

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

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

***AS OF AND FOR THE YEARS ENDED JUNE 30, 2018
AND 2017***

**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION**

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**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Network as of June 30, 2018 and 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, the Network adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As described in Note 1, the financial statements of the Network are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of South Carolina (the "State") that is attributable to the transactions of the Network. They do not purport to and do not present fairly the financial position of the State as of June 30, 2018 and 2017, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and do not include other agencies, divisions, or component units of the State. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 4-11 and 49-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Network’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network’s internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
December 19, 2018

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

As management of the South Carolina Educational Television Commission ("the Network"), we provide this Management's Discussion and Analysis of the Network's financial statements for the fiscal year ended June 30, 2018 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Network's financial statements, which follow.

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

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

The *government-wide financial statements* provide an overview of the Network's operations as a whole. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

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

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

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

Statements of Net Position

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

The assets and deferred outflows of resources of the Network exceeded its liabilities and deferred inflows of resources by approximately \$35.2 million at fiscal year ending June 30, 2018 (see Table 1 below for a summary of net position for fiscal years 2017-2018 and 2016-2017).

	2018	2017	Increase/ (Decrease)	Percent Change	2016
ASSETS					
Current assets net of prepaid items	\$ 41,788,042	\$ 10,114,269	\$ 31,673,773	313.2%	\$ 11,095,358
Capital assets, net of accumulated depreciation	22,093,194	19,369,065	2,724,129	14.1%	19,053,652
Prepaid expenses	209,943	201,744	8,199	4.1%	251,172
Deferred outflows of resources	2,941,244	2,312,404	628,840	27.2%	953,999
Total Assets and deferred outflows of resources	\$ 67,032,423	\$ 31,997,482	\$ 35,034,941	109.5%	\$ 31,354,181
LIABILITIES					
Current liabilities	\$ 5,291,015	\$ 4,066,907	\$ 1,224,108	30.1%	\$ 3,984,126
Noncurrent liabilities	25,311,123	25,006,231	304,892	1.2%	12,460,834
Deferred inflows of resources	1,255,389	385,606	869,783	225.6%	114,292
Total liabilities and deferred inflows of resources	31,857,527	29,458,744	2,398,783	8.1%	16,559,252
NET POSITION					
Net investment in capital assets	22,093,194	19,369,065	2,724,129	14.1%	19,053,652
Restricted for expendable purposes:					
Capital projects	284,924	358,675	(73,751)	-20.6%	707,517
Capital reserve	33,895,342	1,200,865	32,694,477	2722.6%	611,292
Unrestricted	(21,098,564)	(18,389,867)	(2,708,697)	14.7%	(5,577,532)
Total net position	35,174,896	2,538,738	32,636,158	1285.5%	14,794,929
Total liabilities, deferred inflows of resources, and net position	\$ 67,032,423	\$ 31,997,482	\$ 35,034,941	109.5%	\$ 31,354,181

Total assets and deferred outflows of resources of the Network increased approximately \$35.0 million. This increase is attributed to the increase in deferred outflows of resources, capital assets, net of accumulated depreciation, and prepaid items of approximately \$629,000, \$2,724,000, and \$8,000, respectively. Cash and cash

equivalents increased approximately \$31.7 million over the previous year. The increase in cash and cash equivalents can be largely attributed to the revenue received from Federal Communications Commission (“FCC”) Spectrum Auction proceeds received in FY2018. See Note 2 in the notes to financial statements for more detailed information.

Deferred outflows of resources consist of contributions to the retirement plan and other postemployment benefits after the measurement date, the differences between expected and actual retirement plan and other postemployment benefits experience, and the net differences between projected and actual earnings on plan investments, and changes of actuarial assumptions related to the retirement plan, as required by the implementation of GASB Statements No. 68 and 75.

The increase of approximately \$1.2 million in current liabilities is attributable to an approximate \$147,000 increase in accrued salaries and related benefits, an approximate \$949,000 increase in unearned revenues, and an increase in accounts payable of approximately \$198,000. Unearned revenues increased as a result of a decrease in expenditures related to the revenue in EIA and non-grant funds.

Deferred inflows of resources consist of the Network’s proportionate share of the net difference between projected and actual investment earnings for the pension plan and other postemployment benefits, the change in proportionate share of the net pension liability, and changes in actuarial assumptions on other postemployment benefits as required by GASB Statements No. 68 and 75.

Net position of the Network increased during the year by approximately \$32.6 million largely driven by the increase in the capital reserve.

Statements of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Network receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2018.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2017-2018 and 2016-2017).

Table 2					
Statements of Activities	2018	2017	Increase/ (Decrease)	Percent Change	2016
Revenue					
Program revenues:					
Charges for services	\$ 2,696,222	\$ 1,383,842	\$ 1,312,380	94.8%	\$ 1,959,583
Operating grants & contributions	7,875,909	7,503,516	372,393	5.0%	7,394,483
Capital grants & contributions	-	87,833	(87,833)	-100.0%	16,666
Nonemployer contribution revenue	62,184	-	62,184	100.0%	-
General Revenues:					
Contributions	6,107,603	5,758,027	349,576	6.1%	6,244,360
Gain on sale of capital assets	11,443	23,301	(11,858)	-50.9%	100,392
Interest and other investment income	364,804	-	364,804	100.0%	-
Special items, net	35,000,000	-	35,000,000	100.0%	-
Intergovernmental - state agencies	3,937,186	4,821,456	(884,270)	-18.3%	4,821,456
Capital appropriation	-	1,750,000	(1,750,000)	-100.0%	1,000,000
Total revenues and special items	56,055,351	21,327,975	34,727,376	162.8%	21,536,940
Expenses					
Educational broadcasting:					
Personal services	\$ 9,350,319	\$ 9,395,251	\$ (44,932)	-0.5%	\$ 8,639,993
Pension expense	526,204	297,705	228,499	76.8%	60,373
OPEB expense	274,354	-	274,354	100.0%	-
Other operating costs	11,114,811	10,926,637	188,174	1.7%	10,697,344
Depreciation	2,153,505	1,946,683	206,822	10.6%	1,681,340
Total Expenses	23,419,193	22,566,276	852,917	3.8%	21,079,050
(Decrease)/increase in net position	32,636,158	(1,238,301)	33,874,459	-2735.6%	457,890
Net position - beginning of year	2,538,738	14,794,929 *	(12,256,191)	-82.8%	14,337,039 *
Net position - end of year	\$ 35,174,896	\$ 13,556,628	\$ 21,618,268	159.5%	\$ 14,794,929
* As restated. Historical information required to restate beginning net position as of July 1, 2016 is not available, and given the nature of the OPEB plan, is not practical to obtain on behalf of the Network.					

Charges for services increased approximately \$1.3 million largely due to an increase in rental fees. There has been an increase in rent for state-owned property, equipment rentals, and studio and room rentals overall.

General revenue for the 2018 fiscal year totaled approximately \$45 million which is an increase of approximately \$33 million from the previous year. The increase is largely driven by FCC Spectrum auction proceeds. See Note 2 in the notes to financial statements for more detailed information.

The Network received a State General Fund Appropriation for fiscal year (“FY”) 2017-18 of \$282,802 which is included in intergovernmental – state agency revenue. The Network was also funded through budget provisos and Education Improvement Act funds in the 2017-18 Appropriations Act. Also included in intergovernmental – state agency revenue is \$1.4 million received from the Criminal Justice Academy and the Department of Administration under proviso 117.89.

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

Program revenue from all sources during the fiscal year totaled approximately \$10.6 million. Effective February 2013, the Network began receiving the lease revenue directly from the lessee pursuant to a proviso. Corporation for Public Broadcasting grant awards increased by approximately \$1 million over the previous fiscal year.

Expenses for the Network are shown under the category of Educational Broadcasting and are classified as Personal Services, Pension Expense, OPEB expense, Other Operating, and Depreciation. Personal Service costs were approximately \$9.4 million (40%). Pension expense costs were approximately \$526,000 (2%). OPEB expense costs were approximately \$274,000 (1%). Other operating costs totaled approximately \$11 million (48%). Depreciation expense totaled approximately \$2.2 million (9%). The Statement of Activities reflects an increase in net position for the current fiscal year of approximately \$32.6 million, reduced by approximately \$11.0 million due to the implementation effect of GASB No. 75 during the current fiscal year.

Total expenses increased approximately 3.8% over the previous fiscal year. Personal services decreased by approximately \$45,000 (-0.5%). Pension expense increased approximately \$228,000 (76.8%). Depreciation expense also increased approximately \$207,000 (10.6%) due to the purchasing of capital equipment.

The Network’s net position increased approximately \$22 million from the previous fiscal year as previously mentioned, largely driven by the fact that revenue increased due to the FCC Spectrum auction proceeds, offset by the implementation effect of GASB No. 75.

Budgetary Highlights:

Over the course of the year, appropriations transfers increased the original budget by approximately \$146,000. Changes between original and final budgeted amounts are associated with carryforwards of funds and various program needs throughout departments. The Network ended the year with a positive budget variance of approximately \$7.8 million based on actual budgetary basis figures.

Fund Financial Analysis:

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

Governmental Funds:

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Network's governmental funds reported combined ending fund balances of approximately \$37.3 million, an increase of approximately \$30.4 million for the year.

Unassigned fund balance accounts for approximately 7% or \$2.6 million, of ending fund balance, and is available for administrative expenditures made in accordance with federal and State regulations.

Restricted fund balance accounts for approximately 92% or \$34.2 million of ending fund balance and excludes amounts that can only be spent for specific purposes stipulated by the State, external resource providers, or through enabling legislation. The Network's restricted fund balance consists primarily of amounts restricted for capital projects.

Non-spendable fund balance accounts for approximately 0.06% or \$210,000 of ending fund balance and represents prepaid items.

Capital Assets

The Network’s Capital Assets net of depreciation were approximately \$22.1 million at June 30, 2018. 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, 2018 and June 30, 2017.

Table 3			
Network Capital Assets	2018	2017	2016
Land	\$ 583,269	\$ 583,269	\$ 583,269
Building & improvements	19,384,017	19,366,492	19,309,952
Equipment & furniture	72,646,483	73,207,054	71,920,451
Vehicles	1,397,397	1,245,491	1,160,599
Construction in progress	4,761,384	17,525	237,951
Total Cost	98,772,550	94,419,831	93,212,222
Less: accumulated depreciation	76,679,356	75,050,766	74,158,570
Net position - end of year	\$ 22,093,194	\$ 19,369,065	\$ 19,053,652

The net increase in the Network’s investment in capital assets for the current fiscal year was approximately \$2.7 million and can be attributed to an increase in construction in progress during the current fiscal year.

Economic Outlook

The Network received several grants for programming and education. The CPB Radio Fund Grant total of \$326,000 is for the time period of November 1, 2015 to April 30, 2018. The initial grant was for \$250,000 to support Network Radio reporting on flood coverage, following the aftermath of the 2015 flood. The CPB Radio Flood Grant was extended until April 30, 2018 with an additional \$76,500 grant to cover Hurricanes Matthew and Irma and the ongoing weather events throughout the State. In 2015-16 the Network received a Telehealth grant for \$154,875 from the Medical University Hospital Authority (MUHA) to provide coverage of health-related services through telecommunications technologies. In 2016-17 a second Telehealth contract for \$138,842 was awarded to continue the coverage of Telehealth initiatives throughout the State. In 2017-18 a third Telehealth contract for \$176,278 was awarded to continue the coverage of Telehealth initiatives throughout the State. The Network’s Content

production and web teams are responsible for meeting targeted revenue goals. Revenue billings for 2017-18 were \$5.5 million. The majority of this amount was generated by grants, external clients, state agencies, rental of facilities, and the Network's Rapid Response Studio (live shots for national news organizations such as CNN, MSNBC, Fox News, Bloomberg, NBC, ABC, CBS).

In 2017-18 state funding for the Network for IT broadcast security and transparency increased to \$282,802 and these funds were placed in the General Fund. The Network received a total of \$5,726,409 in EIA funding for education initiatives which included an additional \$144,450 for support of Education's Pre-K-12 web services LearningWhy and Knowitall.org. The Network also received Proviso funding from the Department of Administration and the Law Enforcement Council (Criminal Justice Training Academy) with a combined total of \$1.4 million for emergency communications and transparency.

In 2017-18, the FCC spectrum funds of \$43,162,610 were transferred over to the Network's capital account from the FCC. Per Proviso 8.2, the Network retained \$35 million of those proceeds and the Network has worked closely with the state's procurement office to develop long-term contracts and procurement procedures to support the Network's massive infrastructure for a five-year capital plan. In addition, our engineering team is working on repacking, including procurement of transmitters and other related equipment for 10 TV stations that are required by the FCC to be assigned new channels. Engineering studies have been completed on a number of TV transmitter towers, and repack work began and will continue for the next two years.

Requests for Information

This financial report is designed to provide a general overview of the South Carolina Educational Television Commission's finances for all the Network's taxpayers, customers and creditors. This financial report seeks to demonstrate the Network's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President of the South Carolina Educational Television Commission, 1041 George Rogers Boulevard, Columbia, South Carolina 29201.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENTS OF NET POSITION
JUNE 30,**

	2018	2017
	Governmental	Governmental
	Activities	Activities
		(as restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,247,581	\$ 8,343,064
Restricted cash	34,180,266	1,595,197
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$5,000 at June 30, 2018 and 2017, respectively	360,195	176,008
Prepaid expenses	209,943	201,744
Total current assets	41,997,985	10,316,013
Non-current assets		
Capital assets, net of accumulated depreciation	22,093,194	19,369,065
Total non-current assets	22,093,194	19,369,065
Total assets	64,091,179	29,685,078
Deferred outflows of resources related to net pension liability	2,545,386	1,984,989
Deferred outflows of resources related to net OPEB liability	395,858	327,415
Total deferred outflows of resources	2,941,244	2,312,404
Total assets and deferred outflows of resources	\$ 67,032,423	\$ 31,997,482
 LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 271,075	\$ 37,306
Accounts payable, restricted	-	35,657
Accrued salaries and related benefits	942,534	795,921
Unearned revenue	3,455,992	2,507,166
Current portion of accrued compensated absences and related benefits	621,414	690,857
Total current liabilities	5,291,015	4,066,907
Noncurrent liabilities:		
Accrued compensated absences and related benefits, net of current portion	333,787	526,326
Net OPEB liability	10,621,683	11,345,305
Net pension liability	14,355,653	13,134,600
Total noncurrent liabilities	25,311,123	25,006,231
Total liabilities	30,602,138	29,073,138
Deferred inflows of resources related to net pension liability	251,154	385,606
Deferred inflows of resources related to net OPEB liability	1,004,235	-
Total deferred inflows of resources	1,255,389	385,606
Total liabilities and deferred inflows of resources	31,857,527	29,458,744
 Net Position:		
Net investment in capital assets	22,093,194	19,369,065
Restricted:		
Capital projects	284,924	358,675
Capital reserve	33,895,342	1,200,865
Unrestricted	(21,098,564)	(18,389,867)
Total net position	\$ 35,174,896	\$ 2,538,738

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	2018	2017
	Governmental	Governmental
	Activities	Activities
	<u> </u>	<u> </u>
Expenses:		
Educational broadcasting:		
Personal services	\$ 9,350,319	\$ 9,395,251
Pension expense	526,204	297,705
OPEB expense	274,354	-
Other operating costs	11,114,811	10,926,637
Depreciation	<u>2,153,505</u>	<u>1,946,683</u>
Total program expenses	23,419,193	22,566,276
Program revenues:		
Charges for services	2,696,222	1,383,842
Operating grants and contributions	7,875,909	7,503,516
Capital grants and contributions	-	87,833
Nonemployer contribution revenue	<u>62,184</u>	<u>-</u>
Net revenues	12,784,878	13,591,085
General revenues, special items and transfers:		
Contributions	6,107,603	5,758,027
Gain on sale of capital assets	11,443	23,301
Interest and other investment income	364,804	-
Special items, net	35,000,000	-
Intergovernmental - State Agencies	3,937,186	4,821,456
Intergovernmental - State Agencies - Capital Appropriation	-	1,750,000
Total general revenues, special item and transfers	<u>45,421,036</u>	<u>12,352,784</u>
Increase (decrease) in net position	32,636,158	(1,238,301)
Net position, beginning of year, as originally reported	13,556,628	14,794,929
Implementation effect of GASB No. 75	<u>(11,017,890)</u>	<u>-</u>
Net position, beginning of year, as restated	2,538,738	14,794,929 *
Net position - end of year	\$ 35,174,896	\$ 13,556,628

* Historical information required to restate beginning net position as of July 1, 2016 is not available, and given the nature of the plan, is not practical to obtain on behalf of the Network.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Education Improvement Act	Non-Federal Grants	Other Governmental Funds - Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,970,021	\$ 3,644,498	\$ 633,062	\$ -	\$ 7,247,581
Restricted cash	33,895,342	-	-	284,924	34,180,266
Accounts receivable	358,591	1,604	-	-	360,195
Prepaid expenses	207,578	2,365	-	-	209,943
TOTAL ASSETS	\$ 37,431,532	\$ 3,648,467	\$ 633,062	\$ 284,924	\$ 41,997,985
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 203,532	\$ 66,335	1,208	\$ -	\$ 271,075
Accrued salaries and related benefits	555,597	379,512	7,425	-	942,534
Unearned revenues	-	2,831,563	624,429	-	3,455,992
TOTAL LIABILITIES	759,129	3,277,410	633,062	-	4,669,601
FUND BALANCES:					
Nonspendable					
Prepaid expenses	207,578	2,365	-	-	209,943
Restricted for capital projects/reserves					
Capital reserve	33,895,342	-	-	-	33,895,342
Capital projects	-	-	-	284,924	284,924
Assigned					
Educational improvement	-	368,692	-	-	368,692
Unassigned	2,569,483	-	-	-	2,569,483
TOTAL FUND BALANCES	36,672,403	371,057	-	284,924	37,328,384
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,431,532	\$ 3,648,467	\$ 633,062	\$ 284,924	\$ 41,997,985

The accompanying Notes to Financial Statements are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>	<u>Education Improvement Act</u>	<u>Non-Federal Grants</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,978,630	\$ 2,852,378	\$ 512,056	\$ -	\$ 8,343,064
Restricted cash	1,200,865	-	-	394,332	1,595,197
Accounts receivable, net	101,250	-	19,594	14,079	134,923
Prepaid expenses	195,294	6,450	-	-	201,744
TOTAL ASSETS	<u>\$ 6,476,039</u>	<u>\$ 2,858,828</u>	<u>\$ 531,650</u>	<u>\$ 408,411</u>	<u>\$ 10,274,928</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 35,475	\$ 1,831	\$ -	\$ 35,657	\$ 72,963
Accrued salaries and related benefits	542,077	249,960	3,884	-	795,921
Unearned revenues	-	1,979,400	527,766	-	2,507,166
TOTAL LIABILITIES	<u>577,552</u>	<u>2,231,191</u>	<u>531,650</u>	<u>35,657</u>	<u>3,376,050</u>
 FUND BALANCES:					
Nonspendable					
Prepaid expenses	195,294	6,450	-	-	201,744
Restricted for capital projects/reserves					
Capital reserve	1,200,865	-	-	-	1,200,865
Capital projects	-	-	-	358,675	358,675
Assigned					
Educational improvement	-	621,187	-	14,079	635,266
Unassigned	4,502,328	-	-	-	4,502,328
TOTAL FUND BALANCES	<u>5,898,487</u>	<u>627,637</u>	<u>-</u>	<u>372,754</u>	<u>6,898,878</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,476,039</u>	<u>\$ 2,858,828</u>	<u>\$ 531,650</u>	<u>\$ 408,411</u>	<u>\$ 10,274,928</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
JUNE 30,**

	2018 Governmental Activities	2017 Governmental Activities (as restated)
Reconciliations to the Statement of Net Position:		
Fund balances of governmental funds	\$ 37,328,384	\$ 6,898,878
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	(955,201)	(1,217,183)
Certain assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds	-	41,085
The net pension liability, net OPEB liability, and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Net pension liability	(14,355,653)	(13,134,600)
Net OPEB liability	(10,621,683)	(11,345,305)
Deferred outflows of resources for contributions after the retirement plan's measurement date	908,651	743,791
Deferred outflows of resources for changes in actuarial assumptions on the retirement plan	840,369	-
Deferred outflows of resources for differences between projected and actual retirement plan investment earnings	400,742	1,105,042
Deferred outflows of resources for differences between expected and actual retirement plan experience	63,997	136,156
Deferred outflows of resources for changes in the proportionate share of net pension liability	331,627	-
Deferred outflows of resources for contributions after the OPEB plans' measurement date	377,042	327,415
Deferred outflows of resources for differences between projected and actual OPEB plan investment earnings	18,816	-
Deferred inflows of resources for differences between expected and actual retirement plan experience	(7,957)	(14,264)
Deferred inflows of resources for differences in the proportionate share of net pension liability	(243,197)	(371,342)
Deferred inflows of resources for changes in actuarial assumptions on the OPEB plan	(999,447)	-
Deferred inflows of resources for differences between projected and actual OPEB plan experience	(4,609)	-
Deferred inflows of resources for differences in the proportionate share of net OPEB liability	(179)	-
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Capital assets, net of accumulated depreciation	22,093,194	19,369,065
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 35,174,896	\$ 2,538,738

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Education Improvement Act	Non Federal Grants	Other Governmental Funds - Capital Projects	Total Governmental Funds
REVENUES:					
Contributions	\$ 6,107,603	\$ -	\$ -	\$ -	\$ 6,107,603
Intergovernmental - State Agencies	3,937,186	-	-	-	3,937,186
Program sales	47,869	-	-	-	47,869
Corporation for Public Broadcasting, Inc. grant	2,947,221	-	-	-	2,947,221
Education Improvement Act	-	4,868,697	-	-	4,868,697
Private grants and contracts	-	-	59,991	-	59,991
Charges for services	1,671,351	-	-	-	1,671,351
Rental fees	916,831	7,341	-	-	924,172
Interest and other investment income	364,804	-	-	-	364,804
Royalties	66,543	-	-	-	66,543
Miscellaneous	27,372	-	-	-	27,372
TOTAL REVENUES	\$ 16,086,780	\$ 4,876,038	\$ 59,991	\$ -	\$ 21,022,809
EXPENDITURES:					
Internal Administration	\$ 2,165,460	\$ 97,029	\$ -	\$ -	\$ 2,262,489
Programs & Services:					
Engineering Administration	542,381	64,464	-	-	606,845
Transmissions & Reception	2,344,425	1,807,237	50,055	-	4,201,717
Communications	690,109	-	-	-	690,109
Education	312,517	1,189,416	-	-	1,501,933
Agency Local Other Education Services	37,519	981,688	-	-	1,019,207
Training & Assessment	246,315	146,769	620	-	393,704
Radio Content	2,178,751	48,497	-	-	2,227,248
National Content	2,438,720	-	-	-	2,438,720
Local & Transparency	3,517,640	797,518	9,316	62,408	4,386,882
Regional Operations	117,183	-	-	-	117,183
Development/Fundraising	435,054	-	-	-	435,054
Underwriting	433,519	-	-	-	433,519
Marketing	12,503	-	-	-	12,503
Capital outlay	4,866,290	-	-	11,343	4,877,633
TOTAL EXPENDITURES	20,338,386	5,132,618	59,991	73,751	25,604,746
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,251,606)	(256,580)	-	(73,751)	(4,581,937)
OTHER FINANCING SOURCES					
Internal transfers	14,079	-	-	(14,079)	-
Proceeds from sale of capital assets	11,443	-	-	-	11,443
TOTAL OTHER FINANCING SOURCES	25,522	-	-	(14,079)	11,443
SPECIAL ITEMS					
Federal Communications Commission - Auction Proceeds	43,162,610	-	-	-	43,162,610
Payment to State agency	(8,162,610)	-	-	-	(8,162,610)
TOTAL SPECIAL ITEMS	35,000,000	-	-	-	35,000,000
NET CHANGE IN FUND BALANCES	30,773,916	(256,580)	-	(87,830)	30,429,506
FUND BALANCES - BEGINNING OF YEAR	5,898,487	627,637	-	372,754	6,898,878
FUND BALANCES - END OF YEAR	\$ 36,672,403	\$ 371,057	\$ -	\$ 284,924	\$ 37,328,384

The accompanying Notes to Financial Statements are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
REVENUES:					
Contributions	\$ 5,758,027	\$ -	\$ -	\$ -	\$ 5,758,027
Intergovernmental - State agencies	4,821,456	-	-	-	4,821,456
Intergovernmental - Capital appropriation	1,750,000	-	-	-	1,750,000
Program sales	48,091	-	-	-	48,091
Corporation for Public Broadcasting, Inc. grant	1,944,574	-	-	-	1,944,574
Education Improvement Act	-	5,403,539	-	-	5,403,539
Federal grants	-	-	-	87,833	87,833
Private grants and contracts	-	-	155,403	-	155,403
Charges for services	676,441	-	-	-	676,441
Rental fees	566,124	-	-	-	566,124
Royalties	62,306	-	-	-	62,306
Miscellaneous	25,780	-	-	-	25,780
TOTAL REVENUES	\$ 15,652,799	\$ 5,403,539	\$ 155,403	\$ 87,833	\$ 21,299,574
EXPENDITURES:					
Internal Administration	\$ 2,118,932	\$ 52,539	\$ -	\$ -	\$ 2,171,471
Programs & Services:					
Engineering Administration	332,268	76,303	-	-	408,571
Transmissions & Reception	2,116,869	1,590,263	82,206	-	3,789,338
Communications	870,373	-	-	-	870,373
Education	380,236	1,956,214	-	-	2,336,450
Agency Local Other Education Services	137,534	1,079,379	-	-	1,216,913
Training & Assessment	-	185,051	-	-	185,051
Radio Content	1,812,240	27,042	-	-	1,839,282
National Content	2,463,096	-	-	-	2,463,096
Local & Transparency	3,075,760	563,890	6,325	7,908	3,653,883
Regional Operations	483,695	-	-	-	483,695
Development/Fundraising	424,618	-	-	-	424,618
Underwriting	434,291	-	-	-	434,291
Marketing	22,389	-	-	-	22,389
Capital outlay	1,847,409	-	-	414,688	2,262,097
TOTAL EXPENDITURES	16,519,710	5,530,681	88,531	422,596	22,561,518
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(866,911)	(127,142)	66,872	(334,763)	(1,261,944)
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	23,301	-	-	-	23,301
TOTAL OTHER FINANCING SOURCES	23,301	-	-	-	23,301
NET CHANGE IN FUND BALANCES	(843,610)	(127,142)	66,872	(334,763)	(1,238,643)
FUND BALANCES - BEGINNING OF YEAR	6,742,097	754,779	(66,872)	707,517	8,137,521
FUND BALANCES - END OF YEAR	\$ 5,898,487	\$ 627,637	\$ -	\$ 372,754	\$ 6,898,878

The accompanying Notes to Financial Statements are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	2018	2017
Reconciliations to the Statement of Activities:		
Net change in fund balances - total government funds	\$ 30,429,506	\$ (1,238,643)
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 position	4,877,633	2,262,097
Depreciation of capital assets is reported as an expense in the statement of activities	(2,153,505)	(1,946,683)
Certain receivables are not recorded in the governmental funds because they are not considered available	(41,085)	5,100
Nonemployer OPEB contribution revenue is reported as revenue in the statement of activities	62,184	-
Some expenses reported into the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:		
Proportionate share of pension expense	(526,204)	(297,705)
Proportionate share of OPEB expense	(274,353)	-
Change in accrued compensated absences and related benefits	261,982	(22,467)
CHANGE IN NET POSITION	<u>\$ 32,636,158</u>	<u>\$ (1,238,301)</u>

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

The ETV Commission members are the governing body of the Network. There are nine members of the ETV Commission. The Governor appoints a member to the ETV Commission from each Congressional District and a member at-large who serves as Chairman. The State Superintendent of Education serves as an ex-officio member of the Commission.

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

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Governmental Funds

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

The Network reports the following major funds at June 30, 2018:

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

Educational Improvement Act ("EIA") Fund – This fund is a special revenue fund that generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues are restricted for certain purposes. The Network received an EIA allocation in the 2016-17 and 2017-18 South Carolina Appropriations Act in lieu of a general fund appropriation. The fund recognizes revenue when the expenditure is incurred.

Grants Non Federal – This fund accounts for private grants.

At June 30, 2017, the Network also reports the above three major funds, along with an additional major fund:

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Measurement Focus, Basis of accounting, and Financial Statement Presentation

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

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition and acquisition value at the date of donation in the case of gifts. The Network follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Network capitalized movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Budget Policy

The Network is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds.

The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The South Carolina General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Cash and Cash Equivalents

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

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

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

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

Restricted Cash

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Accounts Receivable

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Network established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The balance on the financial statements is shown net of the allowance of \$0 and \$5,000 at June 30, 2018 and 2017, respectively.

Prepaid Expenses

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

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's working days of the month 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, 2018 and 2017. The Network calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net position. For governmental activities, compensated absences are generally liquidated by the general fund.

Net Position / Fund Balances

On the government-wide financial statements, the Network reports its net position as investment in capital, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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. Unrestricted net position is all resources that do not meet the definition of "net investment in capital assets" or "restricted net position".

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Unearned Revenues

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

Deferred Outflows and Inflows of Resources

Changes in the net pension liability and net OPEB liability not included in pension expense or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions made subsequent to the measurement date of the net pension liability and net OPEB liability are reported as deferred outflows of resources. Deferred outflows of resources and deferred inflows of resources are also determined by the difference in actual and expected liability experience, projected and actual returns on investments, deferred amounts from changes in the Network's proportionate share, changes in assumptions, and differences between the Network's contributions and its proportionate share of the total employer contributions to the plans.

Pension

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), as well as additions to and deductions from SCRHITF's and SCLTDITF's fiduciary net position, have been determined on the same basis as they are reported by these OPEB plans. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

CPB Grants

The Network annually receives a grant from the 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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. The most significant estimates included in these financial statements are the estimated useful lives of property and equipment and the actuarially calculated net pension and OPEB liabilities. Actual results could differ from those estimates.

Implementation of New Accounting Standard and Restatement of Net Position

The Network implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB No. 75"), during the year ended June 30, 2018.

The primary objective of GASB No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net OPEB liability of the plan.

In particular, GASB No. 75 requires the Network to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its participation in the State's Retiree Health Plan and Long-Term Disability Plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures which can be found in Note 10.

Historical information required to restate beginning net position as of July 1, 2016 as presented on the Statement of Activities is not available, and given the nature of the OPEB plan, is not practical to obtain on behalf of the Network. The implementation of GASB No. 75 resulted in the restatement of net position reported as of June 30, 2017 as presented below:

Net position at June 30, 2017 as originally reported	\$ 13,556,628
SCETV share of net OPEB liability	(11,345,305)
Deferred outflows of resources for contributions made after the measurement date	327,415
Net position at June 30, 2017 as restated	<u>\$ 2,538,738</u>

NOTE 2. STATE APPROPRIATION, OTHER STATE FUNDING, AND SPECIAL ITEM:

The Network received a State Appropriation in the 2017-18 Appropriation Act of \$282,802.

The Network received \$1,412,513 in fiscal years 2018 and 2017 from the Criminal Justice Academy and The South Carolina Department of Administration. The budget provision directed the agencies to transfer the funds to the Network.

In 2017-18 and 2016-17, the State Appropriations Act included \$5,576,409 and \$4,829,281, respectively for the Network. EIA funds were transferred to the Network directly by the Department of Revenue.

The Network received a Capital Reserve Fund Appropriation of \$1,750,000 for FY2016-17.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2. STATE APPROPRIATION, OTHER STATE FUNDING, AND SPECIAL ITEM:

Special Item - In July 2017, the Network received \$43,162,610 in spectrum auction proceeds from the FCC. These funds were in exchange for the Network's relinquishment of spectrum associated with one of the network's upstate television channels whose signal overlaps with another Network signal. According to the terms of the proviso (8.2), the Network retained \$35 million of the proceeds, which are in a restricted account for capital expenditures to be utilized to shore up the Network's infrastructure of towers and other equipment and building structures across the State. The Network earned \$364,804 in interest and other investment income on these proceeds during the year. The remaining balance of \$8,162,610 was transferred to the Department of Education, per the proviso. The proceeds received and the amount transferred to the Department of Education are reflected as special items on the statements of activities and the statements of revenues, expenditures and changes in fund balances – governmental funds. The Network has developed a five-year capital plan for investment of these proceeds.

NOTE 3. DEPOSITS:

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

The following schedule for fiscal year 2018 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 7,247,581	Petty Cash	\$ 0
Restricted Cash	34,180,266	Deposits Held by State Treasurer	41,427,847
Totals	\$ 41,427,847	Totals	\$ 41,427,847

The following schedule for fiscal year 2017 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 8,343,064	Petty Cash	\$ 0
Restricted Cash	1,595,197	Deposits Held by State Treasurer	9,938,261
Totals	\$ 9,938,261	Totals	\$ 9,938,261

Deposits Held by State Treasurer

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4. CAPITAL ASSETS:

The following schedule summarizes capital assets activity for the Network for the fiscal year 2018:

	Beginning Balances June 30, 2017	Increases	Decreases	Ending Balances June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	17,525	4,761,384	(17,525)	4,761,384
Total capital assets not being depreciated	<u>600,794</u>	<u>4,761,384</u>	<u>(17,525)</u>	<u>5,344,653</u>
Other capital assets:				
Buildings and improvements	19,366,492	17,525	-	19,384,017
Equipment and furniture	73,207,054	-	(560,571)	72,646,483
Vehicles	1,245,491	151,906	-	1,397,397
Total other capital assets	<u>93,819,037</u>	<u>169,431</u>	<u>(560,571)</u>	<u>93,427,897</u>
Less accumulated depreciation for:				
Buildings and improvements	8,351,793	567,270	-	8,919,063
Equipment and furniture	65,599,245	1,528,587	(524,915)	66,602,917
Vehicles	1,099,728	57,648	-	1,157,376
Total accumulated depreciation	<u>75,050,766</u>	<u>2,153,505</u>	<u>(524,915)</u>	<u>76,679,356</u>
Other capital assets, net	<u>18,768,271</u>	<u>(1,984,074)</u>	<u>(35,656)</u>	<u>16,748,541</u>
Total capital assets, net	<u>\$19,369,065</u>	<u>\$ 2,777,310</u>	<u>\$ (53,181)</u>	<u>\$22,093,194</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4. CAPITAL ASSETS (continued):

The following schedule summarizes capital assets activity for the Network for the fiscal year 2017:

	Beginning Balances June 30, 2016	Increases	Decreases	Ending Balances June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	237,951	17,525	(237,951)	17,525
Total capital assets not being depreciated	<u>821,220</u>	<u>17,525</u>	<u>(237,951)</u>	<u>600,794</u>
Other capital assets:				
Buildings and improvements	19,309,952	56,540	-	19,366,492
Equipment and furniture	71,920,451	2,341,090	(1,054,487)	73,207,054
Vehicles	1,160,599	84,892	-	1,245,491
Total other capital assets	<u>92,391,002</u>	<u>2,482,522</u>	<u>(1,054,487)</u>	<u>93,819,037</u>
Less accumulated depreciation for:				
Buildings and improvements	7,781,650	570,143	-	8,351,793
Equipment and furniture	65,324,745	1,328,987	(1,054,487)	65,599,245
Vehicles	1,052,175	47,553	-	1,099,728
Total accumulated depreciation	<u>74,158,570</u>	<u>1,946,683</u>	<u>(1,054,487)</u>	<u>75,050,766</u>
Other capital assets, net	<u>18,232,432</u>	<u>535,839</u>	<u>-</u>	<u>18,768,271</u>
Total capital assets, net	<u>\$19,053,652</u>	<u>\$ 553,364</u>	<u>\$ (237,951)</u>	<u>\$19,369,065</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,153,505 and \$1,946,683, respectively. Construction in progress consisted of costs incurred for renovations to the Network's TCC Radio Studio at June 30, 2017. At June 30, 2018, construction in progress consisted of costs incurred related to the Network's repacking of the broadcast spectrum and the acquisition and upgrade of a satellite and uplink truck.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5. LEASES AND LICENSES:

Operating Leases

The Network conducts part of its operations from leased facilities which include towers and office space. The Network also leases mailroom equipment and copiers. All leases are with external parties. These leases began expiring with fiscal year 2018 and continue through fiscal year 2022. The Network has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Network should the General Assembly not provide funding for these leases. The Network also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Network is responsible for maintenance on most leased property. Rental payments under all operating leases totaled \$333,308 and \$339,138 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018, the Network's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows for fiscal years ending June 30,

2019	\$ 286,104
2020	286,104
2021	265,404
2022	241,360
2023	64,022
2024 and thereafter	<u>412,500</u>
Total	<u>\$ 1,555,494</u>

The Network subleases various properties to third parties. Under these lease agreements for the fiscal years ended June 30, 2018 and 2017 the Network received rent of \$167,415 and \$154,328, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows for fiscal years ending June 30,

2018	\$ 126,033
2019	85,051
2020	63,132
2021	<u>28,241</u>
Total	<u>\$ 302,457</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5. LEASES AND LICENSES (continued):

Licensing Agreements

The Network manages licensing contracts for all state towers. Under these license agreements, the Network received rent of \$551,221 and \$491,327 for the years ended June 30, 2018 and 2017, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows for fiscal years ending June 30,

2019	\$	513,663
2020		457,747
2021		335,714
2022		191,450
2023		35,267
2024 and thereafter		141,750
Total		\$ 1,675,591

NOTE 6. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balances, July 1, 2017	Additions	Reductions	Balances, June 30, 2018	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,217,183	\$ 342,545	\$ 604,527	\$ 955,201	\$ 621,414
Net pension liability	13,134,600	1,221,053	-	14,355,653	-
Net OPEB liability	11,345,305	-	723,622	10,621,683	-
	\$25,697,088	\$1,563,598	\$1,328,149	\$ 25,932,537	\$ 621,414

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balances, July 1, 2016	Additions	Reductions	Balances, June 30, 2017	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,194,718	\$ 689,062	\$ 666,597	\$ 1,217,183	\$ 690,857
Net pension liability	12,077,219	1,057,381	-	13,134,600	-
Net OPEB liability	-	11,345,305	-	11,345,305	-
	\$13,271,937	\$13,091,748	\$ 666,597	\$ 25,697,088	\$ 690,857

NOTE 7. RELATED PARTY:

A significant portion of the funding of the Network is provided by the ETV Endowment of South Carolina, Inc. (the "Endowment") and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Network exercises no control. The Endowment and Communications provide support services for the Network through the purchasing and underwriting of various programming. The Network recorded contribution revenue of approximately \$5,942,000 and \$5,841,000 during the years ended June 30, 2018 and 2017, respectively, from the Endowment and Communications.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES:

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

The Network had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the Department of Administration, the State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$60,000 each was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the years ended June 30, 2018 and 2017, respectively.

The Network paid \$8,162,610 to the Department of Education for the year ended June 30, 2018.

The Network provided no services free of charge to other State agencies during the fiscal years ended June 30, 2018 and 2017. Revenues of approximately \$1,735,000 and \$2,060,000 were received from various State agencies in both 2018 and 2017.

During the fiscal years ended June 30, 2018 and 2017, the Network purchased services with a total cost of approximately \$574,000 and \$730,000, respectively from various State agencies. These expenditures are primarily for taxes, insurance, telecommunications and other contracted services.

NOTE 9. PENSION PLAN:

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

Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9. PENSION PLAN (continued):

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

Plan Descriptions

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

Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9. PENSION PLAN (continued):

Benefits

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

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

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

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

Contributions

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

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS employer and employee contribution rates, respectively. If contribution rates are decreased pursuant to this provision, and the more recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN (continued):

The Retirement System Funding and Administration Act increased employer contribution rates to 13.56 percent for SCRS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent for SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

As noted earlier, both employees and the Network are required to contribute to the Plans at rates established and as amended by PEBA. The Network's contributions are actuarially determined but are communicated to and paid by the Fund as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates			ORP Rates		
	2018	2017	2016	2018	2017	2016
Employer Contribution Rate						
Retirement	13.41%	11.41%	10.75%	13.41%*	11.41%*	10.75%*
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Employee Contribution Rate	9.00%	8.66%	8.16%	9.00%	8.66%	8.16%

* Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

The required contributions and percentages of amounts contributed by the Network to the Plans for the past three years were as follows:

Year Ended June 30,	Required	SCRS % Contributed
2018	\$ 908,651	100%
2017	743,791	100%
2016	658,590	100%

Eligible payrolls of the Fund covered under the Plans for the past three years were as follows:

Year Ended June 30,	Covered Payroll
2018	\$ 6,700,966
2017	6,434,178
2016	5,954,702

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN (continued):

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), the net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.0% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually

*Includes inflation at 2.25%

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2018 and 2017 the Network's proportional share of the NPL amounts for SCRS is presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS – 2018	\$48,244,437,494	\$25,732,829,268	\$14,355,653	53.33%
SCRS – 2017	\$45,356,217,752	\$23,996,362,354	\$13,134,600	52.90%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Network's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the years ending June 30, 2018 and 2017, the Network's percentage of the SCRS net pension liability was 0.063770% and 0.061492% respectively.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN (continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation, and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity			
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets			
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic			
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit			
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income			
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.01%
Total Expected Real Return	<u>100%</u>		<u>5.31%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.56%</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN (continued):

Sensitivity Analysis

The following table presents the Network's proportional share of net pension liability calculated using the discount rate of 7.25 percent, as well as what the Network's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS – 2018	\$ 18,502,464	\$ 14,355,653	\$ 11,839,512
SCRS – 2017	\$ 16,385,054	\$ 13,134,600	\$ 10,428,720

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2018, the Network recognized pension expense of \$526,204 which is included in the statement of activities. At June 30, 2018, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 908,651	\$ —
Differences in expected and actual retirement plan experience	63,997	(7,957)
Changes in assumptions	840,369	
Net differences between projected and actual earnings on plan investments	400,742	—
Change in proportionate share of net pension liability	331,627	(243,197)
	<u>\$ 2,545,386</u>	<u>\$ (251,154)</u>

For the year ended June 30, 2017, the Network recognized pension expense of \$297,705 which is included in the statement of activities. At June 30, 2017, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 743,791	\$ —
Differences in actual and expected retirement plan experience	136,156	(14,264)
Net differences between projected and actual earnings on plan investments	1,105,042	—
Change in proportionate share of net pension liability	—	(371,342)
	<u>\$ 1,984,989</u>	<u>\$ (385,606)</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN (continued):

The Network reported \$908,651 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2018. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2018 and 2017 was 4.073 and 4.164 years, respectively, for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2018	2019	\$ 372,350
2019	2020	611,600
2020	2021	504,667
2021	2022	(103,036)
Net balance of deferred outflows (inflows) of resources		\$ 1,385,581

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

PEBA is a state agency responsible for the administration and management of the State's employee insurance programs, other postemployment benefits trusts. By law, the SFAA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits (OPEB). See Note 9 for more details on PEBA and the SFAA.

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

Plan Descriptions

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Benefits

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

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the year ended June 30, 2018 was 5.5 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

BLTD benefits are funded through a person's premium charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal year ended June 30, 2018. The SCLTDITF premium is billed monthly by PEBA, Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income.

The Network's required and actual employer contributions are as follows:

Year Ended June 30,	SC RHITF Required	% Contributed
2018	\$ 380,748	100%
2017	327,415	100%

Year Ended June 30,	SC LTDITF Required	% Contributed
2018	\$ 4,737	100%
2017	4,698	100%

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Actuarial Assumptions and Methods

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

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.56% as of June 30, 2017
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years
Aging Factors:	Based on plan specific experience
Retiree Participation:	79% for retirees who are eligible for funded premiums
Notes:	There were no benefit changes during the year; the discount rate changed from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of Plan investment expense; including inflation
Single Discount Rate:	3.87% as of June 30, 2017
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Notes:	There were no benefit changes during the year. The discount rate changed from 3.74% as of June 30, 2016 to 3.87% as of June 30, 2017

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2016. Updated procedures were used to roll forward the total OPEB liability to June 30, 2017.

Net OPEB Liability

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

The following table represents the components of the net OPEB liability:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF – 2017	\$14,659,610,970	\$1,114,774,760	\$13,544,836,210	7.60%
SCRHITF – 2016	\$15,494,939,646	\$1,026,308,730	\$14,468,630,916	6.62%
SCLTDITF – 2017	\$38,510,568	\$36,697,589	\$1,812,979	95.29%
SCLTDITF – 2016	\$37,547,106	\$36,852,952	\$694,154	98.15%

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

The Network's proportionate share of the NOL was based on a projection of the Network's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Network's proportion under SCRHITF and SCLTDITF was 0.78410% and 0.064902%, respectively. The Network's amounts for SCRHITF and SCLTDITF are presented below:

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	SCRHITF	SCLTDITF
2016	2017	\$11,344,854	\$ 451
2017	2018	\$10,620,506	\$1,177

Single Discount Rate

The Single Discount Rate of 3.56% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.87% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 4.00% and a municipal bond rate of 3.56%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2037. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2037, and the municipal bond rate was applied to all benefit payments after that date.

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
U.S. Domestic Fixed Income	80.0%	2.09%	1.67%
Cash	20.0%	0.84%	0.17%
Total Expected Real Return	100%		1.84%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			4.09%

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Sensitivity Analysis

The following table presents the Network's proportionate share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.56% as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

OPEB Trust	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
SCRHITF	\$ 12,507,954	\$ 10,620,506	\$ 9,098,761

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

OPEB Trust	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
SCRHITF	\$ 8,709,255	\$ 10,620,506	\$ 13,095,117

The following table presents Network's proportionate share of the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.87%, as well as what the Network's proportionate share of the net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

OPEB Trust	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
SCLTDITF	\$ 2,093	\$ 1,177	\$ 277

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

OPEB Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2018, the Network recognized OPEB expense of \$274,354.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

At June 30, 2018, the Network reported deferred outflows (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>SCRHITF</u>		
OPEB contributions subsequent to measurement date	\$ 372,305	\$ —
Changes in assumptions	—	(999,340)
Net differences between projected and actual earnings on plan investments	18,249	(4,609)
Change in proportionate share	—	(150)
	<u>\$ 390,554</u>	<u>\$ (1,004,099)</u>
 <u>SCLTDITF</u>		
OPEB contributions subsequent to measurement date	\$ 4,737	\$ —
Changes in assumptions		(107)
Differences between projected and actual earnings on plan investments	567	—
Change in proportionate share		(29)
	<u>\$ 5,304</u>	<u>\$ (136)</u>
Total all OPEB plans	<u>\$ 395,858</u>	<u>\$ (1,004,235)</u>

The Network reported \$377,042 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The difference between projected and actual earnings on OPEB plan investments are reported as deferred outflows (inflows) of resources and will be amortized over a closed five-year period and recognized in pension expense in future years. The difference between expected and actual experience, changes in assumptions, and changes in proportionate share are reported as deferred outflows (inflows) of resources and will be amortized over the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period. Average remaining service lives of all employees that are provided OPEB through the OPEB plan at the June 30, 2017 measurement date was 7.246 years for SCRHITF and 9.957 years for SCLTDITF. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) at June 30, 2018.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF	SCRHITF
2018	2019	\$ (156,197)	\$ 127
2019	2020	(156,197)	127
2020	2021	(156,197)	127
2021	2022	(156,197)	127
2022	2023	(160,759)	(15)
2023 & Thereafter	2024 & Thereafter	(200,303)	(62)
Net balance of deferred outflows (inflows) of resources		<u>\$ (985,850)</u>	<u>\$ 431</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11. DEFERRED COMPENSATION PLANS:

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

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

NOTE 12. RISK MANAGEMENT:

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

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

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

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12. RISK MANAGEMENT (continued):

The Network obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Network self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2018.

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

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

The Network has not reported an estimated claims loss expenditure, and the related liability at June 30, 2017, 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, 2018 and the amount of the loss is reasonably estimable to have not been satisfied.

In the fiscal year ended June 30, 2018, the Network was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Network's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Network does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Network is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2018, the Network did not experience any losses as a result of business interruption.

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

NOTE 13. BROADBAND SPECTRUM LEASE:

In November 2009, the State and the Network entered into a 30-year lease for excess spectrum capacity of broadband licenses managed by the Network and licensed from the FCC. For the first six months of the agreement, the funds went to the General Fund of South Carolina.

Beginning in July of 2011, the Network began to receive broadband spectrum lease funding that was collected and transferred by the Budget and Control Board (which subsequently became the Department of Administration). Beginning February 2013, the payments were made directly to the Network. The Network received \$3,408,943 during the current fiscal year and this is included in intergovernmental revenue.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13. BROADBAND SPECTRUM LEASE (continued):

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

Fiscal year ending June 30,	
2019	\$ 3,408,943
2020	3,664,616
2021	3,920,284
2022	3,920,284
2023	3,920,284
2024-2028	21,659,571
2029-2033	24,908,507
2034-2038	28,966,249
2039	<u>3,027,055</u>
 Total	 <u>\$ 97,395,793</u>

NOTE 15. SUBSEQUENT EVENTS:

Management of the Network has evaluated events subsequent to year end and through December 19, 2018, which is the date these financial statements were available to be issued. There were no subsequent events required to be disclosed in these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Internal Administration	\$ 2,085,035	\$ 2,662,716	\$ 2,471,827	\$ 190,889
Programs & Services:				
Engineering Administration	500,742	429,546	271,517	158,029
Transmissions & Reception	4,274,180	3,796,309	3,426,938	369,371
Communications	274,533	248,564	237,877	10,687
Education	2,158,693	2,377,855	1,878,423	499,432
Agency Local Other Education Services	1,009,484	745,234	547,774	197,460
Training & Assessment	205,088	198,288	168,847	29,441
Radio Content	1,495,000	1,907,270	1,765,535	141,735
National Content	2,092,000	2,134,934	2,114,666	20,268
Local & Transparency	2,907,732	2,201,646	1,726,036	475,610
Regional Operations	405,000	486,561	324,497	162,064
Development/Fundraising	235,000	210,679	188,944	21,735
Underwriting	200,000	220,549	206,143	14,406
Marketing	60,000	11,394	8,645	2,749
FCC Channel Reassignment	8,000,000	8,000,000	2,604,984	5,395,016
Capital Outlay	2,792,017	2,792,017	2,681,670	110,347
Statewide employer contributions	2,243,540	2,660,388	2,635,218	25,170
	<u>\$ 30,938,044</u>	<u>\$ 31,083,950</u>	<u>\$ 23,259,541</u>	<u>\$ 7,824,409</u>

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Internal Administration	\$ 1,883,500	\$ 2,304,725	\$ 2,240,728	\$ 63,997
Programs & Services:				
Engineering Administration	493,500	462,346	222,714	239,632
Transmissions & Reception	4,246,989	4,001,540	3,476,459	525,081
Communications	260,000	219,362	208,640	10,722
Education	1,846,000	2,646,320	2,515,604	130,716
Agency Local Other Education Services	1,005,000	681,512	671,695	9,817
Training & Assessment	185,000	150,267	149,620	647
Radio Content	1,495,000	1,628,669	1,356,420	272,249
National Content	2,092,000	2,134,697	2,071,367	63,330
Local & Transparency	2,638,600	2,092,678	1,861,622	231,056
Regional Operations	405,000	447,300	404,564	42,736
Development/Fundraising	235,000	277,574	254,101	23,473
Underwriting	200,000	212,144	204,293	7,851
Marketing	60,000	33,000	21,709	11,291
Statewide employer contributions	2,146,943	2,515,074	2,448,802	66,272
	<u>\$ 19,192,532</u>	<u>\$ 19,807,208</u>	<u>\$ 18,108,338</u>	<u>\$ 1,698,870</u>

See independent auditor's report.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES - UNAUDITED
JUNE 30, 2018**

NOTE 1. BUDGETARY FUNDS

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

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

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

The Network's legally adopted budget is part of the Total Funds budget for the State.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

The original appropriations presented in the accompanying schedule for the Network include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for the Network's governmental funds are substantively the same as for the legally enacted budget.

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

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

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The Network maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency, which is the level of detail presented in the accompanying schedule.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES - UNAUDITED
JUNE 30, 2018**

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used. State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14.
- All other revenues are recorded only when the Network receives the related cash.
- The accrual basis is used for other expenditures.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Network to charge the previous fiscal year's appropriations. Additionally, acquisitions of capital assets by donation are unbudgeted.

	For the Years Ended June 30,	
	2018	2017
Total Expenditures, budgetary basis	\$23,259,541	\$18,108,338
Basis of accounting differences:		
Change in accrued salaries	146,613	132,186
Change in accounts payable	198,112	(34,276)
Other basis differences:		
Capital outlay	4,877,633	2,226,440
Expenditures reimbursed by Endowment support	2,130,959	2,055,242
Transfer between funds for FCC Channel Reassignment	(5,069,900)	-
Encumbrances for supplies and equipment ordered but not received	61,788	73,588
Total Expenditures	\$25,604,746	\$22,561,518

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - UNAUDITED
SOUTH CAROLINA RETIREMENT SYSTEM
AS OF JUNE 30, 2018
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
SCETV's proportion of the net pension liability	0.063770%	0.061492%	0.063680%	0.0643510%	0.0643510%
SCETV's proportionate share of the net pension liability	\$ 14,355,653	\$ 13,134,600	\$ 12,077,219	\$ 11,079,109	\$ 11,542,274
SCETV's covered employee payroll	\$ 6,434,178	\$ 5,954,702	\$ 5,970,789	\$ 5,842,255	\$ 5,961,321
SCETV's proportionate share of the net pension liability as a percentage of covered employee payroll	223.12%	220.58%	202.27%	189.64%	193.62%
Plan fiduciary net position as a percentage of the total pension liability	53.3%	52.9%	57.0%	59.9%	56.4%

Note that amounts were determined as of June 30, of the prior year.

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
CONTRIBUTIONS - UNAUDITED
SOUTH CAROLINA RETIREMENT SYSTEM
AS OF JUNE 30, 2018
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 908,651	\$ 743,791	\$ 658,590	\$ 650,816	\$ 619,279
Contributions in relation to the contractually required contribution	<u>908,651</u>	<u>743,791</u>	<u>658,590</u>	<u>650,816</u>	<u>619,279</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	6,700,966	6,434,178	5,954,702	5,970,789	5,842,255
Contributions as a percentage of the covered employee payroll	13.56%	11.56%	11.06%	10.90%	10.60%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 631,900	\$ 716,000	\$ 716,000	\$ 752,000	\$ 874,000
Contributions in relation to the contractually required contribution	<u>631,900</u>	<u>716,000</u>	<u>716,000</u>	<u>752,000</u>	<u>874,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	5,961,321	7,505,241	7,625,133	8,008,520	9,307,774
Contributions as a percentage of the covered employee payroll	10.60%	9.54%	9.39%	9.39%	9.39%

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREMENT SYSTEM - UNAUDITED
JUNE 30, 2018**

Note 1. Changes of Assumptions

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2016, actuarial valuations, as adopted by PEBA and SFAA which utilized membership data as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law on April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the rollforward total pension liability for this assumption change as of the measurement date of June 30, 2017.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY - UNAUDITED
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND
AS OF JUNE 30, 2018
LAST TWO FISCAL YEARS

	2018	2017
SCETV's proportion of the net OPEB liability	0.078410%	0.078410%
SCETV's proportionate share of the net OPEB liability	\$ 10,620,506	\$ 11,344,854
SCETV's covered employee payroll	\$ 6,612,233	\$ 6,149,410
SCETV's proportionate share of the net OPEB liability as a percentage of covered employee payroll	160.62%	184.49%
Plan fiduciary net position as a percentage of the total OPEB liability	7.60%	6.62%

Note: Only two years of data were available; thus, only two years are presented.

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
CONTRIBUTIONS - UNAUDITED
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND
AS OF JUNE 30, 2018
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 380,748	\$ 327,415	\$ 327,764	\$ 284,073	\$ 293,297
Contributions in relation to the contractually required contribution	<u>380,748</u>	<u>327,415</u>	<u>327,764</u>	<u>284,073</u>	<u>293,297</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	6,922,694	6,142,871	6,149,410	5,681,459	5,961,321
Contributions as a percentage of the covered employee payroll	5.50%	5.33%	5.33%	5.00%	4.92%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 307,340	\$ 322,725	\$ 312,332	\$ 325,772	\$ 342,135
Contributions in relation to the contractually required contribution	<u>307,340</u>	<u>322,725</u>	<u>312,332</u>	<u>325,772</u>	<u>342,135</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	6,754,717	7,505,241	8,008,520	9,307,774	9,775,293
Contributions as a percentage of the covered employee payroll	4.55%	4.30%	3.90%	3.50%	3.50%

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY - UNAUDITED
SOUTH CAROLINA LONG-TERM DISABILITY INSURANCE TRUST FUND
AS OF JUNE 30, 2018
LAST TWO FISCAL YEARS

	2018	2017
SCETV's proportion of the net OPEB liability	0.064902%	0.064902%
SCETV's proportionate share of the net OPEB liability	\$ 1,177	\$ 451
SCETV's covered employee payroll	\$ 6,612,233	\$ 6,149,410
SCETV's proportionate share of the net OPEB liability as a percentage of covered employee payroll	0.02%	0.01%
Plan fiduciary net position as a percentage of the total OPEB liability	95.29%	98.15%

Note: Only two years of data were available; thus, only two years are presented.

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF THE SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
CONTRIBUTIONS - UNAUDITED
SOUTH CAROLINA RETIREE LONG-TERM DISABILITY INSURANCE TRUST FUND
AS OF JUNE 30, 2018
LAST TWO FISCAL YEARS

	2018	2017
Contractually required contribution	\$ 4,737	\$ 4,698
Contributions in relation to the contractually required contribution	4,737	4,698
Contribution deficiency (excess)	\$ -	\$ -
SCETV covered-employee payroll	6,922,694	6,612,233
Contributions as a percentage of the covered employee payroll	0.07%	0.07%

Note: Only two years of data were available; thus, only two years are presented.

See independent auditor's report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (2018-001).

Compliance and Other Matters

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

Network's Response to Findings

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

Purpose of this Report

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

Scott and Company LLC

Columbia, South Carolina
December 19, 2018

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

Year Ended June 30, 2018

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued an unmodified opinion dated December 19, 2018 on the basic financial statements of the South Carolina Educational Television Commission.

Internal control over financial reporting:

- | | |
|---|---------------|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified? | None Reported |
| • Noncompliance material to financial statements noted? | No |

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

Year Ended June 30, 2018

Section II- Financial Statement Findings:

Conditions Considered to be a Material Weakness:

2018-001: Original Trial Balance Needed Adjustments

Condition:

Our audit found that the Network's original trial balance provided to us needed material adjustments.

Criteria:

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

Cause:

The adjustments noted above appeared to be caused by the significant amount of turnover within the Network's accounting department, including the resignation of the Network's chief financial officer shortly before the prior year-end, with this position vacant during most of the year.

Effect:

Misstatement of prepaid expenses and property and equipment was noted. Material adjusting journal entries were proposed in each of these areas.

Recommendation:

The Network has already engaged the National Educational Television Association ("NETA") to assist in certain areas of financial reporting related to the Network's community service grant report to CPB and a third party Certified Public Accounting firm to assist in financial statement preparation, and has hired a new Chief Financial Officer and Controller to assist in preparing reports and making adjustments. We recommend the Network continue to use these resources and provide appropriate training of all accounting personnel.

Summary Schedule of Prior Audit Findings:

During our current audit, we reviewed the status of corrective action taken on the findings reported on the Network's financial statements for the year ended June 30, 2017, dated February 9, 2018. The following findings were reported:

- 2017-001 Original Trial Balance Needed Adjustments
- 2017-002 Untimely Preparation of Account Reconciliations and Supporting Schedules

We found that corrective action was not taken on one the above findings for fiscal year 2018 and therefore, we have repeated finding 2017-001 as finding 2018-001.



Anthony Padgett

President and CEO of South Carolina ETV
apadgett@scetv.org • (803) 737-3240

**South Carolina Educational Television Commission
Management Response**

December 19, 2018

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2018.

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

Audit Period: July 1, 2017 - June 30, 2018

The finding is discussed below:

2018-1: Original Trial Balance Needed Adjustments

Recommendation:

The Network has already engaged the National Educational Television Association (“NETA”) to assist in certain areas of financial reporting related to the Network’s community service grant report to CPB and a third party Certified Public Accounting firm to assist in financial statement preparation, and has hired a new Chief Financial Officer and Controller to assist in preparing reports and making adjustments. We recommend the Network continue to use these resources and provide appropriate training of all accounting personnel.

Action Taken:

The Network is working closely with an external accounting firm to assist in account reconciliations, financial statements and related notes and is implementing process changes as necessary. In addition, NETA has been retained to provide additional financial analysis and services. To help ensure consistency, the Network is also updating SOP’s.

If you have any questions or if additional information is needed, please contact Anthony Padgett at (803) 737-3240.

Sincerely,

Anthony Padgett
President