UNIVERSITY OF SOUTH CAROLINA - Beaufort

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

UNIVERSITY OF SOUTH CAROLINA - Beaufort

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elliott davis

Independent Auditor's Report

The Board of Trustees
University of South Carolina
Columbia, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of South Carolina - Beaufort (the Campus), a campus of the University of South Carolina (the University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Campus' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Beaufort-Jasper Higher Education Commission were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Opinion

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of the Campus' 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 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 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 Campus' internal control over financial reporting and compliance.

Elliott Davis, LLC

Columbia, South Carolina
October 19, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The University of South Carolina – Beaufort (the Campus) is pleased to present its financial statements for the fiscal year 2021. Management's Discussion and Analysis provides an overview and analysis of the Campus' financial activities for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. This information should be read in conjunction with the financial statements and accompanying footnotes that follow this section. Condensed fiscal year 2021 and 2020 operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. This discussion will not include the discretely presented component unit, Beaufort-Jasper Higher Education Commission.

This report includes a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Codification Sections 2100-2900, *Financial Reporting*, and Co5, *Colleges and Universities.* The financial statements presented focus on the financial condition of the Campus, the results of operations, and cash flows of the Campus as a whole.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The Campus' net position is one indicator of the improvement or erosion of the Campus' financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The 2019 novel coronavirus (COVID-19) continues to impact the physical and financial health of the Campus which required extensive planning to mitigate and respond to COVID-19. The Campus established a Public Health Response Team (the Team) comprised of faculty and staff representing all facets of the Campus operations from public health, admissions and enrollment, academics and research, finance, and athletics. The Team was charged with examining the potential impacts of COVID-19 on the Campus past the 2020 summer session and making policy recommendations concerning the safe return of students and employees to campus, mitigating any ongoing public health and safety risks, and analyzing the financial implications for Fall 2020 and beyond. All the planning was guided by four core principles: protecting the health, safety and welfare of our employees and students, limiting and mitigating the spread of the virus in our community, maintaining academic excellence and sustaining core Campus functions.

The COVID-19 fiscal impact during fiscal year 2021 was primarily in two areas: 1) lost revenues to the Campus in tuition and fees and auxiliaries due to enrollment changes and 2) costs for personal protective equipment (PPE), cleaning and sanitation and virus testing and vaccinations. The Campus addressed this impact by implementing travel restrictions, hiring freezes, and renegotiating and eliminating contracts. Federal Higher Education Emergency Relief Funds (HEERF) and Coronavirus Relief Funds (CRF) through the State of South Carolina were available to mitigate some lost revenue and additional costs and to provide emergency grants to students.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, liabilities, deferred outflows/inflows and net position of the Campus as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Campus. The Statement of Net Position presents end-of-year data concerning the following:

- *Assets* - Property that we own and what we are owed by others.
- *Deferred Outflows of Resources* - Consumption of net position that is applicable to a future reporting period.
- *Liabilities* - What we owe to others and have collected from others before we have provided the service.
- *Deferred Inflows of Resources* - Acquisition of net position by the government that is applicable to a future reporting period.
- *Net Position* - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

The Statement of Net Position is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the institution. Net position is divided into the following three major categories:

- *Net investment in capital assets* - Provides the institution's equity in property, plant, and equipment owned by the institution.
- *Restricted net position* -
  a. Nonexpendable restricted net position consists solely of the Campus' permanent endowment funds and is only available for investment purposes.
  b. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- *Unrestricted net position* - Represents resources available to the institution for any lawful purpose of the institution.

Summary of Net Position

	2021	2020	Increase/ (Decrease)	Percent Change
ASSETS				
Current assets	$ 17,904,839	$ 12,256,643	$ 5,648,196	46.08%
Capital assets, net	53,836,863	55,778,112	(1,941,249)	-3.48%
Other noncurrent assets	79,000	79,000	-	0.00%
Total assets	71,820,702	68,113,755	3,706,947	5.44%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net OPEB liability	6,946,512	3,467,699	3,478,813	100.32%
Deferred outflows related to net pension liability	4,356,311	2,993,612	1,362,699	45.52%
Total deferred outflows of resources	11,302,823	6,461,311	4,841,512	74.93%
LIABILITIES				
Current liabilities	2,595,981	1,996,266	599,715	30.04%
Noncurrent liabilities	60,316,489	53,301,551	7,014,938	13.16%
Total liabilities	62,912,470	55,297,817	7,614,653	13.77%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net OPEB liability	2,918,365	2,978,407	(60,042)	-2.02%
Deferred inflows related to net pension liability	278,646	146,247	132,399	90.53%
Total deferred inflows of resources	3,197,011	3,124,654	72,357	2.32%
NET POSITION				
Net investment in capital assets	51,690,389	53,408,664	(1,718,275)	-3.22%
Restricted - nonexpendable	79,000	79,000	-	0.00%
Restricted - expendable	1,981,158	1,653,112	328,046	19.84%
Unrestricted	(36,736,503)	(38,988,181)	2,251,678	5.78%
TOTAL NET POSITION	**$ 17,014,044**	**$ 16,152,595**	**$ 861,449**	**5.33%**

- Current cash increased by $2.9 million due to revenue of $37.5 million in excess of expenses of $34.1 (excluding the effects of GASB 68 and 75).

- Accounts receivable, which is a part of current assets, increased by $2.7 million primarily due to HEERF funds earned but not yet received.

- Capital assets decreased $1.9 million as a result of regular scheduled depreciation.

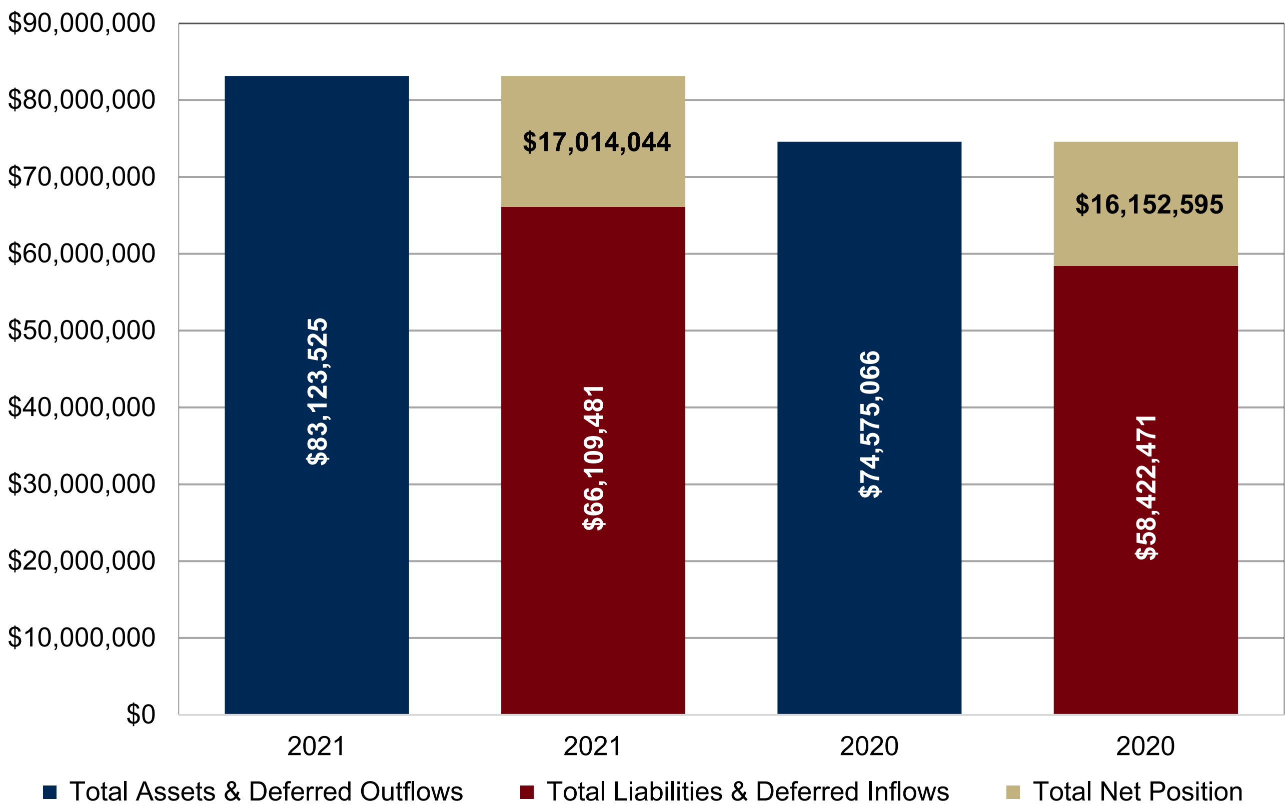
- Deferred outflows of resources consist of the Campus' contributions after the measurement date and differences between the actual and expected experience in relation to the net pension liability recorded for the Campus' proportionate share of the State of South Carolina's SCRS and PORS net pension liability, related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 5 - Pension Plans for more information. Also included are the Campus' contributions after the measurement date and differences between the actual and expected experience in relation to Post-Employment Benefits Other Than Pensions (OPEB) recorded for the Campus' proportionate share of the State's net health and long-term disability liability related to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 6 - Postemployment and Other Employee Benefits for more information.

- The increase in noncurrent liabilities is primarily attributable to an increase of $4.6 million due to the change in the Campus' proportionate share of the State's net OPEB liability and an increase of $2.7 million due to the change in the Campus' proportionate share of the State's net pension liability.

- Deferred inflows of resources include the calculated difference between actual and projected investment earnings on the state's pension and other postemployment benefits plans. Also included are the changes in the Campus's proportionate share and differences between Campus contributions and proportionate share of contributions.

- The net position of the Campus increased during the year by $861 thousand. Considering the Campus' financial position excluding the pension and OPEB liabilities, the unrestricted net position increased by $4.7 million, or 54.3%.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts will result in operating deficits. GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institutions, both operating and nonoperating, and the expenses paid by the institutions, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institutions.

Operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues.

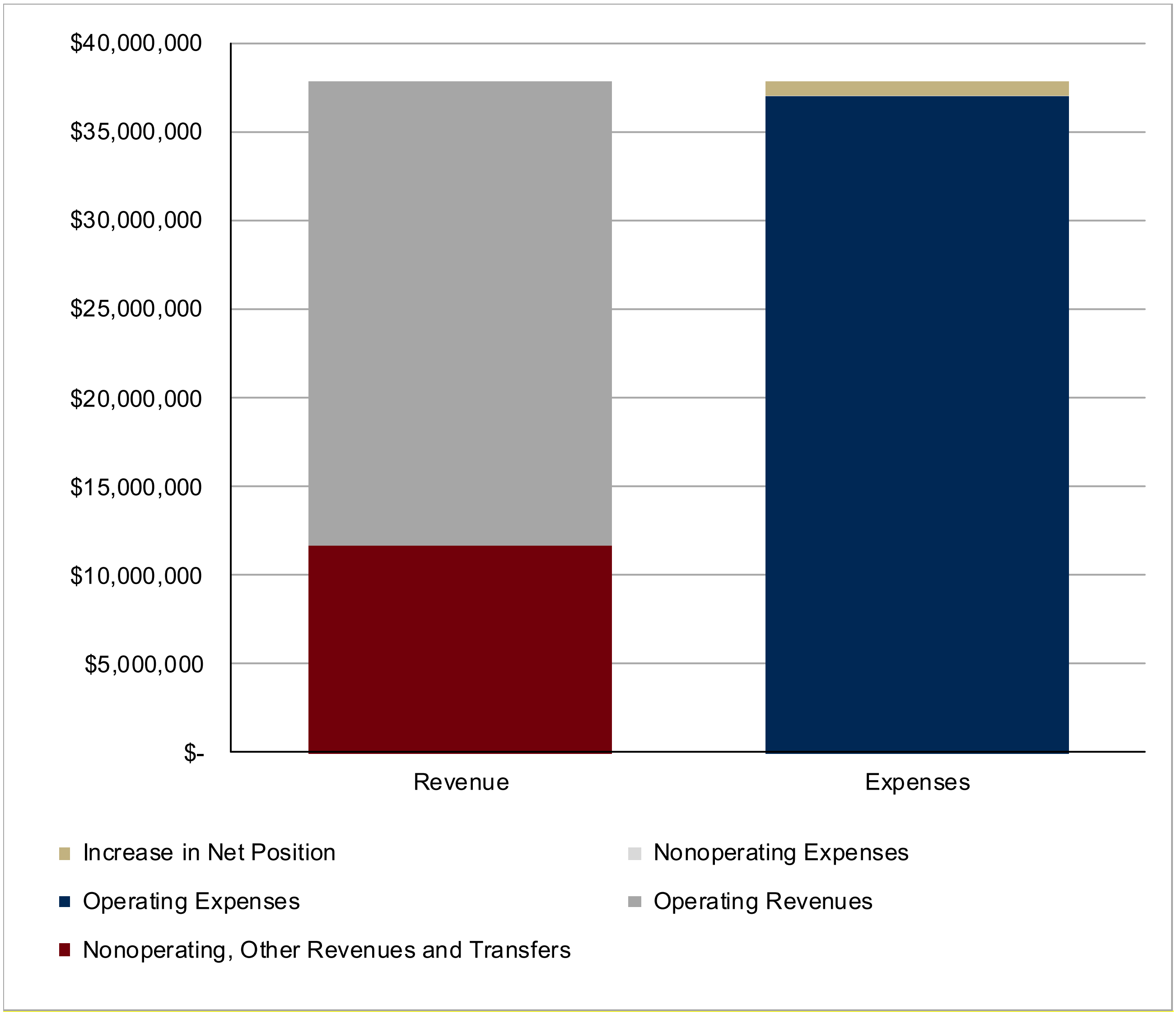
UNIVERSITY OF SOUTH CAROLINA - Beaufort
Management's Discussion and Analysis
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

	2021	2020	Increase/ (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees	$ 22,160,344	$ 23,775,664	$ (1,615,320)	-6.79%
Less: scholarship allowance	(10,345,385)	(10,078,947)	(266,438)	2.64%
Federal grants and contracts	8,359,090	1,055,906	7,303,184	691.65%
State grants and contracts	4,813,866	4,704,885	108,981	2.32%
Local grants and contracts	456,978	452,503	4,475	0.99%
Nongovernmental grants and contracts	152,304	88,272	64,032	72.54%
Sales and services of educational and other activities	579,486	931,012	(351,526)	-37.76%
Sales and services of auxiliary enterprises	8,881	10,160	(1,279)	-12.59%
Other fees	80,761	102,955	(22,194)	-21.56%
Other operating revenues	629	-	629	100.00%
Total operating revenues	26,266,954	21,042,410	5,224,544	24.83%
NONOPERATING REVENUES				
State appropriations	5,964,148	5,978,156	(14,008)	-0.23%
Federal grants	3,997,754	4,480,945	(483,191)	-10.78%
Gifts	1,067,588	2,390,527	(1,322,939)	-55.34%
Investment income (loss)	3,089	127,962	(124,873)	-97.59%
Endowment income (loss)	2,946	2,731	215	7.87%
Total nonoperating revenues	11,035,525	12,980,321	(1,944,796)	-14.98%
Total revenues	37,302,479	34,022,731	3,279,748	9.64%
OPERATING EXPENSES				
Salaries and wages	16,476,373	16,573,726	(97,353)	-0.59%
Fringe benefits	9,317,968	8,484,758	833,210	9.82%
Services and supplies	5,313,343	5,704,458	(391,115)	-6.86%
Utilities	1,057,838	1,111,518	(53,680)	-4.83%
Scholarships and fellowships	2,786,917	2,670,537	116,380	4.36%
Depreciation expense	2,070,147	2,051,198	18,949	0.92%
Total operating expenses	37,022,586	36,596,195	426,391	1.17%
NONOPERATING EXPENSES				
Loss on disposal of capital assets	2,690	12,987	(10,297)	-79.29%
Interest on capital asset related debt	20,703	97,897	(77,194)	-78.85%
Total nonoperating expenses	23,393	110,884	(87,491)	-78.90%
Total expenses	37,045,979	36,707,079	338,900	0.92%
Other revenues and transfers	604,949	168,160	436,789	259.75%
Change in net position	861,449	(2,516,188)	3,377,637	134.24%
Net position, beginning of year	16,152,595	18,668,783	(2,516,188)	-13.48%
NET POSITION, END OF YEAR	**$ 17,014,044**	**$ 16,152,595**	**$ 861,449**	**5.33%**

The prior year amounts for Scholarship allowance and Scholarships and fellowships expense have been adjusted to reflect a reclassification for comparative purposes.

Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021



Some highlights of the changes in the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- An increase of $5.2 million in total operating revenues is primarily due to the following:
  - Student tuition decreased $1.9 million due to a slight decline in enrollment during the COVID-19 pandemic.
  - Federal grant revenue increased due to $7.7 million in federal HEERF funds earned.
- An increase of $426 thousand in total operating expenses is primarily due to the following:
  - An increase in fringe benefits of $833 thousand primarily due to changes related to net pension and OPEB liabilities.

- A decrease in services and supplies expense due to cost savings strategies that greatly reduced supplies and travel offset by increased contractual services for additional janitorial services related to COVID-19 sanitation methods.

- The scholarships and fellowships increase of $116 thousand is primarily due to continued funding from the federal CARES act student emergency grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

The change in capital assets was limited to a decrease due to depreciation. No other construction or renovations occurred during the fiscal year.

The Campus' indebtedness (consisting of bonds and notes payable) had a net decrease of $193 thousand due to regular debt payments offset by a bond refunding to achieve debt service payment savings.

For more detailed information on capital asset and debt activity please refer to Note 4 – *Capital Assets*, Note 9 – *Bonds Payable*, and Note 10 – *Long-Term Liabilities* in the Notes to the Financial Statements.

ECONOMIC OUTLOOK

The economic position of the Campus remains stable for the foreseeable future. As part of a state-supported higher education institution, the Campus' economic position is closely tied to the State of South Carolina. The State finished the 2021 fiscal year on a very positive note with full funding of the State's Rainy-Day Fund at 5 percent of the prior year's General Fund Revenues and fully funded the Capital Reserve Account at 2 percent of the prior year's General Fund Revenues.

COVID-19 continues as a public health crisis as the Campus begins fiscal year 2022. The impact from COVID-19 fiscal challenges of 2020 to the statewide economy improved dramatically over the 2021 fiscal year as actual revenue collections for the year were dramatically higher than revenue projections that were used at the beginning of the year. The State experienced a revenue surplus of more than $1.024 billion. Individual income taxes and sales tax revenues continue to be strong revenue sources for the state with 8.6 percent and 16.4 percent increases respectively.

For fiscal year 2022, the Campus has received additional state funding to support academic initiatives that promote access and affordability through tuition mitigation for residents of South Carolina and continued funding to support the maintenance and capital needs of the Campus.

The Campus' overall financial position remains strong. The Campus relies on tuition and fees to support the general operating budget, with added state support for tuition mitigation for fiscal year 2022. For fiscal year 2022, the Campus did not have a tuition increase.

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Statement of Net Position
As of June 30, 2021

ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,553,759
Restricted - cash and cash equivalents	1,911,627
Accounts receivable, net	3,294,317
Prepaid items	145,136
Total current assets	17,904,839
Noncurrent assets:	
Restricted - cash and cash equivalents	79,000
Capital assets, net of accumulated depreciation	53,836,863
Total noncurrent assets	53,915,863
Total assets	71,820,702
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net OPEB liability	6,946,512
Deferred outflows related to net pension liability	4,356,311
Total deferred outflows of resources	11,302,823
LIABILITIES	
Current liabilities:	
Accounts payable	127,189
Retainage payable	2,060
Accrued interest payable	16,525
Accrued payroll and related liabilities	366,372
Accrued compensated absences - current portion	890,953
Capital lease obligations - current portion	35,455
Bonds and notes payable - current portion	181,184
Unearned revenues	562,362
Deposits	126,572
Funds held for others	287,309
Total current liabilities	2,595,981
Noncurrent liabilities:	
Accrued compensated absences	67,061
Capital lease obligations	84,859
Bonds and notes payable	1,842,915
Net OPEB liability	31,019,024
Net pension liability	27,302,630
Total noncurrent liabilities	60,316,489
Total liabilities	62,912,470
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net OPEB liability	2,918,365
Deferred inflows related to net pension liability	278,646
Total deferred inflows of resources	3,197,011
NET POSITION	
Net investment in capital assets	51,690,389
Restricted for:	
Nonexpendable	79,000
Expendable	
Scholarships, research, instruction, and other	570,697
Loans	314
Capital projects	1,340,284
Debt service	69,863
Unrestricted	(36,736,503)
Total net position	**$ 17,014,044**

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

OPERATING REVENUES	
Student tuition and fees ($271,290 pledged for bonds)	$ 22,160,344
Less: scholarship allowance	(10,345,385)
Federal grants and contracts	8,359,090
State grants and contracts	4,813,866
Local grants and contracts	456,978
Nongovernmental grants and contracts	152,304
Sales and services of educational and other activities	579,486
Sales and services of auxiliary enterprises	8,881
Other fees	80,761
Other operating revenues	629
Total operating revenues	26,266,954
OPERATING EXPENSES	
Salaries and wages	16,476,373
Fringe benefits	9,317,968
Services and supplies	5,313,343
Utilities	1,057,838
Scholarships and fellowships	2,786,917
Depreciation expense	2,070,147
Total operating expenses	37,022,586
Operating loss	(10,755,632)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	5,964,148
Federal grants	3,997,754
Gifts	1,067,588
Investment income (loss)	3,089
Endowment income (loss)	2,946
Loss on disposal of capital assets	(2,690)
Interest on capital asset related debt	(20,703)
Net nonoperating revenues	11,012,132
Income before other revenues	256,500
Transfers (to)/from other campuses, net	604,949
Change in net position	861,449
NET POSITION, BEGINNING OF YEAR	16,152,595
NET POSITION, END OF YEAR	**$ 17,014,044**

See Notes to the Financial Statements

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Statement of Cash Flows
For the year ended June 30, 2021

OPERATING ACTIVITIES	
Student tuition and fees	$ 11,877,567
Research grants and contracts	11,109,472
Sales and services of educational and other activities	660,179
Sales and services of auxiliary enterprises	8,881
Inflows from federal direct student loans	10,186,549
Outflows from federal direct student loans	(10,186,549)
Payments to employees for services	(16,151,315)
Payments to employees for benefits	(6,826,449)
Payments to suppliers	(6,412,449)
Payments to students for scholarships and fellowships	(2,786,917)
Other receipts	81,391
Inflows from agency funds	5,521,440
Outflows from agency funds	(5,423,608)
Net cash used by operating activities	(8,341,808)
NONCAPITAL FINANCING ACTIVITIES	
State appropriations	5,964,148
Federal grants	3,997,754
Gifts	1,021,755
Transfers (to) from other campuses, net	604,949
Net cash provided by noncapital financing activities	11,588,606
CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	1,662,225
Purchase and construction of capital assets	(123,349)
Principal paid on capital asset related debt	(1,824,688)
Interest paid on capital asset related debt	(100,919)
Net cash used by capital and related financing activities	(386,731)
INVESTING ACTIVITIES	
Investment income	5,639
Endowment income	2,946
Net cash provided by investing activities	8,585
Net increase (decrease) in cash and cash equivalents	2,868,652
Cash and cash equivalents, beginning of year	11,675,734
Cash and cash equivalents, end of year	**$ 14,544,386**
Reconciliation of cash and cash equivalents	
Cash and cash equivalents	$ 12,553,759
Restricted - cash and cash equivalents, current	1,911,627
Restricted - cash and cash equivalents, noncurrent	79,000
	$ 14,544,386

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Statement of Cash Flows
For the year ended June 30, 2021

Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	$ (10,755,632)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,070,147
Accrued benefits related to net pension liability	2,492,636
Change in current assets and liabilities:	
Accounts receivable, net	(2,701,936)
Prepaid items	(34,325)
Accounts payable	(6,942)
Accrued payroll	216,653
Accrued benefits	(1,117)
Accrued compensated absences	108,405
Unearned revenues	87,149
Deposits	85,322
Funds held for and due from others	97,832
Net cash used by operating activities	**$ (8,341,808)**
NONCASH TRANSACTIONS	
Gain (Loss) on disposal of capital assets, net	**$ (2,690)**
Capital assets acquired through capital leases	**$ 8,237**

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Beaufort-Jasper Higher Education Commission
Governmental Discretely Presented Component Unit
Statement of Net Position
June 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 5,033,608
Restricted cash and cash equivalents	3,500,000
Investments and security deposits	79,500
Patient and other accounts receivable, net	561,809
Prepaid items and deposits	242,105
Total current assets	9,417,022
Noncurrent assets	
Capital assets, net of accumulated depreciation	46,366,729
Total assets	55,783,751
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on debt refunding	1,446,378
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	466,879
Accrued compensated balances	21,000
Unearned revenue	1,850
Current portion of long term debt	1,148,708
Total current liabilities	1,638,437
Noncurrent liabilities	
Noncurrent portion of long term debt	32,975,516
Total liabilities	34,613,953
NET POSITION	
Net investment in capital assets	13,688,883
Restricted for capital projects and debt service	3,500,000
Unrestricted	5,427,293
Total net position	**$ 22,616,176**

See Notes to the Financial Statements

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Beaufort-Jasper Higher Education Commission
Governmental Discretely Presented Component Unit
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

REVENUES	
Operating revenues	
Housing	$ 5,868,809
Dining	2,539,619
Other operating revenues	211,570
Total operating revenues	8,619,998
EXPENSES	
Operating expenses	
Salaries and administrative expenses	794,992
Services and supplies	4,810,843
Depreciation and amortization	1,668,111
Total operating expenses	7,273,946
Operating income (loss)	1,346,052
NONOPERATING REVENUES (EXPENSES)	
Private gifts and donations	(423,507)
Interest and investment income	14,135
County appropriations	2,318,016
Interest on capital asset debt	(602,334)
Debt issuance costs	(277,676)
Gain on sale of capital assets	211,130
Net nonoperating revenues (expenses)	1,239,764
Change in net position	2,585,816
NET POSITION, BEGINNING OF YEAR	20,030,360
NET POSITION, END OF YEAR	**$ 22,616,176**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The University of South Carolina - Beaufort (the Campus) is a State-supported, coeducational institution of higher education and is one of eight campuses of the University of South Carolina (the University). The Campus' primary purpose is to provide undergraduate, graduate, and professional education to students and conduct research and other activities that advance fundamental knowledge.

Reporting Entity - The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the Campus and one other related entity as a discretely presented component unit. Additional information on the discretely presented component unit is included in Note 11.

The Campus is part of the University system. The University is a component unit of the State of South Carolina (the State). As a discretely presented component unit of the State, the University is financially accountable to and fiscally dependent on the State. Its Board of Trustees is appointed by the Governor and/or the General Assembly of the State.

Financial Statements - The financial statement presentation for the Campus meets the requirements of GASB Codification Section 2100-2900, *Financial Reporting* and Co5, *Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the Campus' net position, revenues, expenses and changes in net position and cash flows.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and noncurrent and depreciation expense. Actual results could differ from those estimates.

Basis of Accounting – For financial reporting purposes, the Campus is considered to be engaged only in business-type activities. Accordingly, the Campus' financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Campus considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Campus participates in the State's internal cash management pool, administered by the State Treasurer. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Campus reports deposits in the general deposit account at cost and the special deposit accounts at fair value. Interest earned, including interest income, by the Campus' special deposit accounts is posted at the end of each month based on the percentage of the Campus' accumulated daily income receivable to the total income receivable of the pool. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

Accounts Receivable - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the Federal, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Campus' grants and contracts. Student accounts receivable are recorded net of estimated uncollectible amounts.

Inventories – Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market.

Noncurrent Cash - Noncurrent cash consists of permanently endowed funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net position.

Prepaid Items - Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of maintenance, license and service agreements, and travel reservations and deposits.

Capital Assets - Capital assets are recorded at cost at the date of acquisition. Donated capital assets, donated works of art, historical treasures and similar assets are recorded at acquisition value. The Campus follows capitalization guidelines established by the State. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Campus capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of $5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 60 years for buildings and improvements and land improvements; 2 to 25 years for machinery, equipment, and vehicles; and 3 to 10 years for intangibles. A full month of depreciation is taken the month the asset is placed in service and no depreciation is taken in the month of disposition.

The Campus capitalizes, as a component of construction in progress, interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore, asset values in capital assets include such interest costs. The Campus had no capitalized interest for fiscal year 2021.

Unearned Revenues and Deposits – Unearned revenues include amounts billed for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Compensated Absences - Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities - Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year; and (3) net pension and OPEB liabilities.

Deferred Outflows of Resources - The consumption of net position that is applicable to future reporting periods. The Campus' deferred outflows of resources consist of decreases in net pension and OPEB liabilities that were not included in expenses. Also, employer contributions subsequent to the measurement date of the net pension and OPEB liabilities are reported as deferred outflows of resources.

Deferred Inflows of Resources - The acquisition of net position that is applicable to future reporting periods. The Campus' deferred inflows of resources consist of increases in the net pension and OPEB liabilities that were not included in expenses.

Net Position – Components of the Campus' net position are classified as follows:

Net investment in capital assets: This represents the Campus' total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted - nonexpendable: The restricted nonexpendable component of net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted - expendable: The restricted expendable component of net position includes resources which the Campus is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: The unrestricted component of net position represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Campus, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The Campus' policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Income Taxes - The University is a political subdivision of the State and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the Campus may be subject to taxation as unrelated business income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Classification of Revenues - The Campus has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the Campus' principal ongoing operations.

These revenues include:

(1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students;
(2) receipts for scholarships including federal grants and contract revenue where the governmental agency has identified the qualified student recipients;
(3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the Campus; and
(4) grants and contracts that are essentially the same as contracts for services that finance programs the Campus would not otherwise undertake.

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

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported with related scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the Campus, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the Campus' financial statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Campus has recorded a scholarship discount allowance.

Rebatable Arbitrage - Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued.

Governmental units that issue no more than $5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The Campus had no rebatable arbitrage liability at June 30, 2021.

Donor-Restricted Endowments - Endowments are subject to restrictions requiring that the principal be invested and that only the income be used for specific purposes. If a donor has not provided specific timing instructions, state law permits the Board of Trustees to authorize for expenditure the endowment's net appreciation. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. The Campus has a total return policy for authorizing and spending endowment income.

At June 30, 2021, $71,268 of the amount reported as *net position, restricted expendable - scholarships, research, instruction and other,* represented cumulative net appreciation of donor-restricted endowments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements – In May of 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of COVID-19 by postponing the effective dates of certain provisions in Statements and Implementation Guides. The following information on each of these standards reflects these new implementation dates.

GASB Statement No. 84, *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Campus implemented this Statement in fiscal year 2021 and there was no significant impact.

GASB Statement No. 87, *Leases*: This Statement requires recognition of assets and deferred outflows of resources and liabilities and deferred inflows of resources for leases previously classified as operating leases, based on the payment provisions of the contract. This Statement applies to all leases with a term greater than one year. This Statement will be effective for the Campus in fiscal year 2022. The Campus has completed the process of preparing for the implementation of GASB Statement No. 87.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*: This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement will be effective for the Campus in fiscal year 2022. The Campus will continue to evaluate the impact of GASB Statement No. 89.

NOTE 2 - CASH AND CASH EQUIVALENTS

Most deposits of the Campus are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain deposits are deposited with or managed by financial institutions and brokers as restricted by donors.

The following schedule reconciles deposits within the notes to the statement of net position amounts:

Statement of Net Position	
Cash and cash equivalents (current)	$ 12,553,759
Restricted cash and cash equivalents (current) for:	
Debt service	85,758
Scholarship, research, instruction, and other	570,697
University administered loans	314
Capital projects	1,254,858
	1,911,627
Restricted cash and cash equivalents (noncurrent) for:	
Endowments	79,000
	79,000
Total	**$ 14,544,386**
Notes	
Cash on hand	$ 1,825
Deposits held by State Treasurer	14,542,561
Total	**$ 14,544,386**

NOTE 2 - CASH AND CASH EQUIVALENTS, Continued

Deposits Held by State Treasurer - State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to the investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and the credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal year ending June 30, 2021, $53,210 of the $14,542,561 identified above as "Deposits held by State Treasurer" is attributable to unrealized appreciation.

The Campus has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Campus utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The Campus' investments measured and reported at fair value are classified according to the following hierarchy:

Level 1: Investments reflect prices quoted in active markets for identical assets.

Level 2: Investments reflect prices that are based on similar significant observable assets either directly or indirectly, which may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations.

Level 3: Investments reflect prices based upon significant unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The investment assets held in the State's cash management pool are all Level 2 assets.

NOTE 3 - RECEIVABLES

Accounts Receivable - Accounts receivable consisted of the following:

Student	$	376,115
Federal grants and contracts		2,878,704
State grants and contracts		97,640
Local grants and contracts		55,655
Non-governmental grants and contracts		4,622
Accrued interest		18,831
		3,431,567
Less allowance for doubtful accounts		(137,250)
Accounts receivable, net	**$**	**3,294,317**

Allowances for doubtful accounts are based upon actual losses experienced in prior years and evaluations of the current accounts.

NOTE 4- CAPITAL ASSETS

	June 30, 2020	Additions	Reductions	June 30, 2021
Capital assets not being depreciated				
Land	$ 4,697,887	$ -	$ -	$ 4,697,887
Works of art and historical treasures	62,026	-	-	62,026
Total capital assets not being depreciated	4,759,913	-	-	4,759,913
Other capital assets				
Land improvements	6,668,330	-	-	6,668,330
Buildings and improvements	63,735,973	-	-	63,735,973
Machinery, equipment and other	2,350,969	90,503	8,069	2,433,403
Vehicles	535,504	41,085	-	576,589
Total capital assets at historical cost	73,290,776	131,588	8,069	73,414,295
Less accumulated depreciation for:				
Land improvements	2,706,287	185,963	-	2,892,250
Buildings and improvements	17,707,799	1,619,974	-	19,327,773
Machinery, equipment and other	1,559,928	202,920	5,379	1,757,469
Vehicles	298,563	61,290	-	359,853
Total accumulated depreciation	22,272,577	2,070,147	5,379	24,337,345
Other capital assets, net	51,018,199	(1,938,559)	2,690	49,076,950
Capital assets, net	**$ 55,778,112**	**$ (1,938,559)**	**$ 2,690**	**$ 53,836,863**

NOTE 5 - PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review.

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

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

Plan Description
The South Carolina Retirement System (SCRS), a cost sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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

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, such as the Campus, are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III member.

NOTE 5 - PENSION PLANS, Continued

ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (9.00 percent) and a portion of the employer contribution (5.00 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (10.41 percent) and an incidental death benefit contribution (0.15 percent), if applicable, which is retained by SCRS.

PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012 is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class III 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 services, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS – A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years of credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III 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 II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. An incidental death benefit is also available to beneficiaries of active and retired members.

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 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 the age 60, or the second July 1 after the date they would have had 28 years of service credit had they not retired.

NOTE 5 - PENSION PLANS, Continued

PORS – A Class II 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 credited service regardless of age. A Class III 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 credited service regardless of age. Both Class II and Class III 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. 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.

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement.

Contributions - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary. The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required **employee** contribution rates for fiscal year 2020-2021 are as follows:

SCRS	
Employee Class II	9.00% of earnable compensation
Employee Class III	9.00% of earnable compensation
ORP	9.00% of earnable compensation
PORS	
Employee Class II	9.75% of earnable compensation
Employee Class III	9.75% of earnable compensation

NOTE 5 - PENSION PLANS, Continued

Required **employer** contribution rates[1] for fiscal year 2020-2021 are as follows:

SCRS	
Employer Class II	15.41% of earnable compensation
Employer Class III	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
ORP	
Employer Contribution[2]	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class II	17.84% of earnable compensation
Employer Class III	17.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

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

[2] Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Net Pension Liability - At June 30, 2021, the Campus reported liabilities of $25,680,004 and $1,622,626 for its proportionate share of the SCRS and PORS net pension liability, respectively. The net pension liabilities were measured as of June 30, 2020, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The Campus' proportionate shares of the net pension liabilities were based on the Campus' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Campus' proportionate shares of the SCRS and PORS plans were 0.097557% and 0.048930%, respectively.

Pension Expense - For the year ended June 30, 2021, the Campus recognized pension expense of $3,049,142 and $275,260 for SCRS and PORS, respectively, for a total pension expense of $3,324,402.

***Non-employer Contributions* –** Employer's proportionate shares were calculated on the basis of employer contributions remitted to the plan by employers and non-employer contributions appropriated in the State's budget. In an effort to offset a portion of the burden of the increased contribution requirement for employers, the General Assembly funded 1 percent of the SCRS and PORS contribution increases for fiscal year 2020. The State budget appropriated these funds directly to PEBA and a credit was issued for each employer to use when submitting their quarterly remittances to PEBA. For the year ended June 30, 2020 measurement period, PEBA provided non-employer contribution to the Campus in the amount of $136,450 which is shown as a reduction to net pension liability and other grant revenue in the year ended June 30, 2021.

NOTE 5 - PENSION PLANS, Continued

Deferred inflows of resources and deferred outflows of resources – At June 30, 2021, the Campus reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

South Carolina Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 309,653	$ 101,446
Changes of assumptions	32,879	-
Net difference between projected and actual earnings on pension plan investments	1,974,022	-
Changes in proportion and differences between Campus contributions and proportionate share of contributions	225,055	162,306
Campus contributions subsequent to the measurement date	1,708,142	-
Total	$ 4,249,751	$ 263,752

Police Officers Retirement System

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,716	$ 2,012
Changes of assumptions	5,579	-
Net difference between projected and actual earnings on pension plan investments	46,815	-
Changes in proportion and differences between Campus contributions and proportionate share of contributions	12,589	12,882
Campus contributions subsequent to the measurement date	31,861	-
Total	$ 106,560	$ 14,894

The $1,708,142 and $31,861 reported as deferred outflows of resources related to pensions resulting from Campus contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2022.

NOTE 5 - PENSION PLANS, Continued

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:		
2022	$	532,377
2023		607,588
2024		634,147
2025		503,745
	$	2,277,857

		PORS
Year ended June 30:		
2022	$	21,789
2023		14,944
2024		11,692
2025		11,380
	$	59,805

Actuarial Assumptions and Methods - Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for use in the July 1, 2021 actuarial valuation.

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

NOTE 5 - PENSION PLANS, Continued

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

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return [1]	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) [1]	3.5% to 9.5% (varies by service) [1]
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually

[1] *Includes inflation at 2.25%*

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

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

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

NOTE 5 - PENSION PLANS, Continued

Net Pension Liability - The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2020, net pension liability amounts for SCRS and PORS are as follows (amounts expressed in thousands):

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	$ 51,844,187,763	$ 26,292,418,682	$ 25,551,769,081	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%

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

Long Term Expected Rate of Return - The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. 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. 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 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 8.05 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.80 percent real rate of return and a 2.25 percent inflation component.

NOTE 5 - PENSION PLANS, Continued

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity [1, 2]	35.0%	7.81%	2.73%
Private Equity [2,3]	9.0%	8.91%	0.80%
Equity Options Strategies [1]	7.0%	5.09%	0.36%
Real Assets	**12.0%**		
Real Estate (Private) [2,3]	8.0%	5.55%	0.44%
Real Estate (REITs) [2]	1.0%	7.78%	0.08%
Infrastructure (Private) [2, 3]	2.0%	4.88%	0.10%
Infrastructure (Public) [2]	1.0%	7.05%	0.07%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation [1]	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans [1, 2]	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt [2, 3]	7.0%	5.79%	0.40%
Rate Sensitive	**14.0%**		
Core Fixed Income [1]	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	56.00%	0.01%
Total Expected Return [4]	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
			8.05%

[1] Portable Alpha Strategies w ill be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

[2] The target w eights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate w ill be equal to their actual w eights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

[3] RSIC staff and Consultant w ill notify the Commission if Private Markets assets exceed 25% of total assets.

[4] The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% w eight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

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

Sensitivity Analysis - The following table presents the collective net pension liability of the Campus calculated using the discount rate of 7.25 percent, as well as what the Campus' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	$30,894,598	$25,680,004	$19,944,929
PORS	2,148,083	1,622,626	1,200,717

NOTE 5 - PENSION PLANS, Continued

Additional Financial and Actuarial Information - Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2020 (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, 2020.

Deferred Compensation Plans – Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Plan Description - 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. The Campus contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). 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 percent employer funding and 15 through 24 years of service for 50 percent employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

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 be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statue to contribute at a rate assessed each year by the Office of the State Budget, 6.25 percent of annual covered payroll for 2021. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Campus paid approximately $1,029,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2021. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was $3.22 for the fiscal years ended June 30, 2021. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions. The SCLTDITF is considered immaterial and is not included in the Campus' financial statements as well as the related notes and required supplementary information.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Net OPEB Liability - At June 30, 2021, the Campus reported a liability of $31,019,024 for its proportionate share of the SCRHITF net OPEB liability. The OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Campus' proportionate share of the OPEB liability was based on the Campus' long-term share of contributions to the postemployment benefits plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Campus' proportionate share of the SCRHITF plan was 0.171837%.

OPEB Expense – For the year ended June 30, 2021, the Campus recognized OPEB expense of $2,283,034 for SCRHITF.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Post-Employment Benefits Other Than Pensions (OPEB) – At June 30, 2021, the Campus reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

South Carolina Retiree Health Insurance Trust Fund

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 911,519	$ 706,770
Changes of assumptions	4,742,695	1,235,959
Net difference between projected and actual earnings on OPEB plan investments	-	72,387
Changes in proportion and differences between Campus contributions and proportionate share of contributions	290,172	903,249
Campus contributions subsequent to the measurement date	1,002,126	-
Total	$ 6,946,512	$ 2,918,365

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits will be recognized in retiree health benefit expense as follows for the SCRHITF plan:

Year ended June 30:	
2022	$ 372,081
2023	361,534
2024	344,822
2025	634,820
2026	662,474
Thereafter	650,290
	$ 3,026,021

NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

Actuarial Assumptions and Methods - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2019 actuarial valuation for SCRHITF:

Actuarial Methods and Assumptions:	
Actuarial cost method	Individual Entry-Age Normal
Inflation	2.25%
Investment rate of return	2.75%, net of OPEB plan investment expense, including inflation
Single discount rate	2.45% as of June 30, 2020
Demographic assumptions	Based on the experience study performed for the SCRS for the 5-year period ending June 30, 2015
Mortality assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Healthcare trend rate	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Aging factors	Based on plan specific experience
Participation assumptions	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 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020. Updates were also made to the healthcare trend rate assumption, including an adjustment to reflect the repeal of the "Cadillac Tax".

NOTE 6 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

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

Long Term Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash	20.00%	0.35%	0.07%
Total	100.00%		0.55%
Expected Inflation			2.25%
Total Return			2.80%
Investment Return Assumption			2.75%

For the SCRHITF, the annual money-weighted rate of return on the plan investments were 7.70%.

Sensitivity Analysis - The following table presents the Campus' proportionate share of the SCRHITF net other postemployment benefits (OPEB) liability calculated using the discount rate of 2.45 percent, as well as what the Campus' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.45 percent) or 1 percentage point higher (3.45 percent) than the current rate:

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

1% Decrease 1.45%	Current Single Discount Rate Assumption 2.45%	1% Increase 3.45%
$37,011,970	$31,019,024	$26,230,284

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

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$25,106,955	$31,019,024	$38,783,365

NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The Campus is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of Campus management, there are no material claims or lawsuits against the Campus that are not covered by insurance or whose settlement would materially affect the Campus' financial position.

The Campus participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, would not be material.

The Campus had outstanding commitments of $578,965 for capital and $154,161 for noncapital projects as of June 30, 2021. The Campus anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

NOTE 8 - LEASE OBLIGATIONS

The future minimum lease payments for noncancelable operating leases are as follows:

2022	$	10,000
2023		10,000
2024		2,500
Total minimum lease payments	**$**	**22,500**

The preceding payment schedule relates to noncancelable operating leases having remaining terms of more than one year and expiring in fiscal years from 2022-2024. Total real property operating lease payments were $6,508 for fiscal year 2021. The Campus incurred expenses of $26,749 for office copier contingent rentals on a cost per copy basis for the current fiscal year.

Capital Leases - held by the Campus as of June 30, 2021:

	Cost	Accumulated Depreciation	Net
Equipment	$ 194,562	$ 80,416	$ 114,146

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

2022	$	42,642
2023		38,301
2024		37,973
2025		14,683
2026		1,525
Total minimum lease payments		135,124
Less amount representing interest		(14,810)
Present value of minimum lease payments by year	**$**	**120,314**

Capital lease obligations consist of:

Agreements with Presidio for copiers payable in monthly installments ranging from $13 to $247 with fixed interest rates ranging from 5.76% to 6.76%. The agreements expire April 2026.	$	120,314
Present value of minimum lease payments by lease	**$**	**120,314**

NOTE 9 – BONDS AND NOTES PAYABLE

Bonds Payable - Bonds payable consisted of the following:

		Original Debt	Interest Rates (Outstanding)	Maturity Dates		June 30, 2021 Balance		Debt Retired in Fiscal Year 2021
State Institution Bonds								
Series 2011E	$	2,675,000	4.125% to 5%	03/01/31	$	-	$	1,745,000
Series 2021C Refunding		1,322,000	5%	04/01/31		1,322,000		-
Total State Institution Bonds						**1,322,000**		**1,745,000**
Subtotal bonds payable						1,322,000		1,745,000
Plus unamortized bond premiums						340,225		68,750
Total Bonds Payable					**$**	**1,662,225**	**$**	**1,813,750**

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged for the payment of principal and interest on state institution bonds. Tuition revenue pledged in fiscal year 2021 was $271,290 for state institution bonds.

The Campus believes it is in compliance with all related bond covenants of its issued debt.

On January 28, 2021, the Campus issued $1,322,000 in State Institution Refunding Bond, Series 2021C to fully refund the Series 2011E State Institution Bonds with a final maturity of April 1, 2031. The refunding transaction resulted in an aggregate debt payment reduction of $383,201 over the next ten years and a net present value savings or economic gain of $373,090. The refunding bonds were used to retire $1,620,000 of State Institution bonds.

The scheduled maturities of the Campus' bonds payable by type are as follows:

		Principal		Interest		Total
State Institution Bonds						
2022	$	105,000	$	66,100	$	171,100
2023		110,000		60,854		170,854
2024		116,000		55,326		171,326
2025		122,000		49,518		171,518
2026		128,000		43,434		171,434
2027-2031		741,000		114,754		855,754
Total	**$**	**1,322,000**	**$**	**389,986**	**$**	**1,711,986**

NOTE 9 – BONDS AND NOTES PAYABLE, Continued

Notes Payable - Notes payable consisted of the following:

Note payable to acquire energy savings equipment, dated April 2018, payable in annual installments of $49,399 subject to amount drawn at any given time, matures February 2029, fixed interest rate of 2.00%.	$	361,874

The scheduled maturities of the notes payable are as follows:

	Principal	Interest	Total
2022	$ 42,162	$ 7,237	$ 49,399
2023	43,005	6,394	49,399
2024	43,865	5,534	49,399
2025	44,742	4,657	49,399
2026	45,637	3,762	49,399
2027-2029	142,463	5,736	148,199
Total	**$ 361,874**	**$ 33,320**	**$ 395,194**

NOTE 10 - LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year	Long-Term Portion
Bonds Payable:						
State Institution Bonds	$ 1,745,000	$ 1,322,000	$ 1,745,000	$ 1,322,000	$ 105,000	$ 1,217,000
Subtotal Bonds Payable	1,745,000	1,322,000	1,745,000	1,322,000	105,000	1,217,000
Unamortized Bond Premiums	68,750	340,225	68,750	340,225	34,022	306,203
Total Bonds Payable	1,813,750	1,662,225	1,813,750	1,662,225	139,022	1,523,203
Notes Payable	403,209	-	41,335	361,874	42,162	319,712
Total Bonds and Notes Payable	**$ 2,216,959**	**$ 1,662,225**	**$ 1,855,085**	**$ 2,024,099**	**$ 181,184**	**$ 1,842,915**
Capital Lease Obligations	$ 150,430	$ 8,237	$ 38,353	$ 120,314	$ 35,455	$ 84,859
Accrued Compensated Absences	$ 849,609	$ 1,029,454	$ 921,049	$ 958,014	$ 890,953	$ 67,061

NOTE 11 – COMPONENT UNIT

The Beaufort-Jasper Higher Education Commission (the Commission) was created in 1994 by the General Assembly of South Carolina. The Commission's primary purpose is to provide support and encouragement for all undertakings to improve the higher education opportunities for the benefit of the citizens and residents of Beaufort and Jasper Counties. The Commission serves as the liaison between the Campus and the Beaufort and Jasper communities as well as the oversight committee for campus dormitories and the student center including the construction and management of those facilities. The Campus received $428,507 in gifts from the Commission and paid $4,650,722 to the Commission for housing and dining fees collected on their behalf. Complete financial statements for the Commission can be obtained at 1 University Boulevard, Bluffton, SC 29909, Attention: Beth Patrick.

NOTE 12 - RISK MANAGEMENT

The Campus has a comprehensive risk management program which incorporates the fundamentals of risk identification, risk evaluation, risk control, and risk financing alternatives in reducing loss potential. The Campus mitigates the financial consequences of physical, human, and financial loss by purchasing insurance through the State Fiscal Accountability Authority Board Office of the Insurance Reserve Fund (IRF). As needed, the IRF policies are supplemented by the purchase of policies through the private insurance market. Several sections of the South Carolina Code of Laws authorize and require the State Fiscal Accountability Authority Board, through the IRF, to provide insurance to governmental entities. These statutes in turn require most state entities to purchase insurance through the IRF. These sections include:

Title 1 - Administration of Government, Section 1-11-140 - 141. Authority to provide tort liability insurance to governmental entities, their employees, and charitable medical facilities.

Title 1 - Administration of Government: Section 1-11-147. Automobile Liability Reinsurance.

Title 10 - Public Buildings and Property: Section 10-7-10 through 10-7-40. Authority to insure public buildings and contents.

Title 10 - Public Buildings and Property: Section 10-7-12. Authority to purchase reinsurance.

Title 10 - Public Buildings and Property: Section 10-7-130. Authority to hold monies paid as premiums for the purpose of paying Insured losses.

Title 11 - Public Finance: Section 11-9-75. Debt Collection Procedures.

Title 15 - Civil Remedies and Procedures: Section 15-78-10 through 15-78-150. S.C. Governmental Tort Claims Act. Authority to provide liability insurance.

Title 38 - Insurance: Section 38-13-190. Requires South Carolina Insurance Department Audits of Insurance Reserve Fund Finance.

Title 59 - Education: Section 59-67-710 & 59-67-790. Authority to insure school buses and pupils transported by school bus.

Title 59 - Education: Section 59-67-790. Pupil Injury Fund.

The IRF functions as a governmental insurance operation with the mission to provide insurance specifically designed to meet the needs of governmental entities at the lowest possible cost. The IRF operates like an insurance company, by issuing policies, collecting premiums (based on actuarially calculated rates), and by paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

All premiums received by the IRF are deposited with the Office of the State Treasurer where the funds are maintained as the IRF Trust Account. By statutory requirement, these funds are to be used to pay claims and operating expenses of the fund. The Office of the State Treasurer is responsible for investing these funds. The costs of settled claims have not exceeded the Campus' insurance coverage in any of the past three years.

The IRF uses no agents, brokers, or advertising, and does not actively solicit accounts. The lack of a profit motive and the lack of acquisition expenses such as agents' commissions, along with the use of the investment income in rate determination allow the IRF to maintain the lowest possible rate structure. Not all governmental entities elect to purchase their insurance through the IRF. The South Carolina Tort Claims Act allows political subdivisions of the State access to other mechanisms to meet their insurance needs at their discretion. Some entities participate in other self-insurance pools, some purchase commercial insurance, and some elect to self-insure their insurance exposures.

The various types of insurance policies maintained by the Campus include: Building and Personal Property, Inland Marine, Ocean Marine, Data Processing Equipment, Business Interruption, Builders' Risk, Automobile, Aircraft, Directors and Officers Liability, General Tort Liability, Cyber Liability, Medical Professional Liability, Employee Crime, and Workers' Compensation.

NOTE 13 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification are summarized as follows:

	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 8,256,472	$ 3,255,741	$ 750,798	$ -	$ 1,415	$ -	$ 12,264,426
Research	441,904	157,033	209,317	-	4,023	-	812,277
Public service	323,359	148,691	269,187	-	-	-	741,237
Academic support	2,264,574	852,304	1,046,627	-	-	-	4,163,505
Student services	2,475,806	987,845	1,353,403	-	61,812	-	4,878,866
Institutional support	1,257,974	463,118	505,771	-	3,608	-	2,230,471
Operation and plant maintenance	1,456,284	586,606	1,169,544	1,057,838	-	-	4,270,272
Auxiliary enterprises	-	-	2,740	-	-	-	2,740
Scholarships and fellowships	-	-	5,956	-	2,716,059	-	2,722,015
Depreciation	-	-	-	-	-	2,070,147	2,070,147
Pension and OPEB expense	-	2,866,630	-	-	-	-	2,866,630
Total operating expenses	**$ 16,476,373**	**$ 9,317,968**	**$ 5,313,343**	**$ 1,057,838**	**$ 2,786,917**	**$ 2,070,147**	**$ 37,022,586**

NOTE 14 – ENDOWMENTS

The Campus holds $79,000 in restricted nonexpendable true endowments. The University of South Carolina Educational Foundation and the University of South Carolina Development Foundation, component units of the University, holds and invests scholarship and general purposes endowment funds for the Campus. As of June 30, 2021 the endowment balances held by the Foundations were $10,089,825.

NOTE 15 – COVID-19 AND RELATED SUBSEQUENT EVENTS

COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally, and locally. It is unknown the extent to which COVID-19 may continue to spread, may have a destabilizing effect on financial and economic activity, may increasingly have the potential to negatively impact the Campus and student costs, and may affect the demand for Campus products and services. These conditions could adversely affect the Campus' operations and financial condition. Further, COVID-19 may result in health or other government authorities requiring the closure of the Campus which could significantly disrupt the Campus' operations for both academics and athletics. The extent of the adverse impact of COVID-19 on the Campus cannot be predicted at this time. The Campus continues to monitor and work with all partners to mitigate risks and respond responsibly to COVID-19.

The Campus began the Fall 2021 semester with a return to normal operations for both academics and athletics. The Campus had no tuition increases for 2021-2022 academic year as the state continued to provide support to higher education as a tuition mitigation strategy. After a challenging year due to the national pandemic when some students chose to delay their pursuit of higher education, new student enrollment has rebounded to pre-pandemic levels, making up for a slight drop of continuing students in the Fall 2021. Early indicators show overall enrollment for the Campus is even with last year due to an increase in new undergraduate students.

In late 2021, the Campus was awarded $6.3 million in Higher Education Emergency Relief Funds (HEERF) authorized by the American Rescue Plan. The award includes $3.0 million to be used to provide emergency financial aid grants to students, $3.0 million in institutional funds for COVID-19 related costs associated with the ongoing public health and safety risks to the campuses, and $263 thousand in strengthening institutions funds to be used towards students or public health. The Campus will continue to examine the potential impacts of COVID-19 and will make policy recommendations concerning the safety of students and employees on campus as well as the surrounding communities and utilize institutional funds to defray costs to mitigate any ongoing public health and safety risks.

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Schedule of the Campus' Proportionate Share of the Net Pension Liability
As of June 30

South Carolina Retirement System (SCRS)					
For the Year	Campus' Proportion of the Net Pension Liability	Campus' Proportionate Share of the Net Pension Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.097557%	$ 25,680,004	$ 6,671,421	384.93%	50.70%
2020	0.098127%	23,315,871	6,455,360	361.19%	54.40%
2019	0.098510%	22,756,172	6,486,391	350.83%	54.10%
2018	0.098340%	22,947,678	6,615,447	346.88%	53.30%
2017	0.096257%	20,560,327	6,513,631	315.65%	52.91%
2016	0.097930%	18,572,899	6,289,970	295.28%	56.99%
2015	0.098130%	16,895,216	6,068,783	278.40%	59.90%
2014	0.098130%	17,600,629	6,170,081	285.26%	56.39%

Police Officers Retirement System (PORS)					
For the Year	Campus' Proportion of the Net Pension Liability	Campus' Proportionate Share of the Net Pension Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.048930%	$ 1,622,626	$ 755,846	214.68%	58.80%
2020	0.045300%	1,298,284	662,669	195.92%	62.70%
2019	0.044480%	1,260,261	621,594	202.75%	61.70%
2018	0.016580%	454,150	589,140	77.09%	60.90%
2017	0.041745%	1,058,854	536,667	197.30%	60.44%
2016	0.035610%	776,111	455,335	170.45%	64.57%
2015	0.035050%	670,918	422,673	158.73%	67.50%
2014	0.035050%	726,480	398,942	182.10%	62.98%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Schedule of the Campus' Contributions
Related to the Pension Liability
For the Years Ended June 30

South Carolina Retirement System (SCRS)					
For the Year	Contractually Required Contribution	Contributions Made to Pension Plan	Contribution Deficiency (Excess)	Campus' Covered Payroll	Contributions as a Portion of Covered Payroll
2021	$ 1,708,142	$ 1,708,142	$ -	$ 6,762,593	25.26%
2020	1,677,983	1,677,983	-	6,671,421	25.15%
2019	1,482,430	1,482,430	-	6,455,360	22.96%
2018	1,231,533	1,231,533	-	6,486,391	18.99%
2017	1,146,987	1,146,987	-	6,615,447	17.34%
2016	1,054,396	1,054,396	-	6,513,631	16.19%
2015	983,314	983,314	-	6,289,970	15.63%
2014	944,325	944,325	-	6,068,783	15.56%

Police Officers Retirement System (PORS)					
For the Year	Contractually Required Contribution	Contributions Made to Pension Plan	Contribution Deficiency (Excess)	Campus' Covered Payroll	Contributions as a Portion of Covered Payroll
2021	$ 31,861	$ 31,861	$ -	$ 796,059	4.00%
2020	34,745	34,745	-	755,846	4.60%
2019	33,536	33,536	-	662,669	5.06%
2018	99,977	99,977	-	621,594	16.08%
2017	83,894	83,894	-	589,140	14.24%
2016	73,124	73,124	-	536,667	13.63%
2015	60,712	60,712	-	455,335	13.33%
2014	54,121	54,121	-	422,673	12.80%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Schedule of the Campus' Proportionate Share of the Net OPEB Liability
As of June 30

South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
For the Year	Campus' Proportion of the Net OPEB Liability	Campus' Proportionate Share of the Net OPEB Liability	Campus' Covered Payroll During the Measurement Period	Campus' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.171837%	$ 31,019,024	$ 16,263,037	190.73%	8.39%
2020	0.174888%	26,445,708	15,327,845	172.53%	8.44%
2019	0.177903%	25,209,904	15,107,340	166.87%	7.91%
2018	0.174644%	23,655,309	14,772,063	160.14%	7.60%
2017	0.174644%	25,268,669	13,272,860	190.38%	7.60%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.
The SCLTDITF is considered immaterial and is not included in the Campus' financial statements.

UNIVERSITY OF SOUTH CAROLINA - Beaufort
Schedule of the Campus' Contributions
Related to the OPEB Liability
For the Years Ended June 30

South Carolina Retiree Health Insurance Trust Fund (SCRHITF)					
For the Year	Contractually Required Contribution	Contributions Made to Plan	Contribution Deficiency (Excess)	Campus' Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 1,002,126	$ 1,002,126	$ -	$ 16,462,955	6.09%
2020	938,915	938,915	-	16,263,037	5.77%
2019	924,501	924,501	-	15,327,845	6.03%
2018	825,729	825,729	-	15,107,340	5.47%
2017	787,351	787,351	-	14,772,063	5.33%

This schedule is intended to show ten years of comparative data. Additional years will be added to the schedule as they become available.
The SCLTDITF is considered immaterial and is not included in the Campus' financial statements.

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*

The Board of Trustees
University of South Carolina
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 of America, the financial statements of the business-type activities and the discretely presented component unit of the University of South Carolina - Beaufort (the Campus), a campus of the University of South Carolina (the University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Campus' basic financial statements, and have issued our report thereon dated October 19, 2021. The financial statements of the Beaufort-Jasper Higher Education Commission (the Commission) were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Commission.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Campus' internal control over financial reporting (internal control) to determine the 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 Campus' internal control. Accordingly, we do not express an opinion on the effectiveness of the Campus' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Campus' 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 determination of financial statement amounts. 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 result 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.

Elliott Davis, LLC

Columbia, South Carolina
October 19, 2021