2024 ANNUAL REPORT

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023

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

September 26, 2024

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, 2024 and 2023, 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

George L. Kennedy, III, CPA
State Auditor

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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 years ended June 30, 2024 and 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, 2024 and 2023, and the changes in financial position and its cash flows for the years 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.

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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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 8), 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 37, 38, 39, and 40, 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, 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 26, 2024

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, 2024. 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.***

Understanding the Commission's Financial Statements

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.*

Financial Highlights

Cash Transfers attributable to FY 2024 operations were $592.0 compared to $598.3 in FY 2023, a decrease of $6.3, or 1.1%. Net Income decreased $6.2 in FY 2024 to $593.5 compared to Net Income in FY 2023 of $599.7. The overall decrease in Net Income was primarily the result of a decrease in "Net Game Margin" of $6.1. 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

	2024	2023	2022
Revenues			
Instant games	$ 1,607.2	$ 1,628.6	$ 1,599.0
Terminal games	777.5	774.1	654.6
	2,384.7	2,402.7	2,253.6
Other revenues	4.0	3.6	3.6
Total revenues	2,388.7	2,406.3	2,257.2
Prize expense			
Instant games	1,180.2	1,189.2	1,162.5
Terminal games	391.5	393.4	324.4
Total prize expense	1,571.7	1,582.6	1,486.9
Margin	817.0	823.7	770.3
Commissions and incentives	168.1	169.1	158.6
Other game-related costs	26.3	26.9	24.3
Operating expenses	28.5	26.9	27.9
Non-operating income (expense)	(0.7)	(1.1)	(0.0)
Change in net position ("Net income") before cash transfers to ELA	593.5	599.7	559.5
Cash transfers to ELA	(590.5)	(605.2)	(561.8)
Change in net position	3.0	(5.5)	(2.3)
Net Position - beginning of year	16.0	21.5	24.5
Net Position - end of year	$ 19.0	$ 16.0	$ 21.5
Other information			
Instant game margin	26.6%	27.0%	27.3%
Terminal game margin	49.6%	49.2%	50.4%
Total game margin	34.1%	34.1%	34.0%
Net instant game margin	19.5%	19.9%	20.3%
Net terminal game margin	42.6%	42.1%	43.4%
Net game margin	27.0%	27.1%	27.0%

Net Position Data

	2024	2023	2022
Current assets	$ 97.8	$ 98.9	$ 99.3
Non-current assets			
Capital assets, net	17.5	21.9	26.9
Other non-current assets	6.2	6.3	6.0
Total non-current assets	23.7	28.2	32.9
Total assets	121.5	127.1	132.2
Deferred outflows of resources	5.5	6.4	7.7
Current liabilities	60.1	63.9	59.0
Long-term liabilities	40.5	47.2	55.9
Total liabilities	100.6	111.1	114.9
Deferred inflows of resources	7.4	6.4	3.5
Net position			
Net investment in capital assets	(0.1)	(0.4)	0.2
Restricted fidelity fund	0.5	0.5	0.5
Restricted for ELA	18.6	15.9	20.8
Total net position	$ 19.0	$ 16.0	$ 21.5
Capital assets	$ 39.4	$ 38.6	$ 38.5
Less: accumulated depreciation	21.9	16.7	11.6
Less: related liability	17.6	22.3	26.7
Net Investment in capital assets	$ (0.1)	$ (0.4)	$ 0.2

Fiscal Year 2024 Compared to Fiscal Year 2023

Game Revenue and Margins

Total game revenues were $2,384.7 in FY 2024 and $2,402.7 in FY 2023, for a decrease of $18.0, or .7%. Total prize expense was $1,571.7 in FY 2024 and $1,582.6 in FY 2023, for a decrease of $10.9, or .7%. Accordingly, on the game revenue decrease of $18.0, Game Margin decreased $7.1. Net Game Margin (includes commissions and incentives) decreased $6.1. As noted above, the decreased Net Game Margin is the primary component of the decrease in Net Income for the fiscal year.

Net Game Margin decreased on overall game revenues due to a decrease in Instant Ticket game revenues, a lower margin on $20 Instant Tickets, and statistical variation. As more fully discussed below, Instant Ticket revenues decreased $21.4 and Terminal Game revenues increased $3.4. Instant Game prize expense decreased by $9.0 and Terminal Game prize expense decreased by $1.9. Prize expense on Instant Games is relatively higher as a percentage of Instant Game revenues compared to Terminal Games. In FY 2024, Instant Game prize expense was 73.4% of Instant Game revenues compared to 50.4% for Terminal Games.

In FY 2024, total Instant Game revenues were $1,607.2, a decrease of $21.4, or 1.3%, compared to FY 2023. The decrease is attributable to declines across all price points with the exception of $20 Instant Ticket Revenue. In FY 2024, $10 Instant Ticket Revenues decreased by $183.8 (16.9%) from $1,088.3 to $904.5. This trend is in part due to cannibalization from the launch of the $20 ticket as well as pressure on sales after years of strong growth. Additionally, $5 Instant Game revenues decreased by $13.6 (5.3%) and $3 Instant Game Revenues decreased by $9.3 (16.4%). Revenues associated with the $1 and $2 price points, in aggregate, decreased by $18.7 (17.1%). The decreases observed in the lower price points have also been observed across the lottery industry. Revenues associated with the $20 Instant Ticket totaled $322.8 compared to $118.8 for FY 2023, an increase of $204.0 as a result of additional game launches. The net effect of the decrease in Instant Game revenues was that the Instant Game Margin decreased $12.3, or 2.8%. The Instant Game Margin % was 26.6% for FY 2024 compared to 27.0% in FY 2023.

The primary components of the overall $21.4 decrease in Instant Game revenues are as follows:

- $1 Tickets decreased $2.0, or 5.8%;
- $2 Tickets decreased $16.7, or 22.5%;
- $3 Tickets decreased $9.3, or 16.3%;
- $5 Tickets decreased $13.6, or 5.3%;
- $10 Tickets decreased $183.8, or 16.9%; and,
- $20 Tickets increased $204.0, or 171.8% as a result of additional launches.

Terminal Game revenues were $777.5, an increase of $3.4, or .4%. This increase can be attributed to increases in Pick 4, Powerball and Palmetto Cash 5 relative to FY 2023. FY 2024 had three Powerball Jackpot Runs that exceeded $1,000, compared to FY 2023, which had one. Powerball revenue increased $17.1, or 12.7%. Mega Millions had two Jackpot Runs that exceeded $700 in FY 2024 compared to three in FY 2023. Mega Millions revenue decreased $14.5, or 15.2%. The frequency and magnitude of Powerball and Mega Millions jackpot runs for the past two fiscal years has been unprecedented, and the Commission does not plan for runs of this magnitude.

Pick 3 revenue decreased $2.0, or .7% and Pick 4 increased $4.1, or 2.6%. The Game Margin % on Pick 3 increased from 47.5% to 53.4% and decreased on Pick 4 from 54.6% to 44.8%. The decrease in revenues for Pick 3 combined with statistical variation resulted in an increase in Game Margin of 15.8, or 11.6%. The Game Margin for Pick 4 decreased $13.6, or 15.8%.

Palmetto Cash 5 revenue increased $4.6, or 17.0% and Prize Expense increased $3.5, or 25.7% (due to statistical variation). As a result, Game Margin increased $1.1, or 8.1%.

Cash Pop generated $66.6 in FY 2024 Game Revenue. Revenues decreased $6.0 or 8.2%, from $72.6. Consistent with Game Revenue, Cash Pop Game Margin was down $1.2 or 4.8% at $24.3 and Game Margin % was 36.5%.

The overall Terminal Game Margin % was 49.6% in FY 2024 compared to 49.2% in FY 2023, an increase of .4%. 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 $4.0 in FY 2024 and $3.6 in FY 2023. The increase is largely related to a reversion dividend received from the Multi-State Lottery Association (MUSL). Other direct game costs were $26.3 in FY 2024 compared to $26.9 in FY 2023, a decrease of .5 or 1.9%.

Operating Expenses

Operating expenses consist of advertising and administrative expenses (compensation, occupancy, etc.). In total, operating expenses increased by $1.6 in FY 2024 compared to FY 2023. Operating expenses were $28.5 and $26.9 in FY 2024 and FY 2023, respectively. Advertising increased by $1.0, which related to increased 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 2024 and FY 2023, the Commission generated $592.2 and $605.7 from operating activities. Amounts used or provided by capital-related financing activities were $6.4 and $5.8 for the years ending June 30, 2024 and June 30, 2023. Amounts related to investing activities were insignificant in FY 2024 and FY 2023.

At June 30, 2024, the Commission's current assets totaled $97.8 compared to $98.9 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, 2024 and 2023, combined cash and accounts receivable were $88.1 and $92.1, respectively. Most of the cash held by the Commission, $30.7 and $34.9 at June 30, 2024 and 2023, respectively, was remitted to the State Treasurer the following month.

The only other substantive non-capital asset held by the Commission at June 30, 2024 and 2023 were amounts held on the Commission's behalf by the Multi-State Lottery Association (MUSL). Such amounts, $6.2 and $6.3, at June 30, 2024 and 2023, respectively, are maintained by MUSL to pay the Commission's share to Powerball and Mega Millions prize winners.

At June 30, 2024, the Commission's current liabilities totaled $60.1 compared to $63.9 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, 2024 and 2023, accrued prize expense was $50.3 and $53.2, respectively.

At June 30, 2024, the Commission's net position totaled $19.0 compared to $16.0 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 $18.6 and $15.9 at June 30, 2024 and 2023, respectively. At June 30, 2024, the Fidelity Bond Fund was $0.5 compared to $0.5 at June 30, 2023. At June 30, 2024 and 2023, property, equipment and other capital assets were $17.5 and $21.9, 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. There was no remaining lease asset at June 30, 2024 and the asset was $0.6 at June 30, 2023. There was also no remaining lease liability at June 30, 2024 and the liability was 0.6 at the end of the prior period. 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, 2024 and 2023 SBITA assets, net, were $16.3 and $20.6, respectively. The related subscription liabilities were $17.6 and $21.6 during the same periods. Additional discussion on SBITAs can be found in Note 9 to the financial statements.

Fiscal Year 2023 Compared to Fiscal Year 2022

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.

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.

Instant Game revenues increased $29.6 and Terminal Game revenues increased $119.6. The increase in Instant Game revenues was attributable to the launch of the first $20 Instant Ticket in March 2023. The increase in terminal game revenue can be attributed to increases in Powerball and Mega Millions. FY 2023 had three Powerball Jackpot Runs that exceeded $700, compared to FY 2022, which did not have any. Powerball revenues increased $29.3, or 27.9%. Mega Millions also performed well and also had three Jackpot Runs that exceeded $700, compared to one in FY 2022. Revenues increased $51.5 or 116.2%. The margin increase for Terminal Games was $50.6, largely as a result of Jackpot Runs and favorable statistical variation.

The relationship of commissions and incentives and other game-related costs to revenues was consistent in FY 2023 and FY 2022. Operating expenses decreased by $1.0 and totaled $26.9 and $27.9 in FY 2023 and FY 2022, 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, 2024	June 30, 2023
CURRENT ASSETS		
Cash and cash equivalents	$ 30,256,476	$ 34,421,564
Cash - restricted fidelity bond fund	471,025	485,564
Retailer accounts receivable, net of allowance for doubtful accounts of $1,036,933 and $1,084,203 for 2024 and 2023	57,349,174	57,159,513
Inventory	6,160,078	5,221,061
Prepaid expenses and other current assets	3,536,697	1,633,043
Total current assets	97,773,450	98,920,745
NONCURRENT ASSETS		
Capital assets, net	17,551,108	21,905,262
Deposits with Multi-State Lottery Association	6,168,964	6,331,141
Total noncurrent assets	23,720,072	28,236,403
TOTAL ASSETS	**121,493,522**	**127,157,148**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to the net pension liability	2,325,998	2,368,602
Deferred outflows related to the net OPEB liability	3,207,750	4,043,813
Total deferred outflows of resources	5,533,748	6,412,415
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**127,027,270**	**133,569,563**
CURRENT LIABILITIES		
Prizes payable	48,850,561	51,437,489
Prizes payable - Multi-State Lottery Association	1,445,473	1,779,158
Accounts payable	2,312,247	2,289,129
Accrued liabilities	1,988,814	2,067,121
Current portion of accrued compensated absences	695,452	656,846
Current portion of lease liability	51,328	608,538
Current portion of subscription liability	4,249,699	4,031,202
Unearned revenue	763,075	1,077,081
Total current liabilities	60,356,649	63,946,564
NONCURRENT LIABILITIES		
Accrued compensated absences	416,215	419,707
Lease liability	-	51,256
Subscription liability	13,333,594	17,583,293
Net pension liability	15,906,806	16,399,385
Net OPEB liability	10,586,954	12,715,578
Total noncurrent liabilities	40,243,569	47,169,219
TOTAL LIABILITIES	**100,600,218**	**111,115,783**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to the net pension liability	683,931	552,345
Deferred inflows related to the net OPEB liability	6,755,887	5,876,528
Total deferred inflows of resources	7,439,818	6,428,873
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**108,040,036**	**117,544,656**
Net investment in capital assets	(83,513)	(369,027)
Restricted fidelity bond fund	471,025	485,564
Restricted for Education Lottery Account	18,599,722	15,908,370
TOTAL NET POSITION	**$ 18,987,234**	**$ 16,024,907**

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, 2024	For the years ended June 30, 2023
OPERATING REVENUES		
Sales Revenues		
Instant games	$ 1,607,230,649	$ 1,628,587,218
Terminal games	777,496,268	774,140,597
Total sales revenues	2,384,726,917	2,402,727,815
Other Operating Revenues		
Retailer permit fees	570,510	560,790
Retailer on-line communication fees	3,120,990	3,028,020
Other	353,231	30,919
Total other operating revenues	4,044,731	3,619,729
Total operating revenues	2,388,771,648	2,406,347,544
DIRECT COSTS		
Commissions and incentives to retailers	168,120,924	169,068,959
Prize expense		
Instant games	1,180,194,727	1,189,217,459
Terminal games	391,509,056	393,394,628
Total prize expense	1,571,703,783	1,582,612,087
Instant and terminal game costs	26,365,127	26,942,293
Total direct costs	1,766,189,834	1,778,623,339
Gross profit	622,581,814	627,724,205
OPERATING EXPENSES		
Advertising and promotion	11,472,161	10,452,599
Security checks	288,290	265,062
Salaries, wages and benefits	12,416,973	12,212,590
Contracted and professional services	986,846	1,008,029
Depreciation	270,737	260,301
Amortization	590,476	590,476
Rent	83,637	69,742
Office supplies	81,514	79,477
Other general and administrative	2,269,760	1,946,795
Total operating expenses	28,460,394	26,885,071
Operating income	594,121,420	600,839,134
NON-OPERATING REVENUE (EXPENSE)		
Interest income	336,108	168,176
Gain on disposition of other assets	21,764	555
Interest expense	(1,053,128)	(1,270,409)
Total non-operating expense, net	(695,256)	(1,101,678)
Change in net position before amount remitted to Education Lottery Account	593,426,164	599,737,456
REMITTED TO EDUCATION LOTTERY ACCOUNT	(590,463,837)	(605,250,813)
Change in net position	2,962,327	(5,513,357)
NET POSITION - BEGINNING OF YEAR	16,024,907	21,538,264
NET POSITION - END OF YEAR	$ 18,987,234	$ 16,024,907

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, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	$ 2,388,267,983	$ 2,401,008,852
Cash payments to prize winners	(1,574,624,395)	(1,578,227,651)
Cash payments for goods and services	(208,312,593)	(204,985,458)
Cash payments to employees for services	(13,113,451)	(12,084,120)
Net cash provided by operating activities	592,217,544	605,711,623
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from (paid to) Multi-State Lottery Association	162,177	(248,446)
Payments to Education Lottery Account	(590,463,837)	(605,250,813)
Net cash used for noncapital financing activities	(590,301,660)	(605,499,259)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposition of other assets	21,764	555
Payments on lease payable	(608,467)	(587,167)
Payments on subscription asset payable	(4,031,202)	(3,823,935)
Purchases of capital assets	(760,585)	(145,618)
Interest paid on lease	(6,530)	(16,547)
Interest paid on subscription asset	(1,046,599)	(1,253,862)
Net cash used for capital and related financing activities	(6,431,619)	(5,826,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	336,108	168,176
Net cash provided by investing activities	336,108	168,176
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,179,627)	(5,446,034)
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	34,907,128	40,353,162
END OF YEAR	**$ 30,727,501**	**$ 34,907,128**
Cash and cash equivalents	30,256,476	34,421,564
Cash - restricted fidelity fund	471,025	485,564
	$ 30,727,501	**$ 34,907,128**
OPERATING ACTIVITIES		
Operating income	$ 594,121,420	$ 600,839,134
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	270,737	260,301
Amortization	4,844,002	4,844,002
Changes in assets and liabilities		
Retailer accounts receivable	(189,661)	(5,507,401)
Inventory	(939,017)	(86,198)
Prepaid expenses and other current assets	(1,903,654)	517,837
Net pension liability	(492,579)	1,234,414
Net OPEB liability	(2,128,624)	(5,329,374)
Accounts payable and accrued liabilities	(20,072)	215,224
Prizes payable	(2,920,613)	4,384,436
Unearned revenue and deferred outflows and inflows	1,575,605	4,339,248
Net cash provided by operating activities	**$ 592,217,544**	**$ 605,711,623**

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, 2024 and 2023, the balance in the Restricted Fidelity Bond Fund was $471,025 and $485,564, respectively.

The Commission transferred $47,188 and $0 from the Fidelity Bond Fund to the Education Lottery Account during the years ended June 30, 2024 and 2023, 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, 2024 and 2023 were $6,168,964 and $6,331,141, 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, 2024 and 2023 were $1,445,473 and $1,779,158, 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, 2024 and 2023 were $11,472,161 and $10,452,599, 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.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 26, 2024, the date these financial statements were available to be issued.

The Commission has entered into new lease contracts for the Headquarters and Claims Center locations, beginning August 1, 2024. The present value of minimum lease payments and related liability will be capitalized during FY 2025. Below are the minimum lease payments.

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

Fiscal Year	Principal Payments	Interest Payments	Lease Payments
2025	368,323	255,557	623,880
2026	408,321	287,093	695,414
2027	448,204	263,726	711,930
2028	490,731	238,107	728,838
2029	536,059	210,089	746,148
2030 - 2034	3,470,542	534,583	4,005,125
2035 - 2039	69,739	318	70,057

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, 2024 and 2023, the amounts of the Commission's deposits were as follows:

	2024		2023	
	Carrying amounts	Bank balances	Carrying amounts	Bank balances
Demand deposits	$ 30,727,501	$ 32,458,427	$ 34,907,128	$ 36,842,488

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, 2024 and 2023, all of the Commission's bank balances of $32,458,427 and $36,842,488, 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, 2024 or June 30, 2023.

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 2024:

	Balance as of June 30, 2023	Additions	Deletions	Balance as of June 30, 2024
Capital assets not being depreciated:				
Construction in Progress	$ -	$ 613,525	$ -	$ 613,525
Total capital assets not being depreciated	-	613,525	-	613,525
Capital assets being depreciated:				
Machinery and equipment	$ 4,694,822	$ 62,748	$ -	$ 4,757,570
Vehicles	481,360	84,312	-	565,672
Leasehold improvements	1,463,398	-	-	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
Total capital assets being depreciated	38,623,061	147,060	-	38,770,121
Less accumulated depreciation / amortization for:				
Machinery and equipment	$ (4,242,010)	$ (201,625)	$ -	$ (4,443,635)
Vehicles	(310,848)	(39,571)	-	(350,419)
Leasehold improvements	(1,332,287)	(29,541)	-	(1,361,828)
Intellectual property	(555,813)	-	-	(555,813)
Lease asset	(1,769,788)	(590,476)	-	(2,360,264)
Subscription asset	(8,507,053)	(4,253,526)	-	(12,760,579)
Total accumulated depreciation / amortization	(16,717,799)	(5,114,739)	-	(21,832,538)
Capital assets being depreciated, net	21,905,262	(4,967,679)	-	16,937,583
Total capital assets, net	**$ 21,905,262**	**$ (4,354,154)**	**$ -**	**$ 17,551,108**

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
Capital assets being depreciated:				
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
Total capital assets being depreciated	38,477,443	145,618	-	38,623,061
Less accumulated depreciation / amortization for:				
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)
Total accumulated depreciation / amortization	(11,613,496)	(5,104,303)	-	(16,717,799)
Total capital assets, net	**$ 26,863,947**	**$ (4,958,685)**	**$ -**	**$ 21,905,262**

NOTE 5 - ACCRUED LIABILITIES

	2024	2023
Accrued expenses as of June 30 consist of the following:		
Accrued payroll and related expenses	$ 1,310,288	$ 627,198
Accrued other expenses	678,526	1,439,922
Total accrued expenses	$ 1,988,814	$ 2,067,121

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. During the fiscal year ending June 30, 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
2025	7,927,000
2026	7,927,000
2027	7,927,000
2028	7,927,000

The monthly terminal gaming fee payments to IGT totaled $7,927,000 and $7,927,000 for the years ended June 30, 2024 and 2023, 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 $16,153,382 and $14,806,910 for the years ended June 30, 2024 and 2023, 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 2024:

	Balance as of June 30, 2023	Additions	Deductions	Balance as of June 30, 2024
Accrued compensated absences	$ 1,076,553	$ 785,393	$ 750,279	$ 1,111,667

Compensated absences due in the next fiscal year are estimated at $695,452, 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 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

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, 2024	Balance as of June 30, 2023
Headquarters Building Lease	$ 2,361,905	$ 2,361,905
Accumulated Amortization	(2,360,264)	(1,769,788)
Net Lease	$ 1,641	$ 592,117

For the fiscal year ended June 30, 2024, the Commission reported amortization and interest expense of $590,476 and $6,530. For the fiscal year ended June, 30, 2023, the Commission reported amortization and interest expense of $590,476 and $16,547, respectively.

The leases held by the Commission do not contain explicit interest rates and, therefore, the Commission used a risk-free rate (1.69% at June 30, 2022) as the incremental borrowing rate 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 $614,996 and $603,710 for the fiscal years ended June 30, 2024 and 2023, respectively.

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

Fiscal Year	Principal Payments	Interest Payments	Lease Payments
2025	51,256	72	51,328

<u>NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)</u>

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

Subscription Asset:

	Balance as of June 30, 2024	Balance as of June 30, 2023
Online Gaming System	$ 29,065,762	$ 29,065,762
Accumulated Amortization	(12,760,579)	(8,507,053)
Net Subscription Asset	$ 16,305,183	$ 20,558,709

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, 2024, the Commission reported amortization and interest expense of $4,253,526 and $1,046,599, respectively. For the fiscal year ended June 30, 2023, the Commission reported amortization and interest expense of $4,253,526 and $1,253,862, 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.

Subscription Liability:

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 $7,927,000 for the fiscal years ended June 30, 2024 and 2023, respectively. These totals include payments that are not included in the measurement of the SBITA as stipulated in GASB 96.

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

Fiscal Year	Principal Payments	Interest Payments	Subscription Payments
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 following table summarizes the activity in Restricted for ELA for the year ended June 30:

	2024	2023
Restricted for ELA, beginning of year	$ 15,908,370	$ 20,907,165
Change in net position before transfers to ELA	593,426,164	599,737,456
Cash transfers to ELA	(590,463,837)	(605,250,813)
Change in capital assets, net	(285,515)	547,585
Net amount paid from fidelity fund	14,540	(33,023)
Restricted for ELA, end of year	**$ 18,599,722**	**$ 15,908,370**

NOTE 11 - PENSION PLANS

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

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

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.

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

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 and other benefits for police officers and firefighters. 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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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, as well as individuals first elected to the South Carolina General Assembly at or after the general election in November 2012 have the option to participate in the State ORP. Contributions to the State ORP are at the same rate as SCRS. A direct remittance is required from the employer to the member's account with ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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; be a coroner in a full-time permanent position; or be 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. A 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

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in the state statute. Effective July 1, 2017, employee rates were increased and capped at 9 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

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

Required employee contribution rates are as follows:

	For the Years Ended June 30, 2024	2023
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates are as follows:

	2024	2023
SCRS		
Employer Class Two	18.41%	17.41%
Employer Class Three	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	20.84%	19.84%
Employer Class Three	20.84%	19.84%
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 service provider 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 $1,553,296, $94,524, and $22,747 for the year ended June 30, 2024, respectively. 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.

Pension Expense

For the years ended June 30, 2024 and 2023, the Commission recognized pension expense for the SCRS plan of $1,322,417 and $1,320,474, respectively and for the PORS plan of $29,762 and $10,225, respectively.

Deferred outflows of resources and deferred inflows of resources

At June 30, 2024 and 2023, 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, 2024		June 30, 2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 273,398	$ 43,669	$ 141,498	$ 70,976
Changes of assumptions	241,269	-	522,343	-
Net difference between projected and actual earnings on pension plan investments	-	21,554	25,117	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	96,597	613,466	204,349	474,130
Commission contributions subsequent to the measurement date	1,647,820	-	1,446,027	-
Total	$ 2,259,084	$ 678,689	$ 2,339,334	$ 545,106

	PORS			
	June 30, 2024		June 30, 2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 7,514	$ 1,968	$ 1,896	$ 2,234
Changes of assumptions	3,475	-	4,706	-
Net difference between projected and actual earnings on pension plan investments	-	274	342	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	33,178	3,000	3,724	5,005
Commission contributions subsequent to the measurement date	22,747	-	18,600	-
Total	$ 66,914	$ 5,242	$ 29,268	$ 7,239

The $1,647,820 and $22,747 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, 2024 will be recognized as a reduction of the net pension liability during the year ending June 30, 2025.

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:	
2025	106,165
2026	(538,767)
2027	374,414
2028	(9,235)
Total	(67,423)

	PORS
Year ended June 30:	
2025	15,853
2026	6,753
2027	16,486
2028	(167)
Total	38,925

Actuarial Assumptions and Methods

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

The June 30, 2023 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023 (the measurement date), using generally accepted actuarial principles. There was no legislation enacted during the 2023 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, 2023.

	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. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2023, TPL 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, 2023, 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	$ 58,464,402,454	$ 34,286,961,942	$ 24,177,440,512	58.6%
PORS	9,450,021,576	6,405,925,370	3,044,096,206	67.8%

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

At June 30, 2024, the Commission reported liabilities of $15,747,145 and $159,661 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. 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. The net pension liabilities were measured as of June 30, 2023 and 2022, 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, 2024 and 2023, the Commission's proportionate shares of the SCRS and PORS plans were 0.06513% and 0.00525%, respectively, and 0.06718% and 0.00377%, 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 2023 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%	6.62%	3.04%
Bonds	26.00%	0.31%	0.08%
Private Equity [1]	9.00%	10.91%	0.98%
Private Debt [1]	7.00%	6.16%	0.43%
Real Assets	**12.00%**		
Real Estate [1]	9.00%	6.41%	0.58%
Infrastructure [1]	3.00%	6.62%	0.20%
Total Expected Return [2]	100.00%		5.31%
Inflation for Actuarial Purposes			2.25%
			7.56%

[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 15% 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	$ 20,346,813	$ 15,747,145	$ 11,924,060
PORS	225,225	159,661	105,955

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2023, and the accounting valuation report as of June 30, 2023. 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' ACFR.

NOTE 12 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), which collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective 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.

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

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

Benefits

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

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 and retirees to the PEBA – Insurance Benefit.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2023 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 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. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves. However, due to COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income. For the years ended June

30, 2024 and 2023 the Commission remitted $582,500 and $529,894 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 PEBA - Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the annual comprehensive financial report of the state.

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

At June 30, 2024 and 2023, the commission reported liabilities of $10,586,954 and $12,715,578, 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, 2024 and 2023, the Commission's proportionate share related to the SCRHITF was 0.080869% and 0.083590%, respectively.

For the years ended June 30, 2024 and 2023, the Commission recognized OPEB expense related to the SCRHITF of $267,866 and $764,927, respectively. At June 30, 2024, the Commission recognized deferred outflows and inflows of resources related to OPEB from the following sources:

	June 30, 2024		June 30, 2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 187,302	$ 2,412,526	$ 272,924	$ 1,118,057
Changes of assumptions	2,123,866	3,401,459	2,867,035	4,087,368
Net difference between projected and actual earnings on pension plan investments	106,324	-	99,983	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	207,758	941,902	273,977	671,103
Commission contributions subsequent to the measurement date	582,500	-	529,894	-
Total	$ 3,207,750	$ 6,755,887	$ 4,043,813	$ 5,876,528

Deferred outflows related to Commission contributions subsequent to the measurement date of $582,500 will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025. 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:

2025	(592,870)
2026	(541,906)
2027	(632,654)
2028	(905,079)
2029	(1,139,292)
Thereafter	(318,836)
Total	(4,130,637)

Actuarial Assumptions and Methods

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

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2022
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:	3.86% as of June 30, 2023
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 13 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 3.69% as of June 30, 2022 to 3.86% as of June 30, 2023.

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, 2023:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	$ 14,749,639,155	$ 1,658,152,923	$ 13,091,486,232	11.24%

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 disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

Single Discount Rate

The Single Discount Rate of 3.86% 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 3.86%, 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 2.86%	Current Discount Rate 3.86%	1% Increase 4.86%
Commission's Proportionate Share	$ 12,497,470	$ 10,586,954	$ 9,046,107

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	$ 8,790,778	$ 10,586,954	$ 12,894,652

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, 2023 (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, 2023. 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, 2024.

NOTE 14 - TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2024, 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	14,102,243	Transfers of state income tax withholdings for prizes, use taxes, prize debt setoffs, and retailer credit checks
South Carolina Law Enforcement Division	724,456	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	590,463,838	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	9,652	Unclaimed property return
South Carolina Department of Administration	2,229	Vehicles, telephone, printing, and miscellaneous services
South Carolina Public Employee Benefit Authority	1,347,365	Employee health, life and dental insurance
South Carolina Department of Social Services	105,666	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	237,299	Security services
South Carolina State Accident Fund	30,826	Worker's Compensation Insurance
Public Employee Benefit Association (PEBA)	2,689,823	Employee retirement contributions / employer match
South Carolina Department of Employment & Workforce	115,809	Unemployment insurance
South Carolina Legislative Audit Council	219,336	Management Review
South Carolina Department of Corrections	319	Furniture and miscellaneous maintenance
State Fiscal Accountability Authority (IRF)	147,916	Worker's Compensation Insurance
Other	355	State codes, memberships
Total	**$ 610,197,132**	

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**	

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

For the years ended June 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCRS										
Commission's proportion of the net pension liability	0.06513%	0.67182%	0.06960%	0.06782%	0.06891%	0.06774%	0.06852%	0.06989%	0.07133%	0.007417%
Commission's proportionate share of the net pension liability	$ 15,747,145	$ 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
Commission's covered payroll during the measurement period	$ 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
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	187.76976%	199.67497%	187.77252%	222.66835%	208.15128%	206.89956%	237.89409%	232.13031%	212.26326%	206.82681%
Plan fiduciary net position as a percentage of the total pension liability	58.60000%	57.10000%	60.70000%	50.70000%	54.40000%	54.10484%	53.33844%	52.90645%	57.99175%	59.91945%
PORS										
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Commission's proportion of the net pension liability	0.00525%	0.00377%	0.00398%	0.00373%	0.00379%	0.00382%	0.00401%	0.00398%	0.00356%	0.00326%
Commission's proportionate share of the net pension liability	$ 159,661	$ 113,002	$ 102,389	$ 123,618	$ 108,846	$ 108,676	$ 110,182	$ 100,926	$ 77,590	$ 62,791
Commission's covered payroll during the measurement period	$ 91,896	$ 59,633	$ 59,839	$ 56,312	$ 54,895	$ 52,901	$ 53,979	$ 50,723	$ 44,072	$ 39,194
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	173.74110%	189.49575%	171.10747%	219.52337%	198.28035%	205.43279%	204.12012%	198.97482%	176.05282%	160.20564%
Plan fiduciary net position as a percentage of the total pension liability	67.80000%	66.40000%	70.40000%	58.80000%	62.70000%	61.72943%	60.93977%	60.44490%	64.56865%	67.54949%

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

For the years ended June 30,

SCRS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,647,820	$ 1,446,027	$ 1,324,768	$ 1,223,375	$ 1,179,052	$ 1,059,546	$ 868,731	$ 739,830	$ 701,685	$ 685,184
Contributions in relation to the contractually required contribution	$ 1,647,820	$ 1,446,027	$ 1,324,768	$ 1,223,375	$ 1,179,052	$ 1,059,546	$ 868,731	$ 739,830	$ 701,685	$ 685,184
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 9,066,130	$ 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
Contributions as a percentage of covered payroll	18.17556%	17.24250%	16.24197%	15.25079%	15.14967%	14.41000%	13.41001%	11.41000%	10.91000%	10.75138%

PORS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 22,747	$ 18,600	$ 11,473	$ 10,915	$ 10,271	$ 9,464	$ 8,380	$ 7,470	$ 6,765	$ 5,187
Contributions in relation to the contractually required contribution	$ 22,747	$ 18,600	$ 11,473	$ 10,915	$ 10,271	$ 9,464	$ 8,380	$ 7,470	$ 6,765	$ 5,187
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 107,097	$ 91,896	$ 59,633	$ 59,839	$ 56,312	$ 54,895	$ 52,901	$ 53,979	$ 50,723	$ 44,072
Contributions as a percentage of covered payroll	19.23942%	19.23942%	19.23942%	18.24061%	18.23998%	17.24030%	15.84091%	13.83834%	13.33714%	11.76938%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Commission's proportion of the net OPEB liability	0.08087%	0.08359%	0.08666%	0.08504%	0.08707%	0.08568%	0.08651%	0.08651%
Commission's proportionate share of the net OPEB liability	$ 10,586,954	$ 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	$ 8,478,307	$ 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	124.87109%	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	11.2400%	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									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 582,500	$ 529,894	$ 513,506	$ 505,097	$ 489,938	$ 466,789	$ 406,501	$ 388,818	$ 378,258	$ 350,277
Contributions in relation to the contractually required contribution	$ 582,500	$ 529,894	$ 513,506	$ 505,097	$ 489,938	$ 466,789	$ 406,501	$ 388,818	$ 378,258	$ 350,277
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 9,173,227	$ 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
Contributions as a percentage of covered payroll	6.35000%	6.25000%	6.25001%	6.25000%	6.25000%	6.13009%	5.50135%	5.33000%	5.33000%	5.00429%

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 years ended June 30, 2024 and 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 26, 2024.

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.

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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 26, 2024