

**SOUTH CAROLINA  
EDUCATIONAL TELEVISION COMMISSION  
COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS**

***FOR THE YEARS ENDED JUNE 30, 2015  
AND 2014***



**South Carolina  
Office of the State Auditor**

George L. Kennedy, III, CPA  
State Auditor

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January 31, 2016

The Honorable Nikki R. Haley, Governor  
and  
Members of the South Carolina Educational Television Commission  
South Carolina Educational Television Commission  
Columbia, South Carolina

This report on the audit of the basic financial statements of the South Carolina Educational Television Commission for the fiscal years ended June 30, 2015 and 2014, was issued by Scott and Company, LLC, 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,

A handwritten signature in cursive script that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/trb

**SOUTH CAROLINA  
EDUCATIONAL TELEVISION COMMISSION**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the governmental activities and each major fund of the Network as of June 30, 2015 and 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Accounting Change**

As discussed in Note 1 to the financial statements, the Network has adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. These two GASB statements required that the Network record its share of the State of South Carolina’s net pension liability and related deferred inflows and outflows of resources. Our opinion is not modified with respect to this matter.

### **Emphasis of Matter**

As described in Note 1, the financial statements of the Network are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of South Carolina (the “State”) that is attributable to the transactions of the Network. They do not purport to and do not present fairly the financial position of the State as of June 30, 2015 and 2014, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and do not include other agencies, divisions, or component units of the State. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 4-11 and 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 January 31, 2016, on our consideration of the Network'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

*Scott and Company LLC*

Columbia, South Carolina  
January 31, 2016

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### *Overview of the Financial Statements and Financial Analysis*

As management of the South Carolina Educational Television Commission ("the Network"), we provide this Management's Discussion and Analysis of the Network's financial statements for the fiscal year ended June 30, 2015 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Network's financial statements, which follow.

This report consists of a series of financial statements, prepared in accordance with the accounting principles generally accepted in the United States. The financial statements presented focus on the financial condition of the Network, the results of operations, and the cash flows of the Network.

This discussion and analysis is intended to serve as an introduction to the Network's basic financial statements. The Network's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The *Government-wide financial statements* provide a broad overview of the Network's operations. The government-wide financial statements include two statements: the Statement of Net Position; and, the Statement of Activities.

The *fund financial statements* provide information on the Network's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the Network's funds are classified as Governmental funds. The Network's governmental funds include the General Fund, Non-Federal Grants, Capital Projects and the Education Improvement Act Fund.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements.

The following discussion and analysis of the Network's government-wide financial statements provides an overview of its financial activities for the year. Comparisons to the prior fiscal year are also made.

## Statements of Net Position

The Statement of Net Position presents information reflecting the Network's assets, liabilities and net position as of the end of the fiscal year. This statement provides the reader with a snapshot view at a point in time. Net position represents the amount of total assets less liabilities. Assets and liabilities are shown as current and noncurrent. Current assets are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position indicates the funds available for the Network's operation along with liabilities that will come due the next fiscal year.

The assets of the Network exceeded its liabilities by \$14.3 million at fiscal year ending June 30, 2015 (See Table 1 below for a summary of net position for fiscal years 2014-2015 and 2013-2014).

	2015	2014	Increase / (Decrease)	Percent Change
<b>ASSETS</b>				
Current assets, net of prepaid items	\$ 8,371,614	\$ 7,868,675	\$ 502,939	6.39%
Capital assets, net of accumulated depreciation	20,046,709	21,620,082	(1,573,373)	(7.28%)
Prepaid expenses	439,342	71,962	367,380	510.52%
Deferred outflows of resources	836,319	-	836,319	100.00%
<b>Total assets and deferred outflow of resources</b>	<b>\$ 29,693,984</b>	<b>\$29,560,719</b>	<b>\$ 133,265</b>	<b>0.45%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 3,060,202	\$ 3,215,632	\$ (155,430)	(4.83%)
Noncurrent liabilities	11,362,693	231,089	11,131,604	4,817.02%
Deferred inflows of resources	934,050	-	934,050	100.00%
<b>Total liabilities and deferred inflows of resources</b>	<b>15,356,945</b>	<b>3,446,721</b>	<b>11,910,224</b>	<b>318.45%</b>
<b>NET POSITION</b>				
Net investment in capital assets	20,046,709	21,620,082	(1,573,373)	(7.28%)
Restricted for expendable purposes:				
Capital projects	1,019,903	1,019,903	-	0.00%
K12 Technology	93	93	-	0.00%
Unrestricted	(6,729,666)	3,473,920	(10,203,586)	(293.72%)
<b>Total net position</b>	<b>14,337,039</b>	<b>26,113,998</b>	<b>(11,776,959)</b>	<b>(45.10%)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 29,693,984</b>	<b>\$29,560,719</b>	<b>\$ 133,265</b>	<b>(2.71%)</b>



The Network implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No 27 and GASB Statement No. 71, Pension Transitions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 in the year ended June 30, 2015. Net position as of June 30, 2014 has been restated in accordance with these provisions. See Note 1 of the notes to financial statements for further details regarding the restatement. However, information required to determine the restatement of beginning net position for the year ended June 30, 2014 was not available, and is therefore not restated.

Total assets of the Network decreased approximately \$703,000. This decrease is largely attributed to the decrease in capital assets of approximately \$1,573,000 as depreciation expense was approximately \$1,759,000 for the year. Current assets increased approximately \$839,000. Cash and cash equivalents increased approximately \$976,000 over the previous year. The increase in cash and cash equivalents can be attributed to the completion and reimbursement of a Federal grant Warning, Alert and Response Network (WARN). Prepaid items increased approximately \$336,000 due to beginning a three year contract for content streaming.

Deferred outflows of resources consists of contributions to the retirement plan after the measurement date and the differences between expected and actual retirement plan experience, as required by the implementation of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27"*.

The decrease of approximately \$155,000 in current liabilities is attributable to an approximate \$50,000 decrease in accounts payable, an approximate \$47,000 increase in accrued salaries and benefits, an approximately \$117,000 decrease in unearned revenue and approximately \$35,000 decrease in accrued compensated absences. The increase in non-current liabilities of approximately \$11,000,000 is attributed to the aforementioned implementation of GASB Statement Nos. 68 and 71.

Deferred inflows of resources consist of the Network's proportionate share of the net difference between projected and actual investment earnings for the pension plan. This is now reflected in deferred inflows of resources with the requirement of GASB Statement No. 68.

Net position of the Network decreased during the year by approximately \$11,800,000 largely driven by the aforementioned implementation of GASB Statement Nos. 68 and 71. Restricted for expendable purposes asset balances related to general fund appropriations carried forward to SFY 2015-16 for K-12 Technology initiatives, \$93, and the remaining sale proceeds from the Key Road properties that are restricted to the renovation of the Telecommunication Center of approximately \$1.0 million.

## Statements of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Network receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2015.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2014-2015 and 2013-2014).

Table 2				
Statements of Activities				
	2015	2014	Increase / (Decrease)	Percent Change
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 1,893,365	\$ 2,226,581	\$ (333,216)	(14.97%)
Operating grants & contributions	7,753,844	7,392,344	361,500	4.89%
Capital grants & contributions	189,903	479,875	(289,972)	(60.43%)
General revenues:				
Contributions	5,551,938	5,248,879	303,059	5.77%
Gain on sale of capital assets	16,415	-	16,415	100.00%
Intergovernmental - state agencies	4,621,844	4,226,811	395,033	9.35%
Total revenues and transfers	<u>20,027,309</u>	<u>19,574,490</u>	<u>452,819</u>	<u>2.31%</u>
<b>EXPENSES</b>				
Educational broadcasting:				
Personal services	8,542,950	8,116,522	426,428	5.25%
Pension expense	253,845	-	253,845	100.00%
Other operating costs	10,325,505	10,852,309	(526,804)	(4.85%)
Interest	-	1,754	(1,754)	(100.00%)
Depreciation	1,758,973	1,793,695	(34,722)	(1.94%)
Total expenses	<u>20,881,273</u>	<u>20,764,280</u>	<u>116,993</u>	<u>0.56%</u>
Decrease in net position	(853,964)	(1,189,790)	335,826	(28.23%)
Net position - beginning of year, as restated	<u>15,191,003</u>	<u>27,303,788</u>	<u>(12,112,785)</u>	<u>(44.36%)</u>
Net position - end of year	<u>\$ 14,337,039</u>	<u>\$ 26,113,998</u>	<u>\$ (11,776,959)</u>	<u>(45.10%)</u>

As previously mentioned, the Network implemented GASB Statement Nos. 68 and 71 during the year ended June 30, 2015. Net position as of July 1, 2014 was restated in accordance with the provisions of these statements. However, information required to determine the restatement of beginning net position for the year ended June 30, 2014 was not available, and is therefore not restated.

General revenue for the 2015 fiscal year totaled \$10.2 million. Contributions include support received directly from the ETV Endowment and contributed support from the ETV Endowment. Contributions increased from the previous year by approximately \$303,000 due to an increase in direct support from the ETV Endowment.

The Network did not receive a State Appropriation for SFY 2014-15 but was instead funded through budget provisions and Education Improvement Act funds in the 2014-15 Appropriations Act. Included in intergovernmental revenue is \$1.4 million transferred to the Network pursuant to Proviso 117.94 by the Law Enforcement Training Council and the Department of Administration (previously the South Carolina State Budget and Control Board), and approximately \$550,000 thousand from the Department of Administration Proviso 101.4.

Program revenues for the Network are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the Network. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Network. Capital grants are related to capital equipment and construction projects.

Program revenue from all sources during the fiscal year totaled approximately \$9.8 million. Effective February 2013, the Network began receiving the lease revenue directly from the lessee pursuant to Proviso 117.84 in the amount of \$3.2 million. Corporation for Public Broadcasting grant awards decreased by approximately \$76,000 over the previous fiscal year.

General revenues increased approximately \$715,000 over the previous fiscal year. The increase in general revenue from the previous fiscal year is the result of an increase in ETV Endowment support and increase in Proviso 117.94. Approximately \$4.6 million in Education Improvement Act funds is recorded under program revenues as operating grants and contributions.

Expenses for the Network are shown under the category of Educational Broadcasting and are classified as Personal Services, Pension Expense, Other Operating, Interest and Depreciation. Personal Service costs were approximately \$8.5 million (41%). Pension expense costs were approximately \$254,000 (1%) Other operating costs totaled approximately \$10.3 million (49%). Depreciation expense totaled approximately \$1.8 million (9%). The Statement of Activities reflects a decrease in net position for the current fiscal year.

Total expenses increased approximately .5% over the previous fiscal year. Personal services increased by approximately \$426,000 thousand (5%). Personal service increases can be attributed to replacing staff positions which were reduced in 2012. Other operating expenses decreased approximately \$527,000 (5%) due to decreased Federal grant funding, taking advantage of a discount by paying dues early, and savings related to a new streamline contract. Depreciation expense decreased approximately \$35,000.

The Network's net position decreased approximately \$11.8 million from the previous fiscal year. The reduction in net position can be attributed largely to the implementation of the previously mentioned GASB Statement Nos. 68 and 71.

### ***Fund Financial Analysis:***

The Network uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### ***Governmental Funds:***

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Network's governmental funds reported combined ending fund balances of approximately \$6.5 million, an increase of approximately \$989,000 for the year.

Unassigned fund balance accounts for approximately 79.1% or \$5.2 million, of ending fund balance, and is available for administrative expenditures made in accordance with federal and State regulations.

Restricted fund balance accounts for approximately 14.2% or \$928,000 of ending fund balance, and excludes amounts that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Network's restricted fund balance consists primarily of amounts restricted for capital projects.

Non-spendable fund balance accounts for approximately 6.7% or \$439,342 of ending fund balance, and represents prepaid items.

### ***Capital Assets***

The Network's Capital Assets net of depreciation were approximately \$20 million at June 30, 2015. This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction in progress. Table 3 summarizes capital assets at June 30, 2015 and June 30, 2014.

<b>SC ETV Capital Assets</b>	<u>2015</u>	<u>2014</u>
Land	\$ 583,269	\$ 583,269
Building & improvements	19,309,950	19,285,035
Equipment & furniture	72,043,010	71,922,818
Vehicles	1,167,086	1,213,902
Construction in progress	-	27,146
<b>Total cost</b>	<b>93,103,315</b>	<b>93,032,170</b>
Less: accumulated depreciation	<u>73,056,606</u>	<u>71,412,088</u>
<b>Net capital assets</b>	<u><b>\$ 20,046,709</b></u>	<u><b>\$ 21,620,082</b></u>

The net decrease in the Network's investment in capital assets for the current fiscal year was approximately \$1.6 million and can be attributed to increased depreciation expense related to the completion of construction in the Telecommunications Center in the previous fiscal year.

### ***Economic Outlook***

The Network continues to look for ways to increase non-state sources of revenue and improve its operating efficiencies. The Network received a small State general fund appropriation of \$278,000 in the 2015-16 Appropriation Act and is being funded through two budget provisions and Education Improvement Act (EIA) funds as well. Proviso 117.90 directs the Department of Administration and the Law Enforcement Training Council to transfer funds to the Network for the continuation of services as provided in previous fiscal years. The Network received an additional \$100,000 in the 2015-16 Appropriation Act for its government transparency efforts and \$177,289 for its emergency backbone communication efforts. The above agencies were given a line item appropriation in their budgets for the Network and the funds were transferred in July, 2015. The Network is receiving EIA funds in the amount of \$4.8 million to continue its educational efforts. Proviso 117.80 directs the proceeds from the broadband spectrum lease to the Network. This lease was entered into by the Network, the Department of Administration (previously the South Carolina State Budget and Control Board) and two private vendors in November, 2009. The lease proceeds are generated from the Network's Instructional Television Fixed Service ("ITFS") licenses and previously went directly to the general fund. This new funding model while aligning the lease revenue with the Network's assets creates an element of risk. The licenses are

now held by one vendor and should the company default on lease payments up to \$3 million in annual lease revenue would be lost. The Network consolidated all of its operations in the Telecommunications Center in January, 2014. Pursuant to Proviso 93.25 the Network was allowed to retain 100% of the sale proceeds of the Key Road property for the purpose of renovating the Telecommunications facility as well as for other maintenance and operating costs of the Network.

***Requests For Information***

This financial report is designed to provide a general overview of the South Carolina Educational Television Commission's finances for all of the Network's taxpayers, customers and creditors. This financial report seeks to demonstrate the Network's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Educational Television Commission  
Chief Financial Officer  
1041 George Rogers Boulevard  
Columbia, South Carolina 29201

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENTS OF NET POSITION  
JUNE 30,

	2015 Governmental Activities	2014 Governmental Activities
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,062,334	\$ 6,458,225
Restricted Cash	928,062	555,869
Accounts receivable, net of allowance for doubtful accounts of \$3,669	381,218	363,309
Intergovernmental receivables:		
State agencies	-	90
Federal government	-	491,182
Prepaid expenses	408,132	71,962
Total current assets	8,779,746	7,940,637
Non-current assets		
Capital assets, net of accumulated depreciation	20,046,709	21,620,082
Prepaid expenses, net of current portion	31,210	-
Total non-current assets	20,077,919	21,620,082
Total assets	28,857,665	29,560,719
Deferred outflows of resources		
Contributions to retirement plan after measurement date	522,384	-
Difference between expected and actual retirement plan experience	313,935	-
Total deferred outflows of resources	836,319	-
Total assets and deferred outflows of resources	\$ 29,693,984	\$ 29,560,719
 <b>LIABILITIES AND NET POSITION</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 60,263	\$ 109,685
Accrued salaries and related benefits	644,025	597,514
Unearned revenue	1,491,118	1,608,433
Current portion of accrued compensated absences and related benefits	864,796	900,000
Total current liabilities	3,060,202	3,215,632
Noncurrent liabilities:		
Accrued compensated absences and related benefits, net of current portion	283,584	231,089
Net pension liability	11,079,109	-
Total noncurrent liabilities	11,362,693	231,089
Total liabilities	14,422,895	3,446,721
Deferred inflows of resources		
Difference between projected and actual investment earning - pension	934,050	-
Total liabilities and deferred inflows of resources	15,356,945	3,446,721
Net Position:		
Net investment in capital assets	20,046,709	21,620,082
Restricted for expendable purposes:		
Capital projects	1,019,903	1,019,903
K12 Technology	93	93
Unrestricted	(6,729,666)	3,473,920
Total net position	\$ 14,337,039	\$ 26,113,998

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30,

	<u>2015</u> <u>Governmental</u> <u>Activities</u>	<u>2014</u> <u>Governmental</u> <u>Activities</u>
Expenses:		
Educational broadcasting:		
Personal services	\$ 8,542,950	\$ 8,116,522
Pension expense	253,845	-
Other operating costs	10,325,505	10,852,309
Interest expense	-	1,754
Depreciation	<u>1,758,973</u>	<u>1,793,695</u>
Total program expenses	20,881,273	20,764,280
Program revenues:		
Charges for services	1,893,365	2,226,581
Operating grants and contributions	7,753,844	7,392,344
Capital grants and contributions	<u>189,903</u>	<u>479,875</u>
Net program expenses	<u>11,044,161</u>	<u>10,665,480</u>
General revenues:		
Contributions	5,551,938	5,248,879
Gain on sale of capital assets	16,415	-
Intergovernmental - State Agencies	<u>4,621,844</u>	<u>4,226,811</u>
Total general revenues and transfers	<u>10,190,197</u>	<u>9,475,690</u>
Decrease in net position	(853,964)	(1,189,790)
Net position - beginning of year, as restated	<u>15,191,003</u>	<u>27,303,788</u>
Net position end of year	<u><u>\$14,337,039</u></u>	<u><u>\$ 26,113,998</u></u>

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



SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,154,886	\$ 1,581,816	\$ 325,631	\$ -	\$ 7,062,333
Restricted cash	-	-	-	928,062	928,062
Accounts receivable	315,155	-	-	-	315,155
Intergovernmental receivables:					
Prepaid expenses	1,936	437,406	-	-	439,342
<b>TOTAL ASSETS</b>	<b>\$ 5,471,977</b>	<b>\$ 2,019,222</b>	<b>\$ 325,631</b>	<b>\$ 928,062</b>	<b>\$ 8,744,892</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 45,116	\$ 15,146	\$ -	\$ -	\$ 60,262
Accrued salaries and related benefits	411,828	225,546	6,651	-	644,025
Deferred revenues	-	1,107,622	383,496	-	1,491,118
<b>TOTAL LIABILITIES</b>	<b>456,944</b>	<b>1,348,314</b>	<b>390,147</b>	<b>-</b>	<b>2,195,405</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,936	437,406	-	-	439,342
Spendable:					
Restricted	93	-	-	928,062	928,155
Unassigned	5,013,004	233,502	(64,516)	-	5,181,990
<b>TOTAL FUND BALANCES</b>	<b>5,015,033</b>	<b>670,908</b>	<b>(64,516)</b>	<b>928,062</b>	<b>6,549,487</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,471,977</b>	<b>\$ 2,019,222</b>	<b>\$ 325,631</b>	<b>\$ 928,062</b>	<b>\$ 8,744,892</b>

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,706,948	\$ 1,448,483	\$ 302,794	\$ -	\$ 6,458,225
Restricted cash	-	-	-	555,869	555,869
Accounts receivable	298,714	-	-	-	298,714
Intergovernmental receivables:					
State agencies	90	-	-	-	90
Federal Government		-	-	491,182	491,182
Prepaid items	7,446	-	64,516	-	71,962
<b>TOTAL ASSETS</b>	<b>\$ 5,013,198</b>	<b>\$ 1,448,483</b>	<b>\$ 367,310</b>	<b>\$ 1,047,051</b>	<b>\$ 7,876,042</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 80,454	\$ 2,083	\$ -	\$ 27,148	\$ 109,685
Accrued salaries and related benefits	343,337	254,177	-	-	597,514
Deferred revenues	48,900	1,192,223	367,310	-	1,608,433
<b>TOTAL LIABILITIES</b>	<b>472,691</b>	<b>1,448,483</b>	<b>367,310</b>	<b>27,148</b>	<b>2,315,632</b>
 <b>FUND BALANCES:</b>					
Nonspendable	7,446	-	64,516	-	71,962
Spendable:					
Restricted	93	-	-	1,019,903	1,019,996
Unassigned	4,532,968	-	(64,516)	-	4,468,452
<b>TOTAL FUND BALANCES</b>	<b>4,540,507</b>	<b>-</b>	<b>-</b>	<b>1,019,903</b>	<b>5,560,410</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,013,198</b>	<b>\$ 1,448,483</b>	<b>\$ 367,310</b>	<b>\$ 1,047,051</b>	<b>\$ 7,876,042</b>

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**RECONCILIATIONS OF GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30,**

	<b>2015</b>	<b>2014</b>
<b>Reconciliations to the statement of net position:</b>		
Fund balances of governmental funds	\$ 6,549,487	\$ 5,560,410
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	(1,148,380)	(1,131,090)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds	66,063	64,596
The net pension liability 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 the governmental activities of the Statement of Net Position:		
Net pension liability	(11,079,109)	-
Deferred outflows of resources for contributions after the retirement plan's measurement date	522,384	-
Deferred outflows of resources for differences between expected and actual retirement plan experience	313,935	-
Deferred inflows of resources for differences between projected and actual investment experience	(934,050)	-
Assets are capitalized and depreciated or amortized in statement of net position and are charged to expenditures in the governmental funds:		
Capital assets, net of accumulated depreciation	20,046,709	21,620,082
Net position of governmental activities	\$ 14,337,039	\$ 26,113,998

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Contributions	\$ 5,551,938	\$ -	\$ -	\$ -	\$ 5,551,938
Intergovernmental - State Agencies	4,621,844	-	-	-	4,621,844
Program sales	24,135	-	-	-	24,135
Corporation for Public Broadcasting, Inc. grant	2,327,449	-	-	-	2,327,449
Education Improvement Act	-	5,237,202	-	-	5,237,202
Federal Grants	-	-	-	189,903	189,903
Private grants and contracts	-	-	189,193	-	189,193
Charges for services	676,479	-	-	-	676,479
Rental fees	997,724	-	-	-	997,724
Royalties	103,097	-	-	-	103,097
Resale of Equipment	58,148	-	-	-	58,148
Proceeds from sale of capital assets	16,415	-	-	-	16,415
Miscellaneous	32,316	-	-	-	32,316
<b>TOTAL REVENUES</b>	<b>\$ 14,409,545</b>	<b>\$ 5,237,202</b>	<b>\$ 189,193</b>	<b>\$ 189,903</b>	<b>\$ 20,025,843</b>
<b>EXPENDITURES:</b>					
Internal Administration	\$ 2,298,512	\$ 23,673	\$ -	\$ -	\$ 2,322,185
Programs & Services:					
Engineering Administration	162,624	101,023	-	-	263,647
Transmissions & Reception	2,511,367	1,900,806	37,719	96,143	4,546,035
Communications	269,652	-	-	-	269,652
Pre-K Education	-	60,832	-	-	60,832
K-12 Education	58,654	1,186,994	70,763	-	1,316,411
Higher Education	56,258	195,815	-	-	252,073
Agency Local Other Education Services	100,831	844,137	18,682	-	963,650
Training & Assessment	-	194,978	-	-	194,978
Radio Content	1,548,350	-	-	-	1,548,350
National Content	1,226,290	-	62,276	-	1,288,566
Local & Transparency	4,433,741	58,036	64,269	-	4,556,046
Regional Operations	394,529	-	-	-	394,529
Enterprise Activities:					
Development/Fundraising	393,382	-	-	-	393,382
Underwriting	438,851	-	-	-	438,851
Marketing	37,812	-	-	-	37,812
Equipment and materials purchased for resale	4,166	-	-	-	4,166
Equipment and permanent improvements	-	-	-	185,601	185,601
<b>TOTAL EXPENDITURES</b>	<b>13,935,019</b>	<b>4,566,294</b>	<b>253,709</b>	<b>281,744</b>	<b>19,036,766</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>474,526</b>	<b>670,908</b>	<b>(64,516)</b>	<b>(91,841)</b>	<b>989,077</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>4,540,507</b>	<b>-</b>	<b>-</b>	<b>1,019,903</b>	<b>5,560,410</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,015,033</b>	<b>\$ 670,908</b>	<b>\$ (64,516)</b>	<b>\$ 928,062</b>	<b>\$ 6,549,487</b>

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Contributions	\$ 5,249,907	\$ -	\$ -	\$ 4,393	\$ 5,254,300
Intergovernmental - State agencies	4,226,811	-	-	-	4,226,811
Program sales	291,256	-	-	-	291,256
Corporation for Public Broadcasting, Inc. grant	2,403,158	-	-	-	2,403,158
Education Improvement Act	-	4,391,606	-	-	4,391,606
Federal Grants	-	-	-	475,482	475,482
Private grants and contracts	-	-	597,580	-	597,580
Charges for services	639,579	-	-	-	639,579
Rental fees	1,212,149	-	-	-	1,212,149
Royalties	64,117	-	-	-	64,117
Miscellaneous	27,188	-	-	-	27,188
<b>TOTAL REVENUES</b>	<b>14,114,165</b>	<b>4,391,606</b>	<b>597,580</b>	<b>479,875</b>	<b>19,583,226</b>
<b>EXPENDITURES:</b>					
Internal Administration	2,438,593	109,525	-	322,558	2,870,676
Public education general support and services	1,862,187	2,180,339	519,490	-	4,562,016
Higher education general support and services	55,891	263,756	-	-	319,647
Agency services:					
Local government and business services	56,930	3,049	-	-	59,979
General support and services	348,577	664,059	66,763	475,482	1,554,881
Community education general support and services	4,942,147	641,966	11,327	-	5,595,440
Public affairs general support and services	1,652,146	262,003	-	-	1,914,149
Cultural and performing arts general support and svcs	1,924,141	266,909	-	-	2,191,050
Equipment and materials purchased for resale	6,111	-	-	-	6,111
Debt Service:					
Principal	76,302	-	-	-	76,302
Interest	1,754	-	-	-	1,754
Capital outlay	-	-	-	1,907,722	1,907,722
<b>TOTAL EXPENDITURES</b>	<b>13,364,779</b>	<b>4,391,606</b>	<b>597,580</b>	<b>2,705,762</b>	<b>21,059,727</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>749,386</b>	<b>-</b>	<b>-</b>	<b>(2,225,887)</b>	<b>(1,476,501)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>3,791,121</b>	<b>-</b>	<b>-</b>	<b>3,245,790</b>	<b>7,036,911</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,540,507</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,019,903</b>	<b>\$ 5,560,410</b>

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30,**

<b>RECONCILIATIONS TO THE STATEMENT OF ACTIVITIES:</b>	<u>2015</u>	<u>2014</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 989,077	\$ (1,476,501)
Current year retirement plan contributions are considered deferred outflow of resources rather than a current year expense in the Statement of Activities	(253,845)	-
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net assets	185,601	1,907,722
Depreciation of capital assets is reported as an expense in the statement of activities	(1,758,974)	(1,793,695)
Certain receivables are not recorded in the governmental funds because they are not considered available	1,468	(18,366)
Repayments of long term debt are reported as expenditures in the governmental funds, but the repayments are reported as a reduction of liabilities in the statement of net assets	-	76,301
Decrease in accrued compensated absences and related benefits is reported as a reduction to expense in the statement of activities	<u>(17,291)</u>	<u>114,749</u>
<b>DECREASE IN NET POSITION</b>	<u>\$ (853,964)</u>	<u>\$ (1,189,790)</u>

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Carolina Educational Television Commission (the "Network") conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Network's significant accounting principles are described below.

**Reporting Entity**

The Network is responsible for the administration of the South Carolina Educational Television Commission systems. The Network is an agency of the State of South Carolina established by Section 59-7-10 of the Code of Laws of South Carolina.

The Governor appoints the members of the Commission Board. The Commission members are the governing body of the Network.

The funds and account groups of the Network are included in the Comprehensive Annual Financial Report of the State of South Carolina, the primary government. The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Network has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget;
- (2) Levies taxes or set rates or charges without approval by another government; or,
- (3) Issues bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Network.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance.

The Network reports the following major funds:

**General Fund** - The general fund accounts for all activities except those required to be accounted for in another fund. Revenues include the annual state appropriation as approved by the General Assembly, Corporation for Public Broadcasting, Inc. (CPB) grant funds, program sales, royalties, charges for services, contributions and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Network reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

**Educational Improvement Act (EIA) Fund** – generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues are restricted for certain purposes. The Network received an EIA allocation in the 2013-14 and 2014-15 Appropriation Act respectively, in lieu of a general fund appropriation. The fund recognizes revenue when the expenditure is incurred.

**Grants Non Federal** – This fund accounts for private grants.

**Capital Projects Fund** – This fund accounts for federal grants, private grants and contracts, funds received from the State from capital improvement bonds and capital reserve fund appropriations and expenditures made from these resources.

**Government-wide and Fund Financial Statements**

The financial statements of the Network are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Measurement Focus, Basis of accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Network uses different availability periods for recognizing these revenues. Grant revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from sales of goods and services are recognized if received within one month after fiscal year-end. Other revenues are recognized if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Network, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Network receives value without directly giving value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Network must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Network on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Network follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Network capitalized movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

##### **Budget Policy**

The Network is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. 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 units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

##### **Cash and Cash Equivalents**

The amounts shown in the financial statements as "cash and cash equivalents" represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies, including the Network, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 3.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Network records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Network's special deposit accounts is posted to the Network's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Network's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition.

##### **Restricted Cash**

The Network's restricted cash consists mostly of amounts restricted for capital projects namely the renovation of the Telecommunication Center.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Accounts Receivable**

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Network established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The balance on the financial statements is shown net of the allowance of approximately \$3,700 and \$6,100 at June 30, 2015 and 2014, respectively.

**Due From/To Other Funds**

These balances represent reimbursements for expenses paid from one fund for another fund that will be paid back shortly after year-end.

**Prepaid Expenses**

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist primarily of payments made for a contract for the streaming of educational content to K-12 schools through the internet. For financial statement purposes, prepaid expenses are offset by a nonspendable fund balance account because the asset does not represent resources available for expenditures.

**Compensated Absences**

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances that commenced on or before June 30, 2015. The Network calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets.

**Net Position / Fund Balances**

The Network reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for governmental fund types, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The Network reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if the Commission Board of the Network constrains the use of resources. Fund balance is reported as assigned if the fund balance is constrained by the Commission's intent to use the funds for a specific purpose. Committed constraints can be removed only through similar action that created the constraint. Unassigned fund balances are all fund balances that do not meet the definition of "restricted", "assigned" or "committed".

Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

When both restricted and unrestricted resources are available for use, it is the Network's policy to use restricted resources first, then unrestricted resources as they are needed.

**Unearned Revenues**

Unearned revenues consist primarily of certain private grant contract revenues received before services required by the grantor or donor have been rendered.

**Deferred Outflows of Resources**

Deferred outflows of resources consists of contributions to the retirement plan after the measurement date and the differences between expected and actual retirement plan experience, as required by the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*.

**Deferred Inflows of Resources**

Deferred inflows of resources consist of the Network's proportionate share of the net difference between projected and actual investment earnings for the pension plan. This is now reflected in deferred inflows of resources with the requirement of GASB Statement No. 68.

**CPB Grants**

The Network annually receives a grant from the Corporation for Public Broadcasting, Inc. ("CPB"). The CPB is a non-federal, non-governmental, not-for-profit organization that receives grants from the federal government, the private sector, and other sources. The CPB then allocates grants to public television stations nationwide for community service and these funds are unrestricted for broadcasting operations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses/expenditures and affect disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**Implementation of New Accounting Standards and Restatement of Net Position**

The Network implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* ("GASB No. 68") and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("GASB No. 71") in the year ended June 30, 2015.

The primary objective of GASB No. 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, it identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Implementation of New Accounting Standards and Restatement of Net Position (continued)**

The objective of GASB No. 71 is to address an issue regarding application of the transition provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated

with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB No. 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of GASB No. 71 are required to be applied simultaneously with the provisions of GASB No. 68.

The implementation of these two GASB standards resulted in the restatement of net position as reported at June 30, 2014 as presented below:

Net position at June 30, 2014 as originally reported	\$ 26,113,998
Share of the net pension liability	(11,542,274)
Deferred outflow for pension contributions made after the measurement date	<u>619,279</u>
Net position at June 30, 2014 as restated	<u>\$ 15,191,003</u>

**NOTE 2. STATE APPROPRIATION AND OTHER STATE FUNDING:**

The Network did not receive a State appropriation in the 2013-14 or 2014-15 Appropriation Act. Pursuant to Proviso 117.97 and 117.94 of the 2013-14 and 2014-15 State Appropriations Act, the Network received \$1,262,513 and \$1,412,513 in fiscal years 2014 and 2015, respectively, from the Criminal Justice Academy and the South Carolina Department of Administration (formerly the South Carolina Budget and Control Board). The budget provision directed the agencies to transfer the funds to the Network.

The 2013-14 and 2014-15 State Appropriations Act included \$4,829,281 in Education Improvement Act (EIA) funds for the Network. EIA funds were transferred to the Network directly by the Department of Revenue.

Pursuant to Proviso 117.87 and 117.84 of the 2013-14 and 2014-15 State Appropriations Act, the Network received \$2,964,298 and \$3,209,331 respectively for the 30 year Broadband Spectrum Lease executed in 2009.

Proviso 101.4 of the 2013-14 and 2014-15 State Appropriations Act provides that the Commission shall coordinate all tower and antenna operations within South Carolina state government. This proviso requires that all revenue from tower and antenna leases entered into after July 1, 2001 to be collected by the Commission and remitted to the Network to use for agency operations. The Board transferred \$450,000 in fiscal year 2014 and \$474,000 to the Network subject to this proviso in fiscal year 2015.

The Network carried forward from fiscal year 2008 Capital Reserve Funds of \$93 from the State Department of Education for the K-12 School Technology Initiative carried over pursuant to Proviso 89.31 of the 2012-13 Appropriation Act. The Network did not incur any expenditures in the current year and carried forward \$93 pursuant to Proviso 117.29 of the 2014-15 Appropriations Act.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3. DEPOSITS:**

All deposits of the Network are under the control of the State Treasurer, who, by law, has sole authority for investing State funds.

The following schedule for fiscal year 2015 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 7,062,334	Petty Cash	\$ 200
Restricted Cash	<u>928,062</u>	Deposits Held by State Treasurer	<u>7,990,196</u>
Totals	<u>\$ 7,990,396</u>	Totals	<u>\$ 7,990,396</u>

The following schedule for fiscal year 2014 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 6,458,224	Petty Cash	\$ 200
Restricted Cash	<u>555,869</u>	Deposits Held by State Treasurer	<u>7,013,893</u>
Totals	<u>\$ 7,014,093</u>	Totals	<u>\$ 7,014,093</u>

**Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4. CAPITAL ASSETS:**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2015:

	Beginning Balances June 30, 2014	Increases	Decreases	Ending Balances June 30, 2015
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	27,146	-	(27,146)	-
Total capital assets not being depreciated	<u>610,415</u>	<u>-</u>	<u>(27,146)</u>	<u>583,269</u>
Other capital assets:				
Buildings and improvements	19,285,037	24,915	-	19,309,952
Equipment and furniture	71,922,818	120,192	-	72,043,010
Vehicles	1,213,901	67,640	(114,455)	1,167,086
Total other capital assets	<u>92,421,756</u>	<u>212,747</u>	<u>(114,455)</u>	<u>92,520,048</u>
Less accumulated depreciation for:				
Buildings and improvements	6,639,903	571,759	-	7,211,662
Equipment and furniture	63,640,961	1,153,524	-	64,794,485
Vehicles	1,131,225	33,691	(114,455)	1,050,461
Total accumulated depreciation	<u>71,412,089</u>	<u>1,758,974</u>	<u>(114,455)</u>	<u>73,056,608</u>
Other capital assets, net	<u>21,009,667</u>	<u>(1,546,227)</u>	<u>-</u>	<u>19,463,440</u>
<b>Total capital assets, net</b>	<u><u>\$21,620,082</u></u>	<u><u>\$(1,546,227)</u></u>	<u><u>\$(27,146 )</u></u>	<u><u>\$20,046,709</u></u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4. CAPITAL ASSETS (continued):**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2014:

	Beginning Balances June 30, 2013	Increases	Decreases	Ending Balances June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	2,045,948	1,667,406	(3,686,208)	27,146
Total capital assets not being depreciated	<u>2,629,217</u>	<u>1,667,406</u>	<u>(3,686,208)</u>	<u>610,415</u>
Capital assets being depreciated:				
Buildings and improvements	15,598,829	3,686,208	-	19,285,037
Equipment and furniture	71,748,763	174,055	-	71,922,818
Vehicles	1,147,641	66,260	-	1,213,901
Total capital assets being depreciated	<u>88,495,233</u>	<u>3,926,523</u>	<u>-</u>	<u>92,421,756</u>
Less accumulated depreciation for:				
Buildings and improvements	6,176,945	462,958	-	6,639,903
Equipment and furniture	62,328,516	1,312,445	-	63,640,961
Vehicles	1,112,933	18,292	-	1,131,225
Total accumulated depreciation	<u>69,618,394</u>	<u>1,793,695</u>	<u>-</u>	<u>71,412,089</u>
Total capital assets being depreciated, net	<u>18,876,839</u>	<u>2,132,828</u>	<u>-</u>	<u>21,009,667</u>
<b>Total capital assets, net</b>	<u><u>\$21,506,056</u></u>	<u><u>\$ 3,800,234</u></u>	<u><u>\$(3,686,208)</u></u>	<u><u>21,620,082</u></u>

Depreciation expense for the years ended June 30, 2015 and 2014 was approximately \$1.8 million for both years. Construction in progress consists of costs incurred for the renovation of the Network's Telecommunications building.

Pursuant to Proviso 73.18 of the 2004-05 Appropriations Act, the Network transferred ownership of land and buildings to the State under the control of the Department of Administration (formerly the South Carolina State Budget and Control Board) effective July 1, 2004. The State considers these assets to be owned by the Network for reporting purposes. The Network is responsible for all costs of maintaining the properties including the costs of insurance.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5. LEASES:**

**Operating Leases**

The Network conducts part of its operations from leased facilities which include towers and office space. The Network also leases mailroom equipment and copiers. All leases are with external parties. These leases expire beginning with fiscal year 2015 and continue through fiscal year 2018. The Network has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Network should the General Assembly not provide funding for these leases. The Network also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Network is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$470,000 and \$280,000 for the years ended June 30, 2015 and 2014, respectively.

At June 30, 2015, the Network's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2016	\$	296,631
2017		280,685
2018		<u>80,970</u>
Total	\$	<u>658,286</u>

The Network subleases various properties to external parties. Under these lease agreements for the fiscal year ended June 30, 2015 the Network received rent of \$175,050.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2016	\$	144,899
2017		136,181
2018		54,068
2019		45,900
2020		45,900
2021-2025		229,500
2026-2030		229,500
2031-2034		<u>153,000</u>
Total	\$	<u>1,038,948</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balances, July 1, 2014	Additions	Reductions	Balances, June 30, 2015	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,131,089	\$ 717,247	\$ 699,957	\$ 1,148,380	\$ 864,796
Net pension liability	11,542,274	-	463,165	11,079,109	-
	<u>\$12,673,363</u>	<u>\$ 717,247</u>	<u>\$1,163,122</u>	<u>\$ 12,227,489</u>	<u>\$ 864,796</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balances, July 1, 2013	Additions	Reductions	Balances, June 30, 2014	Due Within One Year
Capital Lease Payable	\$ 59,193	\$ -	\$ 59,193	\$ -	\$ -
Note Payable	17,108	-	17,108	-	-
Accrued compensated absences and related benefits	1,245,838	618,274	733,023	1,131,089	900,000
	<u>\$1,322,139</u>	<u>\$ 618,274</u>	<u>\$ 809,324</u>	<u>\$ 1,131,089</u>	<u>\$ 900,000</u>

**NOTE 7. RELATED PARTY:**

A major portion of the funding of the Network is provided by the ETV Endowment of South Carolina, Inc. (the Endowment) and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Network exercises no control. The Endowment/Communications provides support services for the Network through the purchasing and underwriting of various programming. The Network recorded approximately \$5,450,000 from the Endowment/Communications which is reported as contribution revenue. Approximately \$16,500 was received as reimbursement of expenses.

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2015 is as follows:

	Endowment	Communications
As of June 30, 2015		
Total assets	<u>\$ 21,586,468</u>	<u>\$ 578,599</u>
Total liabilities	\$ 932,228	\$ 81,717
Total net assets	<u>20,654,240</u>	<u>496,882</u>
Total liabilities and net assets	<u>\$ 21,586,468</u>	<u>\$ 578,599</u>
For year ended June 30, 2015		
Revenues	\$ 7,909,972	\$ 1,873,209
Expenses	<u>7,171,563</u>	<u>1,866,672</u>
Changes in net assets	<u>\$ 738,409</u>	<u>\$ 6,537</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 7. RELATED PARTY (continued):**

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2014 is as follows:

	Endowment	Communications
As of June 30, 2014		
Total assets	\$ 20,699,774	\$ 579,342
Total liabilities	\$ 783,943	\$ 88,997
Total net assets	19,915,831	490,345
Total liabilities and net assets	\$ 20,699,774	\$ 579,342
For year ended June 30, 2014		
Revenues	8,942,439	\$ 2,200,531
Expenses	6,997,893	2,127,632
Changes in net assets	\$ 1,944,546	\$ 72,899

**NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES:**

The Network has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the Department of Administration, State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") include retirement plan administration, insurance plan administration, procurement services, grant services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

The Network had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the Department of Administration, the State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$144,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the year.

The Network provided no services free of charge to other State agencies during the fiscal years ended June 30, 2015 and 2014. Revenues of approximately \$2,300,000 were received from various State agencies in both 2015 and 2014. Included in this amount was approximately \$1,960,000 and \$1,659,000 in 2015 and 2014, respectively, transferred pursuant to Proviso 117.94 and Proviso 101.4 of the 2014-15 Appropriation Act.

During the fiscal years ended June 30, 2015 and 2014, the Network purchased services with a total cost of approximately \$560,000 and \$607,000, respectively from various State agencies. These expenditures are primarily for taxes, insurance, telecommunications and other contracted services.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 9. PENSION PLAN:

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

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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

- The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.
- The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.
- The Network does not participate in the Police Officers Retirement System ("PORS").

#### Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) 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 (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

*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 the 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-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 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.

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

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

Required <u>employee</u> contribution rates for fiscal year 2014-2015 are as follows:	
<b>SCRS</b>	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation
<b>State ORP Employee</b>	8.00% of earnable compensation
Required <u>employer</u> contribution rates for fiscal year 2014-2015 are as follows:	
<b>SCRS</b>	
Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
<b>State ORP Employee</b>	
Employer Contribution	10.75% of earnable compensation <sup>1</sup>
Employer Incidental Death Benefit	0.15% of earnable compensation
<sup>1</sup> Of this employer contribution of 10.75% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.	

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process 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 last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by Systems' consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS.

	<b>SCRS</b>
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**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. As of June 30, 2015, the Network's proportional share of the NPL amounts for SCRS is presented below:

	<b>Proportional Share of Net Pension Liability</b>
<b>System</b>	
SCRS	\$11,079,109

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 Network's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2015, the Network's percentage of the SCRS net pension liability was 0.0643510%.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each 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.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.



SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 9. PENSION PLAN (continued):

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0	0.3%	0.01%
Short Duration	3.0	0.6	0.02
<b>Domestic Fixed Income</b>	<b>13.0</b>		
Core Fixed Income	7.0	1.1	0.08
High Yield	2.0	3.5	0.07
Bank Loans	4.0	2.8	0.11
<b>Global Fixed Income</b>	<b>9.0</b>		
Global Fixed Income	3.0	0.8	0.02
Emerging Markets Debt	6.0	4.1	0.25
<b>Global Public Equity</b>	<b>31.0</b>	<b>7.8</b>	<b>2.42</b>
<b>Global Tactical Asset Allocation</b>	<b>10.0</b>	<b>5.1</b>	<b>0.51</b>
<b>Alternatives</b>	<b>32.0</b>		
Hedge Funds (Low Beta)	8.0	4.0	0.32
Private Debt	7.0	10.2	0.71
Private Equity	9.0	10.2	0.92
Real Estate (Broad Market)	5.0	5.9	0.29
Commodities	3.0	5.1	0.15
 Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.63%</u>

*Sensitivity Analysis*

The following table presents the Network's net pension liability calculated using the discount rate of 7.50 percent, as well as what the Network's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 14,337,052	\$ 11,079,109	\$ 8,361,049

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

**Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2015, the Network recognized pension expense of approximately \$254,000 which is included in personnel services in the accompanying financial statements. At June 30, 2015, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 522,384	\$ —
Differences in actual and expected retirement plan experience	313,935	—
Net differences between projected and actual earnings on plan investments	—	(934,050)
	\$ 836,319	\$ (934,050)

The Network reported \$522,384 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2015. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2015 was 4.233 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2015	2016	\$ (136,409)
2016	2017	(136,409)
2017	2018	(136,409)
2018	2019	(210,888)
Net balance of deferred outflows (inflows) of resources		\$ (620,115)

The following disclosures apply to the 2014 financial statements prior to implementation of GASB 68 and 71 as previously discussed.

All employees of the Network are eligible to participate in a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90).

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.92% surcharge that will fund retiree health and dental insurance coverage.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9. PENSION PLAN (continued):**

The Network's actual contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were approximately \$594,000, \$623,000, and \$624,000, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2014, 10.45% for 2013, and 9.385% for 2012.

Also, the Network paid employer incidental death program contributions of approximately \$8,500, \$8,900, and \$10,000, at the rate of .15% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012 respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS. For fiscal year 2014, total contributions requirements to the ORP were approximately \$31,500 (excluding the surcharge) from the Network as employer and approximately \$21,000 from its employees as plan members.

The amounts paid by the Network for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For 2014 and prior fiscal years, SCRS did not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the Network's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the Network recognizes no contingent liability for unfunded costs associated with participation in the plan for 2014 and prior fiscal years.

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

**Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Network contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

#### **NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):**

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 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

#### **Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Network paid approximately \$246,000 and \$294,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2015 and 2014.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

#### **NOTE 11. DEFERRED COMPENSATION PLANS:**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Network have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 12. RISK MANAGEMENT:

The Network is exposed to various risks of loss and maintains State or commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Network pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits. This type of claim is handled through the South Carolina Department of Employment and Workforce.
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries. This type of claim is handled by the State Accident Fund.
3. Claims of covered public employees for health and dental insurance benefits. This type of claim is handled by the South Carolina Public Employee Benefit Authority – Insurance Benefits.
4. Claims of covered public employees for long-term disability and group-life insurance benefits. This type of claim is handled through the South Carolina Public Employee Benefit Authority – Insurance Benefits.

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

The Network and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles;
4. Torts; and
5. Natural disasters.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability. The IRF's rates are determined actuarially.

The Network obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Network self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2015.

The Network obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of \$1,000,000 with a \$10,000 deductible.

The Network has recorded insurance premium expenses in the applicable program expenditure category. These expenses do not include estimated claim losses and estimable premium adjustments.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 12. RISK MANAGEMENT (continued):**

The Network has not reported an estimated claims loss expenditure, and the related liability at June 30, 2015, based on the requirements of GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2015 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2015, the Network was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Network's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Network does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Network is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2015, the Network did not experience any losses as a result of business interruption.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

**NOTE 13. BROADBAND SPECTRUM LEASE:**

Effective January, 2010 the State of South Carolina entered into a 30 year lease for the lease of excess spectrum capacity of licenses obtained from the Federal Communications Commission which were owned by the Network. The Network received lease payments from the Broadband Spectrum lease beginning February, 2013. Prior to this date, the payments were received by the South Carolina Department of Administration and were transferred to the Network monthly. The Network received \$3,209,331 during the current fiscal year which is included in intergovernmental revenue.

Rental payments pursuant to budget provision to be received in the future are as follows:

Fiscal year ending June 30,	
2016	\$ 3,408,943
2017	3,408,943
2018	3,408,943
2019	3,408,943
2020	3,664,616
2021-2025	19,895,442
2026-2030	22,879,760
2031-2035	26,357,647
2036-2039	<u>21,189,385</u>
Total	<u>\$ 107,622,622</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budget Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Classified positions	\$ 6,571,500	\$ 6,571,500	\$ 6,216,202	\$ 355,298
Employer contributions	2,110,400	2,110,400	2,262,947	(152,547)
Other operating	9,968,100	9,968,100	8,497,584	1,470,516
<b>Total Expenditures</b>	<u>\$18,650,000</u>	<u>\$18,650,000</u>	<u>\$16,976,733</u>	<u>\$ 1,673,267</u>



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**SOUTH CAROLINA RETIREMENT SYSTEM**  
**AS OF JUNE 30, 2015**  
**LAST TWO FISCAL YEARS**

	2015	2014
SCETV's proportion of the net pension liability	0.064%	0.064%
SCETV's proportionate share of the net pension liability	\$ 11,079,109	\$ 11,542,274
SCETV's covered employee payroll	\$ 4,792,514	\$ 5,842,255
SCETV's proportionate share of the net pension liability as percentage of covered employee payroll	231.18%	197.57%
Plan fiduciary net position as a percentage of the total pension liability	59.9%	56.4%

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S  
CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM  
AS OF JUNE 30, 2015  
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 522,384	\$ 619,279	\$ 631,900	\$ 634,000	\$ 716,000
Contributions in relation to the contractually required contribution	<u>522,384</u>	<u>619,279</u>	<u>631,900</u>	<u>634,000</u>	<u>716,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	\$4,792,514	\$5,842,255	\$5,961,321	\$6,649,187	\$7,625,133
Contributions as a percentage of the covered employee payroll	10.90%	10.60%	10.60%	9.54%	9.39%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 752,000	\$ 874,000	\$ 917,900	\$ 795,500	\$ 738,000
Contributions in relation to the contractually required contribution	<u>752,000</u>	<u>874,000</u>	<u>917,900</u>	<u>795,500</u>	<u>738,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	\$8,008,520	\$9,307,774	\$9,966,341	\$9,701,220	\$9,584,416
Contributions as a percentage of the covered employee payroll	9.39%	9.39%	9.21%	8.20%	7.70%

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

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 governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements and have issued our report thereon dated January 31, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network'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 Network's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2015-1 to be a material weakness. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Network'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Network's Response to Findings**

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings. The Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 Network'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 Network's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scott and Company LLC*

Columbia, South Carolina  
January 31, 2016

**South Carolina Educational Television Commission  
Schedule of Findings**

**Year Ended June 30, 2015**

**Section I—Summary of Auditor's Results**

**Financial Statements:**

We have issued an unmodified opinion dated January 31, 2016 on the basic financial statements of the South Carolina Educational Television Commission.

**Internal control over financial reporting:**

- |   |     |
|---|-----|
| • Material weaknesses identified?                       | Yes |
| • Significant deficiencies identified?                  | No  |
| • Noncompliance material to financial statements noted? | No  |

**South Carolina Educational Television Commission  
Schedule of Findings**

**Year Ended June 30, 2015**

**Section II- Financial Statement Findings:**

**Condition Considered to be a Material Weakness:**

**2015-1: Errors in Financial Statement Note Disclosures**

**Condition:**

Our audit disclosed that the Network reported the incorrect amount for future minimum lease payments and receipts for operating leases.

**Cause:**

Minimum lease payments were overstated and minimum lease receipts were understated due to miscalculation of rental amounts.

**Effect:**

Misstatement of the future minimum lease payments footnote disclosures.

**Criteria:**

Generally accepted accounting principles require that amounts be properly reported in the financial statement note disclosures.

**Recommendation:**

The Network should implement procedures to ensure that all financial statement note disclosures are properly reported.

**Summary Schedule of Prior Audit Findings:**

During our current audit, we reviewed the status of corrective action taken on the finding reported on the Network's financial statements for the year ended June 30, 2014, dated February 13, 2015. The following finding was reported:

2014-1 Errors in Financial Statement Note Disclosures

We found that corrective action was not taken on the above finding, which has been repeated as 2015-1.



South Carolina ETV

1041 GEORGE ROGERS BOULEVARD  
COLUMBIA, SOUTH CAROLINA 29201

**South Carolina Educational Television Commission  
Management Response**

January 31, 2016

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm: Scott and Company LLC, PO Box 8388, Columbia SC 29202

Audit Period: July 1, 2014 – June 30, 2015

The finding is discussed below.

*2015-1: Errors in Financial Statement Note Disclosures*

Recommendation:

The Commission should implement procedures to ensure that all financial statement note disclosures are properly reported.

Action Taken:

The Commission will implement procedures to ensure that financial statement note disclosures are properly reported. Accounting staff have been notified of the error in calculating the future minimum lease payments and receipts for operating leases and reporting package files have been notated for future reference.

If you have any questions, or if additional information is needed, please contact Kim Parris at (803) 737-3379.

Sincerely,

Linda O'Bryon  
President & CEO