

**DENMARK TECHNICAL COLLEGE**  
**ANNUAL FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**

**June 30, 2023**

**DENMARK TECHNICAL COLLEGE**

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**DENMARK TECHNICAL COLLEGE**  
**Organizational Data**  
**June 30, 2023**

**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

**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
Mr. Kimoni Hickman	Vice President for Institutional Advancement and Effectiveness



## INDEPENDENT AUDITOR'S REPORT

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**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 year ended June 30, 2023, 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, 2023, 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.

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### ***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.

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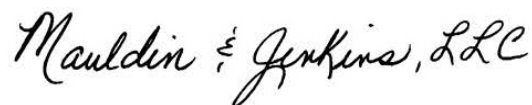
We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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 27, 2023, 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 27, 2023, 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.



Columbia, South Carolina  
October 27, 2023

## 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, 2023. 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, 2023 by \$9,052,089. The total unrestricted net position as of that date is \$(14,192,861). This amount includes a net reported unfunded pension obligation of \$6,253,753 as required by GASB Statement 68 and a net unfunded other post-employment benefits (OPEB) obligation of \$7,222,495 required by GASB Statement 75. Excluding these obligations, the College's unrestricted net position is \$(716,613). These unfunded pension and OPEB obligations greatly affect the reported net position and the amount available to meet the College's ongoing obligations from unrestricted activities.
- The College's net position decreased by \$799,775, the result of an approximately \$0.3 million decrease in assets and deferred outflows and an increase in liabilities and deferred inflows of approximately \$0.5 million.
- Student tuition and fees and auxiliary enterprise revenues, net of scholarship allowances, increased by approximately \$0.9 million during the fiscal year, while operating grant and contract revenue increased by about \$0.2 million. Operating expenses also increased by approximately \$2.9 million. As a result, the College's operating loss increased from about \$10.2 million for the prior fiscal year to \$12.1 million. Reported State appropriations and other non-operating revenue decreased by \$0.4 million, resulting in a decrease in net position of \$0.8 million.
- The College reported over \$1 million in capital spending to expand and enhance facilities, and upgrade educational and other equipment to improve its learning environment.

## 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, 2023, the College's reported net pension liability was \$7,616,617. 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, 2023 totaled \$1,600,807, while deferred inflows of resources amounted to \$237,943.

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, 2023, the College's reported net OPEB liability was \$5,960,912. Deferred outflows and inflows of resources, which relate to factors similar to those in GASB Statement 68, totaled \$2,140,819 and \$3,402,402, respectively, as of June 30, 2023. 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, 2023 and 2022 (In millions)**

	2023	2022	Increase (Decrease)
<b>Current Assets</b>	\$ 2.6	\$ 4.0	\$ (1.4)
<b>Non-current Assets:</b>			
<b>Capital Assets, Net of</b>			
<b>Accumulated Depreciation</b>	5.3	5.0	0.3
<b>Deferred Outflows of Resources</b>	3.8	3.0	0.8
<b>Total Assets and Deferred Outflows</b>	11.7	12.0	(0.3)
<b>Current Liabilities</b>	3.2	2.8	0.4
<b>Non-current Liabilities</b>	13.9	14.2	(0.3)
<b>Deferred Inflows of Resources</b>	3.7	3.3	0.4
<b>Total Liabilities and Deferred Inflows</b>	20.8	20.3	0.5
<b>Net Position:</b>			
<b>Net Investment in Capital Assets</b>	5.1	5.0	0.1
<b>Restricted</b>	-	-	-
<b>Unrestricted</b>	(14.2)	(13.3)	(0.9)
<b>Total Net Position</b>	\$ (9.1)	\$ (8.3)	\$ (0.8)

Net position may serve over time as a useful indicator of an entity's financial health. Liabilities and deferred inflows exceed assets and deferred outflows by \$9.1 million, an increase of \$0.8 million from the prior fiscal year. An analysis of revenues and expenses for the fiscal year provides details of the increase.

### **Assets**

Current assets, which are more liquid in nature, consist of cash and cash equivalents, accounts receivable net of allowances, and inventories. Current assets decreased by \$1.4 million from the prior fiscal year. The primary causes for this decrease were a reduction in cash and cash equivalents of \$0.3 million and a reduction in net accounts receivable of \$0.9 million.

### **Capital Assets and Debt Administration**

The College's investment in capital assets (land, buildings, machinery and equipment), net of accumulated depreciation, stands at over \$5.1 million for the fiscal year. Annual depreciation and amortization expense on the College's total capitalized assets for the year was \$0.7 million, while the acquisition of new property and equipment exceeded the depreciation amount, resulting in an increase in the net investment in capital assets net position of \$0.1 million. Generally, the College does not use debt to finance the acquisition of capital assets. However, with the implementation of GASB 96, one subscription based information technology arrangement was recognized, and a liability reported for the present value of its remaining payment.

### **Liabilities**

Current liabilities increased by approximately \$0.4 million. This increase resulted primarily from increases in unearned revenue and deposits and an SBITA payable of \$0.2 million each. 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 an increase in the net pension liability of \$1.4 million and a decrease in the net OPEB liability of \$1.7 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 not sufficient to offset the operating deficit for the fiscal year, resulting in a decrease in net position of \$0.8 million for the year.

## Operating Results

A summary of the College's operating results for the fiscal years 2023 and 2022 is presented below.

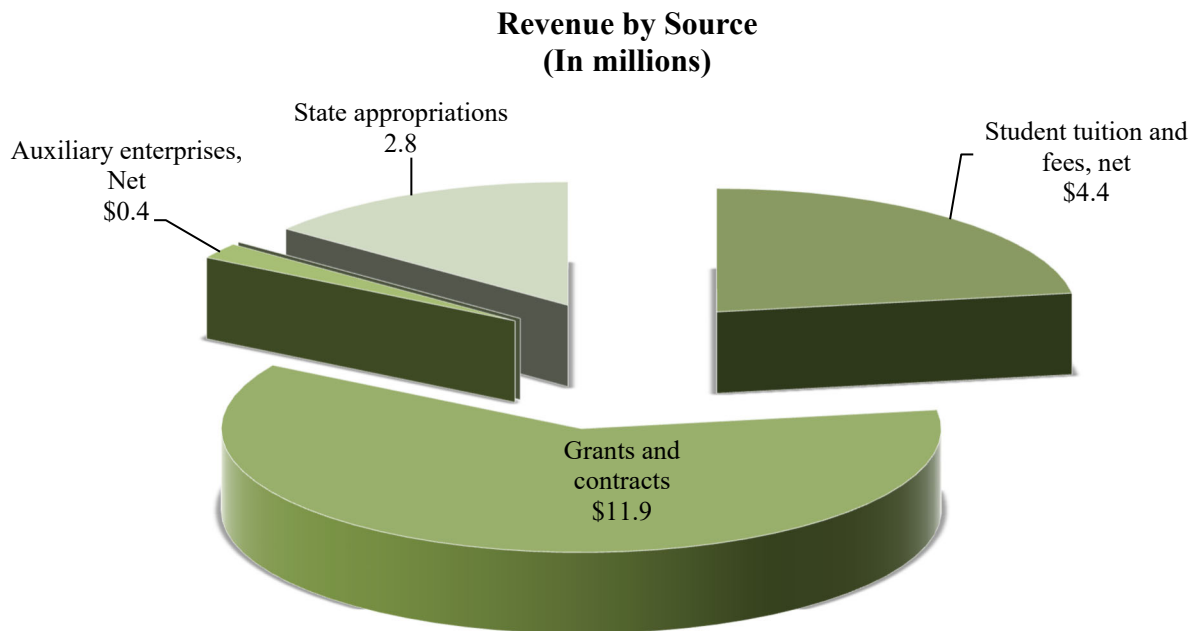
### Operating Results for the Fiscal Years Ended June 30, 2023 and June 30, 2022 (in millions)

REVENUES	2023	2022	Increase (Decrease)
<b>Operating Revenue:</b>			
Student tuition and fees, net	\$ 4.4	\$ 3.5	\$ 0.9
Grants and contracts	3.4	3.2	0.2
Auxiliary enterprises, net	0.4	0.4	0.0
Other	<u>0.0</u>	<u>0.1</u>	<u>(0.1)</u>
	<b>8.2</b>	<b>7.2</b>	<b>1.0</b>
<b>Less Operating Expenses</b>	<u>20.3</u>	<u>17.4</u>	<u>2.9</u>
Net operating loss	<b>(12.1)</b>	<b>(10.2)</b>	<b>(1.9)</b>
<b>Non-operating Revenue:</b>			
State appropriations	2.8	2.2	0.6
Grants and contracts	8.5	8.6	(0.1)
Other	<u>0.0</u>	<u>0.9</u>	<u>(0.9)</u>
<b>Total Non-operating Revenue</b>	<b>11.3</b>	<b>11.7</b>	<b>(0.4)</b>
Decrease in net position	(0.8)	1.5	(2.3)
Net position, beginning of year	<u>(8.3)</u>	<u>(9.8)</u>	<u>1.5</u>
Net position, end of year	<b>\$(9.1)</b>	<b>\$( 8.3)</b>	<b>\$(0.8)</b>
<b>Total Operating and Non-operating Revenue</b>	<b>\$19.5</b>	<b>\$18.9</b>	<b>\$ 0.6</b>

## Revenue

Total revenue for June 30, 2023 increased by \$0.6 million from the prior fiscal year. The primary components of this increase were by an increase in net tuition and fees of \$0.9 million and state appropriations of \$0.6 million, offset in part by a reduction in other non-operating revenue of \$0.9 million.

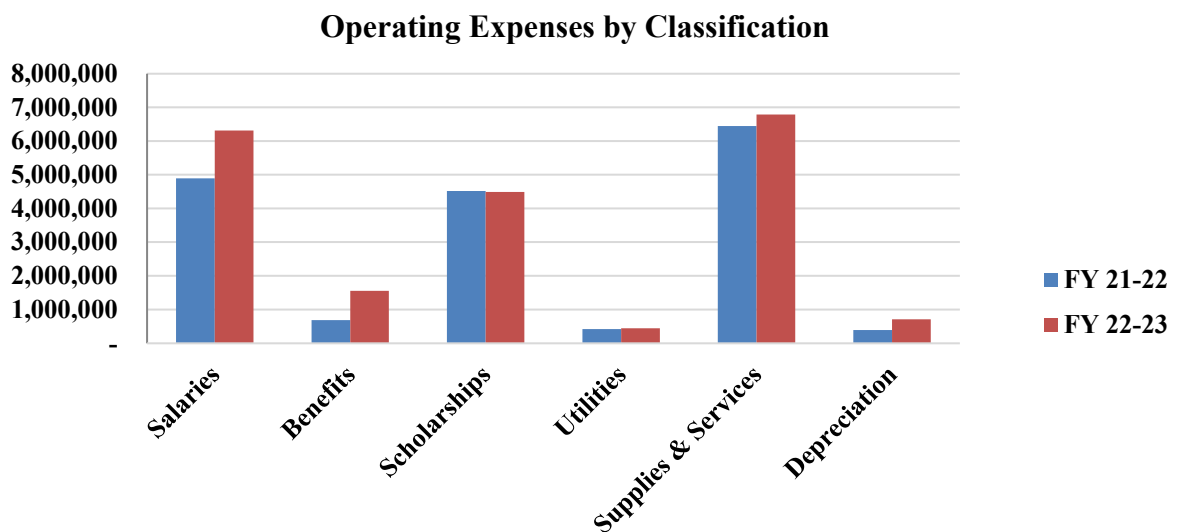
Sources of revenue and corresponding amounts are shown in millions in the following chart.



## Expenses

Operating expenses for the fiscal year totaled \$20.3 million, an increase of \$2.9 million from the prior fiscal year. The most significant changes were increases in the areas of Salaries of \$1.4 million, Employee Benefits of \$0.9 million, Supplies and Services of \$0.4 million and Depreciation and Amortization of \$0.3 million.

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 \$0.4 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 partially offset an increase in total expenses, resulting in a decrease in net position of \$0.8 million. The College’s revenue from county sources was \$32,108 for the 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 further 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, 2023**

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 455,483
Investments	81,102
Accounts receivable, net	1,962,499
Inventories	98,057
Prepaid expenses	30,638
<b>Total Current Assets</b>	<b>2,627,779</b>

Capital assets, net of accumulated depreciation	5,347,227
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**Total Assets** 7,975,006

Deferred Outflows of Resources

Deferred outflows on net pension liability	1,600,807
Deferred outflows on net OPEB liability	2,140,819
<b>Total Deferred Outflows of Resources</b>	<b>3,741,626</b>

**Total Assets and Deferred Outflows of Resources** **11,716,632**

**LIABILITIES**

Accounts payable	695,178
Accrued payroll and related liabilities	186,736
Unearned revenue and deposits	2,023,910
Funds held for others	44,899
Compensated absences payable, current portion	72,106
SBITA Payable	206,455
<b>Total Current Liabilities</b>	<b>3,229,284</b>

Compensated absences payable, long term portion	321,563
Net Pension Liability	7,616,617
Net OPEB Liability	5,960,912
<b>Total Non-current Liabilities</b>	<b>13,899,092</b>

**Total Liabilities** 17,128,376

Deferred Inflows of Resources

Deferred inflows on net pension liability	237,943
Deferred inflows on net OPEB liability	3,402,402
<b>Total Deferred Inflows of Resources</b>	<b>3,640,345</b>

**Total Liabilities and Deferred Inflows of Resources** 20,768,721

**NET POSITION (DEFICIT)**

Investment in Capital Assets	5,140,772
Unrestricted	(14,192,861)
<b>Total Net Position (Deficit)</b>	<b>\$ (9,052,089)</b>

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, 2023**

**REVENUES**

Operating Revenue:	
Student tuition and fees (net of scholarship allowances of \$563,043)	\$ 4,354,446
Federal grants and contracts	2,430,738
State grants and contracts	762,139
Other grants and contracts	215,557
Auxiliary enterprises (net of scholarship allowances of \$2,315,458)	386,457
Other revenue	40,611
	<hr/>
<b>Total Operating Revenue</b>	<b>8,189,948</b>

**EXPENSES**

Operating Expenses:	
Salaries	6,310,494
Employee benefits	1,555,234
Scholarships	4,488,135
Utilities	444,832
Supplies and other services	6,770,613
Depreciation and amortization	710,406
	<hr/>
<b>Total Operating Expenses</b>	<b>20,279,714</b>

**OPERATING LOSS** (12,089,766)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	2,422,746
State capital appropriations	328,351
County appropriations	32,108
Interest income	102
Federal grants and contracts	7,927,558
State and local grants and contracts	585,150
Interest expense	(11,024)
Other nonoperating revenue	5,000
	<hr/>

**Total Nonoperating Revenues, Net** 11,289,991

**Decrease in Net Position** (799,775)

**Net Position (Deficit) Beginning of Year** 

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 (8,252,314)

**Net Position (Deficit) End of Year** 

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 **\$ (9,052,089)**

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

**DENMARK TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees (net of scholarship allowances)	\$ 4,352,243
Federal, state and local grants and contracts	4,007,204
Auxiliary enterprise charges (net of scholarship allowances)	386,457
Other receipts	40,611
Payments to vendors	(13,877,879)
Payments to employees	(6,301,740)
<b>Net Cash Used in Operating Activities</b>	<u>(11,393,104)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	2,422,746
County appropriations	32,108
Funds held for others	23,361
Non-operating federal, state and local grants and contracts	9,082,099
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>11,560,314</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State capital appropriations	216,673
Donations received	5,000
Purchase of capital assets	(682,123)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(460,450)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(81,102)
Interest income received	102
<b>Net Cash Used in Investing Activities</b>	<u>(81,000)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(374,240)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>829,723</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 455,483</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (12,089,766)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	710,406
Change in assets and liabilities and deferred outflows of resources and deferred inflows of resources:	
Receivables, net	402,681
Inventories	(48,389)
Prepaid expenses	58,410
Deferred outflows of resources	(723,945)
Accounts payable	90,109
Accrued payroll and related liabilities	(49,390)
Unearned revenue and deposits	193,886
Compensated absences	58,144
Deferred inflows of resources	384,895
Net pension liability	1,362,895
Net OPEB liability	(1,743,040)
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (11,393,104)</u></u>

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

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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, 2023**

**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, including right-to-use subscription based information technology arrangements (SBITA) 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 and amortization are 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, vehicles and right-to-use SBITA assets. The College has adopted a monthly depreciation convention, with depreciation calculated on a prorated amount in the years of acquisition and disposition.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

**J. Subscription Based Information Technology Arrangements (SBITAs):**

The College has noncancellable SBITAs of various IT software. The College capitalizes SBITAs having an expected term of greater than one year and an initial computed liability of \$100,000 or more. At the commencement of a SBITA, the College initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain implementation and conversion costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITA include how the College determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) the SBITA term, and (3) SBITA payments:

- The College uses the interest rate specified in the SBITA agreement as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the College generally uses its estimated incremental borrowing rates as the discount rate.
- The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option prices that the SBITA is reasonably likely to exercise.

The College monitors changes in circumstances that would require a remeasurement of an SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are included in the Capital Assets, net of accumulated depreciation and amortization reported on the Statement of Net Position. Further information is provided in Note 5. SBITA liabilities are also reported on the Statement of Financial Position, with additional disclosures provided in Note 6.

**K. 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, 2023 amounted to \$2,017,810.

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, 2023 totaled \$6,100.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

**L. 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.

**M. 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. As of June 30, 2023, the College had no restricted net position.

*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.

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

**O. 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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

*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.

**P. 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.

**Q. 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.

**R. 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.

**S. 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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 2—STATE APPROPRIATIONS...continued**

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2023.

**NON-CAPITAL APPROPRIATIONS**

Appropriations per State Board Allocation	<u>\$ 2,422,746</u>
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<b>Total non-capital appropriations recorded as current year revenue</b>	<b><u>\$ 2,422,746</u></b>
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**CAPITAL APPROPRIATIONS**

Appropriations per State Board Allocation	<u>\$ 328,351</u>
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<b>Total capital appropriations recorded as current year revenue</b>	<b><u>\$ 328,351</u></b>
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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.

**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 \$867,806 for Denmark Technical College at June 30, 2023, 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 \$81,102 yielding .05% maturing August 10, 2023 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%.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

**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	\$ 455,483
Investments	<u>81,102</u>
 Total Statement of Net Position	 <u>\$ 536,585</u>

**Disclosure, Cash, Deposits and Investments:**

Carrying value of deposits:	
Not held by State Treasurer	\$ 455,483
Certificate of deposit not held by State Treasurer	<u>81,102</u>
 Total Disclosure, Cash, Deposits and Investments	 <u>\$ 536,585</u>

**NOTE 4—ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2023 including applicable allowances, were as follows:

**Receivables:**

Student Accounts	\$ 605,153
Due from Federal and Other Grantors	<u>1,750,695</u>
Gross Receivables	<u>2,355,848</u>
 <b>Less: Allowance for Uncollectible:</b>	
Student Accounts	<u>(393,349)</u>
Total Allowance for Uncollectible	<u>(393,349)</u>
Receivables, Net	<u>\$ 1,962,499</u>

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

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 5—CAPITAL ASSETS**

	<b>Beginning Balance 6/30/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/2023</b>
Capital assets not being depreciated:				
Land and improvements	\$ 174,020	\$ 5,000	\$ -	\$ 179,020
Construction in progress	499,337	64,343	(563,680)	-
Total	<u>673,357</u>	<u>69,343</u>	<u>(563,680)</u>	<u>179,020</u>
Capital assets being depreciated and amortized:				
Buildings and improvements	8,880,015	563,680	-	9,443,695
Machinery, equipment and other	4,126,143	426,257	-	4,552,400
Vehicles	629,287	170,321	-	799,608
Intangibles	151,286	-	-	151,286
SBITA assets	400,884	-	-	400,884
Total	<u>14,187,615</u>	<u>1,160,258</u>	<u>-</u>	<u>15,347,873</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	5,520,260	171,064	-	5,691,324
Machinery, equipment and other	3,253,040	294,582	-	3,547,622
Vehicles	544,674	44,056	-	588,730
Intangibles	151,286	-	-	151,286
SBITA assets	-	200,704	-	200,704
Total	<u>9,469,260</u>	<u>710,406</u>	<u>-</u>	<u>10,179,666</u>
Total capital assets being depreciated and amortized, net	<u>4,718,355</u>	<u>449,852</u>	<u>-</u>	<u>5,168,207</u>
Total capital assets, net	<u>\$ 5,391,712</u>	<u>\$ 519,195</u>	<u>\$ (563,680)</u>	<u>\$ 5,347,227</u>

**NOTE 6—SBITA PAYABLE**

The College has entered into an SBITA for right-to-use IT assets. The interest rate used, as specified in the agreement, is 3.00%. At June 30, 2023, the College has \$206,455 outstanding as SBITA payable, none of which is considered as a long-term liability.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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 district, and public higher education institution employees as well as first-term individuals elected to the S.C. General Assembly 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.

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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

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](http://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 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 on the following page.

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.

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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

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. The Retirement Funding and Administration Act of 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. 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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by one percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85% funded.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

Required employee contribution rates for the fiscal year ended June 30, 2023 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, 2023 are as follows:

SCRS	
Employer Class Two	17.41% of earnable compensation
Employer Class Three	17.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP	
Employer Contribution	17.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	19.84% of earnable compensation
Employer Class Three	19.84% 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 \$50,240) were approximately \$798,672 for the year ended June 30, 2023. The College's actual contributions to the PORS for the year ended June 30, 2023 were approximately \$22,592. The College contributed 100% of the required contributions for the current year.

**Payables to the Pension Plan**

As of June 30, 2023, the College had \$113,796 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.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

The June 30, 2022, 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, 2021. The total pension liability was rolled forward from the valuation date to the plans’ fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2022.

	<b>SCRS</b>	<b>PORS</b>
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.

Assumptions used in the determination of the June 30, 2022, total pension liability are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
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%

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

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, 2022.

The College's share of PEBA's total net pension liability for the retirement systems reported as of June 30, 2023, expressed in terms of dollars and percentages are as follows:

	<u>SCRS</u>	<u>PORS</u>
SYSTEM:		
Total Pension Liability	\$56,454,779,872	\$8,937,686,946
Plan Fiduciary Net Position	<u>32,212,626,932</u>	<u>5,938,707,767</u>
Net Pension Liability	24,242,152,940	2,998,979,179
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.1%	66.4%
Denmark Technical College:		
Share of Net Pension Liability	\$7,416,857	\$199,760
Percentage	.030595%	.006661%

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, 2023**

**NOTE 7—PENSION PLAN(S)...continued**

Deferred Outflows and Inflows of Resources and Pension Expense

For the year ended June 30, 2023, the College recognized pension expense of \$319,087 and \$13,450 for the SCRS and PORS Plans, respectively. For the year ended June 30, 2023, 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	\$ 64,439	\$ 3,352	\$ 67,791	\$ 32,322	\$3,949	\$ 36,271
Changes of assumptions	237,876	8,318	246,194	-	-	-
Net difference between projected and actual earnings on pension plan investments	11,438	603	12,041	-	-	-
Changes in proportion and differences between College contributions and proportionate share of contributions	393,169	60,348	453,517	200,936	736	201,672
College contributions subsequent to the measurement date	<u>798,672</u>	<u>22,592</u>	<u>821,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,505,594</u>	<u>\$95,213</u>	<u>\$1,600,807</u>	<u>\$233,258</u>	<u>\$4,685</u>	<u>\$237,943</u>

The amount \$821,264 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, 2024. The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2023.

<u>Fiscal Year</u>	<u>SCRS</u>	<u>PORS</u>
<u>Ending June 30</u>		
2024	\$169,580	\$28,124
2025	177,045	27,399
2026	(66,388)	4,648
2027	<u>193,427</u>	<u>7,765</u>
	\$473,664	\$67,936

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, 2023**

**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 2022 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.

<b><u>Allocation/Exposure</u></b>	<b><u>Policy Target</u></b>	<b><u>Expected Arithmetic Real Rate of Return</u></b>	<b><u>Long Term Expected Portfolio Real Rate of Return</u></b>
<b>Public Equity</b>	46.0%	6.79%	3.12%
<b>Bonds</b>	26.0%	(0.35)%	(0.09)%
<b>Private Equity</b>	9.0%	8.75%	0.79%
<b>Private Debt</b>	7.0%	6.00%	0.42%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	<u>3.0%</u>	5.88%	<u>0.18%</u>
 Total Expected Return	 <b>100.0%</b>		 4.79%
Inflation for Actuarial Purposes			<u>2.25%</u>
			<u>7.04%</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, the system's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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, 2023**

**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	\$9,509,326	\$7,416,857	\$5,677,241
PORS	278,554	199,760	135,261

**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, 2022. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2022.

**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, 2023**

**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, 2023. 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 \$300,111 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2023. Other sources of funding for the SCRHITF include the College's implicit subsidy of \$931.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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](http://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 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, 2023**

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2021
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:	3.69% as of June 30, 2022
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 multipliers based on plan experience; the rates are projected on a fully generational basis using 80% of the ultimate rates of Scale MP-2019 to account for future mortality improvements
Health Care Trend Rate:	Initial trend starting at 6.00% 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 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022

**Roll Forward Disclosures**

The actuarial valuation was performed as of June 30, 2021. Update procedures were used to roll forward the total OPEB liability to June 30, 2022.

**Payables to the OPEB Plans**

As of June 30, 2023, the College had \$29,654 in payables outstanding to the OPEB plans for its legally required contributions.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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, 2023, the College reported a liability of \$5,960,912 for its proportionate share of the SCRHITF net OPEB liability. At June 30, 2022, the College's proportion of the SCRHITF net OPEB liability was 0.039186%.

Deferred Outflows and Inflows of Resources and OPEB Expense

For the fiscal year ended June 30, 2023, the College reported OPEB expense of \$92,892 for the SCRHITF. For the year ended June 30, 2023, 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	\$ 127,944	\$ 524,132
Changes of assumptions	1,344,032	1,916,110
Net difference between projected and actual earnings on OPEB plan investments	46,870	-
Changes in proportion and differences between College contributions and proportionate share of contributions	321,862	962,160
College contributions subsequent to the measurement date	<u>300,111</u>	<u>-</u>
	<u>\$2,140,819</u>	<u>\$3,402,402</u>

The \$300,111 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, 2024.

The schedule on the following page reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at June 30, 2023.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

Fiscal Year <u>Ending June 30,</u>	
2024	\$ (443,385)
2025	(380,685)
2026	(179,594)
2027	(73,717)
2028	(199,225)
Thereafter	<u>(285,088)</u>
	\$(1,561,694)

**Single Discount Rate**

The Single Discount Rate of 3.69% 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:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Allocation- Weighted Long- Term Expected Real Rate of Return</b>
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash equivalents	<u>20.00%</u>	0.35%	<u>0.07%</u>
Total	100.00%		0.83%
Expected Inflation			<u>2.25%</u>
Total Return			<u>3.08%</u>
Investment Return Assumption			<u>2.75%</u>

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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 3.69%, 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 (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1.00% Increase (4.69%)</u>
\$7,047,410	\$5,960,912	\$5,087,763

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>
\$4,902,268	\$5,960,912	\$7,196,937

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, 2022. Additional actuarial information is available in the accounting and financial reporting actuarial valuations as of June 30, 2022.

**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, 2023**

**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, 2023, the College had no commitment balances 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, 2023 was as follows:

	<b>July 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2023</b>	<b>Due Within One Year</b>
SBITA Payable	\$400,884	\$ 0	\$(194,429)	\$206,455	\$206,455
Accrued Compensated Absences	<u>335,525</u>	<u>102,933</u>	<u>( 44,789)</u>	<u>393,669</u>	<u>72,106</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$736,409</u></b>	<b><u>\$102,933</u></b>	<b><u>\$(239,218)</u></b>	<b><u>\$600,124</u></b>	<b><u>\$278,561</u></b>

**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 net assets and revenues 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, 2023.

***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, 2023 the Foundation had minimal financial activity, with only minor transactions occurring between the College and the Foundation.

**DENMARK TECHNICAL COLLEGE**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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, 2023**

**NOTE 13—OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2023, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Instruction	\$2,168,193	\$ 583,944	\$ -	\$ -	\$ 706,957	\$ -	\$706,957.00
Academic Support	483,945	112,940	-	-	426,656	-	1,023,541
Student Services	827,466	147,895	-	-	447,013	-	1,422,374
Operation and Maintenance of Plant	511,560	129,446	-	362,339	1,031,792	-	2,035,137
Institutional Support	1,845,620	495,477	-	-	3,215,373	-	5,556,470
Scholarships	-	-	4,488,135	-	-	-	4,488,135
Auxiliary Enterprises	473,710	85,532	-	82,493	942,822	-	1,584,557
Depreciation and Amortization	-	-	-	-	-	710,406	710,406
Total Operating Expenses	<u>\$6,310,494</u>	<u>\$1,555,234</u>	<u>\$4,488,135</u>	<u>\$ 444,832</u>	<u>\$ 6,770,613</u>	<u>\$ 710,406</u>	<u>\$20,279,714</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, 2023**

**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>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 8,189,948	\$ 7,172,902	\$1,017,046
Non-Operating Revenues	8,538,894	9,585,857	(1,046,963)
Less: Expenses	<u>(20,279,714)</u>	<u>(17,342,027)</u>	<u>(2,937,687)</u>
Net Program Expense	(3,550,872)	(583,268)	(2,967,604)
Transfers:			
State Appropriations	2,422,746	2,159,526	263,220
State Capital Appropriations	<u>328,351</u>	<u>-</u>	<u>328,351</u>
Change in Net Position	(799,775)	1,576,258	(2,376,033)
Net Position Beginning of Year	<u>(8,252,314)</u>	<u>(9,828,572)</u>	<u>1,576,258</u>
Net Position End of Year	<u>\$ (9,052,089)</u>	<u>\$ (8,252,314)</u>	<u>\$ (799,775)</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
2022	0.030595%	\$ 7,416,857	\$ 3,401,164	218.07%	57.1%
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
2022	0.006661%	\$ 199,760	\$ 105,416	189.50%	66.4%
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
2023	\$ 798,672	\$ (798,672)	\$ -	\$ 4,635,156	17.23%
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
2023	\$ 22,592	\$ (22,592)	\$ -	\$ 117,746	19.19%
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**

<b>Plan Year Ended June 30</b>	<b>College's proportion of the net OPEB liability</b>	<b>College's proportionate share of the net OPEB liability</b>	<b>College's covered payroll</b>	<b>College's proportionate share of the net OPEB liability as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>
2022	0.039186%	\$ 5,960,912	\$ 3,851,554	154.77%	9.64%
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**

<b>Fiscal Year Ended June 30</b>	<b>Statutorily required contribution</b>	<b>Contributions in relation to the statutorily required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>College's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2023	\$ 300,111	\$ (300,111)	\$ -	\$ 5,157,738	5.82%
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

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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, 2023.

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, 2023.

#### *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.

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### ***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.

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### **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 27, 2023

# DENMARK TECHNICAL COLLEGE

## SCHEDULE OF STATE LOTTERY TUITION ASSISTANCE PROGRAM FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### 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.