2023 ANNUAL REPORT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

September 20, 2023

Members of the South Carolina Education Lottery Commission
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Education Lottery Commission for the fiscal years ended June 30, 2023 and 2022, was issued by Mauldin & Jenkins, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the Board of Commissioners
South Carolina Education Lottery Commission
Columbia, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **South Carolina Education Lottery Commission** (the "Commission"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2021. This new standard changed the accounting for the Commission's contracts involving subscriptions for the use of third parties' information technology assets that fall within the purview of the new standard. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 5 through 9), the Schedule of the Commission's Proportionate Share of the Net Pension Liability, Schedule of the Commission's Pension Contributions, Schedule of the Commission's Proportionate Share of the Net OPEB Liability, and Schedule of the Commission's OPEB Contributions (on pages 39, 40, 41, and 42, respectively), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter – Prior Period Information

The information presented in these financial statements related to the Commission's year ended June 30, 2022, were not subjected to our audit procedures. Those financial statements were audited by a predecessor auditor who expressed an unmodified opinion in their report dated September 28, 2022. That report included an emphasis-of-matter paragraph related to the adoption of a new accounting standard resulting from the Commission's implementation of GASB Statement No. 87, *Leases*.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the South Carolina Education Lottery Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 20, 2023

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Commission provides this *Management's Discussion and Analysis* ("MD&A") of its financial performance for the readers of the Commission's financial statements. This narrative provides an overview of the Commission's financial activity for the fiscal year ended June 30, 2023. This MD&A is to be read in conjunction with the financial statements to provide a more comprehensive analysis of the Commission's financial activities based on facts, decisions, and conditions currently facing management. ***All dollar amounts, unless clear from the context, are expressed in millions.***

<u>Understanding the Commission's Financial Statements</u>

The Commission, an instrumentality of the State of South Carolina, is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with explanatory notes to the financial statements. The financial statements immediately follow this MD&A, and are designed to report the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

The Commission commenced operations in 2002 and its sole financial objective is to support education in the State of South Carolina. Accordingly, the Commission transfers all net proceeds ("Cash Transfers")* to the State Treasurer for the Education Lottery Account ("ELA"). Cash Transfers consist of all cash generated by the Commission, except for minimal amounts reserved to meet its current financial obligations. Accordingly, Cash Transfers may differ from the Commission's Change in Net Position (hereinafter referred to in this MD&A as "Net Income") which is measured on the accrual basis of accounting.

The Commission sells its lottery tickets through "Retailers," such as gas stations, grocery stores and convenience stores. Retailers receive a 7% commission and other incentives as compensation for selling the Commission's lottery tickets. The Commission offers two types of games for which Retailers sell lottery tickets: "Instant Games" and "Terminal Games." Instant Games generally involve "scratching off" certain areas on the ticket to determine if the ticket contains a prize (usually cash). Instant Game tickets are sold at $1, $2, $3, $5, $10 and $20 price points. Terminal Games, also commonly referred to as "Draw Games," involve the player's selection of a sequence of numbers which, if matched to periodic drawings (typically daily or several times weekly), result in the winning of prizes (usually cash).

Currently, the Commission sponsors four Terminal Games: *Pick 3, Pick 4, Cash Pop and Palmetto Cash 5.* In addition, the Commission participates in two national Terminal Games: *Powerball® and Mega Millions.* The Commission also participated in one Terminal Game, *Lucky for Life®*, which it offered in conjunction with twenty-six other States and the District of Columbia. The Commission stopped participating in *Lucky for Life®* on June 28, 2021.

Financial Highlights

Cash Transfers attributable to FY 2023 operations were $598.3 compared to $564.0 in FY 2022, an increase of $34.3, or 6.1%. Net Income increased $40.2 in FY 2023 to $599.7 compared to Net Income in FY 2022 of $559.5. The overall increase in Net Income was primarily the result of an increase in "Net Game Margin" of $43.0. Net Game Margin is defined as game revenue minus prize expense minus commissions and incentives (i.e., the purely variable components of Net Income). "Game Margin" is defined as game revenue minus prize expense.

* All proceeds of the Commission must be transferred to the State Treasurer for the ELA with the following exceptions: 1) the cost of capital assets, net of depreciation and amortization, and 2) the Restricted Fidelity Fund, derived from the licensing fees of new retailers, which may be retained by the Commission up to $500,000 and used to cover losses the Commission may experience due to nonfeasance, misfeasance, or malfeasance of a lottery retailer.

The following table sets forth the Commission's summarized financial information for the last three fiscal years.

Summary Financial Information

Operating Data

	2023		2022		2021
Revenues					
Instant games	$ 1,628.6		$ 1,599.0		$ 1,763.0
Terminal games	774.1		654.6		652.8
	2,402.7		2,253.6		2,415.8
Other revenues	3.6		3.6		3.7
Total revenues	2,406.3		2,257.2		2,419.5
Prize expense					
Instant games	1,189.2		1,162.5		1,281.7
Terminal games	393.4		324.4		312.0
Total prize expense	1,582.6		1,486.9		1,593.7
Margin	823.7		770.3		825.8
Commissions and incentives	169.1		158.6		170.0
Other game-related costs	26.9		24.3		24.1
Operating expenses	26.9		27.9		26.2
Non-operating income (expense)	(1.1)		(0.0)		-
Change in net position ("Net income") before cash transfers to ELA	599.7		559.5		605.5
Cash transfers to ELA	(605.2)		(561.8)		(609.0)
Change in net position	(5.5)		(2.3)		(3.5)
Net Position - beginning of year, *as restated (see note 10)	21.5	*	24.5		28.0
Net Position - end of year, *as restated (see note 10)	$ 16.0		$ 21.5	*	$ 24.5
Other information					
Instant game margin	27.0%		27.3%		27.3%
Terminal game margin	49.2%		50.4%		52.2%
Total game margin	34.1%		34.0%		34.0%
Net instant game margin	19.9%		20.3%		20.3%
Net terminal game margin	42.1%		43.4%		45.2%
Net game margin	27.1%		27.0%		27.0%

Net Position Data

	2023	2022	2021
Current assets	$ 98.9	$ 99.3	$ 97.5
Non-current assets			
Capital assets, net	21.9	26.9	2.2
Other non-current assets	6.3	6.0	6.1
Total non-current assets	28.2	32.9	8.3
Total assets	127.1	132.2	105.8
Deferred outflows of resources	6.4	7.7	6.3
Current liabilities	63.9	59.0	51.6
Long-term liabilities	47.2	55.9	34.4
Total liabilities	111.1	114.9	86.0
Deferred inflows of resources	6.4	3.5	1.6
Net position			
Net investment in capital assets	(0.4)	0.2	0.4
Restricted fidelity fund	0.5	0.5	0.5
Restricted for ELA	15.9	20.8	23.6
Total net position	$ 16.0	$ 21.5	$ 24.5
Capital assets	$ 38.6	$ 38.5	$ 8.7
Less: accumulated depreciation	16.7	11.6	6.5
Less: related liability	22.3	26.7	1.8
Net Investment in capital assets	$ (0.4)	$ 0.2	$ 0.4

Fiscal Year 2023 Compared to Fiscal Year 2022

Game Revenue and Margins

Total game revenues were $2,402.7 in FY 2023 and $2,253.6 in FY 2022, for an increase of $149.1, or 6.6%. Total prize expense was $1,582.6 in FY 2023 and $1,486.9 in FY 2022, for an increase of $95.7, or 6.4%. Accordingly, on the game revenue increase of $149.1, Game Margin increased $53.5. Net Game Margin (includes commissions and incentives) increased $43.0. As noted above, the increased Net Game Margin is the primary component of the increase in Net Income for the fiscal year.

Net Game Margin increased on overall game revenues due to an increase in Instant Ticket game revenues, multiple large Jackpot Runs and, to some extent, statistical variation. As more fully discussed below, Instant Ticket revenues increased $29.6 and Terminal Game revenues increased $119.6. Instant Game prize expense increased by $26.7 and Terminal Game prize expense increased by $69.0. Prize expense on Instant Games is relatively higher as a percentage of Instant Game revenues compared to Terminal Games. In FY 2023, Instant Game prize expense was 73.0% of Instant Game revenues compared to 50.8% for Terminal Games.

In FY 2023, total Instant Game revenues were $1,628.6, an increase of $29.6, or 1.9%, compared to FY 2022. The increase was attributable to the launch of the first $20 Instant Ticket in March 2023. Revenues associated with the $20 Instant Ticket totaled $118.8. Revenues associated with $5 Tickets also increased by $5.5 (2.2%) due to more game launches. For the year, $10 Instant Ticket Revenues decreased by $75.9 (6.5%) from $1,164.1 to $1,088.2 largely as a result of cannibalization from the launch of the $20 Ticket. Revenues associated with the $3 Instant Ticket decreased by $10.9, or 16.0%. Revenues associated with the $1 and $2 price points, in aggregate, decreased by $7.9 (6.7%). The net effect of the increase in Instant Game revenues was that the Instant Game Margin increased $2.9, or .7%. The Instant Game Margin % was 27.0% for FY 2023 compared to 27.3% in FY 2022.

The primary components of the overall $29.6 increase in Instant Game revenues are as follows:

- $1 Tickets decreased $3.1, or 8.1%;
- $2 Tickets decreased $4.8, or 6.1%;
- $3 Tickets decreased $10.9, or 16.0%;
- $5 Tickets increased $5.5, or 2.2%;
- $10 Tickets decreased $75.9, or 6.5%; and,
- $20 Tickets launched in FY23 and sales were $118.8.

Terminal Game revenues were $774.1, an increase of $119.6, or 18.3%. This increase can be attributed to increases in Powerball and Mega Millions Revenues relative to FY 2022. FY 2023 had three Powerball Jackpot Runs that exceeded $700, compared to FY 2022, which did not have any. Powerball revenue increased $29.3, or 27.9%. Mega Millions also performed well and also had three Jackpot Runs that exceeded $700 in FY 2023 compared to one in FY 2022. Mega Millions revenue increased $51.5, or 116.2%.

Pick 3 revenue decreased $2.0, or .7% and Pick 4 increased $3.8, or 2.5%. The Game Margin % on Pick 3 decreased from 51.1% to 47.5% and increased on Pick 4 from 52.1% to 54.6%. The decrease in revenues for Pick 3 combined with statistical variation resulted in decreases in Game Margin of 11.2, or 7.6%. The Game Margin for Pick 4 increased $5.9, or 7.4%.

Palmetto Cash 5 revenue decreased $1.4, or 5.0% and Prize Expense decreased $1.5, or 10.2% (due to statistical variation). As a result, Game Margin increased $0.1, or .8%.

Cash Pop had a great first full year since the game launched in January 2022. Cash Pop revenues were $72.6 and Game Margin was $25.6.

The overall Terminal Game Margin % was 49.2% in FY 2023 compared to 50.4% in FY 2022, a decrease of 1.2%. Fluctuations in Terminal Game Margin % will occur from period to period because the Terminal Games are based on statistical probability which will always be subject to statistical variation in any one given period. Accordingly, Terminal Game Margin % may fluctuate significantly from period to period.

Other Revenue and Game Costs

Other revenues, which consist primarily of license and telephone fees, were $3.6 in both FY 2023 and FY 2022. Other direct game costs were $26.9 in FY 2023 compared to $24.3 in FY 2022. The increase of $2.6 was primarily attributable to increases in instant ticket printing, shipping, and consumables costs as well as new digital engagement costs.

Operating Expenses

Operating expenses consist of advertising and administrative expenses (compensation, occupancy, etc.). In total, operating expenses decreased by $1.0 in FY 2023 compared to FY 2022. Operating expenses were $26.9 and $27.9 in FY 2023 and FY 2022, respectively. Advertising decreased by $.8, which related to decreased costs for ad production and placement. Salaries and benefits increased by $.2.

Assets, Liabilities and Cash Flows (See Notes 3 through 12 to the financial statements)

As more fully explained in Footnote 1 (on page 4) of this MD&A, the Commission must remit all proceeds, with the exception of amounts used for capital assets and the Fidelity Bond Fund, to the State Treasurer. On a monthly basis, the Commission transfers all its available cash to the State Treasurer. At the end of any given period, the Commission's assets and liabilities consist of cash which will be remitted to the State Treasurer the following month, other assets and liabilities incidental to its operations, capital assets and amounts in the Fidelity Bond Fund. Cash balances not transferred at the end of a reporting period and net assets not classified as capital or Fidelity Bond Fund assets are reflected in the Commission's financial statements as part of its net position under the classification "Restricted for Education Lottery Account."

The operations of the Commission are funded exclusively by cash flows generated from its primary business operations. The Commission has no outstanding debt. In FY 2023 and FY 2022, the Commission generated $605.7 and $568.2 from operating activities. Amounts used or provided by capital-related financing activities were $4.6 and $5.5 for the years ending June 30, 2023 and June 30, 2022. Amounts related to investing activities were insignificant in FY 2023 and FY 2022.

At June 30, 2023, the Commission's current assets totaled $98.9 compared to $99.3 at the end of the preceding year. In both years, cash and accounts receivable from retailers comprised most of the Commission's current assets. As of June 30, 2023 and 2022, combined cash and accounts receivable were $92.1 and $92.0, respectively. Most of the cash held by the Commission, $34.9 and $40.4 at June 30, 2023 and 2022, respectively, was remitted to the State Treasurer the following month.

The only other substantive non-capital asset held by the Commission at June 30, 2023 and 2022 were amounts held on the Commission's behalf by the Multi-State Lottery Association (MUSL). Such amounts, $6.3 and $6.1, at June 30, 2023 and 2022, respectively, are maintained by MUSL to pay the Commission's share to Powerball and Mega Millions prize winners.

At June 30, 2023, the Commission's current liabilities totaled $63.9 compared to $59.0 at the end of the preceding year. In both years, accrued prize expense composed most of the Commission's current liabilities. As of June 30, 2023 and 2022, accrued prize expense was $53.2 and $48.8, respectively.

At June 30, 2023, the Commission's net position totaled $16.0 compared to $21.5 at the end of the preceding year. The primary component of net position are amounts reported as Restricted for Education Lottery Account which are restricted for future remittances to the ELA as the underlying net assets are realized in cash. Restricted for

Education Lottery Account was $15.9 and $20.9 at June 30, 2023 and 2022, respectively. At June 30, 2023, the Fidelity Bond Fund was $0.5 compared to $0.5 at June 30, 2022. At June 30, 2023 and 2022, property, equipment and other capital assets were $21.9 and $26.9, respectively. Additional discussion on capital assets can be found in Note 4 to the financial statements.

The Commission implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. At June 30, 2023 and 2022, lease assets, net, were $.6 and $1.2, respectively. The related lease liabilities were $.7 and $1.2 during the same periods. Additional discussion on lease assets can be found in Note 8 to the financial statements.

Additionally, the Commission implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*, effective July 1, 2021. At June 30, 2023 and 2022 SBITA assets, net, were $20.6 and $24.8, respectively. The related lease liabilities were $21.6 and $25.4 during the same periods. Additional discussion on SBITAs can be found in Note 9 to the financial statements.

Fiscal Year 2022 Compared to Fiscal Year 2021

Financial Highlights

Cash Transfers attributable to FY 2022 operations were $564.0 compared to $607.6 in FY 2021, a decrease of $43.6, or 7.2%. Net Income decreased $46.0 in FY 2022 to $559.5 compared to Net Income in FY 2021 of $605.5. The overall decrease in Net Income was primarily the result of a decrease in Net Game Margin of $44.0.

Total game revenues were $2,253.6 in FY 2022 and $2,415.8 in FY 2021, for a decrease of $162.2, or 6.7%. Total prize expense was $1,486.9 in FY 2022 and $1,593.7 in FY 2021, for a decrease of $106.8, or 6.7%. Accordingly, on the game revenue decrease of $162.2, Game Margin decreased $55.4.

Instant Game revenues decreased $164.0 and Terminal Game revenues increased $1.8. The decrease in Instant Game revenues was attributable to a decrease in revenues for all price points except $3 Instant Tickets. The increase in terminal game revenue can be attributed to increases in Powerball and Cash Pop. These increases were offset by decreases in Pick 3, Pick 4, Mega Millions and PC5. FY 2022 had several Powerball Jackpot Runs compared to only two in FY 2021. Powerball revenues increased $25.6, or 32.2%. Mega Millions revenues decreased $20.8, or 31.9%. The net margin decrease for Terminal Games was $10.6 as a result of lower revenues and unfavorable statistical variation.

The relationship of commissions and incentives and other game-related costs to revenues was consistent in FY 2022 and FY 2021. Operating expenses increased by $1.7 and totaled $27.9 and $26.2 in FY 2022 and FY 2021, respectively.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission’s financial activity for all those interested in the Commission’s operations. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, South Carolina Education Lottery, Post Office Box 11949, Columbia, South Carolina 29211-1949.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF NET POSITION

	June 30, 2023	June 30, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 34,421,564	$ 39,900,621
Cash - restricted fidelity bond fund	485,564	452,541
Retailer accounts receivable, net of allowance for doubtful accounts of $1,084,203 for 2023 and 2022	57,159,513	51,652,112
Inventory	5,221,061	5,134,863
Prepaid expenses and other current assets	1,633,043	2,150,880
Total current assets	98,920,745	99,291,017
NONCURRENT ASSETS		
Capital assets, net	21,905,262	26,863,947
Deposits with Multi-State Lottery Association	6,331,141	6,082,695
Total noncurrent assets	28,236,403	32,946,642
TOTAL ASSETS	**127,157,148**	**132,237,659**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to the net pension liability	2,368,602	2,805,700
Deferred outflows related to the net OPEB liability	4,043,813	4,887,500
Total deferred outflows of resources	6,412,415	7,693,200
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**133,569,563**	**139,930,859**
CURRENT LIABILITIES		
Prizes payable	51,437,489	47,123,981
Prizes payable - Multi-State Lottery Association	1,779,158	1,708,231
Accounts payable	2,289,129	2,251,802
Accrued liabilities	2,067,121	1,942,116
Current portion of accrued compensated absences	656,846	645,432
Current portion of lease liability	608,538	587,163
Current portion of subscription liability	4,031,202	3,823,938
Unearned revenue	1,077,081	908,372
Total current liabilities	63,946,564	58,991,035
NONCURRENT LIABILITIES		
Accrued compensated absences	419,707	378,230
Lease liability	51,256	659,794
Subscription liability	17,583,293	21,614,494
Net pension liability	16,399,385	15,164,971
Net OPEB liability	12,715,578	18,044,952
Total noncurrent liabilities	47,169,219	55,862,441
TOTAL LIABILITIES	**111,115,783**	**114,853,476**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to the net pension liability	552,345	2,357,785
Deferred inflows related to the net OPEB liability	5,876,528	1,181,334
Total deferred inflows of resources	6,428,873	3,539,119
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**117,544,656**	**118,392,595**
Net investment in capital assets	(369,027)	178,558
Restricted fidelity bond fund	485,564	452,541
Restricted for Education Lottery Account	15,908,370	20,907,165
TOTAL NET POSITION	**$ 16,024,907**	**$ 21,538,264**

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the years ended June 30,	
	2023	**2022**
OPERATING REVENUES		
Sales Revenues		
Instant games	$ 1,628,587,218	$ 1,599,001,689
Terminal games	774,140,597	654,562,785
Total sales revenues	2,402,727,815	2,253,564,474
Other Operating Revenues		
Retailer permit fees	560,790	542,790
Retailer on-line communication fees	3,028,020	3,034,740
Other	30,919	60,208
Total other operating revenues	3,619,729	3,637,738
Total operating revenues	2,406,347,544	2,257,202,212
DIRECT COSTS		
Commissions and incentives to retailers	169,068,959	158,607,884
Prize expense		
Instant games	1,189,217,459	1,162,518,784
Terminal games	393,394,628	324,392,758
Total prize expense	1,582,612,087	1,486,911,542
Instant and terminal game costs	26,942,293	24,272,267
Total direct costs	1,778,623,339	1,669,791,693
Gross profit	627,724,205	587,410,519
OPERATING EXPENSES		
Advertising and promotion	10,452,599	11,300,460
Security checks	265,062	260,216
Salaries, wages and benefits	12,212,590	12,419,800
Contracted and professional services	1,008,029	884,372
Depreciation	260,301	251,281
Amortization	590,476	590,476
Rent	69,742	86,496
Office supplies	79,477	134,657
Other general and administrative	1,946,795	1,963,957
Total operating expenses	26,885,071	27,891,715
Operating income	600,839,134	559,518,804
NON-OPERATING REVENUE (EXPENSE)		
Interest income	168,174	17,034
Gain on disposition of other assets	555	1,486
Interest expense	(1,270,409)	(26,277)
Total non-operating expense, net	(1,101,680)	(7,757)
Change in net position before amount remitted to Education Lottery Account	599,737,455	559,511,048
REMITTED TO EDUCATION LOTTERY ACCOUNT	(605,250,813)	(561,822,682)
Change in net position	(5,513,358)	(2,311,634)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	21,538,264	24,476,094
IMPLEMENTATION EFFECT OF GASB NO. 96	-	(626,196)
NET POSITION - END OF YEAR	$ 16,024,907	$ 21,538,264

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF CASH FLOWS

	For the years ended June 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	$ 2,401,008,852	$ 2,257,780,226
Cash payments to prize winners	(1,578,227,651)	(1,483,340,021)
Cash payments for goods and services	(204,985,458)	(194,734,068)
Cash payments to employees for services	(12,084,120)	(11,513,175)
Net cash provided by operating activities	605,711,623	568,192,962
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from (paid to) Multi-State Lottery Association	(248,446)	56,459
Payments to Education Lottery Account	(605,250,813)	(561,822,682)
Net cash used for noncapital financing activities	(605,499,259)	(561,766,223)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposition of other assets	555	1,486
Payments on lease payable	(587,167)	(566,142)
Payments on subscription asset payable	(3,823,935)	(4,253,528)
Purchases of capital assets	(145,618)	(709,212)
Interest paid on lease	(16,547)	(26,277)
Interest paid on subscription asset	(1,253,862)	-
Net cash used for capital and related financing activities	(5,826,573)	(5,553,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	168,174	17,034
Net cash provided by investing activities	168,174	17,034
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,446,034)	890,100
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	40,353,162	39,463,062
END OF YEAR	**$ 34,907,128**	**$ 40,353,162**
Cash and cash equivalents	34,421,564	39,900,621
Cash - restricted fidelity fund	485,564	452,541
	$ 34,907,128	**$ 40,353,162**
OPERATING ACTIVITIES		
Operating income	$ 600,839,134	$ 559,518,804
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	260,301	251,281
Amortization	4,844,002	4,844,002
Changes in assets and liabilities		
Retailer accounts receivable	(5,507,401)	227,294
Inventory	(86,198)	(1,594,670)
Prepaid expenses and other current assets	517,837	488,885
Net pension liability	1,234,414	(2,288,232)
Net OPEB liability	(5,329,374)	2,693,641
Accounts payable and accrued liabilities	215,224	(330,569)
Prizes payable	4,384,436	3,571,521
Unearned revenue and deferred outflows and inflows	4,339,248	811,004
Net cash provided by operating activities	**$ 605,711,623**	**$ 568,192,962**

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

The State of South Carolina (the "State") established the South Carolina Education Lottery Commission (the "Commission") as an instrumentality of the State with enactment of Act 59 of 2001 (the "Act"). The Commission is responsible for the provision of lotteries on behalf of the State in accordance with the Act. The Act established a board of nine commissioners as an organization legally separate from the State. The Governor, the President *Pro Tempore* of the Senate, and the Speaker of the House of Representatives each appoint three commissioners. The Commission exercises powers comparable to those of a governing board of a private business enterprise. The Commission remits "net proceeds" as defined by the Act to the State. Therefore, the State reports the Commission as a discretely presented component unit in its Annual Comprehensive Financial Report (ACFR).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Commission are as follows:

Method of Accounting

The Commission accounts for activities as an enterprise fund. The State uses enterprise funds to account for activities financed and operated in a manner similar to private business enterprises where the sale of lottery game tickets finances the costs of providing lottery games to the public on a continuing basis. The Act requires that all costs of providing lottery games, including capital costs, be recovered from the sale of lottery game tickets.

The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for generally accepted accounting principles applicable to governmental proprietary activities in the United States of America.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

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. The estimates and assumptions made 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 reporting period. Actual results could differ from those estimates.

Operating Revenues

Operating revenue is defined as revenue earned from all operations related to the selling of tickets for instant and terminal games and fees charged to retailers for permits and licenses and communications.

Non-operating Income

Non-operating income is defined as all revenue that is not generated through ticket sale operations, such as interest income and gains recorded from the disposition of assets.

Revenue, Accounts Receivable, and Unearned Revenue Recognition

Revenue and accounts receivable for terminal games are recognized when tickets are sold to the public by contracted retailers, except for terminal game tickets sold in advance of the draw date for which unearned revenue is recorded.

Revenue and accounts receivable for instant games are recognized upon settlement of ticket packs for sale by the retailers. Settlement with the retailer occurs upon the earlier of 60 days after the ticket pack is activated or when 80 percent of the lower tier prizes in a ticket pack have been paid. The Commission evaluates its receivables on an ongoing basis for collectability.

Commissions

Retailers receive a commission of 7 percent on total sales.

Prizes

In accordance with the Act, as nearly as practical, at least 45 percent of ticket sales must be returned to the public in the form of prizes. Prize expense for instant ticket games is recorded as an estimate at the time the related revenue is recognized based on the predetermined prize structure for each game; periodically, the prize expense is adjusted to reflect amounts actually won. Prize expense for terminal games is recorded at the time the related revenue is recognized based on the known prizes.

Ticket Inventories

Inventories are carried at cost and consist of instant tickets located in the Commission's warehouse or held by retailers. The cost of tickets is charged to operations upon the recognition of revenue under the procedures described above.

Unclaimed Prizes

For instant games, prizes must be claimed within 90 days after the last day to sell that game. For terminal games, prizes must be claimed within 180 days after the draw date for that game. Unclaimed prize money must be deposited into the Education Lottery Account (ELA) with the State Treasurer.

Education Lottery Account (ELA)

The Commission must remit all proceeds, with the exception of amounts used for capital assets and the Fidelity Bond Fund, to the State Treasurer. On a monthly basis, the Commission transfers all its available cash to the State Treasurer into the ELA. At the end of any given period, the Commission's assets and liabilities consist of cash which will be remitted to the State Treasurer the following month, other assets and liabilities incidental to its operations, capital assets and amounts in the Fidelity Bond Fund. Cash balances not transferred at the end of a reporting period and net position not classified as capital or Fidelity Bond Fund assets are reflected in the Commission's financial statements as part of its net position under the classification "Restricted for Education Lottery Account."

Net Position

Net position represents cumulative revenues, less expenses, in excess of net proceeds remitted to the ELA, capital assets and amounts in the Fidelity Bond Fund. Change in net position consists of all revenues derived from the sale of lottery game tickets and all other monies derived from the lottery games, less operating expenses, prizes and amounts remitted to the ELA.

Operating Expenses

Operating expenses, as defined by the Act, in the determination of net proceeds, consist of all costs of doing business including, but not limited to, prizes, commissions, and other compensation paid to lottery retailers, advertising and marketing costs, rental fees, personnel costs, capital costs, depreciation and amortization of capital assets, and other operating costs.

Cash and Cash Equivalents

The Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. This includes cash in banks and petty cash.

Retailer Accounts Receivable

Retailer accounts receivable represent lottery proceeds due from retailers for ticket sales, less commissions and prizes paid by the retailers. The Commission collects lottery proceeds weekly from retailer bank accounts. The Commission maintains allowances for potential losses which management believes are adequate to absorb losses to be incurred in realizing the amounts recorded in the accompanying financial statements. Credit risk with respect to accounts receivable is dispersed due to the nature of the business and the large number of retailers. Pursuant to licensing qualified retailers, the Commission obtains background information on prospective retailers from the South Carolina Department of Revenue and the South Carolina Law Enforcement Division.

Capital Assets

Capital assets, which consist of equipment, vehicles, leasehold improvements and intellectual property, in the form of a patent license, are stated at cost less accumulated depreciation or amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the capital assets. Leasehold improvements are amortized over their expected useful lives or the lease term, whichever is shorter. When capital assets are retired or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is reflected as non-operating income or loss in the period of disposal. The Commission capitalizes all capital asset purchases with a unit cost of $5,000 or more. The estimated useful lives used for the major capital asset categories are as follows:

Equipment	3 - 10 years;
Vehicles	3 - 5 years;
Leasehold improvements	5 - 10 years; and,
Intellectual property	7 years.

Right-to-Use-Assets

The Commission determines whether an arrangement is a right-to-use-asset at inception. The Commission has two types of right-to-use-assets; Subscription Based Information Technology Agreements (SBITAs) and Leases.

Agreements in which the Commission is the lessee are included as intangible capital assets, net of accumulated amortization and lease/subscription liability on the Statement of Net Position. Right-to-use-assets represent the Commission's right to use an underlying asset for the agreement term and the related liabilities represent the obligation to make payments arising from the right-to-use-assets. Right-to-use-assets and related liabilities are recognized at commencement date based on the present value of right-to-use-asset payments over the term of use. As most of the Commission's agreements do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of payments. The right-to-use-asset also includes any payments made and excludes incentives. Right-to-use-asset terms may include options to extend or terminate the agreement when it is reasonably certain that those options will be exercised. Right-to-use-asset expenses are included as amortization expense.

Prepaid Expenses

In accordance with the State's accounting policy, the consumption method is used to account for prepaid items.

Restricted Fidelity Bond Fund

In accordance with the Act, retailers contribute a fee to a Fidelity Bond Fund upon acceptance as a lottery retailer. The Fidelity Bond Fund is used to cover losses the Commission may incur due to misfeasance, nonfeasance, or malfeasance of retailers. At the end of each fiscal year, any amount in the fund in excess of $500,000 is treated as net proceeds from the Commission and is payable to the ELA. As of June 30, 2023 and 2022, the balance in the Restricted Fidelity Bond Fund was $485,564 and $452,541, respectively.

The Commission transferred $0 and $55,029 from the Fidelity Bond Fund to the Education Lottery Account during the years ended June 30, 2023 and 2022, respectively. The Fidelity Bond Fund is held in a separate account and appears on the Statements of Net Position as "restricted fidelity bond fund."

Insurance

The Commission is exposed to the risk of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission combines coverage provided by the South Carolina Insurance Reserve Fund with the purchase of commercial insurance to substantially cover these risks. The amount of settlements did not exceed insurance coverage in each of the past three fiscal years. The Commission's exposure to custodial credit risk on deposits is discussed further in Note 3.

Compensated Absences

Employees earn the right to be compensated during absences for annual leave. Unused annual leave benefits are paid to employees upon separation from service. The cost of annual leave is accrued in the period in which it is earned.

Deposit with Multi-State Lottery Association (MUSL)

The Commission is required to maintain funds in reserve with MUSL. This reserve serves as a contingent source for prize payouts should MUSL games not generate sufficient funds to pay amounts due to prize winners. MUSL is not a financial institution. Balances related to these deposits as of June 30, 2023 and 2022 were $6,331,141 and $6,082,695, respectively.

Prizes Payable - Multi-State Lottery Association (MUSL)

Prizes Payable – MUSL consists of the Commission's annual pro rata allocation of prizes for games administered by MUSL. Balances related to these payables as of June 30, 2023 and 2022 were $1,779,158 and $1,708,231, respectively.

Advertising

Costs incurred for producing and communicating advertising are expensed when incurred, which generally is when the advertising first takes place. Advertising costs for the years ended June 30, 2023 and 2022 were $10,452,599 and $11,300,460, respectively.

Pensions

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

Other Post-Employment Benefits (OPEB)

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in the net pension and OPEB liabilities not included in current period expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and OPEB liabilities are reported as deferred outflows of resources. Deferred outflows of resources and deferred inflows of resources are also determined by the difference in actual and expected liability experience and projected and actual return on investments.

Adoption of New Accounting Standards

The Commission implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases based on the payment provisions of the contract. The Commission, as a lessee, recognizes a lease asset and lease liability at the commencement of the lease term. The lease asset is considered an intangible asset and is included in capital assets. A retrospective transition approach was required, applying the new standard to all leases existing at the date of initial application and restating the financial statements for all periods presented. See notes 4 and 8 for the effect of this statement.

Additionally, the Commission implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*, effective July 1, 2021. The objective of this Statement is to provide guidance on accounting and financial reporting for SBITAs for government end users. SBITAs are contracts that convey the right to use another party's information technology software alone, or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Commission determined that a portion of the Online Gaming Vendor Contract met the definition of a SBITA. Under this Statement, the Commission recognizes the right-to-use a subscription asset, included in capital assets, as an intangible asset, as well as a corresponding subscription liability. A retrospective transition approach was required, applying the new standard to all contracts existing at the date of initial application and restating the financial statements for all periods presented. See notes 4, 9, and 10 for the effect of this statement.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 20, 2023, the date these financial statements were available to be issued.

NOTE 3 - DEPOSITS

The Commission's cash and cash equivalents are considered to be cash-on-hand and interest bearing demand deposits held by bank.

As of June 30, 2023 and 2022, the amounts of the Commission's deposits were as follows:

	2023		2022	
	Carrying amounts	Bank balances	Carrying amounts	Bank balances
Demand deposits	$ 34,907,128	$ 36,842,488	$ 40,353,162	$ 41,508,777

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. For the years ended June 30, 2023 and 2022, all of the Commission's bank balances of $36,842,488 and $41,508,777, respectively, were covered by FDIC insurance or by collateral held by the pledging financial institutions' trust departments in the Commission's name. The Commission's bank balances were not exposed to custodial credit risk as of June 30, 2023 or June 30, 2022.

State Law

The Act requires the Commission to remit to the State Treasurer all net proceeds on a monthly basis. Net proceeds are not available to the Commission for long-term investment. State Code Section 11-13-60 requires full collateralization of all deposits held by the State Treasurer.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation and amortization during fiscal year 2023:

	Balance as of June 30, 2022	Additions	Deletions	Balance as of June 30, 2023
Cost				
Machinery and equipment	$ 4,596,987	$ 97,835	$ -	$ 4,694,822
Vehicles	439,934	41,426	-	481,360
Leasehold improvements	1,457,041	6,357	-	1,463,398
Intellectual property	555,815	-	-	555,815
Lease asset	2,361,905	-	-	2,361,905
Subscription asset	29,065,762	-	-	29,065,762
	38,477,443	145,618	-	38,623,061
Accumulated depreciation / amortization				
Machinery and equipment	(4,014,412)	(227,598)	-	(4,242,010)
Vehicles	(306,520)	(4,328)	-	(310,848)
Leasehold improvements	(1,303,912)	(28,375)	-	(1,332,287)
Intellectual property	(555,813)	-	-	(555,813)
Lease asset	(1,179,312)	(590,476)	-	(1,769,788)
Subscription asset	(4,253,526)	(4,253,526)	-	(8,507,053)
	(11,613,496)	(5,104,303)	-	(16,717,799)
Total capital assets, net	**$ 26,863,947**	**$ (4,958,685)**	**$ -**	**$ 21,905,262**

The following is a summary of changes in capital assets and accumulated depreciation and amortization during fiscal year 2022:

	Balance as of June 30, 2021	Additions	Deletions	Balance as of June 30, 2022
Cost				
Machinery and equipment	$ 3,989,218	$ 607,769	$ -	$ 4,596,987
Vehicles	439,934	-	-	439,934
Leasehold improvements	1,315,694	141,347	-	1,457,041
Intellectual property	555,815	-	-	555,815
Lease asset	2,361,905	-	-	2,361,905
Subscription asset	-	29,065,762	-	29,065,762
Fixed Asset Clearing	39,906	-	(39,906)	-
	8,702,471	29,814,878	(39,906)	38,477,443
Accumulated depreciation / amortization				
Machinery and equipment	(3,776,742)	(237,670)	-	(4,014,412)
Vehicles	(295,266)	(11,254)	-	(306,520)
Leasehold improvements	(1,301,556)	(2,356)	-	(1,303,912)
Intellectual property	(555,813)	-	-	(555,813)
Lease asset	(588,836)	(590,476)	-	(1,179,312)
Subscription asset	-	(4,253,526)	-	(4,253,526)
	(6,518,213)	(5,095,283)	-	(11,613,496)
Total capital assets, net	**$ 2,184,258**	**$ 24,719,595**	**$ (39,906)**	**$ 26,863,947**

NOTE 5 - ACCRUED LIABILITIES

	2023	2022
Accrued expenses as of June 30 consist of the following:		
Accrued payroll and related expenses	$ 627,198	$1,042,054
Accrued other expenses	1,439,922	900,062
Total accrued expenses	$ 2,067,121	$ 1,942,116

NOTE 6 - LONG-TERM CONTRACTS AND COMMITMENTS

In May 2018, the Commission began a ten-year contract with IGT Global Solutions Corporation (IGT) to provide services and supplies and/or equipment for the operation of the lottery (the "Contract"). The Contract was subject to the competitive bid process and requires IGT to provide and support the components necessary to operate the Commission's lottery business. Services to be provided under the Contract include the operation and replacement, as necessary, of hardware and software owned and maintained by IGT. The Commission agreed to pay an annual fee of $7,750,000 for these services. As discussed previously, during FY 2023, the Commission implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*, effective July 1, 2021. The Commission determined that a portion of the contract with IGT met the definition of a SBITA. See note 9 for further information.

Future minimum contract payments to IGT are scheduled as follows for the years ending June 30:

Fiscal Year	Contract Payments to IGT
2024	7,927,000
2025	7,927,000
2026	7,927,000
2027	7,927,000
2028	7,927,000
Thereafter	-

The monthly terminal gaming fee payments to IGT totaled $7,927,000 and $7,915,667 for the years ended June 30, 2023 and 2022, respectively.

Scientific Games International (SGI) has provided services for the instant games contract since inception. During fiscal year 2020, the current contract was awarded to SGI to provide instant tickets, including services of marketing support, warehousing, and distribution, among other items associated with providing instant tickets. Payments to SGI are contingent upon actual services provided. Total payments to SGI relating to instant ticket services were $14,806,910 and $13,408,851 for the years ended June 30, 2023 and 2022, respectively. The current contract period ends September 2027.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences during fiscal year 2023:

	Balance as of June 30, 2022	Additions	Deductions	Balance as of June 30, 2023
Accrued compensated absences	**$ 1,023,662**	**$ 713,811**	**$ 660,920**	**$ 1,076,553**

Compensated absences due in the next fiscal year are estimated at $656,846, which is based on an average of the prior years' annual leave deductions.

The following is a summary of changes in accrued compensated absences during fiscal year 2022:

	Balance as of June 30, 2021	Additions	Deductions	Balance as of June 30, 2022
Accrued compensated absences	**$ 981,331**	**$ 689,648**	**$ 647,317**	**$ 1,023,662**

NOTE 8 – LEASES

The Commission, as a lessee, recognizes a lease asset and lease liability at the commencement of the lease term, with certain exceptions for short-term leases and leases that transfer ownership of the underlying asset. As lessee, the lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease liability is measured at the present value of the lease payments expected to be made during the lease term.

For the purpose of GASB No. 87 implementation, the Commission's leases have been categorized as follows:

1. Included
2. Excluded - Short-term
3. Excluded - Cancellable

Included leases:
In accordance with GASB No. 87, the Commission recognizes a lease asset and lease liability for leases the Commission categorized as Included. For these leases, the Commission is reporting lease assets as follows as of June 30:

	Balance at June 30, 2023	Balance as of June 30, 2022
Headquarters Building Lease	$ 2,361,905	$ 2,361,905
Accumulated Amortization	(1,769,788)	(1,179,312)
Net Lease	$ 592,117	$ 1,182,593

For the fiscal year ended June 30, 2023, the Commission reported amortization and interest expense of $590,476 and $16,547. For the fiscal year ended June, 30, 2022, the Commission reported amortization and interest expense of $590,476 and $26,277, respectively.

The leases held by the Commission do not have an implicit rate of return, therefore, the Commission used risk-free rate (1.69% at June 30, 2022) to discount the lease liability to the net present value.

The GASB No. 87 Included Leases are summarized as follows:

Building:

The Commission leases office space for its headquarters in Columbia, South Carolina. The terms of the lease included scheduled rental increases, which are considered in the value of the lease asset. Amounts paid under the lease agreement totaled $603,710 and $592,423 for the fiscal years ended June 30, 2023 and 2022, respectively.

Minimum future lease payments are as follows for the year ending June 30:

Fiscal Year	Principal Payments	Interest Payments	Lease Payments
2024	$ 608,538	$ 6,458	$ 614,996
2025	51,256	72	51,328

NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

GASB No. 96 defines a SBITA as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Commission evaluated all existing contracts that could potentially be classified as SBITAs. The Commission has recognized a right-to-use subscription asset, an intangible asset, as well as a corresponding subscription liability for contracts that qualify.

For the purpose of GASB No. 96 implementation, the Commission's SBITAs have been categorized as follows:

1. Included
2. Excluded - Short-term (less than 12 months)
3. Excluded - Cancellable

Included SBITAs:

	Balance as of June 30, 2023	Balance as of June 30, 2022
Online Gaming System	$ 29,065,763	$ 29,065,763
Accumulated Amortization	(8,507,053)	(4,253,526)
Net Subscription Asset	$ 20,558,710	$ 24,812,237

The amortization of the online gaming system is included in the Commission's Financial Statements as a direct Terminal Game cost. For the fiscal year ended June 30, 2023, the Commission reported amortization and interest expense of $3,823,938 and $1,253,862, respectively. For the fiscal year ended June 30, 2022, the Commission reported amortization and interest expense of $3,627,331 and $1,450,469, respectively.

The SBITAs held by the Commission do not have an implicit rate of return, therefore, the Commission used risk-free rate (5.29% at June 30, 2023) to discount the SBITA liability to the net present value.

The GASB No. 96 Included SBITAs are summarized as follows:

Online Gaming System:

The Commission entered into a ten-year contract (the "Contract" in Note 6) with IGT in May 2018 to obtain the right to use IGT's Aurora Gaming System. The Contract governs the Commission's use and access to the online gaming system architecture, including software and hardware, and management has concluded that these portions of the Contract meet the criteria to be classified as a SBITA. There are additional costs under the Contract that are considered operational and are not included in the measurement of the SBITA below. The total Contract amounts paid under the Contract agreement totaled $7,927,000 and $7,915,667 for the fiscal years ended June 30, 2023 and 2022, respectively.

Minimum future subscription payments are as follows for the year ending June 30:

Fiscal Year	Principal Payments	Interest Payments	Subscription Payments
2024	$ 4,031,202	$ 1,046,598	$ 5,077,800
2025	4,249,699	828,101	5,077,800
2026	4,480,040	597,760	5,077,800
2027	4,722,866	354,934	5,077,800
2028	4,130,687	100,813	4,231,500

NOTE 10 – RESTRICTED FOR EDUCATION LOTTERY ACCOUNT

The implementation effect of adopting GASB Statement No. 96 reduced the amount of the component of net position classified as Restricted for ELA for the year ended June 30, 2022. The following table summarizes the activity in Restricted for ELA for the year ended June 30:

	2023	2022
Restricted for ELA, beginning of year	$ 20,907,165	$ 23,591,859
Change in net position before transfers to ELA	599,737,455	559,511,048
Cash transfers to ELA	(605,250,813)	(561,822,682)
Change in capital assets, net	547,586	232,628
Net amount paid from fidelity fund	(33,023)	20,508
Restricted for ELA, end of year	**$ 15,908,370**	**$ 21,533,361**
Implementation effect of GASB No. 96	-	(626,196)
Restricted for ELA, end of year, as restated	**$ 15,908,370**	**$ 20,907,165**

NOTE 11 - PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority

(SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (the "Systems") and serves as a co-trustee of the Systems in conducting that review.

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

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

Plan Description

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective 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 allowances and other benefits for employees of the State, its public school districts, participating charter schools, and political subdivisions.

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

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

Membership

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and 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, newly hired state, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly have the option to participate in the State Optional Retirement Program (State ORP). State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. Employee and employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the State; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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.

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. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight years earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability over a period that does not exceed the number of years scheduled in the state statute. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not exceed the ceiling established by Legislation in 2017. The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute to allow for additional employer contribution rate increases, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period. Additionally, the contribution rates cannot be decreased until the funded ratio is at least 85 percent.

Required ***employee*** contribution rates are as follows:

	For the Years Ended June 30,	
	2023	**2022**
<u>SCRS</u>		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
<u>PORS</u>		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required ***employer*** contribution rates are as follows:

<u>SCRS</u>		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
<u>State ORP</u>		
Employer Contribution	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
<u>PORS</u>		
Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

Of the ORP employer contribution of earnable compensation, 5.00% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Contributions to the SCRS, ORP, and PORS pension plans from the Commission were \$1,379,139, \$66,888, and \$18,600 for the year ended June 30, 2023, respectively. Contributions to the SCRS, ORP, and PORS pension plans from the Commission were \$1,264,797, \$59,971, and \$11,473 for the year ended June 30, 2022, respectively.

Pension Expense

For the years ended June 30, 2023 and 2022, the Commission recognized pension expense for the SCRS plan of \$1,320,474 and \$1,162,418, respectively and for the PORS plan of \$10,225 and \$11,427, respectively.

Deferred outflows of resources and deferred inflows of resources

At June 30, 2023 and 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

	SCRS			
	June 30, 2023		June 30, 2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 141,498	$ 70,976	$ 256,574	$ 20,329
Changes of assumptions	522,343	-	824,476	-
Net difference between projected and actual earnings on pension plan investments	25,117	-	-	2,188,038
Changes in proportion and differences between Commission contributions and proportionate share of contributions	204,349	474,130	372,150	124,725
Commission contributions subsequent to the measurement date	1,446,027	-	1,324,768	-
Total	$ 2,339,334	$ 545,106	$ 2,777,968	$ 2,333,092

	PORS			
	June 30, 2023		June 30, 2022	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,896	$ 2,234	$ 3,483	$ 319
Changes of assumptions	4,706	-	7,303	-
Net difference between projected and actual earnings on pension plan investments	342	-	-	22,955
Changes in proportion and differences between Commission contributions and proportionate share of contributions	3,724	5,005	5,473	1,419
Commission contributions subsequent to the measurement date	18,600	-	11,473	-
Total	$ 29,268	$ 7,239	$ 27,732	$ 24,693

The $1,446,027 and $18,600 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2023 will be recognized as a reduction of the net pension liability during the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

	SCRS
Year ended June 30:	
2024	259,778
2025	163,490
2026	(499,803)
2027	424,736

	PORS
Year ended June 30:	
2024	2,283
2025	1,816
2026	(5,063)
2027	4,393

Actuarial Assumptions and Methods

Actuarial valuations 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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019. The June 30, 2022 total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

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

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020. Assumptions used in the June 30, 2022, valuations for SCRS and PORS are as follows.

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular System's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 56,454,779,872	$ 32,212,626,932	$ 24,242,152,940	57.1%
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2023, the Commission reported liabilities of $16,286,383 and $113,002 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. At June 30, 2022, the Commission reported liabilities of $15,062,582 and $102,389 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2022 and July 1, 2021, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of those dates. The Commission's proportionate shares of the net pension liabilities were based on a projection of its long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023 and 2022, the Commission's proportionate shares of the SCRS and PORS plans were 0.06718% and 0.00377%, respectively, and 0.06960% and 0.00398%, respectively.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return set in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.79%	3.12%
Bonds	26.00%	-0.35%	-0.09%
Private Equity [1]	9.00%	8.75%	0.79%
Private Debt [1]	7.00%	6.00%	0.42%
Real Assets	**12.00%**		
Real Estate [1]	9.00%	4.12%	0.37%
Infrastructure [1]	3.00%	5.88%	0.18%
Total Expected Return [2]	100.00%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

[1] RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.
[2] Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the Commission's proportionate share of the net pension liabilities of the respective plans calculated using the discount rate of 7 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6 percent) or 1.00 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	**1.00% Decrease (6%)**	**Current Discount Rate (7%)**	**1.00% Increase (8%)**
SCRS	$ 20,881,153	$ 16,286,383	$ 12,466,429
PORS	157,575	113,002	76,516

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 was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. 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' Annual Comprehensive Financial Report.

NOTE 12 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Employees of the Commission are provided with OPEB through Plans established by the state of South Carolina. The Other Post-Employment Benefits Trust Funds (OPEB Trusts), which collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195. Act 195 became effective on 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. Costs related to Long-Term Disability insurance were insignificant for the years ended June 30, 2023 and 2022.

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 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.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees, which includes an annual appropriation by the General Assembly. The covered payroll surcharge for the year ended June 30, 2022 was 6.25 percent. The South Carolina Retirement System (SCRS) collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. However, due to the COVID-19 pandemic and the impact it has had on the PEBA-Insurances Benefits reserves, the General Assembly has indefinitely suspended the required transfer until further notice. Employer contributions 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 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. For the years ended June 30, 2023 and 2022 the Commission remitted $529,894 and $513,506 respectively, to SCRS for SCRHITF surcharges.

In accordance with part (b) of paragraph 69 of GASB 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.

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

OPEB Liability, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2023 and 2022, the commission reported liabilities of $12,715,578 and $18,044,952, respectively, for its proportionate share of the net OPEB liability. The Commission's proportionate share of the net OPEB liabilities were based on a projection of the Commission's long-term share of contributions to the OPEB Trust relative to the projected contributions of all participants, as actuarially determined. As of June 30, 2023 and 2022, the Commission's proportionate share related to the SCRHITF was 0.083590% and 0.08666%, respectively.

For the years ended June 30, 2023 and 2022, the Commission recognized OPEB expense related to the SCRHITF of $764,927 and $1,535,592, respectively. At June 30, 2023, the Commission recognized deferred outflows and inflows of resources related to OPEB from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred outflows of resources	**Deferred inflows of resources**	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience	$ 272,924	$ 1,118,057	$ 365,173	$ 462,521
Changes of assumptions	2,867,035	4,087,368	3,668,625	434,499
Net difference between projected and actual earnings on pension plan investments	99,983	-	-	- 4,879
Changes in proportion and differences between Commission contributions and proportionate share of contributions	273,977	671,103	340,196	279,435
Commission contributions subsequent to the measurement date	529,894	-	513,506	-
Total	$ 4,043,813	$ 5,876,528	$ 4,887,500	$ 1,181,334

Deferred outflows related to Commission contributions subsequent to the measurement date of $529,894 will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	(360,229)
2025	(226,492)
2026	(174,265)
2027	(267,329)
2028	(549,973)
Thereafter	(784,321)

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. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2021
Actuarial Cost Method:	Individual Entry – Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.69% as of June 30, 2022
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2019
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% of Scale MP-2019 to account for future mortality improvements
Health Care Trend Rate:	Initial trend starting at 6.00% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Retiree Participation:	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 1.92% as of June 30, 2021 to 3.69% as of June 30, 2022.

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.

The following table represents the components of the net OPEB liability related to the SCRHITF as of June 30, 2022:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	$ 16,835,502,593	$ 1,623,661,403	$ 15,211,841,190	9.64%

The TOL is calculated by the Trusts' actuary, and the Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is determined in accordance with the requirements of GASB No. 74.

Single Discount Rate

The Single Discount Rate of 3.69% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

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

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

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability and the Commission's proportionate share calculated using a Single Discount Rate of 3.69%, 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:

	1% Decrease 2.69%	**Current Discount Rate 3.69%**	**1% Increase 4.69%**
Commission's Proportionate Share	$ 15,033,252	$ 12,715,578	$ 10,852,711

Regarding the sensitivity of the SCRHITF's net OPEB liability and the Commission's proportionate share to changes in the healthcare cost trend rates, the following table presents SCRHITF's net OPEB liability and the Commission's proportionate share, 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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Commission's Proportionate Share	$ 10,457,905	$ 12,715,578	$ 15,352,217

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the SCRHITF is available in its audited financial statements for the fiscal year ended June 30, 2022 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2022. A copy of the separately issued financial statements for the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority - Insurance Benefits Division, PO Box 11960, Columbia, SC 29211-1960.

NOTE 13 - CONTINGENCIES

The Commission is subject to litigation in the ordinary course of its business. In the opinion of management and legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the Commission as of and for the year ended June 30, 2023.

NOTE 14 - TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2023, the Commission had certain transactions with the State and various other agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	11,584,251	Transfers of state income tax withholdings for prizes, use taxes, prize debt setoffs, and retailer credit checks
South Carolina Law Enforcement Division	570,523	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	605,250,813	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	3,968	Unclaimed property return
South Carolina Department of Administration	3,402	Vehicles, telephone, printing, and miscellaneous services
South Carolina Public Employee Benefit Authority (PEBA)	1,299,702	Employee health, life and dental insurance
South Carolina Department of Social Services	123,975	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	756	Security services
South Carolina State Accident Fund	37,523	Worker's Compensation Insurance
South Carolina Public Employee Benefit Authority (PEBA)	2,849,049	Employee retirement contributions / employer match
South Carolina Department of Employment & Workforce	107,054	Unemployment insurance
South Carolina Department of Corrections	9,337	Furniture and miscellaneous maintenance
Other	316	State codes, memberships, class registrations
Total	**$ 621,840,669**	

For the year ended June 30, 2022, the Commission had certain transactions with the State and various other agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	$ 11,358,294	Transfers of state income tax withholdings for prizes, use taxes, prize debt setoffs, and retailer credit checks
South Carolina Law Enforcement Division	355,443	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	561,822,682	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	3,213	Unclaimed property return
South Carolina Department of Administration	956	Vehicles, telephone, printing, and miscellaneous services
South Carolina Public Employee Benefit Authority (PEBA)	1,139,437	Employee health, life and dental insurance
South Carolina Department of Social Services	50,268	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	212,158	Security services
South Carolina State Accident Fund	33,765	Worker's Compensation Insurance
South Carolina Public Employee Benefit Authority (PEBA)	2,469,860	Employee retirement contributions / employer match
South Carolina Department of Employment & Workforce	123,531	Unemployment insurance
South Carolina Department of Corrections	1,306	Furniture and miscellaneous maintenance
State Fiscal Accountability Authority (IRF)	139,747	Worker's Compensation Insurance
Other	359	State codes, memberships, class registrations
Total	**$ 577,711,019**	

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SUPPLEMENTARY SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the years ended June 30,

SCRS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	0.67182%	0.06960%	0.06782%	0.06891%	0.06774%	0.06852%	0.06989%	0.07133%	0.007417%	0.007417%
Commission's proportionate share of the net pension liability	$ 16,286,383	$ 15,062,582	$ 17,329,585	$ 15,735,864	$ 15,178,603	$ 15,425,179	$ 14,929,635	$ 13,527,510	$ 12,768,753	$ 13,302,555
Commission's covered payroll during the measurement period	$ 8,156,447	$ 8,021,718	$ 7,782,689	$ 7,559,821	$ 7,336,218	$ 7,240,912	$ 7,046,052	$ 6,955,465	$ 6,642,115	$ 6,688,677
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	199.67497%	187.77252%	222.66835%	208.15128%	206.89956%	237.89409%	232.13031%	212.26326%	206.82681%	212.92462%
Plan fiduciary net position as a percentage of the total pension liability	57.10000%	60.70000%	50.70000%	54.40000%	54.10484%	53.33844%	52.90645%	57.99175%	59.91945%	56.38821%

PORS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability	0.00377%	0.00398%	0.00373%	0.00379%	0.00382%	0.00401%	0.00398%	0.00356%	0.00326%	0.00326%
Commission's proportionate share of the net pension liability	$ 113,002	$ 102,389	$ 123,618	$ 108,846	$ 108,676	$ 110,182	$ 100,926	$ 77,590	$ 62,791	$ 67,759
Commission's covered payroll during the measurement period	$ 59,633	$ 59,839	$ 56,312	$ 54,895	$ 52,901	$ 53,979	$ 50,723	$ 44,072	$ 39,194	$ 36,802
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	189.49575%	171.10747%	219.52337%	198.28035%	205.43279%	204.12012%	198.97482%	176.05282%	160.20564%	183.62861%
Plan fiduciary net position as a percentage of the total pension liability	66.40000%	70.40000%	58.80000%	62.70000%	61.72943%	60.93977%	60.44490%	64.56865%	67.54949%	62.97880%

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SUPPLEMENTARY SCHEDULE OF THE COMMISSION'S PENSION CONTRIBUTIONS

For the years ended June 30,

SCRS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,446,027	$ 1,324,768	$ 1,223,375	$ 1,179,052	$ 1,059,546	$ 868,731	$ 739,830	$ 701,685	$ 685,184	$ 703,992
Contributions in relation to the contractually required contribution	$ 1,446,027	$ 1,324,768	$ 1,223,375	$ 1,179,052	$ 1,059,546	$ 868,731	$ 739,830	$ 701,685	$ 685,184	$ 703,992
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 8,386,411	$ 8,156,447	$ 8,021,718	$ 7,782,689	$ 7,559,821	$ 7,336,218	$ 7,240,912	$ 7,046,052	$ 6,955,465	$ 6,642,115
Contributions as a percentage of covered payroll	17.24250%	16.24197%	15.25079%	15.14967%	14.41000%	13.41001%	11.41000%	10.91000%	10.75138%	11.40318%

PORS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 18,600	$ 11,473	$ 10,915	$ 10,271	$ 9,464	$ 8,380	$ 7,470	$ 6,765	$ 5,187	$ 4,876
Contributions in relation to the contractually required contribution	$ 18,600	$ 11,473	$ 10,915	$ 10,271	$ 9,464	$ 8,380	$ 7,470	$ 6,765	$ 5,187	$ 4,876
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 91,896	$ 59,633	$ 59,839	$ 56,312	$ 54,895	$ 52,901	$ 53,979	$ 50,723	$ 44,072	$ 39,194
Contributions as a percentage of covered payroll	19.23942%	19.23942%	18.24061%	18.23998%	17.24030%	15.84091%	13.83834%	13.33714%	11.76938%	12.44068%

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SUPPLEMENTARY SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	For the years ended June 30,						
				SCRHITF			
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Commission's proportion of the net OPEB liability	0.08359%	0.08666%	0.08504%	0.08707%	0.08568%	0.08651%	0.08651%
Commission's proportionate share of the net OPEB liability	$ 12,715,578	$ 18,044,952	$ 15,351,311	$ 13,165,858	$ 12,141,924	$ 11,717,096	$ 12,516,244
Commission's covered payroll during the measurement period	$ 8,216,080	$ 8,081,557	$ 7,839,001	$ 7,614,716	$ 7,389,119	$ 7,294,891	$ 7,096,775
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll during the measurement period	154.76453%	223.28559%	195.83249%	172.90018%	164.32167%	160.62058%	176.36524%
Plan fiduciary net position as a percentage of the total OPEB liability	9.6400%	7.4800%	8.3900%	8.4400%	7.9100%	7.6000%	7.6000%

*The above information is presented for all available years.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SUPPLEMENTARY SCHEDULE OF THE COMMISSION'S OPEB CONTRIBUTIONS

	SCRHITF									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 529,894	$ 513,506	$ 505,097	$ 489,938	$ 466,789	$ 406,501	$ 388,818	$ 378,258	$ 350,277	$ 344,075
Contributions in relation to the contractually required contribution	$ 529,894	$ 513,506	$ 505,097	$ 489,938	$ 466,789	$ 406,501	$ 388,818	$ 378,258	$ 350,277	$ 344,075
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 8,478,307	$ 8,216,080	$ 8,081,557	$ 7,839,001	$ 7,614,716	$ 7,389,119	$ 7,294,891	$ 7,096,775	$ 6,999,537	$ 6,681,309
Contributions as a percentage of covered payroll	6.25000%	6.25001%	6.25000%	6.25000%	6.13009%	5.50135%	5.33000%	5.33000%	5.00429%	5.14981%

MAULDIN & JENKINS
CPAs & ADVISORS

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*

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the Board of Commissioners
South Carolina Education Lottery Commission
Columbia, 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 **South Carolina Education Lottery Commission** (the "Commission"), a component unit of the State of South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 20, 2023. Our report includes a reference to the change in accounting principle resulting from the Commission's implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our report also includes a reference to the fact that the prior period information included in the Commission's financial statements for the year ended June 30, 2022, were audited by the Commission's predecessor auditor.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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.*

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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 20, 2023