

South Carolina First Steps to School Readiness

Financial Statements

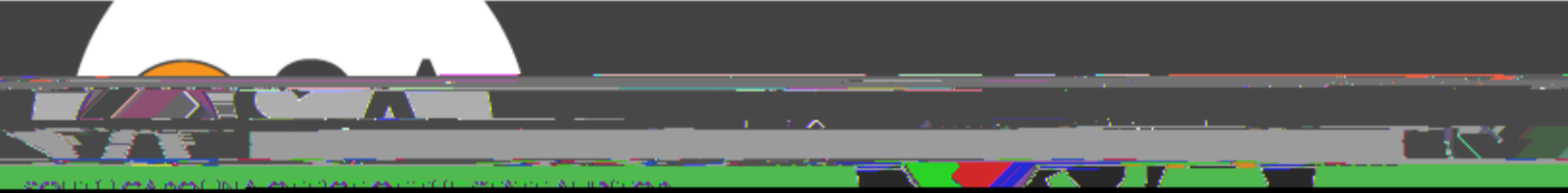
For the Year Ended June 30, 2024

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Joseph L. Kennedy III

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INDEPEN

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 opinions. 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 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 Government Auditing Standards, we

- x exercise professional judgment and maintain professional skepticism throughout the audit.
- x 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 transactions and disclosures in the financial statements.
- x 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 First Steps' internal control. Accordingly, no such opinion is expressed.
- x 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.
- x conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First Steps' 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, budgetary comparison schedules, and the pension and other postemployment benefit plan schedules, as listed in the table of contents, 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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise First Steps' basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

The Management's Discussion and Analysis ("MD&A") of the South Carolina First Steps to School Readiness Board of Trustees provides an overview of the financial activities for the year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

The South Carolina First Steps to School Readiness ("First Steps") prepared its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") and follows pronouncements from the Governmental Accounting Standards Board ("GASB").

As of and for the year ended June 30, 2024:

- x First Steps' total net position decreased by \$2,886,663 and its assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) by \$12,496,004, which includes \$19,882,379 in restricted net position of which the majority is restricted for the 4K preschool program and early childhood services.

- x First Steps received \$55,298,678 in appropriations from the State of South Carolina, the significant majority of which was disbursed for funding the county partnerships and the 4K programs throughout the state.

- x First Steps received federal, state, local, and private grants totaling \$10,863,717.

USING THESE AUDITED FINANCIAL STATEMENTS

The audited financial statements presented in this document include both government-wide and fund financial statements.

Government-wide Statements:

Government-wide statements include a Statement of Net Position and a Statement of Activities. These statements display information about First Steps as a whole. The government-wide financial statements of First Steps are presented on the accrual basis of accounting and provide short-term and long-term information about First Steps.

Fund Statements:

The fund financial statements include the governmental funds' Balance Sheet and Statement of Revenue, Expenditures, and Change in Fund Balances. The governmental fund financial statements are presented on the modified accrual basis of accounting which focus on the near term inflows and outflows of resources available for expenditure for the fiscal year.

First Steps was created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Statements of Net Position The Statements of Net Position provide a summary of First Steps' financial condition at the end of the 2024 and 2023 fiscal years; the statement reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
STATEMENTS OF NET POSITION

	<u>2024</u>	<u>2023</u>
Current assets	\$ 29,209,942	\$ 30,212,572
Lease and capital assets, net	<u>641,509</u>	<u>876,207</u>
Total assets	<u>29,851,451</u>	<u>31,088,779</u>
Deferred outflows of resources	<u>4,943,237</u>	<u>6,100,291</u>
Current liabilities	4,240,175	2,442,752
Net pension liability	8,439,891	8,458,219
Net OPEB liability	5,297,601	6,181,745
Other noncurrent liabilities	<u>492,645</u>	<u>711,771</u>
Total liabilities	<u>18,470,312</u>	<u>17,794,487</u>
Deferred inflows of resources	<u>3,828,372</u>	<u>4,011,916</u>
Net investment in capital assets	143,659	130,664
Restricted	19,882,379	24,374,994
Unrestricted	<u>(7,530,034)</u>	<u>(9,122,991)</u>
Total net position	<u>\$ 12,496,004</u>	<u>\$ 15,382,667</u>

Current assets have decreased from \$30,212,572 at June 30,

South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Statements of Activities– The Statements of Activities reports the revenues and expenses during the 2024 and 2023 fiscal years.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
STATEMENTS OF ACTIVITIES

	2024	2023
Program Revenues		
Federal, state, local and private grants	\$ 10,863,717	\$ 7,988,403
Total program revenues	10,863,717	7,988,403
General Revenues		
State appropriations	55,298,678	49,060,487
Interest income and other revenues	45,146	79,004
Total general revenues	55,343,824	49,139,491
Total revenues	66,207,541	57,127,894
Expenses		
Allocations to other entities	22,857,152	19,087,567
Private 4K provider costs	30,156,041	23,730,357
Contractual services	3,926,108	3,123,126
Salaries	5,387,934	4,823,767
Employer fringe benefits	2,612,132	1,914,033
Short-term rent and leases	109,330	69,613
Materials	3,326,417	1,929,739
Travel	411,324	350,020
Fundraising	67,608	67,979

South Carolina First Steps to School Readiness
Management's Discussion and Analysis

Founds Highlights:

**South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

First Steps is also required to record its proportionate share of the net OPEB liability in accordance with GASB Statement No. 75 and represents First Steps' share of the State's net OPEB liability related to the State's Retiree Health Insurance Trust Fund. The net OPEB liability as of June 30, 2023 was \$6,181,745 and decreased to \$5,297,601 at June 30, 2024. The decrease is primarily attributable to reductions in the State's overall OPEB liability. See Note 7 to the financial statements for additional information regarding First Steps' OPEB plan.

Capital Assets and Lease Assets:

First Steps did not make any capital asset acquisitions during the year ended June 30, 2024. As a result of depreciation, total net capital assets decreased from \$87,344 to \$69,579.

In addition to requiring First Steps to record lease liabilities, GASB Statement No. 87 also requires First Steps to recognize intangible right of use assets related to the lease agreements. The lease assets are amortized over the term of the lease. The net lease asset reported as of June 30, 2023 was \$788,863, which was then amortized during the year ended June 30, 2024, resulting in an ending balance of \$571,930.

Budget Highlights:

First Steps budgets State appropriations and other funds (earmarked, restricted and federal) as they are received during the year. First Steps' original and final budget for the General Fund was \$16,501,439 for the year ended June 30, 2024. Actual expenditures, on the budgetary basis, totaled \$13,453,977. These amounts were spent primarily on the CDEPP and READY (child development) programs. The total other funds final budget was \$63,670,052. Actual expenditures, on the budgetary basis, totaled \$54,543,836. These amounts were spent primarily on allocations to First Steps local county partnerships and the CDEPP programs.

Current Conditions that are Expected to have a Significant Effect on First Steps' Financial Position:

During the 2024 state fiscal year, First Steps had an increase in revenue from the previous year. This increase was from \$57,127,894 in 2023, to \$66,207,541 in 2024. This was due to an increase in both grant revenue earned, an increase of \$2,875,314, and an increase in state appropriations, which was due primarily to the state providing additional 4K Program funds in fiscal year 2024.

First Steps' expenses increased from \$55,319,536 in 2023, to \$69,094,204 in 2024. This was due to the expansion of the 4K Program services, along with increases in salaries and fringe benefits as well as additional grant activity in both agreements with the Local Partnerships and the 4K Program. The net effect of the increase in revenue and increase in expenses provided a decrease in net position of \$2,886,663 for fiscal year 2024. This was down from an increase the prior year of \$1,808,358. The most recent years reduction in net position was due to an increase in spending on federal and other grants as we reached the close out of one, with the impending close out of another. Included in this was the increasing cost of the 4K Program while spending down its cash balances.

The 4K Program received a large increase in funding for the 2025 fiscal year so further short-term decreases in cash balances are not expected.

South Carolina First Steps to School Readiness
Management's Discussion and Analysis
For the Year Ended June 30, 2024

The Preschool Development Grant (“PDG”), although ending in April of 2023, operated under a no cost extension of funds through April 2024. At that time the PDG grant was fully expended. First Steps received a PDG Planning grant for the 2023 calendar year, which also received a no cost extension through December of 2024. This grant was approximately \$1.5 million. This provided funds to continue many of the activities started under the original PDG Grant. At this point, another three-year PDG Grant is being pursued for the state and, if awarded, SC First Steps is expected to be a subcontractor.

The ESSER Funds expenditures, from a federal subrecipient agreement with the State Department of Education, increased this year. The majority of the remaining funds were spent during this fiscal year, which helped increase services provided by Local Partnerships, along with several other fund sources, to over 80,000 families and children, which was a record number. At the end of fiscal year 2024, First Steps has just over \$1.8 million left to spend. These funds will need to be fully expended prior to September 30, 2024, which is expected.

Efforts are ongoing to provide funds to maintain as much of the increase in services as possible that were generated by both the PDG funds and the ESSER Funds for FY 2025 and going forward.

First Steps has been implementing the requirements through Act 81, which was passed in June 2023, by the South Carolina General Assembly. This made several changes to statutory requirements, added one member to the Board of Trustees, and eliminated the need to be reauthorized every 5 years. It also include actions necessary for changes and increased accountability for the Local Partnerships.

Going forward, the General Assembly passed the single largest increase in state funding for SC First Steps in June of 2024. This included an increase of \$11,539,504 in state funding, which was a combination of both General Funds and Education Improvement Act Funds.

During that same month, the Executive Director of the agency announced her resignation, which would be effective on July 1, 2024. The Director of Administration was announced as the Interim Executive Director while the Board pursued a national search for a new Executive Director.

Included in the 2024-25 State budget was a proviso that included fully separating First Steps from the State Department of Education. This work started towards the end of fiscal year 2024 and will be completed by December of 2024. This should not have a material impact on the financial condition of the agency.

This discussion and analysis is designed to provide a general overview of the South Carolina First Steps to School Readiness' finances for all of South Carolina's citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate First Steps' accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina First Steps to School Readiness
636 Rosewood Drive
Columbia, South Carolina 29201

South Carolina First Steps to School Readiness
Statement of Net Position
June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 25,003,635
Prepaid expenses	445,000
Grants receivable	3,583,049
Other receivables	178,258
Total current assets	29,209,942

Noncurrent assets:

Capital assets, net	69,579
Right of use lease asset, net	571,930
Total noncurrent assets	641,509
Total assets	29,851,451

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	2,045,821
Deferred outflows of resources related to OPEB	2,897,416
Total deferred outflows of resources	4,943,237

LIABILITIES

Current liabilities:

Accounts payable	1,293,454
Accrued salaries and benefits	672,391
Compensated absences, current	265,689
Lease liabilities, current	240,994
Unearned revenue	1,767,647
Total current liabilities	4,240,175

Noncurrent liabilities:

Compensated absences, net of current portion	235,789
Lease liabilities, net of current portion	256,856
Net OPEB liability	

South Carolina First Steps to School Readiness
Statement of Activities
For the Year Ended June 30, 2024

Expenses

Governmental Activities – General Government	
Allocations to other entities	\$ 22,857,152
Private 4K provider costs	30,156,041
Contractual services	3,926,108
Salaries	5,387,934
Employer fringe benefits	2,612,132

South Carolina First Steps to School Readiness
Balance Sheet -
Governmental Funds
June 30, 2024

	General Fund	Private 4K Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 22,872,805	\$ 2,130,830	\$ 25,003,635
Prepaid expenses	445,000	—	445,000
Grants receivable	3,583,049	—	3,583,049
Other receivables	—	178,258	178,258
Total Assets	\$ 26,900,854	\$ 2,309,088	\$ 29,209,942
LIABILITIES			
Accounts payable	\$ 656,904	\$ 636,550	\$ 1,293,454
Accrued salaries and benefits	672,391	—	672,391
Unearned revenue	1,767,647	—	1,767,647

South Carolina First Steps to School Readiness
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2024

Total fund balance, governmental fund	\$ 25,476,450
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in governmental activities in the Statement of Net Position. This amount reflects gross capital assets of \$213,559 net of accumulated depreciation of \$143,980.	
	69,579
Lease related assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in governmental activities in the Statement of Net Position. This amount reflects gross lease assets of \$1,222,729 net of accumulated depreciation of \$650,799.	
	571,930
The net pension and net OPEB liabilities and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in governmental activities in the Statement of Net Position.	
Net pension liability	(8,439,891)
Net OPEB liability	(5,297,601)
Deferred outflows of resources related to pensions	2,045,821
Deferred inflows of resources related to pensions	(54,378)
Deferred outflows of resources related to OPEB	2,897,416
Deferred inflows of resources related to OPEB	(3,773,994)
Certain liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities in the Statement of Net Position	
Compensated absences	(501,478)
Lease liabilities	(497,850)
	\$ 12,496,004

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

South Carolina First Steps to School Readiness
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2024

South Carolina First Steps to School Readiness
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balance, governmental funds	\$ (2,770,686)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year retirement plan contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities	944,783
Current year OPEB contributions are considered a deferred outflow of resources rather than a current year expense in the Statement of Activities	318,151
Repayment of lease liabilities is reported as an expenditure in the governmental funds and as a reduction in lease liabilities in the Statement of Net Position	247,693
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Depreciation	(234,698)
Increase in pension expense due to changes in First Steps' portion of collective pension expense	(1,466,340)
Decrease in OPEB expense due to changes in First Steps' portion of collective OPEB expense	132,368
Compensated absences	<u>(57,934)</u>
Decrease in net position, governmental activities	<u>\$ (2,886,663)</u>

The notes to the financial statements are an integral part of these financial statements. See accompanying independent auditor's report.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies

A. Reporting Entity

The South Carolina First Steps to School Readiness (“First Steps”) is a non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. First Steps was created through enabling legislation recorded in June of 1999 in Section 59-152-10 of the South Carolina Code of Laws. First Steps is financially accountable to and dependent on the State and is subject to various State procurement, budget, personnel, and other regulations. First Steps is reported as a discretely presented component unit of the State of South Carolina and included in the State's Annual Comprehensive Financial Report.

Operationally, the SC First Steps Executive Director reports to a State Board of Trustees, consisting of 26 voting members and the heads of all South Carolina child-serving agencies. The board is chaired by the Governor of the State of South Carolina (the “Governor”). The Board’s voting members include the Governor or the Governor’s designee, State Superintendent of Education or the State Superintendent of Education’s designee, the Department of Mental Health’s designee, seven Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, the Chairman of the House Education and Public Works Committee, and the Chief Executive Officers of the Department of Social Services, Department of Health and Environmental Control, Department of Health and Human Services, Department of Disabilities and Special Needs, State Head Start Collaboration Officer, and Children’s Trust of South Carolina. First Steps accomplishes its directives through the use of 46 county partnerships which cover all counties within the state of South Carolina. Each local partnership has its own governing board based on the enabling law, and employs staff as determined by the local board.

First Steps was enacted to help improve school readiness outcomes for the state’s youngest learners and to create public-private partnerships to strengthen the system of early education and care statewide. First Steps implements specific and targeted programs through five broad categories in communities across the state: 1) Family Strengthening, 2) Childcare, 3) Early Education, 4) School Transition, and 5) Health. Each South Carolina county has a First Steps Partnership (with Internal

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent petty cash, cash on deposit in banks, cash equivalents on deposit with external parties, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. The internal investment pool is not registered with the Securities and Exchange Commission and does not have other regulatory oversight. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit, and collateralized repurchase agreements.

Cash Management Pool – Allocation of Interest

The State of South Carolina cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund of the State of South Carolina. In contrast, each special deposit account retains its own earnings.

Investment Holdings and Basis

The South Carolina State Treasurer's Office (the "Office") is authorized by statute to invest all State funds. The Office's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the Office uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To ensure safety of principal, the Office's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury, federal agency or other federally guaranteed obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper.

The Office further preserves principal by investing in only the highest investment grade securities. In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers. Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service.

More information pertaining to the carrying amounts, fair value, credit and other risks of the cash management pool that First Steps participates in as required under GASB Statement No. 40, *Deposits and Investments – Risk Disclosures* and GASB Statement No. 72, *Fair Value Measurement and Application*, are disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Lease Liabilities

First Steps has entered into agreements to lease certain facilities and equipment. The lease agreements qualify as other than short-term leases under GASB No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments.

Unearned Revenue

Unearned revenue consists of funds provided to First Steps under grant agreements for which eligible expenditures had not been made as of June 30, 2024. These amounts will be recognized as grant revenue as eligible expenditures are made by First Steps during the fiscal year ending June 30, 2025.

Fund Balance and Net Position

Fund Balance

First Steps reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The following categories of fund balance are being used in the fund level financial statement of the governmental fund:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as other assets. As of June 30, 2024, First Steps reported \$445,000 in nonspendable fund balance.

Restricted fund balance

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (continued)

Fund Balance and Net Position (continued)

Fund Balance (continued)

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of First Steps' highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless First Steps removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2024, First Steps reported \$1,085,948 of committed fund balance which had been committed for cash reserve revolving loans and grants for the county partnerships.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by First Steps' intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be First Steps' highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require First Steps' highest level of authority. As of June 30, 2024, First Steps did not have any assigned fund balance.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the General Fund.

Based on First Steps' policies regarding fund balance classifications as noted above, First Steps considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the State or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Measurement Focus, and Basis of Accounting (continued)

Fund Balance and Net Position (continued)

Net Position

First Steps reports net position in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The following categories of net position are used in the Statement of Net Position:

Restricted Net Position

Restricted net position consists of assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. As of June 30, 2024, First Steps' restricted net position consisted of state appropriations restricted for the 4K program and early childhood services.

Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets (including intangible right of use lease assets), net of accumulated depreciation and/or accumulated amortization, reduced by any outstanding balances of bonds, mortgages, notes, lease liabilities or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

First Steps' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

2. Budget Policy

First Steps is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for First Steps' general fund. The Private 4K Special Revenue Fund does not have a legally adopted budget. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The "Total Funds" column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary funds. Budgetary control is maintained at the line-item level of the budgetary entity. Ag

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, for the primary government was as follows:

	Beginning Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance <u>June 30, 2024</u>
Governmental activities				
Capital assets being depreciated:				
Equipment and computer				

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan

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

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

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

Plan Descriptions

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SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Plan Descriptions (continued)

Benefits (continued)

- 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-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Plan Descriptions (continued)

Contributions (continued)

Required employee contribution rates¹ are as follows:

	Fiscal Year 2024	Fiscal Year 2023
SCRS		

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Actuarial Assumptions and Methods (continued)

The June 30, 2023, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023.

	SCRS
Actuarial cost method	Entry age normal
Investment rate of return ¹	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%	

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

Assumptions used in the determination of the June 30, 2023, TPL are as follows.

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

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals,

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Net Pension Liability (continued)

Long-term Expected Rate of Return (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Expected Arithmetic
--------------------	------------------------------------	------------------------

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

6. Pension Plan (continued)

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2024, First Steps recognized pension expense of \$1,466,340 which is included in employer fringe benefits in the accompanying financial statements. At June 30, 2024, the First Steps reported deferred outflows (inflows) of resources related to pensions from the following sources and will be amortized to pension expense as noted in following schedules. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2024 was 3.768 years for SCRS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 944,783	\$ —
Differences in actual and expected plan experience	146,531	23,405
Change in proportionate share and differences between First Steps' contributions and proportionate share of contributions	825,196	19,421
Changes in assumptions	129,311	—
Net differences between projected and actual earnings on plan investments	—	11,552
	\$ 2,045,821	\$ 54,378

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2024	2025	\$ 695,309
2025	2026	113,163
2026	2027	243,138
2027	2028	(4,950)

First Steps reported \$944,783 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

7. Post-Employment Benefits Other than Pensions (continued)

Contributions and Funding Policies

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

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, 2022 was 6.25 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer’s active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer’s contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits’ reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income. Due to the COVID-19 pandemic, the General Assembly has indefinitely suspended the statutorily required transfer until further notice. The SCRHITF is also funded through investment income.

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.

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.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024

7. Post-Employment Benefits Other than Pensions (continued)

Actuarial Assumptions and Methods (continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2022
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.86% as of June 30, 2023
Demographic Assumptions:	

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

7. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability (continued)

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

At June 30, 2024, First Steps reported a liability of \$5,297,601 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward to June 30, 2023. First Steps' proportion of the net OPEB liability was

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

7. Post-Employment Benefits Other than Pensions (continued)

Net OPEB Liability (continued)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

10. Transactions with State Entities / Related Parties (continued)

First Steps provided no material services free of charge to other State agencies during the fiscal year. First Steps participates in the statewide dual employment program. Workers' compensation and other insurance premiums for the fiscal year ended June 30, 2024 of \$150,193 were paid to the State Accident Fund and \$72,186 of premiums were paid to the South Carolina Insurance Reserve Fund.

11. Leases

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

12. Commitments and Contingencies (continued)

Local Partnership Accounting Software Development

During the year ended June 30, 2019, First Steps entered into an agreement for the development and implementation of a new accounting software for the local partnerships. The contract is for an initial three-year term with two one-year extensions, and required an initial \$125,000 expenditure for design and implementation. The contract requires annual payments of approximately \$61,000 for licensing and user rights.

SC First Steps new Outcomes and Accountability Data System, (Knowledge, Information, and Teaming System: KITS)

During the year ended June 30, 2021, First Steps entered into an agreement for the development and implementation of a new Data System for the Local Partnerships and the 4K Program. This system will meet the data needs for the agency for the foreseeable future. The award was given to ANLAR, a company with experience in developing data systems for early education and government entities. The solicitation was originally awarded for \$1,422,881 and then later increased to \$1,702,201. Payments were to be paid between March 11, 2021 through March 10, 2026. A large portion of the expenses are included in the Preschool Development Grant through a contract between First Steps and the South Carolina Department of Social Services (“DSS”), with \$1,206,220 of that amount being paid through June 30, 2024, leaving \$495,981 remaining under the agreement.

South Carolina First Steps to School Readiness
 Required Supplementary Information -
 Budgetary Comparison Schedule – Budgetary General Funds
 (Non-GAAP Budgetary Basis – Unaudited)
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
First Steps to School Readiness				
Personal Services				
Classified Positions	\$ 230,287	\$ 230,287	\$ 230,287	\$ —
Other Operating Expenses	2,401,615	2,401,615	3,973	2,397,642
Special Items				
CDEPP	10,772,177	10,772,177	10,772,109	68
READY xpe461.1()-521()-365.3(Classif)-4.4(i).3(ed)-5.1()1095.8(Po)-5.00005.0000				3-5.00005.0000
Sp-359.3(CD)-5.2(EPPo)-4.6(l)TJ68q79.14 24(Empl)7981. 139.38 5184.344.88 5-5.96(g)TjETQBT10.02 0 0 10.0				

South Carolina First Steps to School Readiness
Required Supplementary Information -
Budgetary Comparison Schedule – Other Budgeted Funds
(Non-GAAP Budgetary Basis – Unaudited)
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
First Steps to School Readiness				
Policy and Accountability				
Personal Services				
Classified Positions	\$ 1,330,931	\$ 1,330,931	\$ 865,158	\$ 465,773
Unclassified Positions	136,249	136,249	113,083	23,166
Other Personal Services	194,301	121,500	111,081	10,419
Other Operating Expenses	1,622,529	1,917,242	806,042	1,111,200
Child Development Services				
Personal Services				
Classified Positions	3,007,017	2,760,965	3,187,107	(426,142)
Unclassified Positions	63,798	63,798	32,213	31,585
Other Personal Services	298,766	298,797	680,943	(382,176)
Other Operating Expenses	7,103,138	6,540,885	3,705,142	2,835,743
Special Items				
County Partnerships	26,966,557	25,366,557	20,995,804	4,370,753
CDEPP	25,685,613	22,865,136	21,758,474	1,104,662
Employer Contributions	2,585,122	2,268,022	2,288,789	(20,767)
Total First Steps to School Readiness	<u>\$ 68,994,021</u>	<u>\$ 63,670,052</u>	<u>\$ 54,543,836</u>	<u>\$ 9,126,216</u>

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2024

1. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds – The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts presented as *Other Budgeted Funds* are obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds columns. Revenue is not presented in the budgetary schedule because it is budgeted at the Statewide level.

As operating conditions change, First Steps may transfer appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without State Fiscal Accountability Authority approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the State Fiscal Accountability Authority.

Both the funds appropriated by the State and other budgeted funds are included within the General Fund for financial statement presentation under GAAP.

2. Original and Final Budgeted Amounts; Basis of Presentation

The original appropriations presented in the accompanying schedule for the General Funds include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedules are substantively the same as for the legally adopted budget. The State allows First Steps to transfer its appropriated funds to restricted accounts to allow for the opportunity for interest to be earned on these appropriated amounts. However, expenditures have been presented in accordance with the classifications provided for in the legally adopted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include First Steps' General Fund. However, Section 115 (*Recapitulations*) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for First Steps' General Funds and Other Budgeted Funds are presented as required supplementary information.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2024

3. Legal Level of Budgetary Control

First Steps maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedules.

4. Basis of Budgeting

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. First Steps has such authorization to carry forward its funds. Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.

State law does not precisely define the State's budgetary basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- x Departments and agencies shall charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 14.

- x All revenues are recorded only when the State receives the related cash with the exception of certain tax amounts, such as motor fuel taxes and gas taxes, which are not received by First Steps' General Funds.

5. Budget to GAAP Reporting Differences

5.

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES

South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Proportionate Share of the Net
Pension Liability – South Carolina Retirement System
As of June 30, 2024
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
First Steps' proportion of the net pension liability	0.03491%	0.03489%	0.02902%	0.02563%	0.02409%
First Steps' proportionate share of the net pension liability	\$ 8,439,891	\$ 8,458,219	\$ 6,280,921	\$ 6,548,225	\$ 5,500,745
First Steps' covered payroll	\$ 4,242,465	\$ 3,994,281	\$ 3,132,288	\$ 2,725,077	\$ 2,411,951
First Steps' proportionate share of the net pension liability as percentage of covered payroll	198.93%	211.76%	200.52%	240.30%	228.06%
Plan fiduciary net position as a percentage of the total pension liability	58.6%	57.1%	60.7%	50.7%	54.4%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
First Steps' proportion of the net pension liability	0.03153%	0.050291%	0.038504%	0.031435%	0.031390%
First Steps' proportionate share of the net pension liability	\$ 7,063,997	\$ 11,321,231	\$ 8,224,476	\$ 5,961,706	\$ 5,404,384
First Steps' covered payroll	\$ 3,039,003	\$ 3,728,634	\$ 3,728,634	\$ 2,947,293	\$ 2,849,840
First Steps' proportionate share of the net pension liability as percentage of covered payroll	232.44%	223.12%	220.58%	202.28%	189.64%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%	59.9%

Note: The amounts presented above were determined as of June 30th of the preceding year.

South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Contributions –
South Carolina Retirement System
As of June 30, 2024
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 944,783	\$ 744,977	\$ 661,453	\$ 487,385	\$ 424,022
Contributions in relation to the contractually required contribution	<u>944,783</u>	<u>744,977</u>	<u>661,453</u>	<u>487,385</u>	<u>424,022</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
First Steps covered payroll	\$ 5,090,423	\$ 4,242,465	\$ 3,994,281	\$ 3,132,288	\$ 2,725,077
Contributions as a percentage of covered payroll	18.56%	17.56%	16.56%	15.56%	15.56%
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 351,180	\$ 412,089	\$ 586,573	\$ 412,387	\$ 321,255
Contributions in relation to the contractually required contribution	<u>351,180</u>	<u>412,089</u>	<u>586,573</u>	<u>412,387</u>	<u>321,255</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
First Steps covered payroll	\$ 2,411,951	\$ 3,039,003	\$ 5,074,161	\$ 3,728,634	\$ 2,947,293
Contributions as a percentage of covered payroll	14.56%	13.56%	11.56%	11.06%	10.90%

South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Proportionate Share of the Net
OPEB Liability – South Carolina Health Insurance Trust Fund

South Carolina First Steps to School Readiness
Required Supplementary Information -
Schedule of the South Carolina First Steps
to School Readiness' Contributions –
South Carolina Health Insurance Trust Fund
As of June 30, 2024
Last Eight Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 318,151	\$ 265,154	\$ 249,643	\$ 195,768	\$ 170,317
Contributions in relation to the contractually required contribution	<u>318,151</u>	<u>265,154</u>	<u>249,643</u>	<u>195,768</u>	<u>170,317</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
First Steps covered payroll	\$ 5,090,423	\$ 4,242,465	\$ 3,994,281	\$ 3,132,288	\$ 2,725,077
Contributions as a percentage of Covered payroll	6.25%	6.25%	6.25%	6.25%	6.25%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Contractually required contribution	\$ 145,923	\$ 161,065	\$ 232,315		
Contributions in relation to the					

SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
 SUPPLEMENTARY INFORMATION -
 SCHEDULE OF PRIVATE 4K PROGRAM EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Private 4K Special Revenue Fund	Total
Expenditures			
Private 4K provider costs	\$ —	\$ 30,156,041	\$ 30,156,041
Contractual services	1,006,699	—	1,006,699
Salaries	1,971,806	—	1,971,806

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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

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, CPA
State Auditor
Office of the State Auditor
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 governmenta

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 considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney Cauley, LLP
Mauldin, South Carolina
October 1, 2024