

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

**FINANCIAL AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2011**

*State of South Carolina*



*Office of the State Auditor*

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February 28, 2012

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 year ended June 30, 2011, was issued by Rogers Laban, PA, 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, appearing to read "Richard H. Gilbert Jr.", written in black ink.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

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EDUCATIONAL TELEVISION COMMISSION  
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**YEAR ENDED JUNE 30, 2011**

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EDUCATIONAL TELEVISION COMMISSION**

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## INDEPENDENT AUDITOR'S REPORT

Mr. Richard H. Gilbert, Jr., CPA,  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission ("the Commission") as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the Commission, an agency of the State. They do not purport to and do not present the financial position of the State of South Carolina as of June 30, 2011, and 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 of South Carolina.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission as of June 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2012 on our consideration of the Commission's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 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.

*Rogers Lalen, PA*

February 15, 2012

## 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 Commission"), we provide this Management's Discussion and Analysis of South Carolina Educational Television's Financial Statements for the fiscal year ended June 30, 2011 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board in Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The financial statements presented focus on the financial condition of the Commission, the results of operations, and the cash flows of the Commission.

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

The *Entity-Wide Financial Statements* provide a broad overview of the Commission's operations. The entity-wide financial statements include two statements: the Statement of Net Assets; and, the Statement of Activities.

The *Fund Financial Statements* provide information on the Commission'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 Commission's funds are classified as Governmental funds. The Commission's governmental funds include the General Fund, Non Federal Grants, Capital Projects and Other Governmental Funds.

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

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

## Statement of Net Assets

The Statement of Net Assets presents information reflecting the Commission's assets, liabilities and net assets as of the end of the fiscal year. This statement provides the reader with a fiscal snapshot of the Commission. The Statement of Net Assets presents end of year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). Current assets and liabilities are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Assets is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Over time, increases or decreases in the Commission's net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The assets of the Commission exceeded its liabilities by \$30.2 million at fiscal year ending June 30, 2011 (See Table 1 below for a summary of net assets for fiscal years 2010-2011 and 2009-2010). Of this amount, \$3.2 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the Commission's ongoing obligations.

Condensed Statement of Net Assets	2011	(as Restated) 2010	Increase / (Decrease)	Percent Change
<b>ASSETS</b>				
Current Assets	\$ 7,105,359	\$ 9,768,807	\$ (2,663,448)	(27.26%)
Capital Assets, net of accumulated depreciation	27,179,723	29,563,678	(2,383,955)	(8.06%)
Prepaid Expenses, net of current portion	31,960	94,702	(62,742)	(66.25%)
<b>Total Assets</b>	<u>\$ 34,317,042</u>	<u>\$ 39,427,187</u>	<u>\$ (5,110,145)</u>	(12.96%)
<b>LIABILITIES</b>				
Current Liabilities	\$ 3,635,895	\$ 5,139,892	\$ (1,503,997)	(29.26%)
Noncurrent Liabilities	480,014	647,718	(167,704)	(25.89%)
<b>Total Liabilities</b>	<u>4,115,909</u>	<u>5,787,610</u>	<u>(1,671,701)</u>	(28.88%)
<b>NET ASSETS</b>				
Capital Assets, net of related debt	27,007,205	29,336,932	(2,329,727)	(7.94%)
Restricted for expendable purposes:				
Capital projects	3,397	179,961	(176,564)	(98.11%)
K12 Technology	25,661	25,661	-	0.00%
Unrestricted	3,164,870	4,097,023	(932,153)	(22.75%)
<b>Total Net Assets</b>	<u>30,201,133</u>	<u>33,639,577</u>	<u>(3,438,444)</u>	(10.22%)
<b>Total Liabilities and Net Assets</b>	<u>\$ 34,317,042</u>	<u>\$ 39,427,187</u>	<u>\$ (5,110,145)</u>	(12.96%)

Total assets of the Commission decreased \$5.1 million. Current assets decreased \$2.7 million. Cash and cash equivalents were \$1.3 million less than the previous year and accounts and intergovernmental receivables decreased \$1.4 million. Capital assets decreased \$2.4 million due to capital asset retirements. The prior fiscal year capital assets



amounts were restated due to a change in accounting estimate during the prior year of the assets useful lives. Due to this change, accumulated depreciation was understated by \$8.4 million in the prior fiscal year. Capital asset retirements were mainly for television equipment no longer usable. The Commission shows a prepaid expense balance for two tower leases paid from Lottery Funds and the General Fund.

The decrease of \$1.5 million in current liabilities is primarily attributable to a \$1.2 million decrease in deferred revenue and a \$500 thousand decrease in amounts due to other state agencies. Accounts payable increased over the previous fiscal year. Accrued salaries and benefits decreased as the result of reductions in temporary and full time employees. The decrease in non-current liabilities can be attributed to the first annual payment on the capital lease payable for the acquisition of computer network storage equipment. The portion of the capital lease payable not due within twelve months is shown as a noncurrent liability.

Net assets of the Commission decreased during the year by \$3.5 million. Restricted for expendable purposes asset balances related to general fund appropriations carried forward to SFY 2011-12 for K-12 Technology initiatives (\$26 thousand) and funds remaining in the digital conversion capital project (\$3 thousand). Unrestricted net assets used to meet the Commission's ongoing obligations showed a decrease of \$900 thousand.

### ***Statement of Activities***

This statement represents the program revenues and expenses, as well as any general revenue that the Commission 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, 2011.

Program revenues for the commission are classified in two categories: Charges for Services and Operating Grants. Charges for services are received for providing services to the various customers and constituencies of the Commission. 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 Commission. Program revenue from all sources during the fiscal year totaled \$7.9 million. General revenues are classified as State Appropriations and Contributions. Contributions include contributed support from the ETV Endowment. General revenue for the fiscal year totaled \$14.3 million.

Expenses for the Commission are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating, Interest expense and Depreciation. Personal Service costs were \$10.4 million (41%). Other operating costs totaled \$12.1 million (47%). Depreciation costs totaled \$3.1 million (12%). The Statement of Activities reflects a decrease in net assets for the current fiscal year (See Table 2 for a comparison of revenues, expenses and changes in net assets for fiscal years 2010-2011 and 2009-2010).

Table 2				
Statement of Activities				
	2011	(as restated) 2010	Increase / (Decrease)	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 3,456,117	\$ 2,276,395	\$ 1,179,722	51.82%
Operating grants & contributions	3,713,204	5,285,106	(1,571,902)	(29.74%)
Capital grants & contributions	740,788	-	740,788	100.00%
General Revenues:				
State Appropriations	9,515,801	11,784,492	(2,268,691)	(19.25%)
Capital Reserve Funds	82,985	-	82,985	100.00%
Contributions	4,683,241	4,501,361	181,880	4.04%
<b>Total Revenues</b>	<b>22,192,136</b>	<b>23,847,354</b>	<b>(1,655,218)</b>	<b>(6.94%)</b>
<b>EXPENSES</b>				
Educational Broadcasting:				
Personal Services	10,438,615	10,822,446	(383,831)	(3.55%)
Other operating costs	12,107,791	13,206,920	(1,099,129)	(8.32%)
Interest	6,720	-	6,720	100.00%
Depreciation	3,077,454	12,109,526	(9,032,072)	(74.59%)
<b>Total Expenses</b>	<b>25,630,580</b>	<b>36,138,892</b>	<b>(10,508,312)</b>	<b>(29.08%)</b>
Decrease in Net Assets	(3,438,444)	(12,291,538)	8,853,094	(72.03%)
Net Assets - beginning of year, as restated	33,639,577	45,931,115	(12,291,538)	(26.76%)
Net Assets - end of year	<u>\$ 30,201,133</u>	<u>\$ 33,639,577</u>	<u>\$ (3,438,444)</u>	<u>(10.22%)</u>

Operating grants and contributions decreased by \$1.6 million from the previous fiscal year. Capital grants related to the construction of the new Radio studios and energy saving improvements increased \$741 thousand. Corporation for Public Broadcasting grant awards decreased by \$454 thousand over the previous year. General revenues decreased \$2.3 million over the previous fiscal year. The decrease can be attributed to continued state budget reductions. Contributions increased from the previous year by \$182 thousand due to an increase in direct support from the ETV Endowment.

Total expenses decreased approximately 8% over the previous fiscal year. Personal services decreased by \$384 thousand (4%). Personal service decreases can be attributed to a reduction in temporary and full time positions implemented in July, 2010. Other operating expenses decreased \$1.1 million (8%). Depreciation expense decreased \$9.0 million. This decrease is the result of an accounting estimate change for the prior year related to useful lives. The State of South Carolina implemented a new accounting system during the previous fiscal year and during the conversion process an error occurred in calculating accumulated depreciation which required an adjustment of \$8.4 million to the previous fiscal year.

The Commission's net assets decreased \$3.4 million from the previous fiscal year. The reduction in net assets can be attributed to the reduction in the Commission's state appropriations, operating grants from the Corporation for Public Broadcasting and depreciation on capital assets.

**Capital Assets and Debt Administration**

The Commission's Capital Assets net of depreciation were \$27.2 million at June 30, 2011. 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, 2011 and June 30, 2010.

<b>SC ETV Capital Assets</b>	<b>2011</b>	<b>(as Restated) 2010</b>
Land	\$ 946,579	\$ 946,579
Building & Improvements	21,887,468	21,887,468
Equipment & Furniture	64,725,784	65,830,576
Vehicles	1,297,620	1,330,045
Construction in Progress	583,025	31,078
<b>Total Cost</b>	<b>89,440,476</b>	<b>90,025,746</b>
<b>Less: Accumulated Depreciation</b>	<b>62,260,753</b>	<b>60,462,068</b>
<b>Net Capital Assets</b>	<b>\$ 27,179,723</b>	<b>\$ 29,563,678</b>

Capital Assets, net of accumulated depreciation, for State Fiscal Year 2009-10 were restated as a result of an error in accumulated depreciation when the Commission implemented the new State accounting system and the useful lives of various assets were changed. Depreciation expense was understated by \$8.4 million in the previous fiscal year. See Note 4 in the notes to the financial statements within this report for additional information about the Commission's capital assets.

The net decrease in the Commission's investment in capital assets for the current fiscal year was \$2.4 million. Actual expenditures to purchase or construct capital assets were \$695 thousand. Construction in progress on the Commission's new radio facilities in the Telecommunications Center increased \$552 thousand.

The Commission currently has one capital lease with an interest rate of 2.964% and the final lease payment due in March, 2014. As of June 30, 2011 the total minimum lease payments owed was \$183 thousand. See Note 6 in the notes to the financial statements within this report for additional information about the Commission's capital leases.

## ***Economic Outlook***

The Commission continues to look for ways to increase non-state sources of revenue and improve its operating efficiencies. Beginning in State Fiscal Year 2011-12 the Commission no longer has a separate state appropriation and is instead being funded through two budget provisions. Proviso 89.121 directs the Department of Education, Budget & Control Board and the Law Enforcement Training Council to transfer funds to the Commission for the continuation of services as provided in previous fiscal years. The above agencies were given a line item appropriation in their budgets for the Commission and the funds were transferred in July, 2011. This new funding model still resulted in a \$600 thousand reduction from the State Fiscal Year 2010-11 state appropriation. The Commission had to again reduce staffing and make additional reductions to departmental operations to offset the loss of state appropriations. Proviso 89.104 directs the proceeds from the broadband spectrum lease to the Commission. This lease was entered into by the Commission, the Budget & Control Board and two private vendors in November, 2009. The lease proceeds are generated from the Commission's ITFS licenses and previously went directly to the general fund. This new funding model while aligning the lease revenue with the Commission's assets creates an element of risk. This risk became apparent when in the current fiscal year one of the private vendors was no longer able to meet its lease obligations and the Commission lost a portion of the lease revenue. During State Fiscal Year 2010-11 the Commission continued with preparations to move its Radio operations to the Telecommunications building. Construction on the Radio studios began in February, 2011 and the new studios were operational in November, 2011. The Commission still plans to consolidate all of its operations in the Telecommunications building pending the sale of its Administration building. The Commission is in talks with the University of South Carolina and hopes to complete the sale during State Fiscal Year 2011-12. Pursuant to Proviso 80A.33 the Commission is allowed to retain 100% of the sale proceeds for the sole purpose of renovating the Telecommunications facility.

## ***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 Commission's taxpayers, customers and creditors. This financial report seeks to demonstrate the Commission'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  
1101 George Rogers Boulevard  
Columbia, South Carolina 29211

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,148,793
Accounts receivable, net of allowance for doubtful accounts of \$32,037	911,258
Intergovernmental receivables:	
General Fund of the State	638,509
State agencies	137,621
Federal government	206,436
Prepaid expenses	62,742
Total current assets	<u>7,105,359</u>
Non-current assets	
Capital assets, net of accumulated depreciation	27,179,723
Prepaid expenses, net of current portion	31,960
Total non-current assets	<u>27,211,683</u>
<b>Total assets</b>	<u><u>\$ 34,317,042</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 470,722
Retainage payable	16,806
Accrued salaries and related benefits	732,230
Deferred revenue	1,245,378
Due to State Agencies	7,924
Current portion of capital lease	55,835
Current portion of accrued compensated absences and related benefits	1,107,000
Total current liabilities	<u>3,635,895</u>
Noncurrent liabilities:	
Capital lease payable, net of current portion	116,683
Accrued compensated absences and related benefits, net of current portion	363,331
Total noncurrent liabilities	<u>480,014</u>
<b>Total liabilities</b>	<u>4,115,909</u>
<b>Net assets:</b>	
Capital assets, net of related debt	27,007,205
Restricted for expendable purposes:	
Capital projects	3,397
K12 Technology	25,661
Unrestricted	3,164,870
<b>Total net assets</b>	<u>30,201,133</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 34,317,042</u></u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities</u>
Expenses:	
Educational broadcasting:	
Personal services	\$ 10,438,615
Other operating costs	12,107,791
Interest expense	6,720
Depreciation	<u>3,077,454</u>
Total program expenses	25,630,580
Program revenues:	
Charges for services	3,456,117
Operating grants and contributions	3,713,204
Capital grants and contributions	<u>740,788</u>
Net program expenses	<u>17,720,471</u>
General revenues:	
State appropriations	9,515,801
Capital Reserve Funds	82,985
Contributions	<u>4,683,241</u>
Total general revenues	<u>14,282,027</u>
Increase (decrease) in net assets	(3,438,444)
Net assets - beginning of year, as restated	<u>33,639,577</u>
Net assets - end of year	<u><u>\$ 30,201,133</u></u>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	General	Non Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,983,064	\$ 1,165,729			\$ 5,148,793
Accounts receivable	716,681	5,849	60,037		782,567
Intergovernmental receivables:					
General Fund of the State	638,509				638,509
State agencies	81,105				81,105
Federal government			206,436		206,436
Due from Other Funds	202,269				202,269
Prepaid expenses	45,185			49,517	94,702
<b>TOTAL ASSETS</b>	<b>\$ 5,666,813</b>	<b>\$ 1,171,578</b>	<b>\$ 266,473</b>	<b>\$ 49,517</b>	<b>\$ 7,154,381</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 386,769	\$ 23,916	\$ 60,037		\$ 470,722
Retainage payable			16,806		16,806
Accrued salaries and related benefits	732,230				732,230
Deferred revenues	55,275	1,147,662			1,202,937
Due to State Agencies	7,154		770		7,924
Due to Other Funds			202,269		202,269
<b>TOTAL LIABILITIES</b>	<b>1,181,428</b>	<b>1,171,578</b>	<b>279,882</b>	<b>-</b>	<b>2,632,888</b>
<b>FUND BALANCES (DEFICIT):</b>					
Nonspendable	45,185			49,517	94,702
Spendable:					
Restricted	25,661		3,397		29,058
Unassigned	4,414,539		(16,806)		4,397,733
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>4,485,385</b>	<b>-</b>	<b>(13,409)</b>	<b>49,517</b>	<b>4,521,493</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,666,813</b>	<b>\$ 1,171,578</b>	<b>\$ 266,473</b>	<b>\$ 49,517</b>	<b>\$ 7,154,381</b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2011**

**Reconciliation to the statement of net assets:**

Fund balances of governmental funds		\$ 4,521,493
Amounts reported for governmental activities in the statement of net assets are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Capital lease payable	\$ (172,518)	
Accrued compensated absences and related benefits	<u>(1,470,331)</u>	(1,642,849)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds		
		142,766
Assets are capitalized and depreciated or amortized in statement of net assets and are charged to expenditures in the governmental funds:		
Capital assets, net of accumulated depreciation		<u>27,179,723</u>
Net assets of governmental activities		<u>\$ 30,201,133</u>

**See accompanying Notes to Financial Statements.**



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	Non Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
State appropriations	\$ 9,515,801				\$ 9,515,801
Capital Reserve Fund Appropriation			\$ 82,985		82,985
Contributions	4,683,242		534,352		5,217,594
Program sales	116,555				116,555
Corporation for Public Broadcasting, Inc. grant	3,109,485				3,109,485
Federal Grants			206,436		206,436
Private grants and contracts		603,719			603,719
Charges for services	927,125				927,125
Rental fees	557,695				557,695
Royalties	135,041				135,041
Resale of equipment	1,705,000				1,705,000
Miscellaneous	66,893				66,893
<b>TOTAL REVENUES</b>	<b>20,816,837</b>	<b>603,719</b>	<b>823,773</b>	<b>-</b>	<b>22,244,329</b>
<b>EXPENDITURES:</b>					
Internal Administration	2,622,494		168,492	15,279	2,806,265
Public education:					
School services				2,547	2,547
General support and services	5,037,998	428,884		20,373	5,487,255
Higher education general support and services	457,671	62,510		5,093	525,274
Agency services:					
Local government and business services	123,281			1,698	124,979
General support and services	1,223,867			6,791	1,230,658
Community education general support and services	6,480,098	112,325	37,945	20,372	6,650,740
Public affairs general support and services	1,949,187			8,489	1,957,676
Cultural and performing arts general support and svcs	2,495,520			4,244	2,499,764
Equipment and materials purchased for resale	1,327,778				1,327,778
Debt Service:					
Principal	54,228				54,228
Interest	6,720				6,720
Equipment and permanent improvements			685,842		685,842
<b>TOTAL EXPENDITURES</b>	<b>21,778,842</b>	<b>603,719</b>	<b>892,279</b>	<b>84,886</b>	<b>23,359,726</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(962,005)</b>	<b>-</b>	<b>(68,506)</b>	<b>(84,886)</b>	<b>(1,115,397)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sales of capital assets	3,004				3,004
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,004</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(959,001)</b>	<b>-</b>	<b>(68,506)</b>	<b>(84,886)</b>	<b>(1,112,393)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>5,444,386</b>	<b>-</b>	<b>55,097</b>	<b>134,403</b>	<b>5,633,886</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,485,385</b>	<b>\$ -</b>	<b>\$ (13,409)</b>	<b>\$ 49,517</b>	<b>\$ 4,521,493</b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,112,393)
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	694,778
Depreciation of capital assets is reported as an expense in the statement of activities	(3,077,454)
Certain receivables are not recorded in the governmental funds because they are not considered available	(52,193)
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	54,228
Decrease in accrued compensated absences and related benefits is reported as a reduction to expense in the statement of activities	55,869
Losses on disposals of capital assets are reported as an expense in the statement of activities, net of cash received	<u>(1,279)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u><u>\$ (3,438,444)</u></u>

**See accompanying Notes to Financial Statements.**

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

The accounting policies of the South Carolina Educational Television Commission (the Commission) 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 Commission's significant accounting principles are described below.

#### Reporting Entity

The Commission is responsible for the administration of the South Carolina Educational Television Network systems. The Commission 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 with the advice and consent of the Senate. The Commission members are the governing body of the Commission. The funds and account groups of the Commission 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 Commission 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 Commission.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

#### **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 Commission 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 Commission 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.

**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 Commission 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.

#### **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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011**

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 Commission 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 Commission, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Commission 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 Commission must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Commission 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 Commission 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 Commission 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.

#### **Budget Policy**

The Commission 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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011**

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 Commission, 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 Commission 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 Commission's special deposit accounts is posted to the Commission's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Commission'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.

#### **Accounts Receivable**

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Commission 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.

#### **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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011**

#### **Prepaid Expenses**

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist of payments made for the long-term rental of tower space for antennas. For financial statement purposes, prepaid expenses are offset by a reserved 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, 2011. The Commission 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 Assets / Fund Balances**

The Commission reports a portion of its net assets or fund balance in its government-wide and fund financial statements as restricted. Net assets or fund balance, for enterprise or governmental fund types respectively, 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 Commission reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if the Board of the Commission 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.

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

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011**

#### **Deferred Revenues**

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

#### **CPB Grants**

The Commission 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.

#### **New Pronouncements – Fund Balances**

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods after June 15, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in the government funds. The Statement also modifies the guidance relating to the use of special revenue funds, capital project funds, and debt service funds for reporting.

#### **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.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2. STATE APPROPRIATION:**

The following represents a reconciliation of the Appropriations Act for the year ended June 30, 2011 as originally enacted by the General Assembly to State appropriation revenue as reported in the general fund.

Original appropriation	\$ 9,556,490
Supplemental appropriation for insurance premiums	<u>78,605</u>
Adjusted appropriation, budgetary basis	9,635,095
Accrual adjustments:	
Funding for personal services and employer contributions	<u>(119,294)</u>
Accrual basis State appropriation revenue	<u><u>\$ 9,515,801</u></u>

The total amount of 2010 State appropriated funds brought forward to fiscal year 2011 was \$32,481. Proviso 89.27 of the 2010-2011 Appropriation Act under which the \$32,481 was carried forward, allowed a carry-forward of unspent fiscal year 2009-10 appropriations up to a maximum 10% of the Commission's original appropriation less any reduction excluding amounts carried forward under separate carry forward authority.

Proviso 89.26 of the 2011-2012 Appropriations Act authorizes the Commission to carry forward unspent fiscal year 2011 appropriations up to a maximum 10% of the original appropriation less any reduction to the 2011 fiscal year excluding amounts carried forward under separate carry forward authority. Unspent fiscal year 2011 appropriations for general operations amounted to \$18,582.

The Commission also carried forward from fiscal year 2010 Capital Reserve Funds of \$25,661 from the State Department of Education for the K-12 School Technology Initiative carried over pursuant to Proviso 89.33 of the 2010-11 Appropriation Act. None of these funds were spent in the current year and were carried forward pursuant to Proviso 89.32 of the 2011-12 Appropriations Act.

**NOTE 3. DEPOSITS:**

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

The following schedule reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 5,148,793	Petty Cash	\$ 200
		Deposits Held by State Treasurer	<u>5,148,593</u>
Totals	<u><u>\$ 5,148,793</u></u>	Totals	<u><u>\$ 5,148,793</u></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.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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.

**NOTE 4. CAPITAL ASSETS:**

The following schedule summarizes capital assets activity for the Commission for the fiscal year 2011:

	Beginning Balances June 30, 2010 (as Restated)	Increases	Decreases	Ending Balances June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 946,579			\$ 946,579
Construction in progress	31,078	551,947		583,025
Total capital assets not being depreciated	<u>977,657</u>	<u>551,947</u>	<u>-</u>	<u>1,529,604</u>
Other capital assets:				
Buildings and improvements	21,887,468			21,887,468
Equipment and furniture	65,830,576	124,440	(1,229,232)	64,725,784
Vehicles	1,330,045	18,391	(50,816)	1,297,620
Total other capital assets	<u>89,048,089</u>	<u>142,831</u>	<u>(1,280,048)</u>	<u>87,910,872</u>
Less accumulated depreciation for:				
Buildings and improvements	7,715,390	648,679		8,364,069
Equipment and furniture	51,525,468	2,374,524	(1,227,953)	52,672,039
Vehicles	1,221,210	54,251	(50,816)	1,224,645
Total accumulated depreciation	<u>60,462,068</u>	<u>3,077,454</u>	<u>(1,278,769)</u>	<u>62,260,753</u>
Other capital assets, net	<u>28,586,021</u>	<u>(2,934,623)</u>	<u>(1,279)</u>	<u>25,650,119</u>
Total capital assets, net	<u>\$29,563,678</u>	<u>\$(2,382,676)</u>	<u>\$ (1,279)</u>	<u>\$27,179,723</u>

Construction in progress consists of costs incurred for the construction of new Radio studios in the Telecommunications building. Construction costs are estimated at \$617 thousand and will be completed in November, 2011.

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

See Note 17 for details of the restatement of the balances as of June 30, 2010.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5. DUE FROM THE GENERAL FUND OF THE STATE:**

The amount receivable represents funds due from the State General Fund for personal services and employer contributions of Commission salaries and the cost of related employee benefits funded by State appropriations accrued at June 30 but paid in July. Personal services and employer contributions applicable to funding sources other than State appropriations are accrued as expenditures at year-end but are not included in the receivable from the General Fund of the State.

**NOTE 6. LEASES:**

**Capital Leases**

The capital lease payable as of June 30, 2011 consists of a capital lease obligation due to a commercial lender for the purchase of data processing network storage equipment.

The data processing equipment obligation of \$226,746 from Bank of America as executed on March 5, 2010 requires annual installments of \$60,948 on March 5<sup>th</sup> of each year, beginning on March 5, 2011 with a final maturity on March 5, 2014. The obligation bears an effective interest rate of 2.964% per annum and is collateralized by the equipment with a book value of \$125,970 at June 30, 2011.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Fiscal year ending June 30,	
2012	\$ 60,948
2013	60,948
2014	60,948
Total minimum lease payments	<u>182,844</u>
Less: amount representing interest	<u>(10,326)</u>
Present value of minimum lease payments	<u>\$ 172,518</u>

**Operating Leases**

The Commission conducts part of its operations from leased facilities which include towers and office space. The Commission also leases mailroom equipment and copiers. All leases are with external parties. These leases expire beginning with fiscal year 2012 and continue through fiscal year 2019. The Commission 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 Commission should the General Assembly not provide funding for these leases. The Commission 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 Commission is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$366,000 for the year ended June 30, 2011.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

At June 30, 2011, the Commission's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2012	\$ 86,951
2013	88,430
2014	78,964
2015	80,563
2016	59,491
Thereafter	<u>91,760</u>
 Total	 <u>\$ 486,159</u>

**NOTE 7. LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balances, July 1, 2010	Additions	Reductions	Balances, June 30, 2011	Due Within One Year
Capital Lease Payable	\$ 226,746	\$ -	\$ 54,228	\$ 172,518	\$ 55,835
Accrued compensated absences and related benefits	1,526,200	1,051,248	1,107,117	1,470,331	1,107,000
	<u>\$ 1,752,946</u>	<u>\$ 1,051,248</u>	<u>\$ 1,161,345</u>	<u>\$ 1,642,849</u>	<u>\$ 1,162,835</u>

**NOTE 8. DUE FROM CAPITAL RESERVE FUND:**

In fiscal year 2001, the Commission received \$250,000 for the Charleston Regional Station expansion pursuant to fiscal year 2000 Joint Resolution R467, H4776. During fiscal year 2010, the Commission received approval from the Joint Bond Review Committee and State Budget and Control Board to transfer the unspent portion to the Commission's capital project for renovations to the Telecommunications Center. The unspent portion at June 30, 2011 is \$4,824. The funds can be drawn down after the expenditures are incurred.

**NOTE 9. RELATED PARTY:**

A major portion of the funding of the Commission 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 Commission exercises no control. The Endowment/Communications provides support services for the Commission through the purchasing and underwriting of various programming. The Commission recorded approximately \$5,220,000 from the Endowment/Communications which is reported as contribution revenue of which approximately \$656,000 was included in accounts receivable at June 30, 2011. An additional \$11,000 was received as reimbursement of expenses.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2011 is as follows:

	Endow ment	Communications
As of June 30, 2011		
Total assets	\$ 18,668,439	\$ 927,701
Total liabilities	\$ 1,621,479	\$ 214,998
Total net assets	17,046,960	712,703
Total liabilities and net assets	\$ 18,668,439	\$ 927,701
For year ended June 30, 2011		
Revenues	\$ 8,560,154	\$ 1,894,967
Expenses	6,801,229	2,128,348
Changes in net assets	\$ 1,758,925	\$ (233,381)

**NOTE 10. TRANSACTIONS WITH OTHER STATE AGENCIES:**

The Commission 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 State Budget and Control Board 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 Commission had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$182,000 was paid to the State Accident Fund and the Employment Security Commission for worker's compensation and unemployment insurance during the year.

The Commission provided no services free of charge to other State agencies during the fiscal year. Revenues of approximately \$1,457,000 were received from various State agencies.

During the fiscal year, the Commission purchased services with a total cost of approximately \$1,042,000 from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance, telecommunications and other contracted services. Approximately \$8,000 was paid for these services subsequent to year end and is reported as due to state agencies.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

#### NOTE 11. PENSION PLAN AND OTHER EMPLOYEE BENEFITS:

The Retirement Division of the State Budget and Control Board 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. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the five pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the Commission are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all state employees 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. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. 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 multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years of service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. (This requirement does not apply if the disability is a result of a job related injury.) A group-life insurance 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.

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.

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2010, the employer contribution rate became 13.14 percent which included a 3.90 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2011, 2010, and 2009, were approximately \$705,000, \$740,000, and \$860,000 respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$11,000 in the current fiscal year at the rate of .15 percent of compensation.

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. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the Commission's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Commission's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the Commission recognizes no contingent liability for unfunded costs associated with participation in the plans. At retirement, employees participating in the SCRS may receive additional service credit (at a rate of 20 days equal to one month of service) for up to 90 days for accumulated unused sick leave.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts that are issued to, and become the property of, the participants.

The State assumes no liability for this plan other than for payment of contributions to designated insurance companies. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first thirty days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.90 percent from the employer in fiscal year 2011.

For the fiscal year, total contributions requirements to the ORP were approximately \$26,000 (excluding the surcharge) from the Commission as employer and approximately \$18,000 from its employees as plan members. Employee contributions of 6.50 percent, and 5.00 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefit resides with the insurance companies. Also, the Commission paid employer group life insurance contributions of approximately \$400 in the current fiscal year at the rate of .15 percent of compensation. The balance was remitted directly to the respective annuity policy providers.

#### **NOTE 12. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS:**

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 Commission contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four 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.

Section 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 3.90% and 3.50% of annual covered payroll for 2011 and 2010, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid approximately \$297,000 and \$289,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011 and 2010, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2011 and 2010.

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 South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

#### **NOTE 13. DEFERRED COMPENSATION PLANS:**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Commission 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.

#### **NOTE 14. RISK MANAGEMENT:**

The Commission 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 Commission 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:



## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

1. Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

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 Commission 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 Commission 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 Commission 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, 2011.

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

The Commission has not reported an estimated claims loss expenditure, and the related liability at June 30, 2011, 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, 2011 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2011, the Commission was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Commission'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 Commission does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

The Commission 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, 2011, the Commission 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 15. COMMITMENTS:**

As of June 30, 2011, the Commission had approximately \$146,000 in outstanding commitments primarily for construction services, contractual services, fixed charges and purchases of supplies and equipment. The funding sources for these commitments consist primarily of other operating and capital project sources.

**NOTE 16. OTHER MATTERS:**

On November 16, 2006 the Board of Commissioners approved proceeding with putting the Commission's Administrative building up for sale. Proviso 80A.33, directs fifty percent of net proceeds from the sale of surplus real property to the Budget and Control Board for the deferred maintenance of state-owned buildings. Proviso 80A.33, also authorizes the Commission to retain all of the net proceeds from the sale of its Key Road property and such proceeds shall only be used for the renovation of the Telecommunications Center. The Commission is in negotiations with the University of South Carolina and an appraisal done by the University in February, 2011 appraised the value of the Administrative building at \$4.2 million.

**NOTE 17. CHANGE IN ACCOUNTING ESTIMATE**

The State determined that accumulated depreciation on vehicles and equipment was computed incorrectly during the transition to the new State accounting system in State Fiscal Year 2009-10. The useful life for assets was revised for several classes of assets during this transition. This change in accounting estimate was not computed correctly and accumulated depreciation for vehicles and equipment was understated by \$8,418,405.

**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. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Educational Television Commission ("the Commission") as of and for the year ended June 30, 2011, and have issued our report thereon dated February 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2011-1 through 2011-5 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiency 2011-6 described in the accompanying schedule of findings to be a significant deficiency.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompany schedule of findings as items 2011-4, 2011-5, 2011-7, and 2011-8.

The Commission's response to the findings identified in our audit is described in Appendix A. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the South Carolina Office of the State Auditor, Governor of the State of South Carolina, members of the Commission, and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

*Rogers Lalan, PA*

February 15, 2012

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

2011-1 Errors in Year-End Journal Entries

Condition: The Commission's accounting staff made some errors in recording certain year-end journal entries causing various asset, liability, equity, and revenue accounts to be misstated. None of these entries had been reviewed and approved by anyone independent of the preparer. The lack of review and approval was also reported in the prior year's report. All of the errors were corrected by the Commission after they were brought to their attention.

Cause: Unknown.

Effect: Errors were made which were not detected by Commission staff.

Criteria: Generally accepted accounting principles require that all transactions be properly recorded. Also good controls provide for an independent review and approval of all transactions.

Recommendation: The Commission should implement procedures to ensure that all journal entries are properly recorded and that an independent review and approval process is performed before the entries are posted.

2011-2 Error in Recording Accounts Receivable

Condition: The Commission did not include certain receivables totaling approximately \$63,000 in their original entry recording year-end receivables. The error was corrected by the Commission after it was brought to their attention.

Cause: Unknown.

Effect: Misstatement of assets and revenues.

Criteria: Generally accepted accounting principles require that all transactions be properly recorded.

Recommendation: The Commission should implement procedures to ensure that all receivables are properly recorded at their correct amounts.

2011-3 Error in Recording Revenue and Deferred Revenue

Condition: The Commission recorded an invoice in revenue that should have been recorded as deferred revenue resulting in an overstatement of \$42,441 in revenue. The error was corrected by the Commission after it was brought to their attention. The same deficiency was also noted in last year's report.

Cause: Unknown.

Effect: Misstatement of revenues and liabilities.

Criteria: Generally accepted accounting principles require that all transactions be properly recorded and require that unearned revenue be recorded as a liability.

Recommendation: The Commission should implement procedures to ensure that all liabilities and revenues are properly recorded.

#### 2011-4 Errors in Operating Leases Future Minimum Payments and Operating Leases Reporting Package

Condition: The Commission initially misstated the operating leases future minimum payments in the financial statement notes. The original schedule overstated the future minimum lease payments for fiscal year 2012 and understated them for fiscal years 2013 through 2016. The error was corrected by the Commission after it was brought to their attention. The Commission also misstated the operating leases future minimum payments in the Operating Leases Reporting Package that was submitted to the Comptroller General's office.

Cause: Failure to adequately review operating leases.

Effect: Misstatement of operating leases future minimum payments.

Criteria: Generally accepted accounting principles require that operating leases future minimum payments be reported for operating leases at year-end with remaining terms exceeding one year. The Office of the Comptroller General Reporting Policies and Procedures Manual requires that future minimum payments be reported at year-end for operating leases with remaining terms exceeding one year.

Recommendation: The Commission should implement procedures to ensure that all operating leases future minimum payments are properly stated in the financial statement notes and in the Operating Leases Reporting Package.

#### 2011-5 Noncompliance with Reporting Package Requirements

Condition: The Commission was not in compliance with the Office of the Comptroller General Reporting Policies and Procedures for the following reporting packages:

1. The Capital Assets Reporting Package did not accurately report the outstanding construction commitments and retainage payable. This condition also resulted in the amount of construction in progress, retainage payable, and outstanding commitments to be reported incorrectly in the financial statements. The errors were corrected after they were brought to the Commission's attention.
2. The Accounts Payable Reporting Package did not accurately report retainage payable.
3. The Grants and Contributions Receivables and Deferred Revenue Reporting Package did not accurately report deferred revenue.

Cause: Failure to carefully review reporting packages and supporting documentation.

Effect: Inaccurate information reported on reporting packages and financial statements.

Criteria: Office of the Comptroller General Reporting Policies and Procedures Manual requires amounts to be accurately reported.

Recommendation: The Commission should implement procedures to ensure that all reporting packages are accurately reported.

#### 2011-6 Inadequate Follow-Up of Outstanding Accounts Receivable

Condition: The Commission is not timely following up on old accounts receivable to determine why it has not been collected. The Commission still has numerous invoices totaling approximately \$22,000 as of February 15, 2012 from prior to June 30, 2010 that had not been collected. The same finding was also cited in the prior year's report.

Cause: Lack of a formal policy requiring timely follow-up on outstanding receivables.

Effect: Failure to timely follow-up on outstanding invoices increases the likelihood that the amounts will not be collected.

Criteria: Good internal controls require timely follow-up on outstanding invoices.

Recommendation: The Commission should implement a policy to ensure that all outstanding accounts receivable invoices are timely reviewed to ensure that adequate collection efforts are in place to collect the balances due in a timely manner.

#### 2011-7 Inadequate Controls Over Procurement Card

Condition: Various employees of the Commission are authorized to make purchases on behalf of the Commission using procurement cards. Our testing of these transactions disclosed an instance where it appeared that purchases were split to circumvent the \$2,500 limit. The same condition was reported in the prior year's report.

Cause: Failure to enforce State and Departmental policy.

Effect: Charges are being made on the cards that are not in accordance with the State or Commission policy. This results in a loss of control over the procurement card purchases.

Criteria: State and Commission policies regarding the use of procurement cards.

Recommendation: The Commission should ensure that all cardholders are aware of the policies regarding the use of the cards and abuses should result in the loss of card privileges.

#### 2011-8 Untimely Submission of Sales Tax Return

Condition: The Commission processed a sales tax return ninety days after it was due to the South Carolina Department of Revenue resulting in them paying penalty and interest.

Cause: Failure to enforce State and Departmental policy.

Effect: Failure to timely submit South Carolina Sales Tax Return.

Criteria: South Carolina Sales Tax Return ST-3 instruction manual.

Recommendation: The Commission should ensure that all sales tax returns are submitted to the South Carolina Department of Revenue in a timely manner.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATUS OF PRIOR FINDINGS  
JUNE 30, 2011**

During our current audit, we reviewed the status of action taken on the findings we reported on our report on the financial statements of the Commission dated February 15, 2011 resulting from the audit of the financial statements for the year ended June 30, 2010. The following findings were reported:

- 2010-1 Errors in Year-End Journal Entries
- 2010-2 Errors in Recording Accounts Receivable
- 2010-3 Errors in Recording Revenue and Deferred Revenue
- 2010-4 Error in Recording Accounts Payable
- 2010-5 Error in Major Fund Determination
- 2010-6 Inadequate Controls Over Procurement Card
- 2010-7 Inadequate Follow-Up of Outstanding Accounts Receivable

We found that corrective action was taken on all of the findings except for items 2010-1, 2010-2, 2010-3, 2010-6, and 2010-7, which have been repeated as 2011-1, 2011-2, 2011-3, 2011-6, and 2011-7.

**MANAGEMENT'S RESPONSE**

**APPENDIX A**

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President & CEO

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Columbia, SC 29201

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lobryon@scetv.org



**South Carolina Educational Television Commission  
Management Response**

February 15, 2012

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm: Rogers Laban, PA, 1919 Bull Street, Columbia SC 29201

Audit Period: July 1, 2010 – June 30, 2011

The findings from the February 15, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

*2011-1: Errors in Year-End Journal Entries*

Recommendation:

The Commission should implement procedures to ensure that all journal entries are properly recorded and that an independent review and approval process is performed before the entries are posted.

Action Taken:

The Commission will implement procedures to have an independent review and approval process before accrual entries are posted.

*2011-2: Error in Recording Accounts Receivable*

Recommendation:

The Commission should implement procedures to ensure that all receivables are properly recorded at their correct amounts.

Action Taken:

The Commission will implement procedures for an independent review of accounts receivable for accuracy prior to recording year end accrual entries.

*2011-3: Error in Recording Revenue and Deferred Revenue*

Recommendation:

The Commission should implement procedures to ensure that all liabilities and revenues are properly recorded.

Action Taken:

Accounting staff will review the GAAP requirements for the recognition of revenue and develop a process to identify revenue not earned and reclassify it as deferred revenue.

*2011-4: Errors in Operating Leases Future Minimum Payments and Operating Leases Reporting Package*

Recommendation:

The Commission should implement procedures to ensure that all operating leases future minimum payments are properly stated in the financial statement notes and in the Operating Leases Reporting Package.

Action Taken:

The Commission will review the requirements related to Operating Leases with agency staff that prepare and approve the Operating Leases Reporting Package. Procedures will be put in place to ensure future minimum lease payments are properly stated.

*2011-5: Noncompliance with Reporting Package Requirements*

Recommendation:

The Commission should implement procedures to ensure that all reporting packages are accurately reported.

Action Taken:

The Commission will review the requirements related to construction in progress and retainage payable balances with agency staff that prepare the Accounts Payable and Capital Asset Reporting Packages. The Commission will also review the requirements related to deferred revenue with agency staff that prepare the Grants and Contributions Receivables Reporting Package. Procedures will be put in place to ensure reporting packages are accurately reported.

*2011-6: Inadequate Follow Up of Outstanding Accounts Receivable*

Recommendation:

The Commission should implement a policy to ensure that all outstanding accounts receivable invoices are timely reviewed to ensure that adequate collection efforts are in place to collect the balances due in a timely manner.

Action Taken:

The Commission hired a new staff person in January, 2011 to assist in the day to day operations of the Accounting department. Receivable balances began being reviewed for accuracy and to ensure timely collections in December, 2011.

*2011-7: Inadequate Controls Over Procurement Card*

Recommendation:

The Commission should ensure that all cardholders are aware of the policies regarding the use of the cards and abuses should result in the loss of card privileges.

Action Taken:

The Commission will continue to educate procurement card holders on State Procurement regulations and agency procurement card policies. Cardholders that do not follow proper procedures will be subject to loss of their procurement card.

*2011-8: Untimely Submission of Sales Tax Return*

Recommendation:

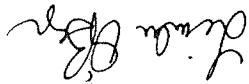
The Commission should ensure that all sales tax returns are submitted to the South Carolina Department of Revenue in a timely manner.

Action Taken:

The Commission concurs with this finding. Accounting staff was not adequate for the first six months of the audit year. Lack of staffing led to sales and use tax returns being filed late. The Commission now has staff in place to assist in this process and returns are being filed timely.

If you have any questions, or if additional information is needed, please contact Brad Livingston at (803) 737-3253.

Sincerely,



Linda O'Bryon  
President & CEO