



2026 ANNUAL REPORT

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025



**SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION**

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2026 AND 2025**



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

September 15, 2026

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

This report on the audit of the financial statements of the South Carolina Education Lottery Commission for the fiscal years ended June 30, 2026, and 2025, was issued by Mauldin & Jenkins, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

Sue F. Moss, CPA
Interim State Auditor

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

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Independent Auditor's Report

Ms. Sue F. Moss, CPA
Interim State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **South Carolina Education Lottery Commission** (the "Commission"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2026 and 2025, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

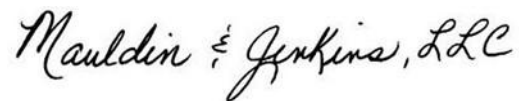
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 8), the Schedule of the Commission's Proportionate Share of the Net Pension Liability, Schedule of the Commission's Pension Contributions, Schedule of the Commission's Proportionate Share of the Net OPEB Liability, and Schedule of the Commission's OPEB Contributions (on pages 38, 39, 40, and 41, respectively), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of the South Carolina Education Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Columbia, South Carolina
September 15, 2026

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Commission provides this *Management's Discussion and Analysis* ("MD&A") of its financial performance for the readers of the Commission's financial statements. This narrative provides an overview of the Commission's financial activity for the fiscal year ended June 30, 2026. This MD&A is to be read in conjunction with the financial statements to provide a more comprehensive analysis of the Commission's financial activities based on facts, decisions, and conditions currently facing management. ***All dollar amounts, unless clear from the context, are expressed in millions.***

Understanding the Commission's Financial Statements

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

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

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

Currently, the Commission sponsors four Terminal Games: *Pick 3*, *Pick 4*, *Cash Pop* and *Palmetto Cash 5*. In addition, the Commission participates in two national Terminal Games: *Powerball*® and *Mega Millions*.

Financial Highlights

Cash Transfers attributable to FY26 operations were \$606.8 compared to \$546.8 in FY25, an increase of \$60.0, or 11.0%. Net Income increased \$56.7 in FY26 to \$605.7 compared to Net Income in FY25 of \$549.0. The overall increase in Net Income was primarily the result of an increase in "Net Game Margin" of \$61.2. Net Game Margin is defined as game revenue minus prize expense minus commissions and incentives (i.e., the purely variable components of Net Income). "Game Margin" is defined as game revenue minus prize expense.

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

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

Fiscal Year 2026 Compared to Fiscal Year 2025

Summary Financial Information			
<i>Operating Data</i>			
	2026	2025	2024
Revenues			
Instant games	\$ 1,686.5	\$ 1,592.4	\$ 1,607.2
Terminal games	793.4	707.4	777.5
	<u>2,479.9</u>	<u>2,299.8</u>	<u>2,384.7</u>
Other revenues	3.8	4.4	4.0
Total revenues	<u>2,483.7</u>	<u>2,304.2</u>	<u>2,388.7</u>
Prize expense			
Instant games	1,242.3	1,173.6	1,180.2
Terminal games	398.1	360.6	391.5
Total prize expense	<u>1,640.4</u>	<u>1,534.2</u>	<u>1,571.7</u>
Margin	843.3	770.0	817.0
Commissions and incentives	174.8	162.0	168.1
Other game-related costs	30.1	27.4	26.3
Operating expenses	31.8	30.8	28.5
Non-capital subsidies - transfers out	(599.6)	(550.4)	(590.5)
Non-operating income (expense)	<u>(0.9)</u>	<u>(0.8)</u>	<u>(0.7)</u>
Change in net position	6.1	(1.4)	3.0
Net Position - beginning of year	17.6	19.0	16.0
Net Position - end of year	<u>\$ 23.7</u>	<u>\$ 17.6</u>	<u>\$ 19.0</u>
Other information			
Instant game margin	26.3%	26.3%	26.6%
Terminal game margin	49.8%	49.0%	49.6%
Total game margin	33.9%	33.3%	34.1%
Net instant game margin	19.3%	19.3%	19.5%
Net terminal game margin	42.8%	42.0%	42.6%
Net game margin	26.8%	26.2%	27.0%
<i>Net Position Data</i>			
	2026	2025	2024
Current assets	<u>\$ 101.4</u>	<u>\$ 92.3</u>	<u>\$ 97.8</u>
Non-current assets			
Capital assets, net	16.5	18.4	17.5
Other non-current assets	5.3	6.0	6.2
Total non-current assets	<u>21.8</u>	<u>24.4</u>	<u>23.7</u>
Total assets	<u>123.2</u>	<u>116.7</u>	<u>121.5</u>
Deferred outflows of resources	6.8	6.8	5.5
Current liabilities	63.3	57.0	60.1
Long-term liabilities	36.3	42.5	40.5
Total liabilities	<u>99.6</u>	<u>99.5</u>	<u>100.6</u>
Deferred inflows of resources	6.7	6.5	7.4
Net position			
Net investment in capital assets	(0.4)	(0.4)	(0.1)
Restricted fidelity fund	0.4	0.4	0.5
Restricted for ELA	23.7	17.6	18.6
Total net position	<u>\$ 23.7</u>	<u>\$ 17.6</u>	<u>\$ 19.0</u>

Game Revenue and Margins

Total Game Revenues were \$2,479.9 in FY26 and \$2,299.8 in FY25, for an increase of \$180.1, or 7.8%. Total Prize Expense was \$1,640.4 in FY26 and \$1,534.2 in FY25, for an increase of \$106.2, or 6.9%. Accordingly, on the game revenue increase of \$180.1, Game Margin increased \$73.8. Net Game Margin (includes commissions and incentives) increased \$61.2. As noted above, the increased Net Game Margin is the primary component of the increase in Net Income for the fiscal year.

Net Game Margin increased on overall game revenues due to an increase in Instant Ticket and Terminal Game Revenues, an increased margin on \$20 Instant Tickets, and statistical variation. As discussed below, Instant Ticket Revenues increased \$94.0 and Terminal Game Revenues increased \$86.1. Instant Game Prize Expense increased by \$68.8 and Terminal Game Prize Expense increased by \$37.5. Prize expense on Instant Games is relatively higher as a percentage of Instant Game Revenues compared to Terminal Games. In FY26, Instant Game Prize Expense was 73.7% of Instant Game Revenues compared to 50.2% for Terminal Games.

In FY26, total Instant Game Revenues were \$1,686.5, an increase of \$94.0, or 5.9%, compared to FY25. The increase is attributed to growth across all price points except for \$1 and \$2 Instant Ticket Revenues. Revenues associated with the \$20 Instant Ticket increased \$89.8, or 25.0%, with the July 2025 introduction of the “core” Magnificent Jumbo Bucks ticket. In FY26, \$5 and \$10 Instant Ticket Revenues increased by \$0.7, or 0.3% and \$2.9, or 0.3%, respectively. Additionally, the \$3 Instant Game Revenues increased by \$3.2, or 5.8%. Conversely, revenues associated with the \$1 and \$2 price points, in aggregate, decreased by \$2.6, or 3.0%. The decreases observed in the lower price points have also been observed across the lottery industry. The net effect of the increase in Instant Game Revenues was that the Instant Game Margin increased \$25.2, or 6.0%. The Instant Game Margin percentage remained consistent with prior year at 26.3%.

The primary components of the overall \$94.0 increase in Instant Game Revenues are as follows:

- \$1 Tickets decreased \$.3, or .9%;
- \$2 Tickets decreased \$2.3, or 4.4%;
- \$3 Tickets increased \$3.2, or 5.8%;
- \$5 Tickets increased \$.7, or .3%;
- \$10 Tickets increased \$2.9, or .3%; and,
- \$20 Tickets increased \$89.8, or 25.0%.

Terminal Game Revenues were \$793.4, an increase of \$86.1, or 12.2%. This increase is attributable to increases in all Terminal Games, except Mega Millions. FY26 had two Powerball Jackpot Runs that exceeded \$1,500, compared to FY25, which had zero. Powerball Revenue increased \$60.7, or 77.6%. In April 2025, Mega Millions launched an updated game with new features including a new price per play of \$5, instead of \$2. Since the game launch, sales have declined. Mega Millions had zero Jackpot Runs that exceeded \$1,000 in FY26 compared to one in FY25. Mega Millions Revenue decreased \$4.7, or 7.5%. The frequency and magnitude of Powerball Jackpot Runs in FY26 is not typical and the Commission does not plan for runs of this magnitude.

Pick 3 Revenue increased \$9.7, or 3.4 % and Pick 4 increased \$6.4, or 3.9%. The Game Margin % on Pick 3 decreased from 50.9% to 47.8% and increased on Pick 4 from 51.2% to 62.7%. The Game Margin for Pick 3 decreased \$4.1 or 2.8% and increased for Pick 4 by \$23.1 or 27.2% due to statistical variation.

Palmetto Cash 5 Revenue increased \$0.2, or 0.4% and prize expense increased \$0.7, or 2.8%. As a result, Game Margin decreased \$0.5, or 3.3%. Palmetto Cash 5 continues to perform well after the rebrand and addition of a rolling jackpot feature in March of 2024.

Cash Pop generated \$88.8 in FY26 game revenue. Revenues increased \$13.8 or 18.4%, from \$75.0. Consistent with game revenue, Cash Pop Game Margin was up \$3.2 or 12.2% at \$29.0 and Game Margin % was 32.7%. The

reason for this increase is the addition of the three month long Cash Pop Bonus Promotion that launched in October 2025. Even after the promotion ended in January, a noticeable sales lift has continued.

The overall Terminal Game Margin % was 49.8% in FY26 compared to 49.0% in FY25, an increase of 0.8%. Fluctuations in Terminal Game Margin % will occur from period to period because the Terminal Games are based on statistical probability which will always be subject to statistical variation in any one given period. Accordingly, Terminal Game Margin % may fluctuate significantly from period to period.

Other Revenue and Game Costs

Other revenues, which consist primarily of license and telephone fees and other miscellaneous income, were \$3.8 in FY26 and \$4.4 in FY25. The decrease is related to a reversion dividend received from the Multi-State Lottery Association (MUSL) in FY25. Other direct game costs were \$30.1 in FY26 compared to \$27.4 in FY25, an increase of \$2.8 or 10.0%. This increase is primarily related to the cost of SCiQ Smart Dispensers.

Operating Expenses

Operating expenses consist of advertising and administrative expenses (compensation, occupancy, etc.). In total, operating expenses increased by \$1.0 in FY26 compared to FY25. Operating expenses were \$31.8 and \$30.8 in FY26 and FY25, respectively. Advertising decreased by \$0.6, which related to decreased costs for ad production and placement. Salaries and benefits increased by \$0.9.

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

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

The operations of the Commission are funded exclusively by cash flows generated from its primary business operations. The Commission has no outstanding debt. In FY 2026 and FY 2025, the Commission generated \$613.5 and \$553.7 from operating activities. Amounts used or provided by capital-related financing activities were \$8.8 and \$6.0 for the years ending June 30, 2026 and June 30, 2025. Amounts related to investing activities were insignificant in FY 2026 and FY 2025.

At June 30, 2026, the Commission's current assets totaled \$101.4 compared to \$92.3 at the end of the preceding year. In both years, cash and accounts receivable from retailers comprised most of the Commission's current assets. As of June 30, 2026 and 2025, combined cash and accounts receivable were \$92.2 and \$85.3, respectively. Most of the cash held by the Commission, \$34.5 and \$28.5 at June 30, 2026 and 2025, respectively, was remitted to the State Treasurer the following month.

The only other substantive non-capital asset held by the Commission at June 30, 2026 and 2025 were amounts held on the Commission's behalf by the Multi-State Lottery Association (MUSL). Such amounts, \$5.3 and \$6.0, at June 30, 2026 and 2025, respectively, are maintained by MUSL to pay the Commission's share to Powerball and Mega Millions prize winners.

At June 30, 2026, the Commission's current liabilities totaled \$63.3 compared to \$57.0 at the end of the preceding year. In both years, accrued prize expense composed most of the Commission's current liabilities. As of June 30, 2026 and 2025, accrued prize expense was \$46.8 and \$45.1, respectively.

At June 30, 2026, the Commission's net position totaled \$23.7 compared to \$17.6 at the end of the preceding year. The primary component of net position are amounts reported as Restricted for Education Lottery Account which are restricted for future remittances to the ELA as the underlying net assets are realized in cash. Restricted for Education Lottery Account was \$23.7 and \$17.6 at June 30, 2026 and 2025, respectively. The Fidelity Bond Fund was \$0.4 at June 30, 2026 and June 30, 2025. At June 30, 2026 and 2025, property, equipment and other capital assets were \$16.6 and \$18.4, respectively. Additional discussion on capital assets can be found in Note 4 to the financial statements.

The Commission implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. The lease assets, net, were \$7.7 at June 30, 2026 and \$5.3 at June 30, 2025. The related lease liabilities were \$8.1 at June 30, 2026 and \$5.4 at June 30, 2025. Additional discussion on lease assets can be found in Note 8 to the financial statements.

Additionally, the Commission implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*, effective July 1, 2021. At June 30, 2026 and 2025 the SBITA asset, net, was \$7.8 and \$12.1, respectively. The related subscription liability was \$8.9 and \$13.3 during the same periods. Additional discussion on the SBITA can be found in Note 9 to the financial statements.

Fiscal Year 2025 Compared to Fiscal Year 2024

Financial Highlights

Cash Transfers attributable to FY25 operations were \$546.8 compared to \$592.0 in FY24, a decrease of \$45.2, or 7.6%. Net Income decreased \$44.4 in FY25 to \$549.0 compared to Net Income in FY24 of \$593.4. The overall decrease in Net Income was primarily the result of a decrease in Net Game Margin of \$41.3.

Total Game Revenues were \$2,299.8 in FY25 and \$2,384.7 in FY24, for a decrease of \$84.9, or 3.6%. Total Prize Expense was \$1,534.2 in FY25 and \$1,571.7 in FY24, for a decrease of \$37.5, or 2.4%. Accordingly, on the game revenue decrease of \$84.9, Game Margin decreased \$47.4.

Instant Game Revenues decreased \$14.8 and Terminal Game Revenues decreased \$70.1. The decrease in Instant Game Revenues was attributable to decreases across all price points except for the \$3 and \$20 Instant Ticket Revenues. The decrease in Terminal Game Revenue can be attributed to decreases in Powerball and Mega Millions. FY25 had zero Powerball Jackpot Runs that exceeded \$1,000, compared to FY24, which had three. Powerball Revenues decreased \$73.3, or 48.4%.

The relationship of commissions and incentives and other game-related costs to revenues was consistent in FY25 and FY24. Operating expenses increased by \$2.3 and totaled \$30.8 and \$28.5 in FY25 and FY24, respectively.

Contacting the Commission's Financial Management

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF NET POSITION

	June 30,	
	2026	2025
CURRENT ASSETS		
Cash and cash equivalents	\$ 34,034,178	\$ 28,108,090
Cash - restricted fidelity bond fund	433,893	402,220
Retailer accounts receivable, net of allowance for doubtful accounts of \$871,014 and \$936,230 for 2026 and 2025	57,764,191	56,801,937
Inventory	6,655,677	4,711,706
Prepaid expenses and other current assets	<u>2,526,761</u>	<u>2,317,324</u>
Total current assets	101,414,700	92,341,277
NONCURRENT ASSETS		
Lease asset, net	7,695,259	5,260,994
Subscription asset, net	7,798,132	12,051,657
Capital assets, net	1,059,276	1,065,445
Deposits with Multi-State Lottery Association	<u>5,279,108</u>	<u>5,970,896</u>
Total noncurrent assets	<u>21,831,775</u>	<u>24,348,992</u>
TOTAL ASSETS	<u>123,246,475</u>	<u>116,690,269</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to the net pension liability	2,983,967	2,611,081
Deferred outflows related to the net OPEB liability	<u>3,787,902</u>	<u>4,245,823</u>
Total deferred outflows of resources	<u>6,771,869</u>	<u>6,856,904</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>130,018,344</u>	<u>123,547,173</u>
CURRENT LIABILITIES		
Prizes payable	45,375,354	44,157,554
Prizes payable - Multi-State Lottery Association	1,451,718	942,970
Accounts payable	5,667,137	3,703,023
Accrued liabilities	1,587,076	1,782,178
Current portion of accrued compensated absences	838,599	756,072
Current portion of lease liability	2,889,791	408,321
Current portion of subscription liability	4,722,866	4,480,040
Unearned revenue	<u>781,053</u>	<u>766,441</u>
Total current liabilities	63,313,594	56,996,599
NONCURRENT LIABILITIES		
Accrued compensated absences	503,991	468,624
Lease liability	5,194,847	5,015,403
Subscription liability	4,130,687	8,853,553
Net pension liability	14,255,750	15,312,802
Net OPEB liability	<u>12,182,752</u>	<u>12,814,898</u>
Total noncurrent liabilities	<u>36,268,027</u>	<u>42,465,280</u>
TOTAL LIABILITIES	<u>99,581,621</u>	<u>99,461,879</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to the net pension liability	1,102,002	1,037,727
Deferred inflows related to the net OPEB liability	<u>5,609,523</u>	<u>5,466,685</u>
Total deferred inflows of resources	<u>6,711,525</u>	<u>6,504,412</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>106,293,146</u>	<u>105,966,291</u>
Net investment in capital assets	(385,525)	(379,221)
Restricted fidelity bond fund	433,893	402,220
Restricted for Education Lottery Account	<u>23,676,830</u>	<u>17,557,883</u>
TOTAL NET POSITION	<u>\$ 23,725,198</u>	<u>\$ 17,580,882</u>

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

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

	For the years ended June 30,	
	2026	2025
OPERATING REVENUES		
Sales Revenues		
Instant games	\$ 1,686,474,042	\$ 1,592,453,692
Terminal games	793,427,778	707,363,193
Total sales revenues	<u>2,479,901,820</u>	<u>2,299,816,885</u>
Other Operating Revenues		
Retailer permit fees	579,960	567,270
Retailer on-line communication fees	3,148,515	3,115,080
Other	59,582	714,264
Total other operating revenues	<u>3,788,057</u>	<u>4,396,614</u>
Total operating revenues	<u>2,483,689,877</u>	<u>2,304,213,499</u>
DIRECT COSTS		
Commissions and incentives to retailers	<u>174,669,977</u>	<u>162,069,728</u>
Prize expense		
Instant games	1,242,347,088	1,173,575,464
Terminal games	398,089,965	360,591,437
Total prize expense	<u>1,640,437,053</u>	<u>1,534,166,901</u>
Instant and terminal game costs	<u>30,138,363</u>	<u>27,386,330</u>
Total direct costs	<u>1,845,245,393</u>	<u>1,723,622,959</u>
Gross profit	<u>638,444,484</u>	<u>580,590,540</u>
OPERATING EXPENSES		
Advertising and promotion	11,588,230	12,140,773
Security checks	288,344	276,487
Salaries, wages and benefits	14,371,169	13,500,906
Contracted and professional services	1,260,790	1,021,378
Depreciation	497,646	422,381
Amortization	579,192	532,566
Rent	51,130	117,829
Office supplies	97,975	93,035
Other general and administrative	3,081,890	2,700,667
Total operating expenses	<u>31,816,366</u>	<u>30,806,022</u>
Operating income	<u>606,628,118</u>	<u>549,784,518</u>
NON-CAPITAL SUBSIDIES		
Amounts remitted to State ELA	<u>(599,588,008)</u>	<u>(550,360,374)</u>
Total noncapital subsidies	<u>(599,588,008)</u>	<u>(550,360,374)</u>
Operating income (loss) and noncapital subsidies	<u>7,040,110</u>	<u>(575,856)</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	159,290	253,182
Gain on disposition of other assets	4,140	111
Interest expense	<u>(1,059,224)</u>	<u>(1,083,788)</u>
Total non-operating expense, net	<u>(895,794)</u>	<u>(830,496)</u>
Change in net position	6,144,316	(1,406,352)
NET POSITION - BEGINNING OF YEAR	<u>17,580,882</u>	<u>18,987,234</u>
NET POSITION - END OF YEAR	<u>\$ 23,725,198</u>	<u>\$ 17,580,882</u>

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	2,482,742,232	\$ 2,304,764,104
Cash payments to prize winners	(1,638,710,504)	(1,539,362,412)
Cash payments for goods and services	(214,896,802)	(197,700,819)
Cash payments to employees for services	(15,650,324)	(14,012,499)
Net cash provided by operating activities	<u>613,484,602</u>	<u>553,688,374</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from (paid to) Multi-State Lottery Association	691,787	198,068
Payments to Education Lottery Account	(599,588,008)	(550,360,374)
Net cash used for noncapital financing activities	<u>(598,896,221)</u>	<u>(550,162,306)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposition of other assets	4,140	111
Principal payments on lease payable	(2,763,309)	(419,522)
Principal payments on subscription asset payable	(4,480,040)	(4,249,700)
Purchases of capital assets	(491,477)	(243,543)
Interest paid on lease	(461,464)	(255,686)
Interest paid on subscription asset	(597,760)	(828,101)
Net cash used for capital and related financing activities	<u>(8,789,910)</u>	<u>(5,996,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	159,290	253,182
Net cash provided by investing activities	<u>159,290</u>	<u>253,182</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,957,761	(2,217,191)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>28,510,310</u>	<u>30,727,501</u>
END OF YEAR	<u>\$ 34,468,071</u>	<u>\$ 28,510,310</u>
 Cash and cash equivalents	 34,034,178	 28,108,090
Cash - restricted fidelity fund	433,893	402,220
	<u>\$ 34,468,071</u>	<u>\$ 28,510,310</u>
 OPERATING ACTIVITIES		
Operating income	\$ 606,628,118	\$ 549,784,518
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	497,646	422,381
Amortization	7,243,484	4,786,092
Changes in assets and liabilities		
Retailer accounts receivable	(962,254)	547,237
Inventory	(1,943,971)	1,448,372
Prepaid expenses and other current assets	(209,437)	1,219,373
Net pension liability	(1,057,052)	(594,004)
Net OPEB liability	(632,146)	2,227,944
Accounts payable and accrued liabilities	1,886,906	1,297,166
Prizes payable	1,726,548	(5,195,511)
Unearned revenue and deferred outflows and inflows	306,760	(2,255,194)
Net cash provided by operating activities	<u>\$ 613,484,602</u>	<u>\$ 553,688,374</u>
 SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets Via Leases	<u>\$ 5,424,223</u>	<u>\$ 5,791,919</u>

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Commission are as follows:

Method of Accounting

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

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

Basis of Accounting

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

Use of Estimates

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

Operating and Non-operating Revenues and Expenses

In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*, operating revenues and expenses are revenues and expenses other than non-operating revenues and expenses. Operating revenue is revenue earned from all operations related to the selling of tickets for instant and terminal games and fees charged to retailer for permits and licenses and communications. Operating expenses, as defined by the Act, in the determination of net proceeds, consist of all costs of doing business including, but not limited to, prizes, commissions, and other compensation paid to lottery retailers, advertising and marketing costs, rental fees, personnel costs, capital costs, depreciation and amortization of capital assets, and other operating costs.

Nonoperating revenues and expenses are subsidies received and provided, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment incomes and expenses.

Revenue, Accounts Receivable, and Unearned Revenue Recognition

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

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

Commissions

Retailers receive a commission of 7 percent on total sales.

Prizes

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

Ticket Inventories

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

Unclaimed Prizes

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

Education Lottery Account (ELA)

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

Net Position

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

Cash and Cash Equivalents

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

Retailer Accounts Receivable

Retailer accounts receivable represent lottery proceeds due from retailers for ticket sales, less commissions and prizes paid by the retailers. The Commission collects lottery proceeds weekly from retailer bank accounts. The Commission maintains allowances for potential losses which management

believes are adequate to absorb losses to be incurred in realizing the amounts recorded in the accompanying financial statements. Credit risk with respect to accounts receivable is dispersed due to the nature of the business and the large number of retailers. Pursuant to licensing qualified retailers, the Commission obtains background information on prospective retailers from the South Carolina Department of Revenue and the South Carolina Law Enforcement Division.

Capital Assets

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

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

Right-to-Use-Assets

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

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

Prepaid Expenses

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

Restricted Fidelity Bond Fund

In accordance with the Act, retailers contribute a fee to a Fidelity Bond Fund upon acceptance as a lottery retailer. The Fidelity Bond Fund is used to cover losses the Commission may incur due to misfeasance, nonfeasance, or malfeasance of retailers. At the end of each fiscal year, any amount in the fund in excess of \$500,000 is treated as net proceeds from the Commission and is payable to the ELA. As of June 30, 2026 and 2025, the balance in the Restricted Fidelity Bond Fund was \$433,893 and \$402,220, respectively.

The Commission transferred \$0 and \$100,703 from the Fidelity Bond Fund to the Education Lottery Account during the years ended June 30, 2026 and 2025, respectively. The Fidelity Bond Fund is held in a separate account and appears on the Statements of Net Position as “restricted fidelity bond fund.”

Insurance

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

Compensated Absences

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

Deposit with Multi-State Lottery Association (MUSL)

The Commission is required to maintain funds in reserve with MUSL. This reserve serves as a contingent source for prize payouts should MUSL games not generate sufficient funds to pay amounts due to prize winners. MUSL is not a financial institution. Balances related to these deposits as of June 30, 2026 and 2025 were \$5,279,108 and \$5,970,896, respectively.

Prizes Payable - Multi-State Lottery Association (MUSL)

Prizes Payable – MUSL consists of the Commission’s annual pro rata allocation of prizes for games administered by MUSL. Balances related to these payables as of June 30, 2026 and 2025 were \$1,451,718 and \$942,970, respectively.

Advertising

Costs incurred for producing and communicating advertising are expensed when incurred, which generally is when the advertising first takes place. Advertising costs for the years ended June 30, 2026 and 2025 were \$11,588,230 and \$12,140,773, respectively.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in the net pension and OPEB liabilities not included in current period expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and OPEB liabilities are reported as deferred outflows of

resources. Deferred outflows of resources and deferred inflows of resources are also determined by the difference in actual and expected liability experience and projected and actual return on investments.

Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through September 15, 2026, the date these financial statements were available to be issued.

NOTE 3 - DEPOSITS

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

As of June 30, 2026 and 2025, the amounts of the Commission's deposits were as follows:

	2026		2025	
	<u>Carrying amounts</u>	<u>Bank balances</u>	<u>Carrying amounts</u>	<u>Bank balances</u>
Demand deposits	\$ 34,468,071	\$ 35,656,125	\$ 28,510,310	\$ 30,032,722

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. For the years ended June 30, 2026 and 2025, all of the Commission's bank balances of \$35,656,125 and \$30,032,722, respectively, were covered by FDIC insurance or by collateral held by the pledging financial institutions' trust departments in the Commission's name. The Commission's bank balances were not exposed to custodial credit risk as of June 30, 2026 or June 30, 2025.

State Law

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

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation and amortization during fiscal year 2026:

	Balance as of		Balance as of	
	June 30, 2025	June 30, 2026	June 30, 2025	June 30, 2026
Capital assets being depreciated:				
Machinery and equipment	\$ 5,332,787	\$ 5,616,862	\$ -	\$ -
Vehicles	565,672	673,382	-	-
Leasehold improvements	1,745,249	1,844,941	-	-
Intellectual property	555,815	555,815	-	-
Lease assets:				
Buildings	8,153,824	5,791,919	(2,361,905)	-
Equipment	-	5,424,223	-	-
Subscription asset	29,065,762	29,065,762	-	-
<i>Total capital assets being depreciated</i>	<i>45,419,109</i>	<i>48,972,904</i>	<i>(2,361,905)</i>	<i>-</i>
Less accumulated depreciation / amortization for:				
Machinery and equipment	\$ (4,751,790)	\$ (5,108,618)	\$ -	\$ -
Vehicles	(392,332)	(445,577)	-	-
Leasehold improvements	(1,434,141)	(1,521,714)	-	-
Intellectual property	(555,815)	(555,815)	-	-
Lease assets:				
Buildings	(2,892,830)	(1,110,117)	2,361,905	-
Equipment	-	(2,410,766)	-	-
Subscription asset	(17,014,105)	(21,267,630)	-	-
<i>Total accumulated depreciation / amortization</i>	<i>(27,041,013)</i>	<i>(32,420,237)</i>	<i>2,361,905</i>	<i>-</i>
Capital assets being depreciated, net	18,378,096	16,552,667	-	-
Total capital assets, net	\$ 18,378,096	\$ 16,552,667	\$ -	\$ -

The following is a summary of changes in capital assets and accumulated depreciation and amortization during fiscal year 2025:

	Balance as of June 30, 2024	Additions	Deletions	Transfers	Balance as of June 30, 2025
Capital assets not being depreciated:					
Construction in Progress	\$ 613,525	\$ -	\$ -	\$ (613,525)	\$ -
<i>Total capital assets not being depreciated</i>	<u>613,525</u>	<u>-</u>	<u>-</u>	<u>(613,525)</u>	<u>-</u>
Capital assets being depreciated:					
Machinery and equipment	\$ 4,757,570	\$ 72,218	\$ -	\$ 502,999	\$ 5,332,787
Vehicles	565,672	-	-	-	565,672
Leasehold improvements	1,463,398	171,324	-	110,527	1,745,249
Intellectual property	555,815	-	-	-	555,815
Lease assets:					
Buildings	2,361,905	5,791,919	-	-	8,153,824
Subscription asset	29,065,762	-	-	-	29,065,762
<i>Total capital assets being depreciated</i>	<u>38,770,121</u>	<u>6,035,461</u>	<u>-</u>	<u>613,525</u>	<u>45,419,109</u>
Less accumulated depreciation / amortization for:					
Machinery and equipment	\$ (4,443,635)	\$ (308,155)	\$ -	\$ -	\$ (4,751,790)
Vehicles	(350,419)	(41,913)	-	-	(392,332)
Leasehold improvements	(1,361,828)	(72,313)	-	-	(1,434,141)
Intellectual property	(555,815)	-	-	-	(555,815)
Lease assets:					
Buildings	(2,360,264)	(532,566)	-	-	(2,892,830)
Subscription asset	(12,760,579)	(4,253,526)	-	-	(17,014,105)
<i>Total accumulated depreciation / amortization</i>	<u>(21,832,540)</u>	<u>(5,208,473)</u>	<u>-</u>	<u>-</u>	<u>(27,041,013)</u>
Capital assets being depreciated, net	<u>16,937,581</u>	<u>826,988</u>	<u>-</u>	<u>613,525</u>	<u>18,378,096</u>
Total capital assets, net	<u>\$ 17,551,107</u>	<u>\$ 826,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,378,096</u>

NOTE 5 - ACCRUED LIABILITIES

	<u>2026</u>	<u>2025</u>
Accrued expenses as of June 30 consist of the following:		
Accrued payroll and related expenses	\$ 1,366,806	\$ 1,203,682
Accrued other expenses	<u>220,270</u>	<u>578,496</u>
Total accrued expenses	<u>\$ 1,587,076</u>	<u>\$ 1,782,178</u>

NOTE 6 - LONG-TERM CONTRACTS AND COMMITMENTS

In May 2018, the Commission began a ten-year contract with IGT Global Solutions Corporation (IGT) to provide services and supplies and/or equipment for the operation of the lottery (the "Contract"). The Contract was subject to the competitive bid process and requires IGT to provide and support the components necessary to operate the Commission's lottery business. Services to be provided under the Contract include the operation and replacement, as necessary, of hardware and software owned and maintained by IGT. The Commission agreed to pay an annual fee of \$7,750,000 for these services. During the fiscal year ending June 30, 2023, the Commission implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*, effective July 1, 2021. The Commission determined that a portion of the contract with IGT met the definition of a SBITA. See note 9 for further information.

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

<u>Fiscal Year</u>	<u>Contract Payments to IGT</u>
2027	7,927,000
2028	7,927,000

The monthly terminal gaming fee payments to IGT totaled \$7,927,000 and \$7,927,000 for the years ended June 30, 2026 and 2025, respectively.

Scientific Games International (SGI) has provided services for the instant games contract since inception. During fiscal year 2020, the current contract was awarded to SGI to provide instant tickets, including services of marketing support, warehousing, and distribution, among other items associated with providing instant tickets. In May 2025, the Commission updated the current contract with SGI to provide SCiQ Smart Dispensers at an annual cost of \$2,529,360. Payments to SGI are contingent upon actual services provided. Total payments to SGI relating to instant ticket services and SCiQ were \$18,064,042 and \$12,149,973 for the years ended June 30, 2026 and 2025, respectively. The current contract period ends September 2027.

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations during fiscal year 2026:

	June 30, 2025	Additions	Deductions	June 30, 2026	Due Within One Year
Lease Obligations					
Subscription liability	\$ 13,333,593	\$ -	\$ 4,480,040	\$ 8,853,553	\$ 4,722,866
Lease liability - buildings	5,423,724	-	408,321	5,015,403	448,204
Lease liability - SCiQ	-	5,424,223	2,354,988	3,069,235	2,441,587
Total Lease Obligations	\$ 18,757,317	\$ 5,424,223	\$ 7,243,349	\$ 16,938,191	\$ 7,612,657
Other Liabilities					
Accrued compensated absences	\$ 1,224,696	\$ 887,060	\$ 769,166	\$ 1,342,590	\$ 838,599
Net pension liability	15,312,802	-	1,057,052	14,255,750	-
Net OPEB liability	12,814,898	-	632,146	12,182,752	-
Total Other Liabilities	29,352,396	887,060	2,458,364	27,781,092	838,599
Total Long-Term Liabilities	\$ 48,109,713	\$ 6,311,283	\$ 9,701,713	\$ 44,719,283	\$ 8,451,256

The following is a summary of changes in long-term obligations during fiscal year 2025:

	June 30, 2024	Additions	Deductions	June 30, 2025	Due Within One Year
Lease Obligations					
Subscription liability	\$ 17,583,293	\$ -	\$ 4,249,700	\$ 13,333,593	\$ 4,480,040
Lease liability - buildings	51,328	5,791,919	419,523	5,423,724	408,321
Total Lease Obligations	\$ 17,634,621	\$ 5,791,919	\$ 4,669,223	\$ 18,757,317	\$ 4,888,361
Other Liabilities					
Accrued compensated absences	\$ 1,111,667	\$ 790,134	\$ 677,105	\$ 1,224,696	\$ 756,072
Net pension liability	15,906,806	-	594,004	15,312,802	-
Net OPEB liability	10,586,954	2,227,944	-	12,814,898	-
Total Other Liabilities	27,605,427	3,018,078	1,271,109	29,352,396	756,072
Total Long-Term Liabilities	\$ 45,240,048	\$ 8,809,997	\$ 5,940,332	\$ 48,109,713	\$ 5,644,433

NOTE 8 – LEASES

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

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

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

Included leases:

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

	<u>Balance at June 30, 2026</u>	<u>Balance as of June 30, 2025</u>
Building Leases	\$ 5,791,919	\$ 8,153,824
SCiQ Lease	5,424,223	\$ -
Accumulated Amortization	<u>(3,520,883)</u>	<u>(2,892,831)</u>
Net Lease	<u>\$ 7,695,259</u>	<u>\$ 5,260,994</u>

For the fiscal year ended June 30, 2026, the Commission reported aggregate amortization and interest expense of \$2,989,958 and \$461,464. For the fiscal year ended June, 30, 2025, the Commission reported amortization and interest expense of \$532,566 and \$255,686, respectively. The amortization of the SCiQ lease is included in the Commission's Financial Statements as a direct Instant Game cost.

The leases held by the Commission do not contain explicit interest rates and, therefore, the Commission used a risk-free rate (5.48% at June 30, 2025 for the building leases and 4.48% at June 30, 2026 for the SCiQ lease) as the incremental borrowing rate to discount the lease liability to the net present value.

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

Building:

The Commission leases office space for its headquarters and claims center in Columbia, South Carolina. The terms of the leases include scheduled rental increases, which are considered in the value of the lease asset. Amounts paid under the lease agreements totaled \$695,414 and \$623,880 for the fiscal years ended June 30, 2026 and 2025, respectively.

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

Fiscal Year	Principal Payments	Interest Payments	Lease Payments
2027	448,204	263,726	711,930
2028	490,731	238,107	728,838
2029	536,059	210,089	746,148
2030	584,357	179,513	763,870
2031	635,800	146,211	782,011
2032 - 2035	2,320,252	209,177	2,529,429
Total	<u>5,015,403</u>	<u>1,246,823</u>	<u>6,262,226</u>

SCiQ:

The Commission leases SCiQ instant ticket dispensers that are used in 400 retailer locations. SCiQ is an intelligent system that automatically tracks every unit of product sold in real-time which allows greater visibility into sales performance and available inventory. Amounts paid under the lease agreement totaled \$2,529,360 for the fiscal year ended June 30, 2026.

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

Fiscal Year	Principal Payments	Interest Payments	Lease Payments
2027	2,441,587	87,773	2,529,360
2028	627,648	4,692	632,340
Total	3,069,235	92,465	3,161,700

NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

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

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

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

Subscription Asset:

	Balance as of June 30, 2026	Balance as of June 30, 2025
Online Gaming System	\$ 29,065,762	\$ 29,065,762
Accumulated Amortization	(21,267,630)	(17,014,105)
Net Subscription Asset	\$ 7,798,132	\$ 12,051,657

The amortization of the online gaming system is included in the Commission’s Financial Statements as a direct Terminal Game cost. For the fiscal year ended June 30, 2026, the Commission reported amortization and interest expense of \$4,253,526 and \$597,760, respectively. For the fiscal year ended June 30, 2025, the Commission reported amortization and interest expense of \$4,253,526 and \$828,101, respectively.

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

Subscription Liability:

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

30, 2026 and 2025, respectively. These totals include payments that are not included in the measurement of the SBITA as stipulated in GASB 96.

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

Fiscal Year	Principal Payments	Interest Payments	Subscription Payments
2027	4,722,866	354,934	5,077,800
2028	4,130,687	100,813	4,231,500
Total	8,853,553	455,747	9,309,300

NOTE 10 – RESTRICTED FOR EDUCATION LOTTERY ACCOUNT

The following table summarizes the activity in Restricted for ELA for the year ended June 30:

	2026	2025
Restricted for ELA, beginning of year	\$ 17,557,883	\$ 18,599,722
Change in net position before transfers to ELA	605,732,324	548,954,021
Cash transfers to ELA	(599,588,008)	(550,360,374)
Change in capital assets, net	6,304	295,708
Net amount paid from fidelity fund	(31,673)	68,805
Restricted for ELA, end of year	\$ 23,676,830	\$ 17,557,883

NOTE 11 - PENSION PLANS

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

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

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

Plan Description

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

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

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

Membership

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the State; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

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

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

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

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

Contributions

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

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

valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates are as follows:

	For the Years Ended June 30,	
	2026	2025
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates are as follows:

SCRS		
Employer Class Two	18.56%	18.56%
Employer Class Three	18.56%	18.56%
State ORP		
Employer Contribution	18.56%	18.56%
PORS		
Employer Class Two	21.24%	21.24%
Employer Class Three	21.24%	21.24%

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

Contributions to the SCRS, ORP, and PORS pension plans from the Commission were \$1,816,898, \$146,584, and \$15,823 for the year ended June 30, 2026, respectively. Contributions to the SCRS, ORP, and PORS pension plans from the Commission were \$1,670,796, \$116,803, and \$15,609 for the year ended June 30, 2025, respectively.

Pension Expense

For the years ended June 30, 2026 and 2025, the Commission recognized pension expense for the SCRS plan of \$607,726 and \$1,244,412, respectively and for the PORS plan of \$5,917 and \$33,396, respectively.

Deferred outflows of resources and deferred inflows of resources

At June 30, 2026 and 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for each of the respective plans:

	SCRS			
	June 30, 2026		June 30, 2025	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 664,307	\$ -	\$ 497,880	\$ 18,802
Changes of assumptions	167,339	-	267,091	-
Net difference between projected and actual earnings on pension plan investments	-	909,059	-	583,731
Changes in proportion and differences between Commission contributions and proportionate share of contributions	149,165	144,170	-	423,782
Commission contributions subsequent to the measurement date	1,963,482	-	1,787,599	-
Total	<u>\$ 2,944,293</u>	<u>\$ 1,053,229</u>	<u>\$ 2,552,570</u>	<u>\$ 1,026,315</u>

	PORS			
	June 30, 2026		June 30, 2025	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 11,361	\$ -	\$ 15,296	\$ 934
Changes of assumptions	1,286	-	3,546	-
Net difference between projected and actual earnings on pension plan investments	-	9,114	-	9,132
Changes in proportion and differences between Commission contributions and proportionate share of contributions	11,204	39,659	24,060	1,346
Commission contributions subsequent to the measurement date	15,823	-	15,609	-
Total	<u>\$ 39,674</u>	<u>\$ 48,773</u>	<u>\$ 58,511</u>	<u>\$ 11,412</u>

The \$1,963,482 and \$15,823 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2026 will be recognized as a reduction of the net pension liability during the year ending June 30, 2027.

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:	
2027	436,350
2028	(28,745)
2029	(270,445)
2030	(209,578)
Total	<u>(72,418)</u>

	PORS
Year ended June 30:	
2027	1,910
2028	(13,261)
2029	(11,494)
2030	(2,076)
Total	(24,921)

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2025 is based on the experience study report for the period ending June 30, 2023.

The June 30, 2025 total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2024. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2025 (the measurement date), using generally accepted actuarial principles. There was no legislation enacted during the 2025 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2025.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7%	7%
Projected salary increases, includes	3.0% to 11.25% (varies by service)	3.5% to 11.0% (varies by service)
inflation at:	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2025, TPL are as follows.

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular System's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2025, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 63,965,318,760	\$ 42,347,352,061	\$ 21,608,966,699	66.2%
PORS	10,857,734,777	8,092,430,248	2,765,304,529	74.5%

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

At June 30, 2026, the Commission reported liabilities of \$14,158,979 and \$96,771 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. At June 30, 2025, the Commission reported liabilities of \$15,149,926 and \$162,876 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liabilities were measured as of June 30, 2025 and 2024, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of those dates. The Commission's proportionate shares of the net pension liabilities were based on a projection of its long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2026 and 2025, the Commission's proportionate shares of the SCRS and PORS plans were 0.06552% and 0.00350%, respectively, and 0.06460% and 0.00543%, respectively.

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 rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2025 fiscal year. The long-term expected rate of return is produced by weighting

the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return set in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	5.87%	2.70%
Bonds	26.00%	3.20%	0.83%
Private Equity ¹	9.00%	8.50%	0.77%
Private Debt ¹	7.00%	7.40%	0.52%
Real Assets	12.00%		
Real Estate ¹	9.00%	5.00%	0.45%
Infrastructure ¹	3.00%	7.70%	0.23%
Expected Real Return ²	<u>100.00%</u>		5.50%
Inflation for Actuarial Purposes			2.25%
Expected Rate of Return			<u>7.75%</u>

¹ RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

² Portable Alpha Strategies, which utilize Hedge Funds are not included in the Policy Target, will be capped at 15% of total assets.

Discount Rate

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

Sensitivity Analysis

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

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 19,133,632	\$ 14,158,979	\$ 10,019,319
PORS	147,290	96,771	55,326

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2025, and the accounting valuation report as of June 30, 2025. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

NOTE 12 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), which collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

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

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

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefit.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2025 was 6.35 percent. The South Carolina Retirement System (SCRS) collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer

from PEBA – Insurance Benefits reserves. However, due to COVID-19 pandemic and the impact it has had on the PEBA – Insurance Benefits reserves, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income. For the years ended June 30, 2026 and 2025 the Commission remitted \$667,634 and \$631,000 respectively, to SCRS for SCRHITF surcharges.

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

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

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

At June 30, 2026 and 2025, the commission reported liabilities of \$12,182,752 and \$12,814,898, respectively, for its proportionate share of the net OPEB liability. The Commission’s proportionate share of the net OPEB liabilities were based on a projection of the Commission’s long-term share of contributions to the OPEB Trust relative to the projected contributions of all participants, as actuarially determined. As of June 30, 2026 and 2025, the Commission’s proportionate share related to the SCRHITF was 0.080583% and 0.079488%, respectively.

For the years ended June 30, 2026 and 2025, the Commission recognized OPEB expense related to the SCRHITF of \$98,595 and \$134,705, respectively. At June 30, 2026, the Commission recognized deferred outflows and inflows of resources related to OPEB from the following sources:

	June 30, 2026		June 30, 2025	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 972,950	\$ 1,441,831	\$ 666,150	\$ 1,896,691
Changes of assumptions	1,909,571	3,444,297	2,744,628	2,631,302
Net difference between projected and actual earnings on pension plan investments	-	13,264	62,506	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	237,747	710,131	141,539	938,692
Commission contributions subsequent to the measurement date	667,634	-	631,000	-
Total	\$ 3,787,902	\$ 5,609,523	\$ 4,245,823	\$ 5,466,685

Deferred outflows related to Commission contributions subsequent to the measurement date of \$667,634 will be recognized as a reduction of the OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2027	(505,285)
2028	(776,637)
2029	(1,010,099)
2030	(188,758)
2031	90,684
Thereafter	(99,161)
Total	<u>(2,489,256)</u>

Actuarial Assumptions and Methods

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

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

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2024
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:	5.05% as of June 30, 2025
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2023
Mortality:	For healthy retirees, the gender-distinct South Carolina Retirees 2020 Mortality Tables are used with fully generational mortality projections based on a fully generational basis by the 80% of Scale MP-2020 to account for future mortality improvements
Health Care Trend Rate:	Initial trend starting at 6.80% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 15 years
Retiree Participation:	75% participation for retirees who are eligible for Funded Premiums 60% 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 3.97% as of June 30, 2024 to 5.05% as of June 30, 2025. Additionally, the demographic and salary increase assumptions were updated to reflect the 2024 SCRS experience study, and both the health care trend rates and election assumption rates were updated to reflect the plan's anticipated experience.

The actuarial valuations were performed as of June 30, 2024. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2025.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability related to the SCRHITF as of June 30, 2025:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability
SCRHITF	\$ 17,049,657,227	\$ 1,931,391,247	\$ 15,118,265,980	11.33%

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

Single Discount Rate

The Single Discount Rate of 5.05% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

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

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

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability and the Commission's proportionate share calculated using a Single Discount Rate of 5.05%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 4.05%	Current Discount Rate 5.05%	1% Increase 6.05%
Commission's Proportionate Share	\$ 14,273,613	\$ 12,182,752	\$ 10,535,175

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Commission's Proportionate Share	\$ 10,199,177	\$ 12,182,752	\$ 14,761,767

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the SCRHITF is available in its audited financial statements for the fiscal year ended June 30, 2025 (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, 2025. A copy of the separately issued financial statements for the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority - Insurance Benefits Division, PO Box 11960, Columbia, SC 29211-1960.

NOTE 13 - CONTINGENCIES

The Commission is subject to litigation in the ordinary course of its business. In the opinion of management and legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the Commission as of and for the year ended June 30, 2026.

NOTE 14 - TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2026, the Commission had certain transactions with the State and various other agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	11,472,773	Transfers of state income tax withholdings for prizes, use taxes, prize debt setoffs, and retailer credit checks
South Carolina Law Enforcement Division	681,689	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	599,588,008	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	5,212	Unclaimed property return
South Carolina Department of Administration	2,018	Vehicles, telephone, printing, and miscellaneous services
South Carolina Public Employee Benefit Authority	1,679,401	Employee health, life and dental insurance
South Carolina Department of Social Services	9,342	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	293,879	Security services
South Carolina State Accident Fund	2,798	Worker's Compensation Insurance
Public Employee Benefit Association (PEBA)	3,392,110	Employee retirement contributions / employer match
South Carolina Department of Employment & Workforce	68,280	Unemployment insurance and debt setoffs withheld from prize winnings
South Carolina Department of Corrections	4,852	Furniture and miscellaneous maintenance
State Fiscal Accountability Authority (IRF)	91,221	Worker's Compensation Insurance
Other	628	State codes, memberships
Total	<u>\$ 617,292,211</u>	

For the year ended June 30, 2025, the Commission had certain transactions with the State and various other agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	12,794,725	Transfers of state income tax withholdings for prizes, use taxes, prize debt setoffs, and retailer credit checks
South Carolina Law Enforcement Division	597,525	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	550,360,373	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	8,046	Unclaimed property return
South Carolina Department of Administration	5,754	Vehicles, telephone, printing, and miscellaneous services
South Carolina Public Employee Benefit Authority	1,401,747	Employee health, life and dental insurance
South Carolina Department of Social Services	93,006	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	287,887	Security services
South Carolina State Accident Fund	37,003	Worker's Compensation Insurance
Public Employee Benefit Association (PEBA)	3,149,361	Employee retirement contributions / employer match
South Carolina Department of Employment & Workforce	138,792	Unemployment insurance and debt setoffs withheld from prize winnings
South Carolina Legislative Audit Council	-	Management Review
South Carolina Department of Corrections	6,771	Furniture and miscellaneous maintenance
State Fiscal Accountability Authority (IRF)	81,679	Worker's Compensation Insurance
Other	369	State codes, memberships
Total	\$ 568,963,038	

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

	For the years ended June 30,									
	SCRS									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Commission's proportion of the net pension liability	6.55240%	0.06460%	0.06513%	0.67182%	0.06960%	0.06782%	0.06891%	0.06774%	0.06852%	0.06989%
Commission's proportionate share of the net pension liability	<u>\$ 14,158,979</u>	<u>\$ 15,149,926</u>	<u>\$ 15,747,145</u>	<u>\$ 16,286,383</u>	<u>\$ 15,062,582</u>	<u>\$ 17,329,585</u>	<u>\$ 15,735,864</u>	<u>\$ 15,178,603</u>	<u>\$ 15,425,179</u>	<u>\$ 14,929,635</u>
Commission's covered payroll during the measurement period	<u>\$ 9,863,512</u>	<u>\$ 9,066,130</u>	<u>\$ 8,386,411</u>	<u>\$ 8,156,447</u>	<u>\$ 8,021,718</u>	<u>\$ 7,782,689</u>	<u>\$ 7,559,821</u>	<u>\$ 7,336,218</u>	<u>\$ 7,240,912</u>	<u>\$ 7,046,052</u>
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	143.54906%	167.10466%	187.76976%	199.67497%	187.77252%	222.66835%	208.15128%	206.89956%	237.89409%	232.13031%
Plan fiduciary net position as a percentage of the total pension liability	66.20000%	61.80000%	58.60000%	57.10000%	60.70000%	50.70000%	54.40000%	54.10484%	53.33844%	52.90645%
	PORS									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Commission's proportion of the net pension liability	0.34990%	0.00543%	0.00525%	0.00377%	0.00398%	0.00373%	0.00379%	0.00382%	0.00401%	0.00398%
Commission's proportionate share of the net pension liability	<u>\$ 96,771</u>	<u>\$ 162,876</u>	<u>\$ 159,661</u>	<u>\$ 113,002</u>	<u>\$ 102,389</u>	<u>\$ 123,618</u>	<u>\$ 108,846</u>	<u>\$ 108,676</u>	<u>\$ 110,182</u>	<u>\$ 100,926</u>
Commission's covered payroll during the measurement period	<u>\$ 73,491</u>	<u>\$ 107,097</u>	<u>\$ 91,896</u>	<u>\$ 59,633</u>	<u>\$ 59,839</u>	<u>\$ 56,312</u>	<u>\$ 54,895</u>	<u>\$ 52,901</u>	<u>\$ 53,979</u>	<u>\$ 50,723</u>
Commission's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	131.67772%	152.08269%	173.74110%	189.49575%	171.10747%	219.52337%	198.28035%	205.43279%	204.12012%	198.97482%
Plan fiduciary net position as a percentage of the total pension liability	74.50000%	70.50000%	67.80000%	66.40000%	70.40000%	58.80000%	62.70000%	61.72943%	60.93977%	60.44490%

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

For the years ended
June 30,
SCRS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,963,482	\$ 1,787,599	\$ 1,647,820	\$ 1,446,027	\$ 1,324,768	\$ 1,223,375	\$ 1,179,052	\$ 1,059,546	\$ 868,731	\$ 739,830
Contributions in relation to the contractually required contribution	\$ 1,963,482	\$ 1,787,599	\$ 1,647,820	\$ 1,446,027	\$ 1,324,768	\$ 1,223,375	\$ 1,179,052	\$ 1,059,546	\$ 868,731	\$ 739,830
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 10,843,324	\$ 9,863,512	\$ 9,066,130	\$ 8,386,411	\$ 8,156,447	\$ 8,021,718	\$ 7,782,689	\$ 7,559,821	\$ 7,336,218	\$ 7,240,912
Contributions as a percentage of covered payroll	18.10775%	18.12335%	18.17556%	17.24250%	16.24197%	15.25079%	15.14967%	14.41000%	13.41001%	11.41000%

PORS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 15,823	\$ 15,609	\$ 22,747	\$ 18,600	\$ 11,473	\$ 10,915	\$ 10,271	\$ 9,464	\$ 8,380	\$ 7,470
Contributions in relation to the contractually required contribution	\$ 15,823	\$ 15,609	\$ 22,747	\$ 18,600	\$ 11,473	\$ 10,915	\$ 10,271	\$ 9,464	\$ 8,380	\$ 7,470
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 74,498	\$ 73,491	\$ 107,097	\$ 91,896	\$ 59,633	\$ 59,839	\$ 56,312	\$ 54,895	\$ 52,901	\$ 53,979
Contributions as a percentage of covered payroll	21.23950%	21.23934%	21.23962%	20.24027%	19.23942%	18.24061%	18.23998%	17.24030%	15.84091%	13.83834%

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

	For the years ended June 30,									
	SCRHITF									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Commission's proportion of the net OPEB liability	0.08058%	0.07949%	0.08087%	0.08359%	0.08666%	0.08504%	0.08707%	0.08568%	0.08651%	0.08651%
Commission's proportionate share of the net OPEB liability	<u>\$ 12,182,752</u>	<u>\$ 12,814,898</u>	<u>\$ 10,586,954</u>	<u>\$ 12,715,578</u>	<u>\$ 18,044,952</u>	<u>\$ 15,351,311</u>	<u>\$ 13,165,858</u>	<u>\$ 12,141,924</u>	<u>\$ 11,717,096</u>	<u>\$ 12,516,244</u>
Commission's covered payroll during the measurement period	<u>\$ 9,937,002</u>	<u>\$ 9,173,228</u>	<u>\$ 8,478,307</u>	<u>\$ 8,216,080</u>	<u>\$ 8,081,557</u>	<u>\$ 7,839,001</u>	<u>\$ 7,614,716</u>	<u>\$ 7,389,119</u>	<u>\$ 7,294,891</u>	<u>\$ 7,096,775</u>
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll during the measurement period	122.59987%	139.69889%	124.87109%	154.76453%	223.28559%	195.83249%	172.90018%	164.32167%	160.62058%	176.36524%
Plan fiduciary net position as a percentage of the total OPEB liability	11.3300%	9.9100%	11.2400%	9.6400%	7.4800%	8.3900%	8.4400%	7.9100%	7.6000%	7.6000%

*The above information is presented for all available years.

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

	SCRHITF									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 667,634	\$ 631,000	\$ 582,500	\$ 529,894	\$ 513,506	\$ 505,097	\$ 489,938	\$ 466,789	\$ 406,501	\$ 388,818
Contributions in relation to the contractually required contribution	\$ 667,634	\$ 631,000	\$ 582,500	\$ 529,894	\$ 513,506	\$ 505,097	\$ 489,938	\$ 466,789	\$ 406,501	\$ 388,818
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 10,944,822	\$ 9,937,002	\$ 9,173,228	\$ 8,478,307	\$ 8,216,080	\$ 8,081,557	\$ 7,839,001	\$ 7,614,716	\$ 7,389,119	\$ 7,294,891
Contributions as a percentage of covered payroll	6.10000%	6.35000%	6.35000%	6.25000%	6.25001%	6.25000%	6.25000%	6.13009%	5.50135%	5.33000%



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*

Ms. Sue F. Moss, CPA
Interim State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the **South Carolina Education Lottery Commission** (the "Commission"), a component unit of the State of South Carolina, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 15, 2026.

Report on Internal Control over Financial Reporting

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

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

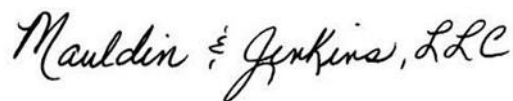
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Columbia, South Carolina
September 15, 2026