	-	-	-	-	-	390,344	390,344
Total Operating Expenses	<u>\$4,890,889</u>	<u>\$ 683,050</u>	<u>\$4,514,729</u>	<u>\$ 417,552</u>	<u>\$ 6,445,463</u>	<u>\$ 390,344</u>	<u>\$17,342,027</u>

NOTE 14—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, 2022

NOTE 15—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>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 7,172,902	\$ 4,875,835	\$ 2,297,067
Non-Operating Revenues	9,585,857	2,772,586	6,813,271
Less: Expenses	<u>(17,342,027)</u>	<u>(11,044,356)</u>	<u>(6,297,671)</u>
Net Program Expense	(583,268)	(3,395,935)	2,812,667
Transfers:			
State Appropriations	2,159,526	1,993,358	166,168
State Capital Appropriations	<u> -</u>	<u> 461,708</u>	<u> (461,708)</u>
Change in Net Position	1,576,258	(940,869)	2,517,127
Net Position Beginning of Year	<u>(9,828,572)</u>	<u>(8,887,703)</u>	<u>(940,869)</u>
Net Position End of Year	<u>\$ (8,252,314)</u>	<u>\$ (9,828,572)</u>	<u>\$1,576,258</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
2021	0.028292%	\$ 6,122,844	\$ 2,935,026	208.61%	60.7%
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
2021	0.005087%	\$ 130,878	\$ 76,489	171.11%	70.4%
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
2022	\$ 505,338	\$ (505,338)	\$ -	\$ 3,401,164	14.86%
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
2022	\$ 19,042	\$ (19,042)	\$ -	\$ 105,416	18.06%
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
2021	0.036997%	\$ 7,703,952	\$ 3,450,234	223.29%	7.48%
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%

Notes to the schedule: The above schedule 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
2022	\$ 238,060	\$ (238,060)	\$ -	\$ 3,851,554	6.18%
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%

Notes to the schedules: The above schedule 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

Opinion on 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, 2022.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the State Lottery Tuition Assistance program for the year ended June 30, 2022.

Basis for Opinion on the College's State Lottery Tuition Assistance Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the State Lottery Tuition Assistance program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over 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 Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and 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 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of the State Lottery Tuition Assistance program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
October 10, 2022

DENMARK TECHNICAL COLLEGE

SCHEDULE OF STATE LOTTERY TUITION ASSISTANCE PROGRAM FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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.