

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

**FINANCIAL AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2012**

*State of South Carolina*



*Office of the State Auditor*

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RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

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January 28, 2013

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, 2012, 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 black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

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

RHGjr/trb

**SOUTH CAROLINA  
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, 2012, 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, 2012, 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, 2012, 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 January 17, 2013 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.

*Roger Lalon, PA*

January 17, 2013

# **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, 2012 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 \$28.4 million at fiscal year ending June 30, 2012 (See Table 1 below for a summary of net assets for fiscal years 2011-2012 and 2010-2011). Of this amount, \$1.8 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the Commission's ongoing obligations.

<b>Condensed Statement of Net Assets</b>	<b>2012</b>	<b>As Restated 2011</b>	<b>Increase / (Decrease)</b>	<b>Percent Change</b>
<b>ASSETS</b>				
Current Assets	\$ 10,572,681	\$ 6,466,850	\$ 4,105,831	63.49%
Capital Assets, net of accumulated depreciation	21,497,183	27,179,723	(5,682,540)	(20.91%)
Prepaid Expenses, net of current portion	60,402	31,960	28,442	88.99%
<b>Total Assets</b>	<b>\$ 32,130,266</b>	<b>\$ 33,678,533</b>	<b>\$ (1,548,267)</b>	<b>(4.60%)</b>
<b>LIABILITIES</b>				
Current Liabilities	\$ 3,471,962	\$ 3,653,003	\$ (181,041)	(4.96%)
Noncurrent Liabilities	284,504	514,230	(229,726)	(44.67%)
<b>Total Liabilities</b>	<b>3,756,466</b>	<b>4,167,233</b>	<b>(410,767)</b>	<b>(9.86%)</b>
<b>NET ASSETS</b>				
Capital Assets, net of related debt	21,380,500	27,007,205	(5,626,705)	(20.83%)
Restricted for expendable purposes:				
Capital projects	5,175,282	3,397	5,171,885	152,248.60%
K12 Technology	9,490	25,661	(16,171)	(63.02%)
Unrestricted	1,808,528	2,475,037	(666,509)	(26.93%)
<b>Total Net Assets</b>	<b>28,373,800</b>	<b>29,511,300</b>	<b>(1,137,500)</b>	<b>(3.85%)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,130,266</b>	<b>\$ 33,678,533</b>	<b>\$ (1,548,267)</b>	<b>(4.60%)</b>

Total assets of the Commission decreased \$1.5 million. Current assets increased \$4.1 million. Cash and cash equivalents increased \$4.2 million over the previous year and accounts and intergovernmental receivables decreased \$544 thousand. The current portion of prepaid expenses increased \$411 thousand. The increase in cash and cash equivalents can be attributed to the sale of the Commission's Key Road properties to the University of South Carolina for \$5.3 million. Accounts receivable decreased as a result of increased collection efforts. Intergovernmental receivables decreased due to the elimination of a receivable from the general fund for the payroll accrual and related benefits in the current fiscal year. Capital assets decreased \$5.6 million due to capital asset retirements. Capital asset retirements were mainly for television equipment no longer usable and the removal of the Key Road properties sold to the University of South Carolina. The Commission shows a prepaid expense balance for a tower lease and a content streaming contract paid from the General Fund.

The decrease of \$181 thousand in current liabilities is primarily attributable to a \$103 thousand decrease in accrued salaries and related benefits as the result of reductions in temporary and full time employees. The decrease in non-current liabilities can be attributed to the second annual payment on the capital lease payable for the acquisition of computer network storage equipment and a decrease of \$155 thousand in the current portion of accrued compensated absences. 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 \$1.1 million. Restricted for expendable purposes asset balances related to general fund appropriations carried forward to SFY 2012-13 for K-12 Technology initiatives (\$9 thousand) and sale proceeds from the Key Road properties that are restricted to the renovation of the Telecommunication Center (\$5.2 million). Unrestricted net assets used to meet the Commission's ongoing obligations showed a decrease of \$667 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, 2012.

Program revenues for the commission are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the 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. Capital Grants are related to capital equipment and construction projects. Program revenue from all sources during the fiscal year totaled \$5.4 million. General revenues are classified as State Appropriations, Capital Reserve Funds, Contributions and Gains on sale of capital assets. Contributions include contributed support from the ETV Endowment. The Commission did not receive a State Appropriation for SFY 2011-12 but was instead funded through budget provisions in the 2011-12 Appropriation Act. \$8.7 million was transferred to the Commission pursuant to Proviso 89.121 and 89.104 by the State Department of Education, Law Enforcement Training Council and the Budget and Control Board. Transfers of capital assets from the Budget and Control board were \$132 thousand. General revenue and



transfers for the fiscal year totaled \$14.9 million. (See Table 2 for a comparison of revenues, expenses and changes in net assets for fiscal years 2011-2012 and 2010-2011).

<b>Table 2</b>				
<b>Statement of Activities</b>				
	<u>2012</u>	<u>As Restated 2011</u>	<u>Increase / (Decrease)</u>	<u>Percent Change</u>
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 1,999,016	\$ 3,456,117	\$ (1,457,101)	(42.16%)
Operating grants & contributions	3,017,152	3,713,204	(696,052)	(18.75%)
Capital grants & contributions	379,706	698,678	(318,972)	(45.65%)
General Revenues:				
State Appropriations	-	8,877,292	(8,877,292)	(100.00%)
Capital Reserve Funds	4,824	82,985	(78,161)	(94.19%)
Contributions	4,836,673	4,994,538	(157,865)	(3.16%)
Gain on sale of capital assets	1,281,950	-	1,281,950	100.00%
Transfers:				
Transfers from other state agencies	8,665,687	-	8,665,687	100.00%
Transfer of capital assets from other state agencies	131,560	-	131,560	100.00%
<b>Total Revenues and Transfers</b>	<b>20,316,568</b>	<b>21,822,814</b>	<b>(1,506,246)</b>	<b>(6.90%)</b>
<b>EXPENSES</b>				
Educational Broadcasting:				
Personal Services	9,050,081	10,438,615	(1,388,534)	(13.30%)
Other operating costs	10,049,153	12,419,088	(2,369,935)	(19.08%)
Interest	5,113	6,720	(1,607)	(23.91%)
Depreciation	2,349,721	3,077,454	(727,733)	(23.65%)
<b>Total Expenses</b>	<b>21,454,068</b>	<b>25,941,877</b>	<b>(4,487,809)</b>	<b>(17.30%)</b>
Decrease in Net Assets	(1,137,500)	(4,119,063)	2,981,563	(72.38%)
Net Assets - beginning of year, as restated	29,511,300	33,630,363	(4,119,063)	(12.25%)
Net Assets - end of year	<u>\$28,373,800</u>	<u>\$29,511,300</u>	<u>\$ (1,137,500)</u>	<u>(3.85%)</u>

Expenses for the Commission are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating, Interest and Depreciation. Personal Service costs were \$9.1 million (42%). Other operating costs totaled \$10 million (47%). Depreciation costs totaled \$2.3 million (11%). The Statement of Activities reflects a decrease in net assets for the current fiscal year

Operating grants and contributions decreased by \$696 thousand from the previous fiscal year. Corporation for Public Broadcasting grant awards decreased by \$196 thousand and private grant awards by \$500 thousand over the previous year. General revenues and transfers increased \$966 thousand over the previous fiscal year. The increase can be attributed to the transfer of capital assets from the Budget & Control Board and the gain on sale of capital assets. The transfer of funds from state agencies, which replaced the Commission's former

State appropriation, decreased \$212 thousand. Contributions decreased from the previous year by \$158 thousand due to a decrease in the in-kind support from the ETV Endowment. Capital grants decreased \$319 thousand as the result of the completion of the radio studios in the Telecommunications Center and the completion of energy savings measures funded through a State Energy Office grant.

Total expenses decreased approximately 17% over the previous fiscal year. Personal services decreased by \$1.4 million (13%). Personal service decreases can be attributed to a reduction in temporary and full time positions implemented in August, 2011 and February, 2012. Other operating expenses decreased \$2.4 million (20%). \$1.3 million of the reduction was for purchased equipment for resale related to IP streaming systems in twenty-six school districts. Depreciation expense decreased \$728 thousand.

The Commission's net assets decreased \$1.1 million from the previous fiscal year. The reduction in net assets can be attributed to the reduction in the Commission's program revenue, 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 \$21.5 million at June 30, 2012. 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, 2012 and June 30, 2011.

<b>SC ETV Capital Assets</b>	<b>2012</b>	<b>2011</b>
Land	\$ 583,269	\$ 946,579
Building & Improvements	15,598,828	21,887,468
Equipment & Furniture	72,122,798	64,725,784
Vehicles	1,186,587	1,297,620
Construction in Progress	119,256	583,025
<b>Total Cost</b>	<b>89,610,738</b>	<b>89,440,476</b>
Less: Accumulated Depreciation	68,113,555	62,260,753
<b>Net Capital Assets</b>	<b>\$ 21,497,183</b>	<b>\$ 27,179,723</b>

The Commission received a transfer of capital assets during the fiscal year from the South Carolina State Budget and Control Board with a book value, net of accumulated depreciation, in the amount of \$131,560.

The net decrease in the Commission's investment in capital assets for the current fiscal year was \$5.7 million. The decrease is attributed to the sale of the Commission's Key Road

properties to the University of South Carolina and an increase in accumulated depreciation. Actual expenditures to purchase or construct capital assets were \$538 thousand. Construction in progress, consisting of architectural and design cost, on the Commission's renovations in the Telecommunications Center at June 30, 2012 was \$119,256. Construction is projected to begin in February, 2013.

### ***Economic Outlook***

The Commission continues to look for ways to increase non-state sources of revenue and improve its operating efficiencies. The Commission did not receive a State general fund appropriation in the 2012-13 Appropriation Act and is being funded through two budget provisions and Education Improvement Act (EIA) funds. Proviso 89.105 directs the 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, 2012. The Commission is receiving EIA funds in the amount of \$4.8 million to continue its educational efforts. Proviso 89.94 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. The licenses are now held by one vendor and should the company default on lease payments up to \$2.9 million in annual lease revenue would be lost. The Commission plans to consolidate all of its operations in the Telecommunications Center by December, 2013. The Commission completed the sale of its Key Road properties during State Fiscal Year 2011-12. Pursuant to Proviso 80A.27 the Commission was allowed to retain 100% of the sale proceeds for the sole purpose of renovating the Telecommunications facility. Upon completion of the project the Commission should realize savings in property insurance, utilities and maintenance costs.

### ***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, 2012**

<b>ASSETS</b>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 9,387,700
Accounts receivable, net of allowance for doubtful accounts of \$10,906	481,144
Intergovernmental receivables:	
State agencies	230,343
Prepaid expenses	473,494
Total current assets	<u>10,572,681</u>
Non-current assets	
Capital assets, net of accumulated depreciation	21,497,183
Prepaid expenses, net of current portion	60,402
Total non-current assets	<u>21,557,585</u>
<b>Total assets</b>	<u><u>\$ 32,130,266</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 319,260
Accrued salaries and related benefits	629,522
Deferred revenue	1,357,626
Due to State Agencies	1,956
Current portion of capital lease	57,490
Current portion of note payable	17,108
Current portion of accrued compensated absences and related benefits	1,089,000
Total current liabilities	<u>3,471,962</u>
Noncurrent liabilities:	
Capital lease payable, net of current portion	59,193
Note payable, net of current portion	17,108
Accrued compensated absences and related benefits, net of current portion	208,203
Total noncurrent liabilities	<u>284,504</u>
<b>Total liabilities</b>	<u>3,756,466</u>
<b>Net assets:</b>	
Capital assets, net of related debt	21,380,500
Restricted for expendable purposes:	
Capital projects	5,175,282
K12 Technology	9,490
Unrestricted	1,808,528
Total net assets	<u>28,373,800</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 32,130,266</u></u>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Governmental Activities</u>
Expenses:	
Educational broadcasting:	
Personal services	\$ 9,050,081
Other operating costs	10,049,153
Interest expense	5,113
Depreciation	<u>2,349,721</u>
Total program expenses	21,454,068
Program revenues:	
Charges for services	1,999,016
Operating grants and contributions	3,017,152
Capital grants and contributions	<u>379,706</u>
Net program expenses	<u>16,058,194</u>
General revenues:	
Capital Reserve Funds	4,824
Contributions	4,836,673
Gain on sale of capital assets	1,281,950
Transfers:	
Transfers from other state agencies	8,665,687
Transfer of capital assets from other state agencies	<u>131,560</u>
Total general revenues and transfers	<u>14,920,694</u>
Increase (decrease) in net assets	(1,137,500)
Net assets - beginning of year, as restated	<u>29,511,300</u>
Net assets - end of year	<u><u>\$ 28,373,800</u></u>

**See accompanying Notes to Financial Statements.**

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2012**

	General	Non Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,556,081	\$ 603,650	\$ 5,227,969		\$ 9,387,700
Accounts receivable	362,532			\$ 2,232	364,764
Intergovernmental receivables:					
State agencies	17,605	160,000			177,605
Prepaid expenses	33,896	500,000			533,896
<b>TOTAL ASSETS</b>	<b>\$ 3,970,114</b>	<b>\$ 1,263,650</b>	<b>\$ 5,227,969</b>	<b>\$ 2,232</b>	<b>\$ 10,463,965</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 247,662	\$ 16,679	\$ 52,687	\$ 2,232	\$ 319,260
Accrued salaries and related benefits	629,522				629,522
Deferred revenues	110,655	1,246,971			1,357,626
Due to State Agencies	1,956				1,956
<b>TOTAL LIABILITIES</b>	<b>989,795</b>	<b>1,263,650</b>	<b>52,687</b>	<b>2,232</b>	<b>2,308,364</b>
<b>FUND BALANCES:</b>					
Nonspendable	33,896				33,896
Spendable:					
Restricted	9,490		5,175,282		5,184,772
Unassigned	2,936,933				2,936,933
<b>TOTAL FUND BALANCES</b>	<b>2,980,319</b>	<b>-</b>	<b>5,175,282</b>	<b>-</b>	<b>8,155,601</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,970,114</b>	<b>\$ 1,263,650</b>	<b>\$ 5,227,969</b>	<b>\$ 2,232</b>	<b>\$ 10,463,965</b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2012**

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

Fund balances of governmental funds		\$ 8,155,601
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	\$ (116,683)	
Note payable	(34,216)	
Accrued compensated absences and related benefits	<u>(1,297,203)</u>	(1,448,102)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds		169,118
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>21,497,183</u>
Net assets of governmental activities		<u><u>\$ 28,373,800</u></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, 2012**

	General	Non Federal Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Capital Reserve Fund Appropriation			\$ 4,824		\$ 4,824
Contributions	\$ 4,836,673		335,239		5,171,912
Program sales	70,077				70,077
Corporation for Public Broadcasting, Inc. grant	2,913,855				2,913,855
Education Improvement Act				\$ 2,232	2,232
Federal Grants			44,467		44,467
Private grants and contracts		\$ 101,066			101,066
Charges for services	1,083,053				1,083,053
Rental fees	631,236				631,236
Royalties	161,190				161,190
Miscellaneous	27,109				27,109
<b>TOTAL REVENUES</b>	<b>9,723,193</b>	<b>101,066</b>	<b>384,530</b>	<b>2,232</b>	<b>10,211,021</b>
<b>EXPENDITURES:</b>					
Internal Administration	2,686,400			8,913	2,695,313
Public education:					
School services				1,486	1,486
General support and services	5,080,574			11,884	5,092,458
Higher education general support and services	54,273	60,172		2,971	117,416
Agency services:					
Local government and business services	345,344			990	346,334
General support and services	1,289,011			3,961	1,292,972
Community education general support and services	5,332,069	40,894	44,467	11,884	5,429,314
Public affairs general support and services	2,126,573			7,184	2,133,757
Cultural and performing arts general support and svcs	2,241,482			2,476	2,243,958
Equipment and materials purchased for resale	3,723				3,723
Debt Service:					
Principal	72,943				72,943
Interest	5,113				5,113
Equipment and permanent improvements			453,814		453,814
<b>TOTAL EXPENDITURES</b>	<b>19,237,505</b>	<b>101,066</b>	<b>498,281</b>	<b>51,749</b>	<b>19,888,601</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,514,312)</b>	<b>-</b>	<b>(113,751)</b>	<b>(49,517)</b>	<b>(9,677,580)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	8,665,687		27,442		8,693,129
Transfers Out	(27,442)				(27,442)
Proceeds from sales of capital assets	9,510		5,275,000		5,284,510
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,647,755</b>	<b>-</b>	<b>5,302,442</b>	<b>-</b>	<b>13,950,197</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(866,557)</b>	<b>-</b>	<b>5,188,691</b>	<b>(49,517)</b>	<b>4,272,617</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<b>3,846,876</b>	<b>-</b>	<b>(13,409)</b>	<b>49,517</b>	<b>3,882,984</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,980,319</b>	<b>\$ -</b>	<b>\$ 5,175,282</b>	<b>\$ -</b>	<b>\$ 8,155,601</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, 2012**

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 4,272,617
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	538,181
Depreciation of capital assets is reported as an expense in the statement of activities	(2,349,721)
Certain receivables are not recorded in the governmental funds because they are not considered available	26,352
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	72,943
Decrease in accrued compensated absences and related benefits is reported as a reduction to expense in the statement of activities	173,128
Transfer of capital assets from other state agencies are recorded as general revenues on the Statement of Activities	131,560
The basis of capital assets sold is netted against the gain from sales of capital assets on the Statement of Activities	<u>(4,002,560)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u><u>\$ (1,137,500)</u></u>

**See accompanying Notes to Financial Statements.**

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### 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, 2012

### **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, 2012**

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, 2012**

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.

#### **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 and a prepaid contract for the streaming of educational content to K12 schools through the internet. For financial statement purposes, prepaid expenses are offset by a reserved fund balance account because the asset does not represent resources available for expenditures.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

#### **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, 2012. 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.

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.

#### **Deferred Revenues**

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

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### 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.

### 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.

### NOTE 2. STATE APPROPRIATION:

The Commission did not receive a State appropriation in the 2011-12 Appropriation Act. The Commission received State support from the Criminal Justice Academy, Budget & Control Board and the Department of Education through budget provisions in the 2011-12 Appropriation Act. The budget provisions directed the agencies to transfer the funds to the Commission.

The total amount of 2011 State appropriated funds brought forward to fiscal year 2012 was \$18,582. Proviso 89.26 of the 2011-2012 Appropriation Act under which the \$18,582 was carried forward, allowed a carry-forward of unspent fiscal year 2010-11 appropriations up to a maximum 10% of the Commission's original appropriation less any reduction excluding amounts carried forward under separate carry forward authority.

The Commission also carried forward from fiscal year 2011 Capital Reserve Funds of \$25,661 from the State Department of Education for the K-12 School Technology Initiative carried over pursuant to Proviso 89.32 of the 2011-12 Appropriation Act. The Commission incurred expenditures of \$16,171 in the current year and carried forward \$9,490 pursuant to Proviso 89.31 of the 2012-13 Appropriation 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	\$ 9,387,700	Petty Cash	\$ 200
		Deposits Held by State Treasurer	9,387,500
Totals	<u>\$ 9,387,700</u>	Totals	<u>\$ 9,387,700</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, 2012**

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 2012:

	Beginning Balances June 30, 2011	Increases	Decreases	Ending Balances June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 946,579	\$ -	\$ (363,310)	\$ 583,269
Construction in progress	583,025	99,718	(563,487)	119,256
Total capital assets not being depreciated	<u>1,529,604</u>	<u>99,718</u>	<u>(926,797)</u>	<u>702,525</u>
Other capital assets:				
Buildings and improvements	21,887,468	688,187	(6,976,827)	15,598,828
Equipment and furniture	64,725,784	8,138,751	(741,737)	72,122,798
Vehicles	1,297,620	-	(111,033)	1,186,587
Total other capital assets	<u>87,910,872</u>	<u>8,826,938</u>	<u>(7,829,597)</u>	<u>88,908,213</u>
Less accumulated depreciation for:				
Buildings and improvements	8,364,069	695,382	(3,337,577)	5,721,874
Equipment and furniture	52,672,039	9,314,377	(741,737)	61,244,679
Vehicles	1,224,645	33,390	(111,033)	1,147,002
Total accumulated depreciation	<u>62,260,753</u>	<u>10,043,149</u>	<u>(4,190,347)</u>	<u>68,113,555</u>
Other capital assets, net	<u>25,650,119</u>	<u>(1,216,211)</u>	<u>(3,639,250)</u>	<u>20,794,658</u>
Total capital assets, net	<u>\$27,179,723</u>	<u>\$(1,116,493)</u>	<u>\$(4,566,047)</u>	<u>\$21,497,183</u>

Equipment and furniture increases during the year includes \$7,716,365 of assets transferred from the South Carolina State Budget & Control Board and related accumulated depreciation of \$7,635,677. Buildings and improvements increases includes \$108,623 of assets transferred from the South Carolina State Budget & Control Board and related accumulated depreciation of \$57,751.

Construction in progress consists of A&E costs incurred for the renovation of the Commission's Telecommunications building. Construction costs are estimated at \$5.24 million and are estimated to be completed in December, 2013.

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.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 5. LEASES:**

**Capital Leases**

The capital lease payable as of June 30, 2012 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 \$50,388 at June 30, 2012.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Fiscal year ending June 30,	
2013	\$ 60,948
2014	60,948
Total minimum lease payments	<u>121,896</u>
Less: amount representing interest	<u>(5,213)</u>
Present value of minimum lease payments	<u>\$ 116,683</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 2013 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, 2012.

At June 30, 2012, 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,	
2013	\$ 199,917
2014	153,198
2015	106,594
2016	85,522
2017	47,782
Thereafter	<u>46,780</u>
Total	<u>\$ 639,793</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 6. NOTE PAYABLE**

The note payable is associated with a South Carolina Energy Office grant award that allowed the Commission to implement energy savings measures in its facilities. The total award amount was \$205,297 with 25% of the award in a no-interest loan. The funds were received in the prior two fiscal years. Annual payments of \$17,108 began in fiscal year 2011-12 with the final payment to occur in fiscal year 2013-14.

At June 30, 2012, the Commission's obligations under the note payable having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2013	\$ 17,108
2014	17,108
Total payments	<u>\$ 34,216</u>

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

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balances, July 1, 2011 (As restated)	Additions	Reductions	Balances, June 30, 2012	Due Within One Year
Capital Lease Payable	\$ 172,518	\$ -	\$ 55,835	\$ 116,683	\$ 57,490
Note Payable	51,324	-	17,108	34,216	17,108
Accrued compensated absences and related benefits	1,470,331	916,348	1,089,476	1,297,203	1,089,000
	<u>\$ 1,694,173</u>	<u>\$ 916,348</u>	<u>\$ 1,162,419</u>	<u>\$ 1,448,102</u>	<u>\$ 1,163,598</u>

**NOTE 8. 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 \$5,172,000 from the Endowment/Communications which is reported as contribution revenue of which approximately \$209,000 was included in accounts receivable at June 30, 2012. An additional \$14,000 was received as reimbursement of expenses.

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2012 is as follows:

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

	<u>Endow ment</u>	<u>Communications</u>
As of June 30, 2012		
Total assets	<u>\$ 18,049,696</u>	<u>\$ 724,604</u>
Total liabilities	\$ 972,990	\$ 195,027
Total net assets	<u>17,076,706</u>	<u>529,577</u>
Total liabilities and net assets	<u>\$ 18,049,696</u>	<u>\$ 724,604</u>
For year ended June 30, 2012		
Revenues	\$ 6,392,704	\$ 1,752,870
Expenses	6,362,958	1,935,996
Changes in net assets	<u>\$ 29,746</u>	<u>\$ (183,126)</u>

**NOTE 9. 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 \$91,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the year.

The Commission provided no services free of charge to other State agencies during the fiscal year. Revenues of approximately \$14,838,000 were received from various State agencies. Included in this amount was approximately \$8,896,000 transferred pursuant to Provisos 89.104 and 89.121 of the 2011-12 Appropriation Act and \$5,275,000 in proceeds from the sale of the Commission's former Key Road property to the University of South Carolina. Approximately \$230,000 is due from State Agencies as of June 30, 2012.

During the fiscal year, the Commission purchased services with a total cost of approximately \$553,000 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 \$2,000 was paid for these services subsequent to year end and is reported as due to state agencies.

**NOTE 10. 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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

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, 2011, the employer contribution rate became 13.685 percent which included a 4.30 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$624,000, \$705,000, and \$740,000 respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$10,000 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).

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.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 9.39 percent plus the retiree surcharge of 4.30 percent from the employer in fiscal year 2012.

For the fiscal year, total contributions requirements to the ORP were approximately \$29,000 (excluding the surcharge) from the Commission as employer and approximately \$20,000 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 \$500 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 11. 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 and 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. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.30%, 3.90%, and 3.50% of annual covered payroll for 2012, 2011, and 2010, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid approximately \$286,000, \$297,000, and \$289,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2012, 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 \$3.22 for the fiscal years ended June 30, 2012 and 2011, and \$3.23 for the fiscal year ended June 30, 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

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 12. 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 13. 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:

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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

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, 2012.

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, 2012, 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, 2012 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2012, 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.

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, 2012, 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 14. COMMITMENTS:**

As of June 30, 2012, the Commission had approximately \$273,000 in outstanding commitments primarily for construction services, contractual services and purchases of supplies and equipment. The funding sources for these commitments consist primarily of other operating and capital project sources.

#### **NOTE 15. PRIOR PERIOD RESTATEMENTS:**

The Commission recorded a receivable 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, 2011. The Commission was not funded with a General Fund appropriation in the 2011-12 Appropriation Act and no receivable should have been recorded which resulted in an overstatement of \$638,509 in revenues and net assets / fund balance in the prior year. Also, the Commission recorded the \$51,324 proceeds of a note payable received in the prior two fiscal years as Federal revenue instead of as proceeds of notes payable and a liability. Also, the Commission incorrectly calculated the amount of in-kind contributions from the Endowment in the prior year resulting in an understatement of revenues and expenses of approximately \$336,000.

**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, 2012, and have issued our report thereon dated January 17, 2013. 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.

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 2012-1, 2012-2, 2012-3 and 2012-4 described in the accompanying schedule of findings to be material weaknesses.



### **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 2012-5 and 2012-6.

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 Lalam, PA*

January 17, 2013

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **SCHEDULE OF FINDINGS JUNE 30, 2012**

#### 2012-1 Error in Recording Accounts Receivable

Condition: The Commission recorded a receivable and revenue that was not earned at June 30, 2012. 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 receivables are not recorded until they are earned.

#### 2012-2 Error in Recording Revenues and Expenditures/Expenses

Condition: The Commission's worksheet used to calculate the in-kind contributions from the Foundation did not take beginning and ending accruals into account resulting in an understatement of approximately \$443,000 in revenues and expenditures. The error was corrected by the Commission after it was brought to their attention.

Cause: Unknown.

Effect: Misstatement of revenues and expenditures/expenses.

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

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

#### 2012-3 Error in Recording Note Proceeds

Condition: The Commission received a grant in the prior two fiscal years which required that 25% of the proceeds be repaid over a three year period. The Commission recorded the entire grant as federal revenue resulting in a \$51,324 overstatement of revenues in the prior years and an understatement of the liability on the Statement of Net Assets. The Commission recorded the liability in the current year by recording revenue and an expenditure for the \$51,324 resulting in a current year overstatement of these two items. The error was corrected by the Commission after it was brought to their attention.

Cause: Unknown.

Effect: Misstatement of revenues, expenditures and net assets in prior and current periods.

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

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

#### 2012-4 Errors in Financial Statement Note Disclosures

Condition: The Commission incorrectly calculated the retirement contribution and insurance surcharge financial statement note disclosures resulting in understatements of approximately \$64,000 and \$29,000, respectively. The errors were corrected by the Commission after they were brought to their attention.

Cause: The Commission did not use the correct wage base in calculating the amounts for the note disclosures.

Effect: Misstatement of retirement contribution and insurance surcharge note disclosures.

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

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

#### 2012-5 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 grants and contributions revenue reporting package. The reporting package did not accurately report receivables, federal expenditures, and federal revenue.

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

Effect: Inaccurate information reported on reporting package 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 prepared.

## 2012-6 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 5 instances where it appeared that purchases were split to circumvent the \$2,500 limit by utilizing two different employee's procurement cards to purchase identical items on the same day. 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.

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **STATUS OF PRIOR FINDINGS JUNE 30, 2012**

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, 2012 resulting from the audit of the financial statements for the year ended June 30, 2011. The following findings were reported:

- 2011-1 Errors in Year-End Journal Entries
- 2011-2 Errors in Recording Accounts Receivable
- 2011-3 Errors in Recording Revenue and Deferred Revenue
- 2011-4 Errors in Operating Leases Future Minimum Payments and Operating Leases Reporting Package
- 2011-5 Noncompliance with Reporting Package Requirements
- 2011-6 Inadequate Follow-Up of Outstanding Accounts Receivable
- 2011-7 Inadequate Controls Over Procurement Card
- 2011-8 Untimely Submission of Sales Tax Return

We found that corrective action was taken on all of the findings except for items 2011-2, 2011-5, and 2011-7, which have been repeated as 2012-1, 2012-5, and 2012-6.

# **MANAGEMENT'S RESPONSE**

## **APPENDIX A**

**South Carolina Educational Television Commission  
Management Response**

January 25, 2013

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2012.

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

Audit Period: July 1, 2011 – June 30, 2012

The findings from the January 17, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

*2012-1: Errors in Recording Accounts Receivable*

Recommendation:

The Commission should implement procedures to ensure that receivables are not recorded until they are earned.

Action Taken:

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

*2012-2: Error in Recording Revenues and Expenditures / Expenses*

Recommendation:

The Commission should implement procedures to ensure that all revenues and expenditures / expenses are properly recorded.

Action Taken:

The Commission will implement procedures to ensure that in-kind contributions are recorded on an accrual basis.

*2012-3: Error in Recording Note Proceeds*

Recommendation:

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

Action Taken:

Accounting staff will be instructed on the proper method to record future grant revenues and expenditures that include loan proceeds.

*2012-4: Errors in Financial Statement Disclosures*

Recommendation:

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

Action Taken:

The Commission will implement additional procedures to ensure note disclosures are properly recorded.

*2012-5: 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 the reporting of federal revenue and expenditures with agency staff that prepare the Grant and Contributions Revenue Reporting Package. Procedures will be put in place to ensure reporting packages are accurately reported.

*2012-6: 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.

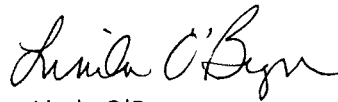


Action Taken:

The Commission will educate procurement card holders of State Procurement regulations and agency procurement card policies. Cardholders that were found to try and circumvent the \$2,500 limit will have their procurement cards revoked.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Linda O'Bryon". The signature is fluid and cursive, with the first name "Linda" being the most prominent.

Linda O'Bryon  
President & CEO