TECHNICAL COLLEGE OF THE LOWCOUNTRY

Financial Statements

For the Year Ended June 30, 2021

TECHNICAL COLLEGE OF THE LOWCOUNTRY
921 RIBAUT ROAD, POST OFFICE BOX 1288
BEAUFORT, SOUTH CAROLINA 29901

Audit Period - July 1, 2020 to June 30, 2021

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Beaufort County

Hampton County

Jasper County

TECHNICAL COLLEGE OF THE LOWCOUNTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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FINANCIAL SECTION

COMPLIANCE SECTION

FINANCIAL SECTION

CROWLEY WECHSLER
& ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Richard D. Crowley, CPA, CVA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit and each major fund of the Technical College of the Lowcountry, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Technical College of the Lowcountry's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit and each major fund of the Technical College of the Lowcountry as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis historical pension information, and historical other post-employment benefit information on pages 3–11 and 53–56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Technical College of the Lowcountry's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021 on our consideration of the Technical College of the Lowcountry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Technical College of the Lowcountry'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 Technical College of the Lowcountry's internal control over financial reporting and compliance.

Report on State Lottery Tuition Assistance Program

We have also issued our report dated September 28, 2021, on our consideration of the Technical College of the Lowcountry's administration of the State Lottery Tuition 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.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 28, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The management of Technical College of the Lowcountry offer readers of the College's financial statements a narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2021 and June 30, 2020. This discussion and analysis should be read in conjunction with the consolidated financial statements and its footnotes following this section.

This information is designed to focus on current activities, resulting change and current known facts. This discussion does not include the discretely presented component unit of the Technical College of the Lowcountry Foundation.

Overview of the Financial Statements

The financial statements for the Technical College of the Lowcountry (the College) have been prepared in accordance with the Governmental Accounting Standards Board (GASB Codification Sections 2100-2900, Financial Reporting, and Co5, Colleges and Universities). The financial statements presented focus on the financial condition, results of operations, and cash flows of the College.

The College is engaged only in Business-Type activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, college financial activities are reported using three financial statements required for proprietary funds: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and requires classification of assets and liabilities into current and non-current categories. The College's net position is the difference between total assets and deferred outflows and the total liabilities and deferred inflows, and is one indicator of the overall financial condition of the College. Readers of the Statement of Net Position can use this information to determine the assets available to continue operations of the College as well as how much the College owes vendors, investors and lending institutions.

This statement is designed to present a snapshot of the College's financial condition at the end of the fiscal year. It should be noted that effective for the fiscal year ending June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The College will now report its proportionate share of the State of South Carolina's net OPEB liability. Changes in net OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

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. Revenues and expenses are classified as either operating or non-operating. Expenses are reported by natural classification. This statement reflects the College's dependence on state aid and gifts. Due to GASB requirement for state appropriations and gifts to be classified as non-operating revenues, the result is an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid, operating and non-operating, and any other revenues, expenses, gains and losses incurred by the College.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows, which presents detailed information about the cash activities of the College during the year. This statement further emphasizes the College's dependence on state and county appropriations with the separation of cash flows between operating and non-operating.

The statement is divided into five parts. Operating Activities provide the net cash provided by and used for the operating activities of the College. Non-capital Financing Activities represents the cash received and spent for non-operating, non-investing and non-capital financing purposes. Capital and Related Financing Activities shows the cash used for the acquisition and construction of capital and related items. Investing Activities identifies the purchases, proceeds and interest received from investing activities. Finally, the Reconciliation provides a reconciliation of the net cash provided by and used for the operating income (loss) reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Financial Highlights

- The College's net position improved this year due to the cost containment and the infusion of Higher Education Emergency Relief Funds (HEERF) to the college. This resulted in the net position of -$2.1 million. The net position in the prior fiscal year was -$5.3 million.

- CARES Act, which establishes and funds the Higher Education Emergency Relief Fund (HEERF), directs institutions of higher education ("institutions") to use no less than 50 percent of funds received under Sections 18004(a)(1) and 18004(c) of the CARES Act to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus. Other institutional uses include:
    - Infrastructure and software needed to transition to online teaching.
    - Training costs associated with preparing the faculty for distance teaching.
    - Administrative costs, if they're directly associated with the pandemic.

- The liabilities and deferred inflows of the Technical College of the Lowcountry exceeded total assets and deferred outflows at June 30, 2021 by $2.1 million (deficit).

- The College's total liabilities increased by $12.7 million from the prior year due to increases in Capital Lease obligation related to the Culinary Institute of the South Building lease from the TCL Foundation, Accounts Payable, OPEB obligations and Net Pension obligations.

- The College experienced a net operating loss of $10.3 million as reported in the Statement of Revenues, Expenses, and Changes in Net Position. The operating loss was offset by non-operating revenues from federal grants as well as state and local appropriations of $12.25 million, and Capital funding of $1.29 million.

- Operating revenues increased by $856 thousand for the year due to increases in other revenues.

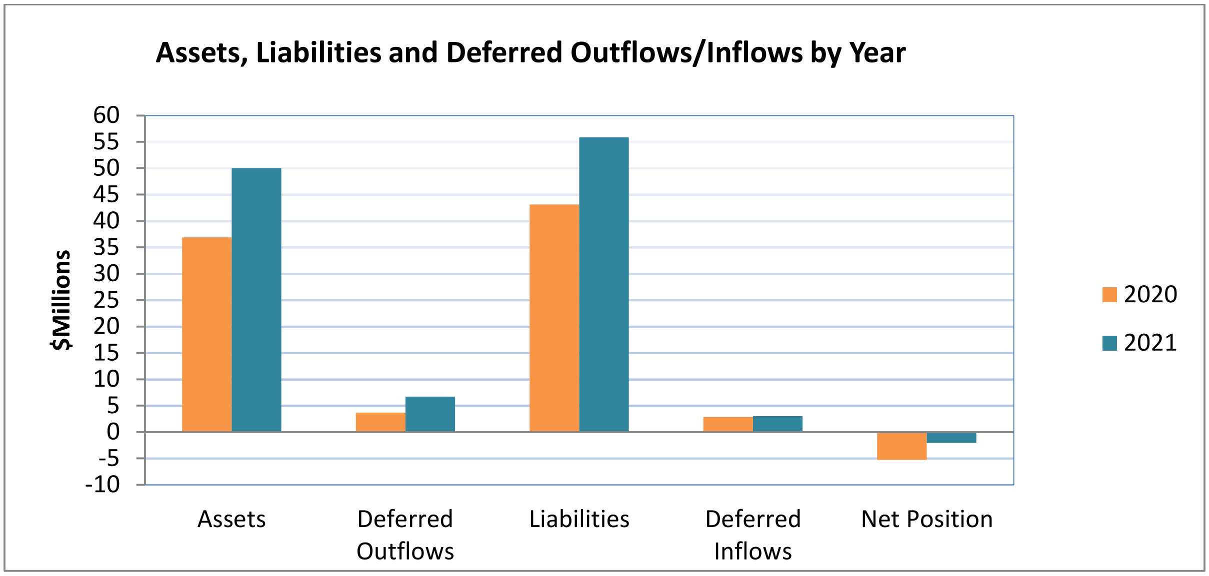
Financial Analysis of the College as a Whole

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

Net Position as of June 30, 2021
With Comparative Totals for 2020
(In millions)

	2021	2020	% Change
Current Assets	$ 25.4	$ 18.4	38.0%
Non-current Assets	24.6	18.5	33.0%
Total Assets	50.0	36.9	35.5%
Deferred Outflows of Resources	6.7	3.7	81.1%
Current Liabilities	10.3	7.8	32.1%
Non-current Liabilities	45.5	35.3	29.0%
Total Liabilities	55.8	43.1	29.5%
Deferred Inflows of Resources	3.0	2.8	7.1%
Net Position			
Investment in Capital Assets	16.8	18.0	-6.7%
Unrestricted (Deficit)	(18.9)	(23.3)	-18.9%
Total Net Position	$ (2.1)	$ (5.3)	-60.4%

Net position may serve over time as a useful indicator of an entity's financial position. The College's net assets and deferred outflows was surpassed by its liabilities and deferred inflows by -$2.1 million at the close of the most recent fiscal year and reflects a significant positive reduction. This is due mainly to the HEERF funding that assisted the College with student aid and reduction in expenditures due to the COVID-19 pandemic.


Assets, Liabilities and Deferred Outflows/Inflows by Year
$Millions
60
55
50
45
40
35
30
25
20
15
10
5
0
-5
-10
Assets
Deferred Outflows
Liabilities
Deferred Inflows
Net Position
2020
2021

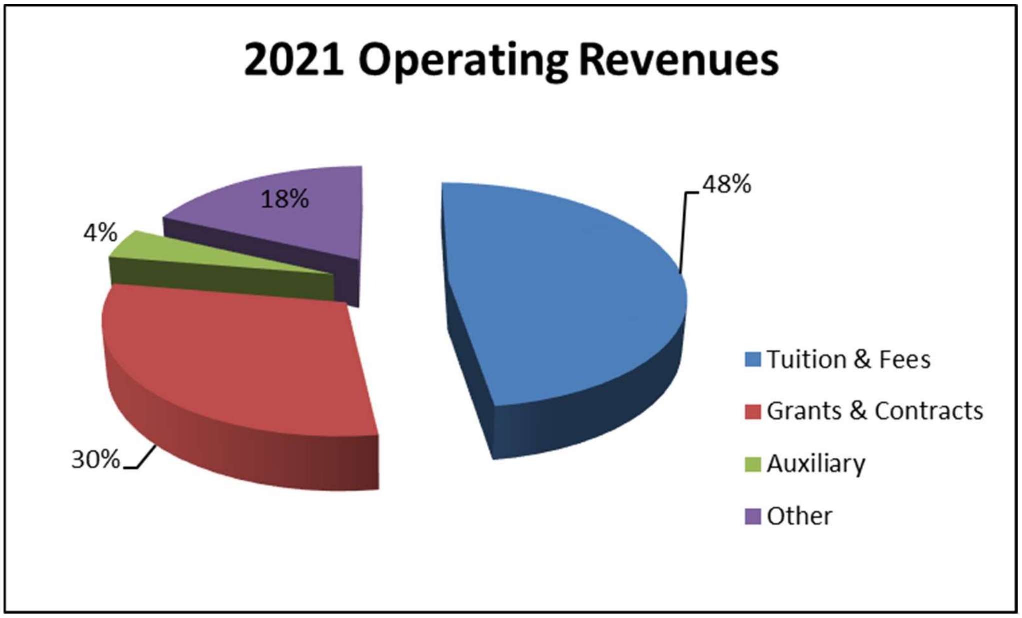
Summary of Revenues, Expenses, and Changes in Net Position
for Fiscal Year Ended June 30, 2021
with Comparative Totals for June 30, 2020
(In millions)

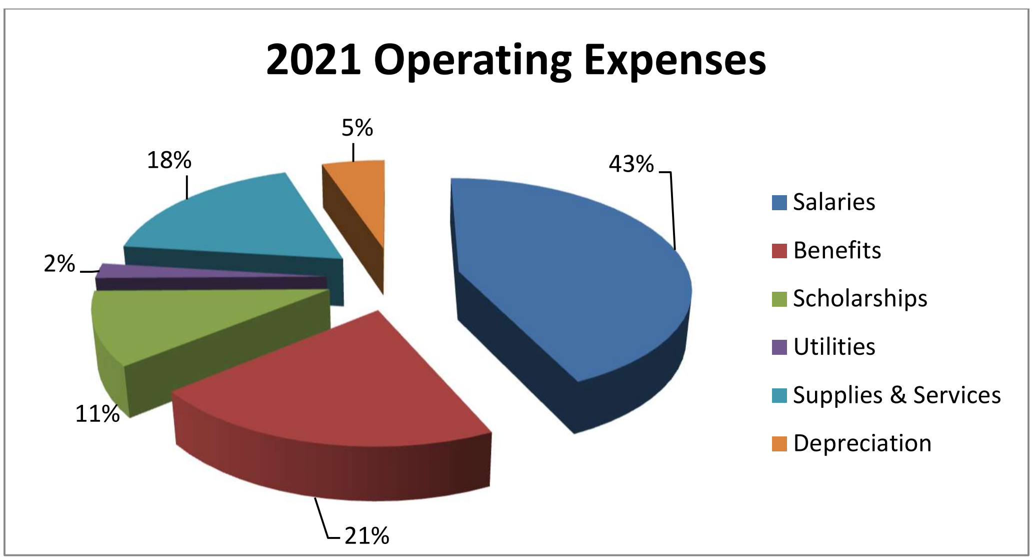
The schedule that follows is a summary of the College's operating results for the fiscal year.

A large portion of the revenue included in the Grants and Contracts category represents student financial assistance, which is used to pay tuition and fees for students to attend the College. An approximation of tuition and fees paid from this source of funds has been recognized as a reduction of tuition and fees in the form of scholarships allowances in order to eliminate duplication of revenue.

	2021	2020	% Change
Operating Revenue			
Tuition and Fees	$ 5.2	$ 5.9	-11.9%
Grants and Contracts	3.9	3.5	11.4%
Auxiliary	0.5	0.8	-37.5%
Other	1.7	0.3	466.7%
Total Operating Revenue	11.3	10.5	7.6%
Less Operating Expenses	21.6	23.6	-8.5%
Net Operating Loss	(10.3)	(13.1)	-21.4%
Non-Operating Revenue			
Federal Grants and Contracts	5.0	4.5	11.1%
State Appropriations	5.1	5.3	-3.8%
Local Appropriations	2.3	2.4	-4.2%
Interest Income/(Expense)	(0.2)	0.0	-200.0%
Total Non-operating Revenue	12.2	12.2	0.0%
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	1.9	(0.9)	-311.1%
Other Revenues, Expenses, Gains or (Losses)			
Capital Gifts, Grants and Contracts	1.3	0.9	44.4%
Change in Net Position	3.2	-	100.0%
Net Position, Beginning of Year	(5.3)	(5.3)	0.0%
Net Position, End of Year	$ (2.1)	$ (5.3)	-60.4%
Total Revenues	$ 25.0	$ 23.6	5.9%

Graphical representations of the of the College's revenue and expense data for the year ended June 30, 2021 are included below.





Personnel costs of $13.9 million accounted for 64% of the College's operating expenses and reflect a 2% decrease from the prior year. Supplies and other services make up the second largest classification, accounting for 18% of operating expenses. Operating expenses in total decreased approximately 8.5% from last year's values. Note 15 in the accompanying notes to the financial statements reports operating expenses by functional classification.

The Statement of Cash Flows identifies the sources and uses of cash by the major categories: operating, non-capital financing, capital financing and investing activities.

The statement that follows represents a condensed version of Statement of Cash Flows.

Statement of Cash Flows
For the Year Ended June 30, 2021
with Comparative Totals for June 30, 2020
(In millions)

	2021	2020	% Change
Net Cash Provided (Used) by Operating Activities	$ (8.1)	$ (10.7)	-24.3%
Net Cash Provided by Non-Capital Financing Activities	12.5	12.1	3.3%
Net Cash Provided (Used) by Capital and Related Activities	1.2	(4.9)	-124.5%
Net Cash Provided (Used) by Investing Activities	0.1	-	100.0%
Net Increase (Decrease) in Cash and Cash Equivalents	5.7	(3.5)	-262.6%
Cash and Cash Equivalents- Beginning of the Year	9.5	13.0	-26.9%
Cash and Cash Equivalents- End of the Year	$ 15.2	$ 9.5	60.3%

Cash and cash equivalents increased by $5.7 million. Cash provided from non-capital financing activities in the amount of $12.5 million, consisting primarily of federal grants and state and local appropriations, was used to fund operating activities. The College's investments consist primarily of short-term certificates of deposit. The College completed the fiscal year with a cash and cash equivalent balance of $15.2 million.

Capital Asset and Debt Administration

The capital assets net of depreciation increased by $6.2 million for the year. This increase reflects the difference between depreciation charges to existing capital assets and investment in new capital in the fiscal year. Construction in Progress increased $7.1 million this year as the College prepares to open the Culinary Institute of the South in Fall 2021.

The capital assets are summarized in the table that follows:

Capital Assets, Net
June 30, 2021 with Comparative Totals for June 30, 2020
(In millions)

	2021	2020	% Change
Capital Assets			
Construction in Progress	$ 8.0	$ 0.9	788.9%
Land and Improvements	8.3	8.2	1.2%
Buildings and Improvements	25.5	25.5	0.0%
Machinery & Equipment	2.5	2.4	4.2%
Other Assets	0.6	0.6	0.0%
Total Capital Assets	44.9	37.6	19.4%
Less Accumulated Depreciation	(20.2)	(19.1)	5.8%
Net Capital Assets	$ 24.7	$ 18.5	33.5%

Economic Factors

The economic outlook of the College is positive but guarded as the nation continues to deal with the COVID-19 pandemic. In March of 2020, a pandemic was declared forcing the College to move all classes online within weeks and all faculty and staff to work remotely immediately once the pandemic was declared. The duration of the pandemic and its impact are still affecting the College.

The College experienced a decline in enrollment as its students, faculty and staff have dealt with the pandemic. During the fiscal year ending June 30, 2021, the College held most classes online/virtually and student services were performed online and virtually as well.

The College is committed to growing enrollment even during a pandemic. This is evident with the continuous improvement of College student engagement, enrollment services and conservative management of expenditures.

In an act true to the College dedication and perseverance, the College was able to achieve moving classes online, taking care to ensure students received the best education. Students graduated and progressed while we all worked to ensure the College met the academic needs of our students. This a testament of dedication, patience and understanding from faculty, staff and students.

The College anticipated a decline in enrollment for the fiscal year 2021 and utilized strategic budgeting to allow the College to maintain a conservative but adequate budget. The College was able to reduce many expenditures due to limited travel, utility savings while remote, and a reduction of part time staffing. HEERF allowed funding of expenditures in order to reduce the impact of the pandemic to our budget. The College utilized these funds to offset technology expenses to accommodate online learning, increased cleaning efforts to minimize exposure to the virus and provided personal protective equipment for faculty, staff, and students.

The College's enrollment trends have been consistent with that experienced by its peers across the state. The College remains conservative but optimistic in its estimates of future growth and will continue to maintain a solid reserve in order to weather future fluctuations in enrollment demand. During the academic year of 2020 – 2021, enrollment was down by 9.8%. Enrollment forecast for the next fiscal year is difficult to predict due to new variants of the COVID-19 virus and the pandemic continuation. Enrollment for the current year 2021 – 2022 is trending negative for Fall 2021 semester at -6%.

Technical College of the Lowcountry continues to be a strong choice for educating the citizenry of our service area of Beaufort, Jasper, Hampton and Colleton counties. Demand for TCL programs remains strong as we continue to add programs each year. The College added the Culinary Arts program this year and began constructing a 29,000 sq. ft. Culinary Institute to serve the growing culinary workforce in our area. The Culinary Institute of the South will open in Fall 2021. The College added new Dual Enrollment programs as we continue to grow and work to provide programs to our high schools in our service areas.

The College implemented an overall 4% budget cut to the Budget for 2020 – 2021 due to the uncertainty of enrollment and the state appropriations. The State of South Carolina operated on a continuing resolution for the fiscal year 2020 – 2021.

The College received a Strengthening Institutions Grant which is highly competitive which began in 2019. We are in the third year of implementation of the grant. The grant is timely as its goals are to increase student engagement and achievement through enhanced curriculum and instruction, increase persistence and retention through expanded student support, and increase the graduation rate of our students. Combined with the struggles that the pandemic has inflicted on our students, the grant is perfectly timed to assist the students when they need it most.

Technical College of the Lowcountry students who are SC residents are eligible for tuition assistance from the SC Education Lottery, SC WINS and Workforce Development programs. When combined with Lottery Tuition Assistance, and other financial aid, many eligible students are able to attend at no tuition cost. The South Carolina Education Lottery provides for technology upgrades for the College as well.

As we look to the future, the College continues to plan for growth by servicing the area's primary industries with workforce development. The Culinary Institute of the South will serve the area's #1 industry. Expanding the Health Sciences is the #2 industry in the area and proving to be desperately needed since the pandemic. Lastly, we are building relationships with the community to better serve the workforce needs and for economic development.

The economic impact of the College to our community remains very strong. The most recent economic impact analysis provided the following:

$129.3 million
Total income added
in the region

1.3%
Of region's GRP

2,279
Total jobs supported
in the region

6.0
Benefit-cost ratio for students

3.3
Benefit-cost ratio for taxpayers

10.1
Benefit-cost ratio for society

Despite challenges, the College remains in a solid financial position. Enrollment, associated tuition revenue, and conservative budgeting will continue to be the focus of management's efforts to provide future funding stability. Management expects that further increases to base tuition rates may be necessary to maintain sufficient operating revenues.

We continue to be mindful stewards of the fiduciary trust given to us, with appreciation for all employees who work hard for the benefit of student learning.

President

Vice-President for Administrative Services

BASIC FINANCIAL STATEMENT

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Net Position
June 30, 2021

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	15,223,189
Accounts Receivable, net		6,152,583
Inventories		294
Prepaid Expenses		4,037,418
Total Current Assets		25,413,484
Restricted Assets		
Cash and Cash Equivalents		4,860
Noncurrent Assets		
Capital Assets, net of accumulated depreciation		12,639,564
Capital Assets, not subject to depreciation		11,986,585
Total Noncurrent Assets		24,626,149
Total Assets		50,044,493
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Pension		3,006,293
Deferred Outflows of OPEB		3,733,031
Total Deferred Outflows of Resources		6,739,324
Total Assets and Deferred Outflows of Resources	$	56,783,817
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$	1,049,769
Accrued Payroll and Related Liabilities		394,879
Current Portion of Long-Term Liabilities		953,175
Unearned Revenues		7,921,323
Total Current Liabilities		10,319,146
Liabilities Payable from Restricted Assets		
Funds Held for Others		5,885
Noncurrent Liabilities		
Obligations under Capital Lease		6,976,149
Compensated Absences Payable		963,615
Other Post Employment Benefit Obligation		17,794,935
Net Pension Obligation		19,802,595
Total Noncurrent Liabilities		45,537,294
Total Liabilities		55,862,325
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows for Pension		1,003,168
Deferred Inflows for OPEB		1,981,319
Total Deferred Inflows of Resources		2,984,487
NET POSITION		
Net Investment in Capital Assets		16,845,251
Unrestricted		(18,908,246)
Total Net Position		(2,062,995)
Total Liabilities, Deferred Inflows of Resources and Net Position	$	56,783,817

See accompanying notes to financial statements.

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

REVENUES	
Operating Revenues	
Student Tuition and Fees, net of scholarship allowances of $4,230,002	$ 4,965,876
Capital fees, net of scholarship allowances of $89,797	124,778
Technology fees, net of scholarship allowances of $89,797	124,778
Federal Grants and Contracts	1,367,200
State Grants and Contracts	2,366,241
Non-governmental Grants and Contracts	165,227
Sales and Services of Educational Programs	9,088
Auxiliary Programs, net of scholarship allowances of $109,833	490,089
Other Operating Revenues	1,728,753
Total Operating Revenues	11,342,030
EXPENSES	
Operating Expenses	
Salaries	9,331,082
Benefits	4,536,262
Scholarships	2,316,566
Utilities	474,935
Supplies and other services	3,871,524
Depreciation	1,110,793
Total Operating Expenses	21,641,162
Operating Loss	(10,299,132)
Non-operating Revenues (Expenses)	
Federal Grants and Contracts	5,036,851
State Appropriations	5,071,810
County Appropriations	2,346,766
Interest Income	59,333
Interest Expense on Capital Asset Related Debt	(266,450)
Total Non-operating Revenues (Expenses)	12,248,310
Income (Loss) before Other Revenues, Expenses, Gains (Losses)	1,949,178
Other Revenues, Expenses, Gains or (Losses)	
Local Capital Grants	975,769
State Capital Grants	310,075
Total Other Revenues, Expenses Gains (Losses)	1,285,844
INCREASE (DECREASE) IN NET POSITION	3,235,022
NET POSITION	
Net Position, beginning of year	(5,298,017)
Net Position, end of year	$ (2,062,995)

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, net of scholarship allowances	$ 4,426,166
Federal, State and Local Grants and Contracts	4,454,103
Sales and Services of Education Departments	9,088
Auxiliary Enterprise, net of scholarship allowances	490,089
Other	
Revenues from SRENCP	1,728,753
Scholarships	(2,316,566)
Student Loans Received	1,102,135
Student Loans Paid Out	(1,070,514)
Payments to Vendors	(4,162,814)
Payments to Employees	(9,343,621)
Employee Benefits	(3,440,409)
Decrease in Cash Held for Others	723
Net Cash Used by Operating Activities	(8,122,867)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	5,092,468
County Appropriations	2,346,766
Federal Grants and Contracts	5,196,296
State Grants and Contracts	(49,545)
Local Grants and Contracts	(36,119)
Net Cash Provided by Non-Capital Financing Activities	12,549,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Grants and Contracts	597,064
Local Capital Grants and Contracts	800,000
Proceeds from Capital Lease Financing	8,000,000
Purchase of Capital Assets	(7,187,547)
Principal Paid on Capital Debt	(780,383)
Interest Paid on Capital Debt	(267,238)
Net Cash Used by Capital and Related Financing Activities	1,161,896
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Time Deposits	91,115
Net Cash Provided by Investing Activities	91,115
Net Increase in Cash	5,680,010
Cash - beginning of year	9,548,039
Cash - end of year	$ 15,228,049
Reconciliation to Statement of Net Position	
Cash and Cash Equivalents	$ 15,223,189
Restricted Cash and Cash Equivalents	4,860
Total Cash and Cash Equivalents	$ 15,228,049
Supplementary Information	
Cash Paid for Income Taxes	None
Cash Paid for Interest Expense	$ 267,238

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Statement of Cash Flows
For the Year Ended June 30, 2021

Reconciliation of Net Operating Income (Loss) to	
Net Cash Used by Operating Activities	
Operating Income (Loss)	$ (10,299,132)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Used by Operating Activities	
Depreciation	1,110,793
Allowance for uncollectible accounts	(904,753)
Change in Assets and Liabilities	
Increase in Accounts Receivables	(1,193,656)
Decrease in Inventory	109,329
Increase in Prepaid Expenses	142,634
Increase in Accounts Payable	832,383
Increase in Accrued Liabilities	52,837
Increase in Compensated Absences	7,443
Increase in Net Pension Obligation	1,424,981
Increase in Deferred Outflows of Pension	(1,114,811)
Increase in Deferred Inflows of Pension	180,078
Increase in Other Post Employment Benefit Obligation	2,413,471
Increase in Deferred Outflows of OPEB	(1,926,205)
Increase in Deferred Inflows of OPEB	45,519
Increase in Unearned Revenue	995,499
Decrease in Funds held for Others	723
Total adjustments	2,176,265
Net Cash Used by Operating Activities	$ (8,122,867)

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
Non-Governmental Component Unit Statement of Financial Position
June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 33,277	$ 687,877	$ 721,154
Cash Restricted	4,846,139	-	4,846,139
Interfund Receivables/Payables	164,413	(164,413)	-
Accounts Receivable	15,000	-	15,000
Total Current Assets	5,058,829	523,464	5,582,293
Non-Current Assets			
Investments	392,205	1,435,680	1,827,885
Lease Receivable	3,232,332	-	3,232,332
Total Non-Current Assets	3,624,537	1,435,680	5,060,217
Total Assets	$ 8,683,366	$ 1,959,144	$ 10,642,510
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	$ 208,895	$ -	$ 208,895
Project Funds Due to College	771,469	-	771,469
Current Portion of Long-Term Liabilities	715,000	-	715,000
Total Current Liabilities	1,695,364	-	1,695,364
Noncurrent Liabilities			
Bond Payable	6,592,000	-	6,592,000
Total Noncurrent Liabilities	6,592,000	-	6,592,000
Total Liabilities	8,287,364	-	8,287,364
Net Assets	396,002	1,959,144	2,355,146
Total Liabilities and Net Assets	$ 8,683,366	$ 1,959,144	$ 10,642,510

See accompanying notes to financial statements.

TECHNICAL COLLEGE OF THE LOWCOUNTRY FOUNDATION, INC.
Non-Governmental Component Unit Statement of Activities
For the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL (MEMORANDUM ONLY)
REVENUES AND SUPPORT			
Donations	$ 76,050	$ 366,890	$ 442,940
In-kind Contributions	259,001	-	259,001
Investment Income	19,389	266,370	285,759
Net Assets Released from Restrictions	276,259	(276,259)	-
Total Revenues and Support	630,699	357,001	987,700
FUNCTIONAL EXPENSES			
Scholarships	238,673	-	238,673
Assistance to Technical College	205,591	-	205,591
General and Administrative	82,837	-	82,837
Fundraising	145,769	-	145,769
Total Functional Expenses	672,870	-	672,870
Increase (Decrease) in Net Assets	(42,171)	357,001	314,830
Net Assets, Beginning of Year	438,173	1,602,143	2,040,316
Net Assets, End of Year	$ 396,002	$ 1,959,144	$ 2,355,146

See accompanying notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Technical College of the Lowcountry (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 Beaufort, Jasper, Hampton, and Colleton 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.

Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Accordingly, the financial statements include the College and another related entity as a discretely presented component unit.

As a member institution of the South Carolina Technical College System, the College is a component unit of the State of South Carolina (the "State") and its financial statements are included in the State's comprehensive annual financial report as a discretely presented component unit. The College has determined that the Technical College of the Lowcountry Foundation (the "Foundation") is a component unit. Therefore, the accompanying financial statements presents the College, as the primary government with its component unit. The Foundation, due to the nature and significance of its relationship with the State, is not a component unit of the State. The College's discretely presented component unit is discussed in Note 16.

Financial Statements: The financial statement presentation for the College meets the requirements of GASB Codification. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's assets, liabilities, deferred outflows/inflows, net position, revenues, expenses, changes in net position, and cash flows.

Basis of Accounting: For financial reporting purposes, the College is considered a special purpose government 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.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Funds invested through the State of South Carolina State Treasurer's Office and Certificates of Deposit are considered cash equivalents.

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.

Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the specific identification basis.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and 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, except individual items costing in excess of $5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

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.

Deposits represent student fee deposits and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned.

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 long-term liabilities in the statement of net position and as a component of benefit expenses in the statement of revenues, expenses, and changes in net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The College's net position is displayed in three components: net investment in capital assets, restricted (with expendable and nonexpendable components separately displayed), and unrestricted.

Net Investment in capital assets: This component consists of the College's capital assets, net of accumulated depreciation, and reduced by 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 net investment in capital assets. Deferred outflows of resources and deferred inflows of resources, if any, attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

Effective July 1, 2006, the College adopted the provisions of GASB 46, ***Net Assets Restricted by Enabling Legislation***, which was promulgated by the Government Accounting Standards Board for fiscal years beginning after June 15, 2005. GASB 46 requires governments to disclose assets as restricted net assets if the use of the net assets is limited due to the imposition of "enabling legislation", which is defined as a legally enforceable restriction which a party external to the government can compel a government to honor. As of June 30, 2021, the Statement of Net Position includes $114,000 in capital assets (non-depreciable land) which is restricted by enabling legislation. The land, which was conveyed to the College in 1968, includes a restriction imposed by the grantor requiring the property be used for educational purposes in perpetuity.

Restricted: This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Restricted – expendable: Restricted expendable component includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: The nonexpendable restricted component includes financial resources which are required to be maintained in perpetuity. The College has no nonexpendable restricted resources.

Unrestricted: The unrestricted component is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This includes 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. The resources also include auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 student tuition and fees received in exchange for providing educational services, and other related services to students, fees received by the College cosmetology department in exchange for providing services, receipts for scholarships where the provider has identified the student recipients, fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College, and grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

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

Scholarship discounts and allowances: Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain grants, such as Pell and other Federal, state or non-governmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consists of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the cosmetology and massage therapy department services.

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by vending, bookstore and cosmetology services. Revenues on internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Expenses: The College has classified its expenses as either operating or non-operating expenses according to the following criteria:

Operating expenses: Operating expenses generally result from the purchasing of goods or services related to the College's principal ongoing operations. These expenses include (1) salaries and benefits paid to employees for providing educational services and other related services to students; (2) utilities to maintain the educational buildings; (3) supplies and services for goods and services provided to the College; (4) scholarship expenses for student financial assistance; and (5) depreciation expense for capital items.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions. These expenses include interest expense and capital items purchased.

Concentrations: During the year ended June 30, 2021, the College received 27.0%, 31.0%, and 9.8% of its total revenues (excluding capital contributions) from Federal, State and County operating grants and appropriations.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 CASH AND DEPOSITS

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, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Technical College of the Lowcountry does not maintain a deposit policy regarding custodial credit risk. All certificates of deposit, regardless of maturity are reported as deposits for custodial credit risk categorization.

The College's deposits at June 30, 2021 had carrying balances of $15,228,049 and bank balances of $14,356,768 due to outstanding checks exceeding deposits in transit. Of these deposits, $11,659,290 were insured by the Federal Deposit Insurance Corporation, and the remaining $2,697,478 was collateralized with securities held by the pledging institutions in the College's name.

Foreign Currency Risk: The Technical College of the Lowcountry does not maintain deposits that are denominated in a currency other than the United States dollar. Therefore, the College is not exposed to this risk.

NOTE 2 CASH AND DEPOSITS (Continued)

The College's certificates of deposit are presented by maturity.

		Certificate of Deposit Maturities (in years)			
	Total	Less than 1	1-5	6-10	More than 10
Certificates of Deposit	$ 2,440,748	$2,440,748	$ -	$ -	$ -

Credit Risk: Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Technical College of the Lowcountry investment policy does not address credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Technical College of the Lowcountry investment policy does not address concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities, if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Technical College of the Lowcountry investment policy does not address interest rate risk.

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

Statement of Net Position:	
College	
Cash and cash equivalents	$ 15,223,189
Restricted cash and cash equivalents	4,860
Total Cash and cash equivalents on Statement of Net Position	$ 15,228,049
Disclosure, Deposits and Investments Plus Reconciling Items:	
College	
Deposits held by financial institutions, carrying value	$ 12,786,550
Certificates of deposit held by financial institutions, reported amount	2,440,748
Cash on hand	751
Total Disclosure, Deposits Plus Reconciling Items	$ 15,228,049

NOTE 3 ACCOUNTS RECEIVABLE

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

Receivables:	
Student Accounts	$ 4,023,915
Other Accounts	917,489
Accrued Interest	10,447
County Appropriations	12,500
Due from Federal and Other Grantors, Operating	885,790
Due from State Grants, Operating	525,481
Receivable for Student Loans Awarded	123,525
Gross Receivables	6,499,147
Less: Allowance for Uncollectible Accounts	
Student Accounts	(346,564)
Receivables, net	$ 6,152,583

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

NOTE 4 CAPITAL ASSETS

Capital assets as of June 30, 2021 are summarized as follows:

	Balance 6/30/2020	Increases	Decreases	Balance 6/30/2021
Capital Assets not being depreciated:				
Land and improvements	$ 4,035,312	$ -		$ 4,035,312
Construction in progress	953,582	6,997,691	-	7,951,273
Total Capital Assets not being depreciated	4,988,894	6,997,691	-	11,986,585
Other Capital Assets:				
Depreciable Land Improvements	4,243,903			4,243,903
Buildings and improvements	25,492,183			25,492,183
Machinery and equipment	2,414,716	189,856	(102,999)	2,501,573
Vehicles	553,779	-		553,779
Total other capital assets at historical cost	32,704,581	189,856	(102,999)	32,791,438
Less accumulated depreciation for:				
Depreciable Land Improvements	(3,520,547)	(199,235)		(3,719,782)
Buildings and improvements	(13,471,562)	(582,182)		(14,053,744)
Machinery and equipment	(1,893,305)	(261,806)	102,999	(2,052,112)
Vehicles	(258,666)	(67,570)		(326,236)
Total accumulated depreciation	(19,144,080)	(1,110,793)	102,999	(20,151,874)
Other capital assets, net	13,560,502	(920,937)	-	12,639,564
Capital Assets, Net	$ 18,549,396	$ 6,076,754	$ -	$ 24,626,149

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of June 30, 2021, are summarized as follows:

Payables:	
Accounts Payable Trade	$ 1,005,819
Student Refunds Payable	34,338
Accrued Interest Payable	4,325
Sales and Use Tax Payable	626
Other Accrued Liabilities	4,661
Total Accounts Payable	$ 1,049,769

NOTE 6 UNEARNED REVENUES

Unearned revenues for the College as of June 30, 2021, are summarized as follows:

Unearned Revenues:	
Fall Tuition	$ 2,289,110
Summer Tuition	448,906
Fall Registration Fees	41,750
Fall Capital Fees	50,285
Fall Technology Fees	50,285
Fall High Course Fees	24,676
State Grants and Contracts	2,473,968
Local Grants and Contracts	2,379,776
State Appropriations	100,158
Nongovernment Grants and Contracts	62,409
Total Unearned Revenues	$ 7,921,323

NOTE 7 LONG-TERM OBLIGATIONS

Long-term obligations for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year	Net Long Term
Obligation under Capital Lease	$ 561,281	$ -	$ 87,383	$ 473,898	$ 89,749	$ 384,149
Obligation under CIS Lease		8,000,000	693,000	7,307,000	715,000	6,592,000
Accrued Compensated Absences	1,104,597	42,967	35,523	1,112,041	148,426	963,615
Total Long Term Liabilities	$ 1,665,878	$8,042,967	$ 815,906	$ 8,892,939	$ 953,175	$ 7,939,764

NOTE 8 CAPITAL LEASE OBLIGATION

The College is obligated for payment of $513,619 on original debt of $1,500,000 of a $17,500,000 General Obligation Bond Issue by Beaufort County in 2006. The proceeds were used in the construction of the New River Campus. The interest rate is 3.5%. Interest expense on the debt during the fiscal year ended June 30, 2021 was $14,552. The scheduled maturities of the Capital Lease Obligation is as follows:

NOTE 8 CAPITAL LEASE OBLIGATION (Continued)

Year Ended June 30,	Principal	Interest	Total Payments
2022	$ 89,749	$ 12,975	$ 102,724
2023	92,187	10,537	102,724
2024	94,701	8,023	102,724
2025	97,294	5,430	102,724
2026	99,967	2,756	102,723
Total	$ 473,898	$ 39,721	$ 513,619

The College is obligated for payment of $8,501,520 on the original debt of $8,000,000 JEDA Bond held by the college foundation. The proceeds are being used in the construction of the Culinary Institute of the South building in Bluffton, South Carolina. The interest rate is 3.14%. Interest expense on the debt during the fiscal year ended June 30, 2021 was $251,898. The scheduled maturities of the capital lease obligation for the Culinary Institute of the South is a follows:

Year Ended June 30,	Principal	Interest	Total Payments
2022	$ 715,000	$ 229,440	$ 944,440
2023	737,000	206,989	943,989
2024	761,000	183,847	944,847
2025	785,000	159,952	944,952
2026	809,000	135,303	944,303
2027	835,000	109,900	944,900
2028	861,000	83,681	944,681
2029	888,000	56,646	944,646
2030	916,000	28,762	944,762
Total	$ 7,307,000	$ 1,194,520	$ 8,501,520

Technical College of the Lowcountry does not have any unused lines of credit at June 30, 2021.

NOTE 9 ACCRUED COMPENSATED ABSENCES

Unused vacation leave liabilities are reported in the government-wide financial statements. With sufficient notification of employment termination, unused vacation will be paid. Employees who are discharged for disciplinary reasons are not eligible to receive pay for unused accrued vacation. The College has no financial liability for its unused sick leave. The accumulated unpaid vacation earned as of June 30, 2021, totaled $1,112,041. This total reflects the pay rates in effect at July 2021 plus estimated employee benefits of twenty-nine (29) percent of the payroll.

NOTE 10 NET PENSION OBLIGATION

Description of the Entity

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

NOTE 10 NET PENSION OBLIGATION (Continued)

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

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. 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.

- State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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 the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years.

NOTE 10 NET PENSION OBLIGATION (Continued)

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.

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

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

NOTE 10 NET PENSION OBLIGATION (Continued)

Required employee contribution rates[1] for fiscal years 2021 and 2020 are as follows:

	Fiscal Year 2021[1]	Fiscal Year 2020[1]
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%

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

Required employer contribution rates[1] for fiscal years 2021 and 2020 are as follows:

	Fiscal Year 2021[1]	Fiscal Year 2020[1]
SCRS		
Employer Class Two	15.41%	15.41%
Employer Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution[2]	15.41%	15.41%
Employer Cass Three	0.15%	0.15%

[1] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
[2] Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

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 ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

NOTE 10 NET PENSION OBLIGATION (Continued)

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

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return[1]	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)[1]
Benefit adjustments	Lesser of 1% or $500 annually

[1] includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability
SCRS	$ 40,179,219	$ 20,376,624	$ 19,802,595	50.7%
Total	$ 40,179,219	$ 20,376,624	$ 19,802,595	

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

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.

NOTE 10 NET PENSION OBLIGATION (Continued)

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

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity[1,2]	35.0%	7.81%	2.73%
Private Equity[2,3]	9.0%	8.91%	0.80%
Equity Options Strategies[1]	7.0%	5.09%	0.36%
Real Assets	**12.0%**		
Real Estate (Private)[2,3]	8.0%	5.55%	0.44%
Real Estate (REITs)[2]	1.0%	7.78%	0.08%
Infrastructure (Private)[2,3]	2.0%	4.88%	0.10%
Infrastructure (Public)[2]	1.0%	7.05%	0.07%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation[1]	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans[1,2]	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt[2,3]	7.0%	5.79%	0.40%
Rate Sensitive	**14.0%**		
Core Fixed Income[1]	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Return[4]	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
			8.05%

[1] Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.
[2] The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.
[3] RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.
[4] The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

NOTE 10 NET PENSION OBLIGATION (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	$ 24,542,921	$ 19,802,595	$ 15,844,414

Pension Expense

Components of collective pension expense reported in the Schedules of Pension Amounts by Employer for the fiscal year ended June 30, 2020, are presented below.

Description	SCRS
Service cost (annual cost of current service)	$ 755,947
Interest on the total pension liability	2,752,440
Plan administrative costs	11,019
Plan member contributions	(714,968)
Expected return on plan assets	(1,516,302)
Recognition of current year amortization - Difference between expected and actual experience & assumption changes	367,828
Recognition of current year amortization - Difference between projected and actual investment earnings	558,550
Other	1,196
Total	$ 2,215,710

NOTE 10 NET PENSION OBLIGATION (Continued)

Additional items included in Total Employer Pension Expense in the Schedules of Pension Amounts by Employer are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NPL and differences between actual employer contributions and proportionate share of total plan employer contributions. These two deferrals are specific to cost-sharing multiple-employer defined benefit pension plans as discussed in paragraphs 54 and 55 of GASB 68.

Deferred Outflows of Resources and Deferred Inflows of Resources

The schedules below reflect the amortization of collective deferred outflows/(inflows) of resources related to pensions outstanding at June 30, 2020.

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 228,496	$ 74,882
Assumption changes	24,261	-
Net difference between projected and actual earnings	1,456,647	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	928,286
Contributions subsequent to the measurement date	1,296,889	-
Total	$ 3,006,293	$ 1,003,168

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

NOTE 10 NET PENSION OBLIGATION (Continued)

The amounts reported of $1,296,889 that was reported as deferred outflows of resources related to the contributions subsequent to the measurement date to the SCRS will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Amortization of Deferred Outflows/Inflows of Resources

Amortized period ending June 30,	SCRS
2021	$ 63,416
2022	228,325
2023	274,861
2024	139,634
Net Balance of Deferred Outflows/(Inflows) of Resources	$ 706,236

Employer and Nonemployer Contributions

Employers' proportionate shares were calculated on the basis of employer and nonemployer contributions remitted to the plan. In an effort to help offset a portion of the increased contribution requirements for employers, the General Assembly again provided nonemployer contributions to PEBA. Based on the criteria provided in the South Carolina 2019-2020 Appropriations Act, Section 117.131, PEBA issued credit invoices to certain SCRS employers for fiscal year 2020 who then applied the credit invoices towards contributions otherwise due to the Systems. The amount of credit invoices issued in fiscal year 2020 totaled $88.7 million for SCRS.

Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service purchases and employer contributions paid by employees.

The following table provides a reconciliation of Employer and Nonemployer contributions in the plans' Statement of Changes in Fiduciary Net Position (per the Systems' separately issued financial statements) to the Employer and Nonemployer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedules of Employer and Nonemployer Allocations.

	SCRS
Employer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2020	$ 1,277,012
Nonemployer Contributions Reported in Statement of Changes in Net Position for the fiscal year ended June 30, 2020	68,747
Employer Contributions Not Representative of Future Contribution Effort	51
Employer and Nonemployer Contributions Used as the Basis for Allocating Employers' Proportionate Shares of Collective Pension Amounts - June 30, 2020 Measurement Date	$ 1,345,810

NOTE 10 NET PENSION OBLIGATION (Continued)

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

Payables to the Pension Plan

At June 30, 2021, the amount reported for payables was $208,590 which represented the amount due for June.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

Description of the Entity and Summary of Significant Accounting Policies

The South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (OPEB).

Plan Descriptions

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), 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.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

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

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2020 was 6.25 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2020. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2019 totaled $578,838,884. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of $2,724,225.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Individual Entry – Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	2.45% as of June 30, 2020
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020; updates were also made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the "Cadillac Tax".

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Individual Entry – Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	2.83% as of June 30, 2020
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The disability rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The discount rate changed from 3.04% as of June 30, 2019 to 2.83% as of June 30, 2020

Roll Forward Disclosures

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

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 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.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The following table represents the components of the net OPEB liability as of June 30, 2020:

System	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of the Total OPEB Liability
SCRHITF	$ 19,423,755	$ 1,628,820	$ 17,794,935	8.4%

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

Single Discount Rate

The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

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

Long-term Expected Rate of Return

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

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Asset class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation- Weighted Long-Term Expected Portfolio Real Rate of Return
U.S. Domestic Fixed Income	80%	0.60%	0.48%
Cash Equivalents	20%	0.35%	0.07%
Total	100%		0.55%
Expected Inflation			2.25%
Total Return			2.80%
Investment Return Assumption			**2.80%**

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 2.45%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

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

System	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
SCRHITF	$ 21,232,930	$ 17,794,935	$ 15,047,721

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

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

System	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
SCRHITF	$ 14,403,292	$ 17,794,935	$ 22,249,139

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

OPEB Expense
Components of collective OPEB expense reported in the Schedule of OPEB Amounts by Employer for the fiscal year ended June 30, 2020 are presented below.

Description		SCRHITF
Service cost (annual cost of current service)	$	627,218
Interest on the Total OPEB Liability		510,941
Projected Earnings on Plan Investments		(39,903)
OPEB Plan Administrative Expense		1,004
Recognition of Outflow (Inflow) of Resources due to Liabilities		257,550
Recognition of Outflow (Inflow) of Resources due to Assets		(2,861)
Total	$	1,353,949

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

Deferred Outflows and Inflows of Resources
As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

The schedules on the following pages reflects the amortization of collective deferred outflows/(inflows) of resources related to OPEB outstanding at June 30, 2020.

As a reminder, in addition to recognizing a proportionate share of the deferred outflows and inflows shown on the following page, employers will also need to establish:

a. Deferred outflows and inflows related to changes in proportionate shares and differences between contributions and proportionate share of contributions;
b. A deferred outflow related to contributions made after the measurement date. This deferred outflow should include payroll-related surcharge contributions and implicit subsidies.

NOTE 11 OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	Deferred Outflows of Resources SCRS	Deferred Inflows of Resources SCRS
Difference between projected and actual experience	$ 508,951	$ 405,254
Difference between projected and actual investment experience	-	41,506
Assumption changes	2,672,022	732,599
Changes in proportion and differences between contributions and proportionate share of contributions	-	801,960
Contributions subsequent to the measurement date	552,058	-
Total	$ 3,733,031	$ 1,981,319

Amortization of Deferred Outflows/Inflows of Resources	
Amortized period ending June 30,	**SCRHITF**
2021	232,842
2022	232,842
2023	229,975
2024	185,912
2025	385,754
Thereafter	734,289
Net Balance of Deferred Outflows/(Inflows) of Resources	$ 2,001,614

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of OPEB Amounts by Employer (the Schedules) were compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2020, and the accounting and financial reporting actuarial valuations as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements. Employers are encouraged to review Illustration II in Appendix C of GASB Statement No. 75, which provides a sample footnote disclosure and required supplementary information for a cost-sharing multiple-employer defined benefit OPEB plan.

NOTE 12 CONTINGENCIES AND LITIGATIONS

The College has legal litigation from time to time. Most of the litigation is covered by insurance or settled through subsequent agreements. In the opinion of the College the resolution of these matters will not have a material adverse effect on the financial condition of the College. The College is not aware of any other pending claims or litigation that would 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. The College is not aware of any contingent liabilities related to the Federal grant programs.

NOTE 13 LEASE OBLIGATIONS

Operating Leases

The College had an operating lease agreement with Ontario Leasing, Inc. for a Pitney Bowes mail system. The lease term is for 60 months and commenced on August 1, 2016. The lease agreement calls for monthly payments of $318.51.

Contingent Rentals

The College leases all copier equipment from external parties. The lease terms are for 60 months and are payable monthly. The basis for the monthly rental payments is cost per copy. Total rental payments for copier equipment were $44,418 during fiscal year 2021.

Capital Leases

The College acquired a twenty-five-year capital lease during fiscal year 2007 related to the development of the New River Campus. Beaufort County leases the facilities to the College at a nominal rate of $10 per year. Under the terms of the lease, the College is responsible for all maintenance and operational costs. The lease term of twenty-five years could be reduced with an earlier retirement of Beaufort County's Tax Increment Financing (TIF) bonds. The minimum lease payments are calculated with an implicit rate of 4.25%.

NOTE 13 LEASE OBLIGATIONS (Continued)

The future minimum lease payments under the lease obligation are as follows:

For the year ending	Lease Payments Due to External Parties	
2022	$	10
2023		10
2024		10
2025		10
2026		10
2027-2030		40
Total future minimum lease payments		90
Less: interest portion		(45)
Lease obligation outstanding	$	45
Assets acquired under capital lease:		
Land	$	2,141,399
Land Improvements		2,449,304
Buildings		5,767,869
Total assets acquired under capital lease	$	10,358,572
Less: Accumulated Depreciation		(4,189,999)
Assets acquired under capital lease, net	$	6,168,573

The College acquired a ten-year capital lease during fiscal year 2020 related to the development of the Culinary Institute of the South building in Bluffton, South Carolina. The Technical College of the Lowcountry Foundation leases the facilities to the College at a rate of $800,000 per year. The base rent is intended to be satisfied through annual payments by Beaufort County for itself and as fiscal agent for the Town of Bluffton, South Carolina, and the School District of Beaufort County, South Carolina.

NOTE 13 LEASE OBLIGATIONS (Continued)

For the year ending		Lease Payments Due to External Parties
2022	$	800,000
2023		800,000
2024		800,000
2025		800,000
2026		800,000
2027-2030		3,200,000
Total future minimum lease payments		7,200,000
Lease obligation outstanding	$	7,200,000
Assets acquired under capital lease:		
Construction In Progress		7,951,273
Total assets acquired under capital lease	$	7,951,273
Less: Accumulated Depreciation		-
Assets acquired under capital lease, net	$	7,951,273

NOTE 14 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 incidental death benefits

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

NOTE 14 RISK MANAGEMENT (Continued)

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
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.

The College obtains coverage through a commercial insurer for employee's fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 15 OPERATING EXPENSES BY FUNCTION

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

	Compensation	Benefits	Scholarships	Supplies/serv.	Utilities	Depreciation	Total
Instruction	$ 4,672,252	$ 2,141,205	$ -	$ 980,960	$ -	$ -	$ 7,794,418
Academic Support	1,190,571	594,089	-	732,343	-	-	2,517,003
Student Services	1,408,382	765,538	-	777,286	-	-	2,951,205
Operation & Maintenance of Plant	541,218	286,500	-	595,891	474,924	-	1,898,532
Institutional Support	1,392,058	690,575	-	285,940	-	-	2,368,574
Scholarships	-	-	2,316,566	-	-	-	2,316,566
Auxiliary Enterprises	126,601	58,355	-	499,104	11	-	684,071
Depreciation	-	-	-	-	-	1,110,793	1,110,793
Total Operating Expenses	$ 9,331,082	$ 4,536,262	$ 2,316,566	$ 3,871,524	$ 474,935	$ 1,110,793	$ 21,641,162

NOTE 16 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include the Technical College of the Lowcountry Foundation, Inc. (the Foundation).

The Foundation was established to advocate and raise funds for the College in support of the region's economy. Principally, all of the resources held by the Foundation are for the benefit of the College and its students. Therefore, the Foundation qualified as a discretely presented component unit. The Foundation's statements are presented on separate pages from the College due to differences in the reporting models as discussed below.

Complete financial statements for the Foundation may be obtain from its administrative offices by request to 843-525-8214 or foundation@tcl.edu.

NOTE 16 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Financial Statements: The financial statement presentation of the Foundation follows the recommendation of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the ASC, the Foundation's net assets are classified as 'net assets without donor restrictions' and 'net assets with donor restrictions.'

Basis of Accounting: The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Therefore, certain revenue recognition criteria and presentation features are different from GASB criteria and presentation features. No modifications for these differences have been made to the Foundation's financial statements included in the College's financial reporting entity.

Income Taxes: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any income from activities not directly related to the Foundation's tax exempt purpose would be subject to taxation as unrelated business income tax. In additional, the Foundation qualifies as a charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a). Tax exempt status arises from the fact that the Foundation's sole reason for existence is as a support organization for the College.

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. GAAP also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, and disclosure.

Foundation management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the year ended June 30, 2021. The Foundation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest income and to report penalties as other expense. Generally, the Foundation's tax returns remain open for three years subsequent to their filing for examination by government authorities.

Concentration of Credit Risk: The Foundation maintains its cash accounts with local financial institutions. Bank balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, cash balances exceeded FDIC insurance limits. Restricted cash of \$4,846,139 was collateralized by the South Carolina Public Funds deposit program.

The Foundation maintains its investments at one brokerage firm. Accounts maintained at the brokerage firm are insured up to \$500,000 for securities, including a limit of \$250,000 on claims for cash, under the securities investor protection corporation ("SIPC"). At June 30, 2021, total cash and securities were \$1,827,885. Management believes that the Foundation's investments do not represent significant concentrations of market risk. The Foundation's investments portfolio is adequately diversified among issuer's and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market decline.

NOTE 16 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Investments: – Investments in marketable equity securities with readily determinable fair values and all investment in debt securities are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

	Fair Value	Cost Basis	Unrealized Gains
Cash and Deposit Accounts	$ 262,177	$ 262,177	$ -
Fixed Income	17,539	17,116	423
Equity Securities	1,049,254	658,301	390,953
Bond Funds	192,413	182,959	9,454
Exchange Traded Funds	229,966	241,664	(11,698)
Other Assets	76,536	60,822	15,714
Total	$ 1,827,885	$ 1,423,039	$ 404,846

Statement of Financial Position:	
Foundation	
Cash and Cash Equivalents	$ 721,154
Restricted Cash	4,846,139
Total Cash and cash equivalents on Statementof Net Position	$ 5,567,293

Disclosure, Deposits and Investments Plus Reconciling Items:	
Foundation	
Deposits held by financial institutions, carrying value	$ 5,566,607
Cash on hand	686
Total Disclosure	$ 5,567,293

Accounts Receivable: The Foundation has recognized unconditional promises to give to be collected as follows at June 30, 2021:

Receivables in less than one year	$ 15,250

During the year ended June 30, 2021, the Foundation paid and accrued expenses to scholarships, grants, special events, and other assistance of $301,045 to the Technical College of the Lowcountry (the College). At June 30, 2021, $107,748 was included in accounts payable to the College. The Foundation is provided an office on the campus of the College at no charge. The College has estimated the fair value of rent received to be $9,600 per year using a level 3 fair market valuation. The Foundation received managerial and accounting services for two positions from the College's employees. Effective September 2016, the College pays the entire salary of the executive director and administrative assistant. The salaries and benefits that were contributed to the Foundation for the year ended June 30, 2021 was $249,401.

NOTE 16 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The following is a summary of the amounts recorded as in-kind revenue and expenses for the year ended June 30, 2021:

		Functional Expenses		
	Unrestricted Revenues	Scholarships	General and Administrative	Fundraising
Rent	$ 9,600	$ 3,600	$ 2,400	$ 3,600
Salaries and Benefits	249,401	93,525	62,350	93,525
Total	$ 259,001	$ 97,125	$ 64,750	$ 97,125

The Foundation entered into an agreement with the Technical College of the Lowcountry (College) to act as a conduit for the construction and financing of a Culinary Arts Institute and Interpretive Center ("Culinary Center") in Bluffton, South Carolina in the amount of $11,243,000. The financing of which has been secured by an $8 million South Carolina Jobs-Economic Development Agreement (JEDA) Economic Development Revenue Bond through BB&T, along with (1) approximately $1,243,000 of local hospitality taxes contributed from Beaufort County and (2) approximately $2,000,000 of the College's capital reserves. The Bond is payable in ten annual installments of approximately level payments, and is payable from and secured by (a) amounts annually provided by Beaufort County, the Town of Bluffton and the Beaufort County School District (as described below) and (b) approximately $2,000,000 of local hospitality taxes previously contributed from Beaufort County and deposited to a bond reserve fund.

Beaufort County, on behalf of itself and as fiscal agent for the Town of Bluffton and the Beaufort County School District, has committed to annually provide $800,000 in available revenues over a ten-year period (for a total of $8 million), subject to annual appropriations, to the College. Pursuant to a lease between the College and the Foundation, the College has agreed to make ten annual lease payments equal to $800,000 (for a total of $8 million), subject to annual appropriation, which lease payments are intended to be used by the Foundation for repayment of the Bond. The College agreed to undertake the construction and the financial administration of the project

During the year ended June 30, 2021, the TCL Bond Reserve and the TCL Project Account had investment earnings of $1,799. Culinary Center Project disbursements of $7,404,299 were paid out during the year to the College. Additionally, at the end of the fiscal year a payable of $771,469 was due to the College. On June 30, 2021, the Foundation was holding $4,846,139 in funds for the Culinary Center Project. At June 30, 2021, the College had a lease payable of $7,307,000 to the Foundation. The lease payable of $8,000,000 for the construction of the TCL Culinary Institute has a term of 10 years with an interest rate of 3.14%.

NOTE 16 RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The balance of the lease on June 30, 2021 is $7,307,000 and has a maturity date of the following:

Year Ended June 30,	Lease Payable
2022	$ 715,000
2023	737,000
2024	761,000
2025	785,000
2026	809,000
Thereafter	3,500,000
Total	$ 7,307,000

NOTE 17 SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 28, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

The COVID-19 outbreak developed rapidly in 2020 and continued into 2021 with a significant number of infections. Measures taken around the world to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our students and faculty and the general well-being of the public we serve. At this stage, the impact on our financial results has been limited. We will continue to follow the various national guidelines and in parallel will do our utmost to continue our operations in the best and safest ways possible without jeopardizing public health.

REQUIRED SUPPLEMENTARY INFORMATION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Proportionate Share of the SCRS Net Pension Liability
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
TCL Proportion of Net Pension Liability	0.077500%	0.080483%	0.084174%	0.084763%	0.085300%	0.087397%	0.086284%	0.086284%
TCL Proportioante Share of Net Pension Liability	$ 19,802,595	$ 18,377,614	$ 18,860,726	$ 19,081,514	$ 18,219,954	$ 16,575,262	$ 14,855,244	$ 15,476,272
TCL Covered Payroll	$ 9,086,868	$ 8,896,166	$ 9,055,859	$ 8,883,071	$ 8,624,879	$ 9,533,240	$ 9,144,015	$ 8,267,116
TCL Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	217.93%	206.58%	208.27%	214.81%	211.25%	173.87%	162.46%	187.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.70%	54.40%	54.10%	53.30%	52.90%	56.99%	59.92%	56.39%

* The amounts presented for each fiscal year were determinded as of July 1 of four years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the State implemented GASB 68 during fiscal year 2015. As such, only the last eight years of information is available.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of SCRS Contributions
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 1,296,889	$ 1,345,810	$ 1,234,900	$ 1,183,275	$ 989,178	$ 865,610	$ 893,244	$ 794,980	$ 800,641	$ 713,164
Contributions in Relation to the Contractally Required Contribution	(1,296,889)	(1,345,810)	(1,234,900)	(1,183,275)	(989,178)	(865,610)	(893,244)	(794,980)	(800,641)	(713,164)
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TCL Covered Payroll	$ 8,832,936	$ 9,086,868	$ 8,896,166	$ 9,055,859	$ 8,883,071	$ 8,624,879	$ 9,533,240	$ 9,144,015	$ 9,288,451	$ 9,261,324
Contributions as a Percentage of Covered Payroll	14.68%	14.81%	13.88%	13.07%	11.14%	10.04%	9.37%	8.69%	8.62%	7.70%

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2021	2020	2019	2018
Total OPEB Liability				
Service cost at the end of the year	$ 627,218	$ 519,724	$ 547,288	$ 643,456
Interest on the TOL and Cash Flows	510,941	566,144	549,063	479,604
Projected earnings on plan investments	(39,903)	(51,543)	(48,952)	(44,824)
OPEB plan administrative expense	1,004	900	68	11
Other changes in plan fiduciary net position	-	-	(193,456)	(215,937)
Recognition of outflows (inflows) of resources due to liabilities	257,550	(102,296)	15,792	6,129
Recognition of outflows (inflows) of resources due to assets	(2,861)	9,802	-	-
Deferred amounts from changes in porportionate share and difference between employer contribution & proportionate share of total plan contributions	(484,772)	(496,064)	(6,699)	-
Implicit subsidy	6,508	(4,083)	13,983	-
Contributions from nonemployer contributing entities	(131,466)	(104,952)	(112,308)	-
Surcharge Contribution	(567,929)	(538,218)	(498,072)	-
Net change in difference between expected and actual experience	422,557	(536,594)	223,926	18,087
Net change in difference between projected and actual investment experience	(59,499)	(39,065)	32,542	-
Net change in changes of assumption or other inputs	1,874,123	1,277,036	130,816	(1,859,642)
Net changes in changes in proportion and differences between contributions and proportionate share of contributions	-	-	(41,313)	-
Net change in Total OPEB Liability	2,413,471	500,791	612,678	(973,116)
Total OPEB Liability - beginning	15,381,464	14,880,673	14,267,995	15,241,111
Total OPEB Liability - ending	$ 17,794,935	$ 15,381,464	$ 14,880,673	$ 14,267,995
Covered Payroll	$ 9,086,868	$ 8,896,166	$ 9,055,859	$ 8,883,071
Total OPEB Liability as a percentage of covered payroll	195.83%	172.90%	164.32%	160.62%

Until a full 10-year trend is compiled, the College will present information for those years for which information is available.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
Schedule of OPEB Contributions
Last 10 Fiscal Years

Description	2021	2020	2019	2018
Acturarially Determined Employer Contribution (ADEC)	$ 552,058	$ 567,929	$ 538,218	$ 498,073
Contributions in relation to the ADEC	-	-	-	-
Annual contribution deficiency (excess)	$ 552,058	$ 567,929	$ 538,218	$ 498,073
Covered Payroll	$ 8,832,936	$ 9,086,868	$ 8,896,166	$ 9,055,859
Actual contributions as a percentage of covered payroll	6.2%	6.2%	6.0%	5.5%

Until a full 10-year trend is compiled, the College will present information for those years for which information is available.

COMPLIANCE SECTION

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Sub-Recipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Program Cluster				
Federal Work-Study Program	84.033		$ -	$ 1,605
Federal Supplemental Education and Opportunity Grants	84.007		-	202,178
Federal Pell Grant Program	84.063		-	3,080,881
Federal Direct Student Loans	84.268		-	1,070,514
Total Student Financial Assistance Program Cluster			-	4,355,178
Strengthening Minority Serving Institutions				
Higher Education Institutional Aid	84.031A		-	388,926
Higher Education Emergency Relief Funds, Coronavirus Aid, Relief, and Economic Security Act				
HEERF, CARES Student Portion	84.425E		-	641,995
HEERF, CARES Institutional Portion	84.425F		-	814,070
HEERF, CARES Strengthening Institution Programs	84.425M		-	117,344
Passed through SC Governor's Office				
HEERF, Governor's Emergency Education Relief (GEER) Fund	84.425C		-	348,593
Total Higher Education Emergency Relief Funds, Coronavirus Aid, Relief, and Economic Security Act			-	1,922,002
TRIO Program Cluster				
Student Support Services	84.042		-	222,893
Talent Search	84.044		-	299,100
Total TRIO Program Cluster			-	521,993
Carl D. Perkins Career and Technical Education Act of 2006				
Passed through SC Department of Education				
Perkins IV	84.048		-	241,487
U.S. Department of Treasury				
Passed through State of South Carolina				
Coronavirus Relief Fund	21.019		-	33,968
U.S. Department of Labor				
Passed through S.C. State Board for Technical and Comprehensive Education				
SC Apprenticeship Initiative	17.268		-	10,700
U.S. Department of Agriculture				
Passed through S.C. Department of Social Services				
SNAP Employment and Training Program	10.561		-	43,947
Department of Health and Human Services				
Early Childhood Development	93.575		-	311
Total Expenditures of Federal Awards			$ -	$ 7,518,512

See accompanying notes to schedule of federal expenditures.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Technical College of the Lowcountry (the College) under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or OMB Circular A-21 - Cost Principles for Educational Institutions,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE 3 -INDIRECT COST RATE

The amount expended includes $295,377.42 claimed as an indirect cost recovery using an approved indirect cost rate. The College has elected not to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

CROWLEY WECHSLER
& ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit, and each major fund, of the Technical College of the Lowcountry, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Technical College of the Lowcountry's basic financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Technical College of the Lowcountry's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Technical College of the Lowcountry's internal control. Accordingly, we do not express an opinion on the effectiveness of the Technical College of the Lowcountry's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Technical College of the Lowcountry's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 28, 2021

CROWLEY WECHSLER
& ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the Technical College of the Lowcountry's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Technical College of the Lowcountry's major federal programs for the year ended June 30, 2021. Technical College of the Lowcountry's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Technical College of the Lowcountry's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Technical College of the Lowcountry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Technical College of the Lowcountry's compliance.

Opinion on Each Major Federal Program

In our opinion, the Technical College of the Lowcountry, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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Report on Internal Control over Compliance

Management of the Technical College of the Lowcountry is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Technical College of the Lowcountry's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Technical College of the Lowcountry's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 a federal 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 a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowley Wechsler & Associates LLC

Crowley Wechsler & Associates LLC
Beaufort, South Carolina
September 28, 2021

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ______Yes __X__No

Significant deficiency(ies) identified? ______Yes __X__No

Noncompliance material to financial statements noted? ______Yes __X__No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ______Yes __X__No

Significant deficiency(ies) identified? ______Yes __X__No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? ______Yes __X__No

Identification of Major Programs:

CFDA Number	**Name of Federal Program or Cluster**
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.425E, 84.425F, 84.425M, 84.425C	Higher Education Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? __X__Yes ______No

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

TECHNICAL COLLEGE OF THE LOWCOUNTRY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Summary of Auditors' Results

1. The independent auditor's report expressed an unmodified opinion.
2. There was no financial statement finding in the audit of the financial statements.

Financial Statement Findings

None

Compliance Findings

Finding 2020-001

Condition: One instance in which a CWS student had a recorded grant award of $3,005 for hours worked, but timecards amounted to $3,120.

Status: Beginning in July 2020, a monthly reconciliation is conducted to ensure the accuracy of the college work study payroll.

TECHNICAL COLLEGE OF THE LOWCOUNTRY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

No findings were noted for the year ended June 30, 2021.

CROWLEY WECHSLER
& ASSOCIATES LLC

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

To the Board of Commissioners
Technical College of the Lowcountry
Beaufort, South Carolina

Report on Compliance for the State Lottery Tuition Assistance Program

We have audited the Technical College of the Lowcountry'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 each of the College's State Lottery Assistance Program for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on State Lottery Tuition Assistance Program

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

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Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 a federal 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 a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Crowley Wechsler & Associates LLC

Beaufort, South Carolina
September 28, 2021