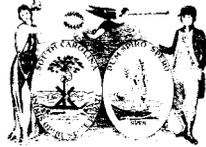


State of South Carolina



Office of the State Auditor

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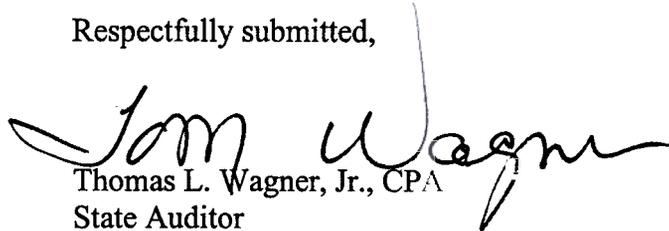
December 21, 2001

The Honorable Jim Hodges, Governor  
and  
Members of the South Carolina Educational Television Commission  
South Carolina Educational Television Commission  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2001, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

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

**FINANCIAL AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2001**

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

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# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the accompanying financial statements of the South Carolina Educational Television Commission ("the Commission") as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1 to the financial statements, the financial statements of the South Carolina Educational Television Commission are intended to present the financial position and results of operations of only that portion of the funds and account groups of the State of South Carolina financial reporting entity that is attributable to the transactions of the South Carolina Educational Television Commission, an agency of the State.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the South Carolina Educational Television Commission as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22, management discovered that certain contributed support revenue and related expenditures were recorded in prior years although the services did not meet the applicable revenue recognition criteria. Also as discussed in Note 22, management determined that the reserved fund balance and expenditures from State Capital Reserve Fund appropriations for restricted purposes were misclassified in the prior year.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2001 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

*Rogers & Laban, PA*

November 26, 2001



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types			Account Groups	
	General	Special Revenue	Capital Projects	General Fixed Assets	General Long-Term Debt
<b>ASSETS AND OTHER DEBITS</b>					
Cash and cash equivalents	\$ 9,524,679	\$ 764,332	\$ 203,155	\$	\$
Accounts receivable, net	467,476				
Accrued interest receivable	34				
Due from General Fund of the State	1,050,369				
Due from other State agencies	180,044	2,037,633			
Due from other funds		1,000			
Due from National Public Radio	22,852				
Due from Public Broadcasting System	245,659				
Costs of programs not telecast	240,111				
State capital improvement bond proceeds receivable			3,670,790		
Capital reserve fund appropriations receivable			1,000,146		
Property and equipment				111,989,667	
Amount to be provided for retirement of general long-term debt					8,624,579
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$ 11,731,224</u></b>	<b><u>\$ 2,802,965</u></b>	<b><u>\$ 4,874,091</u></b>	<b><u>\$ 111,989,667</u></b>	<b><u>\$ 8,624,579</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 670,448	\$ 23,937	\$ 310,884	\$	\$
Accrued salaries and related benefits	1,245,514		3,665		
Deferred revenue	257,395	2,779,028			
Due to General Fund of the State	610,847				
Due to Corporation for Public Broadcasting	775,841				
Due to other funds	1,000				
Retainage payable			97,774		
Obligation under capital leases					1,368,861
Obligation under note payable					5,520,479
Accrued compensated absences and related benefits					1,735,239
<b>TOTAL LIABILITIES</b>	<b><u>3,561,045</u></b>	<b><u>2,802,965</u></b>	<b><u>412,323</u></b>	<b><u>-</u></b>	<b><u>8,624,579</u></b>
<b>FUND EQUITY AND OTHER CREDITS:</b>					
Investment in general fixed assets				111,989,667	
Fund balances:					
Reserved for K-12 school technology initiative	4,283,947		762,338		
Reserved for partnership for distance education	33,330				
Reserved for costs of programs not yet telecast	240,111				
Reserved for capital projects and equipment			3,461,622		
Reserved for Charleston Regional Station			237,808		
Unreserved:					
Undesignated	3,612,791				
<b>TOTAL FUND EQUITY AND OTHER CREDITS</b>	<b><u>8,170,179</u></b>	<b><u>-</u></b>	<b><u>4,461,768</u></b>	<b><u>111,989,667</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b><u>\$ 11,731,224</u></b>	<b><u>\$ 2,802,965</u></b>	<b><u>\$ 4,874,091</u></b>	<b><u>\$ 111,989,667</u></b>	<b><u>\$ 8,624,579</u></b>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**COMBINED STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General	Special Revenue	Capital Projects
<b>REVENUES:</b>			
State appropriations	\$ 25,601,615	\$	\$
Contributed support	6,400,845		
Program sales	3,500,616		
Corporation for Public Broadcasting, Inc. grant	2,854,308		
Education Improvement Act		716,766	
Private grants and contracts		113,721	
Charges for services	134,757		
Rental fees	489,798		
Royalties	206,579		
Interest/investment income	446		
Capital Reserve Fund appropriations			287,500
Miscellaneous income	33,618		
	<u>39,222,582</u>	<u>830,487</u>	<u>287,500</u>
<b>TOTAL REVENUES</b>			
	<u>39,222,582</u>	<u>830,487</u>	<u>287,500</u>
<b>EXPENDITURES:</b>			
Internal Administration	7,859,677		
Public education:			
Early childhood	543,875		
School services	603,644		
General support and services	7,214,514	742,127	
Higher education general support and services	1,782,772		
Agency services:			
Local government and business services	621,842		
General support and services	1,372,314		
Community education general support and services	5,647,676	88,360	
Public affairs general support and services	2,304,619		
Cultural and performing arts general support and services	7,318,064		
Partnership for distance learning	323,276		
K-12 school technology initiative	579,400		608,455
Plastics Learning Network			37,500
Charleston Regional Station			12,192
Equipment purchased and permanent improvements			3,853,481
	<u>36,171,673</u>	<u>830,487</u>	<u>4,511,628</u>
<b>TOTAL EXPENDITURES</b>			
	<u>36,171,673</u>	<u>830,487</u>	<u>4,511,628</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,050,909	-	(4,224,128)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers between funds	(209,000)		209,000
Refund to grantor	(378,194)		
Remitted to General Fund of the State			(8,826)
Lapse to the General Fund of the State	(610,847)		
Proceeds from capital lease	111,310		
	<u>(1,086,731)</u>	<u>-</u>	<u>200,174</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
	<u>(1,086,731)</u>	<u>-</u>	<u>200,174</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,964,178	-	(4,023,954)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	6,180,937	-	8,485,722
<b>INCREASE IN RESERVE FOR COST OF PROGRAMS NOT YET TELECAST</b>	25,064		
	<u>25,064</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 8,170,179</u>	<u>\$ -</u>	<u>\$ 4,461,768</u>

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - TOTAL BUDGETED FUNDS  
FOR THE YEAR ENDED JUNE 30, 2001**

	Budgetary General Fund			Other Budgeted Funds			Total Budgeted Funds		
	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Personal services	\$ 10,351,332	\$ 10,194,213	\$ 157,119	\$ 2,516,539	\$ 2,008,221	\$ 508,318	\$ 12,867,871	\$ 12,202,434	\$ 665,437
Employer contributions	2,826,546	2,771,101	55,445	538,219	509,798	28,421	3,364,765	3,280,899	83,866
Other operating expenses	7,679,117	7,290,007	389,110	8,943,958	6,857,760	2,086,198	16,623,075	14,147,767	2,475,308
Permanent improvements				13,400,784	3,880,362	9,520,422	13,400,784	3,880,362	9,520,422
Special items:									
Partnership for distance education	327,028	293,698	33,330				327,028	293,698	33,330
K-12 school technology initiative	4,766,858	482,911	4,283,947	1,370,793	608,455	762,338	6,137,651	1,091,366	5,046,285
Plastics learning network				37,500	37,500		37,500	37,500	
Charleston Regional Station				250,000	12,192	237,808	250,000	12,192	237,808
<b>Totals</b>	<b>\$ 25,950,881</b>	<b>\$ 21,031,930</b>	<b>\$ 4,918,951</b>	<b>\$ 27,057,793</b>	<b>\$ 13,914,288</b>	<b>\$ 13,143,505</b>	<b>\$ 53,008,674</b>	<b>\$ 34,946,218</b>	<b>\$ 18,062,456</b>

**See accompanying Notes to Financial Statements.**

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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

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

#### Reporting Entity

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Commission has determined it has no component units.

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

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

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

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

The Governor appoints the members of the Commission with the advice and consent of the Senate. The Commission members are the governing body of the Commission. The funds and account groups of the Commission are included in the Comprehensive Annual Financial Report of the State of South Carolina, the primary government.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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

##### **Reporting Entity (Continued)**

The Commission is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Commission. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the Commission. Generally, all State departments, agencies, and colleges are included in the State's reporting entity, which is the primary government of the State of South Carolina. These entities are financially accountable to and fiscally dependent on the State. Although the Commission operates somewhat autonomously, it lacks full corporate powers. In addition, the Governor and/or the General Assembly appoints most of its board members and budgets a significant portion of its funds.

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

##### **Basis of Presentation and Description of Funds**

The Commission uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein. These accounts are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions in the combined statements have been reported by fund type. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Commission only has a government fund category. The Commission reports its activity in three types of governmental fund types: general, special revenue and capital projects.

##### **Governmental Fund Types**

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 (special revenue funds), and the acquisition, construction, and maintenance of general fixed assets (capital projects funds). 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.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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

**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, contributed support and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Commission reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

In addition, the general fund includes the receipts and disbursements of monies from other state agencies related to the dual employment of Commission employees.

**Special Revenue Fund** - The special revenue fund generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues and contributions are derived from grants that are restricted for certain purposes. The special revenue fund recognizes revenue when the expenditure is incurred. Included in the special revenue funds are State Education Improvement Act (EIA) grants.

**Capital Projects Fund** – The capital projects fund accounts for financial resources to be used for the acquisition of equipment or the construction of capital projects either when the project extends beyond a single fiscal year or the equipment expenditures are acquired with capital improvement bond proceeds or Capital Reserve Fund appropriations. Some of the equipment purchases through the capital projects fund are not capitalized because they do not meet the Commission's capitalization policy. Resources are derived from capital improvement bond proceeds issued by the State of South Carolina, Capital Reserve Fund appropriations, as well as State appropriations, and funding from federal grants and private sources restricted to capital asset transactions reported in this fund type. Also included are EIA grant funds to be used for capital expenditures. The fund balance account related to these capital projects is titled reserved for capital projects and equipment.

#### **Account Groups**

**General Fixed Assets Account Group** – General fixed asset acquisitions require the use of governmental fund financial resources and are recorded as expenditures but they are not assets of any fund but of the governmental unit as an instrumentality. Equipment and building additions are recorded as expenditures of the applicable governmental fund providing the expendable resources upon acquisition and simultaneously capitalized at cost in the general fixed asset account group. Equipment additions that are obtained through installment agreements including notes payable and capital leases are capitalized in the general fixed assets account group in the year of acquisition at their total costs, excluding interest charges. Payments of principal and interest on such agreements are recorded as equipment, debt service, or other expenditures within the applicable program category of the general fund when the installment agreement payments are made. Construction expenditures are recorded at cost when incurred and simultaneously capitalized as construction in progress in the general fixed assets account group. When an improvement is placed in service, it is then reclassified from construction in progress to the appropriate improvement classification, as applicable. Generally, capital improvements are funded through annual appropriations by the General Assembly, Capital Reserve Fund appropriations or State Capital Improvement Bond proceeds.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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

The current policy of the Commission is to capitalize items costing \$500 or more, with a minimum expected useful life of three years. Assets contributed by another state agency are recorded at the acquisition cost to that agency. Other donated assets are recorded at fair market value at the date of the gift. In accordance with generally accepted accounting principles for governmental entities, a provision for depreciation of general fixed assets is not recorded.

Interest cost incurred, less any interest earnings on borrowed funds, on significant capital improvements is capitalized as a cost of the project during the construction period. Land is capitalized when purchased at cost. Improvements to land are capitalized when complete at cost.

Certain fixed assets, such as land improvements and transmission and reception towers, of the Commission could be considered infrastructure since the assets are immovable and may be considered "public domain". These assets are capitalized in the general fixed assets account group as buildings and improvements.

**General Long-Term Debt Account Group** - This account group is used to account for the outstanding balance of any unmatured general long-term liabilities that are expected to be financed from governmental funds. Currently, these liabilities include compensated absences and the principal portion owed on capital lease obligations and notes payable.

#### **Basis of Accounting**

All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is utilized for governmental fund types. Under this method, revenues and other fund financial resources are recognized when they become measurable and available to finance expenditures of the current fiscal year. Available means collected soon enough after year-end (30 days) to pay current year expenditures. Reimbursement type grants for the Commission are recorded as revenue when the related expenditures are incurred. Expenditures are recognized when the related fund liability is incurred except for unmatured interest on general long-term debt, which is recognized when due. Further, inventory items are reported as expenditures when purchased and payments for insurance and similar services benefiting more than one period are recognized as an expenditure in the year of payment.

#### **Budget Policy**

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

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.14 as follows: Agencies shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis for payroll expenditures. Because the legally prescribed budgetary basis differs materially from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP basis is presented in Note 2.

The Statement of Expenditures – Budget and Actual – Total Budgeted Funds presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item level of expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled A Detailed Report of Appropriations and Expenditures for each fiscal year.

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

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

Most State agencies, including the Commission, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 4.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Commission records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001**

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

##### **Cash and Cash Equivalents (Continued)**

value. Interest earned by the Commission's special deposit accounts is posted to the Commission's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Commission's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

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

##### **Accounts Receivable**

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

##### **Cost Incurred for Programs Not Telecast**

Cost incurred for programs not telecast is accounted for using the purchase method whereby these costs are recorded as expenditures when the expenditure is incurred and the cost incurred for programs not telecast at year end is reflected at cost in the asset section of the balance sheet. For financial statement purposes, costs incurred for programs not telecast as of each year end are offset by a reserved fund balance account because the asset does not represent resources available for expenditures.

##### **Compensated Absences**

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances which commenced on or before June 30, 2001. The Commission calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded in the general long-term debt group of accounts.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

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

**Fund Balance**

The equity section of the balance sheet includes two major fund balance elements: reserved and unreserved, (designated or undesignated). Reserves either (1) satisfy legal covenants that require that a portion of the balance be segregated for a specific future use or (2) identify the portion of the fund balance that is not appropriable for future discretionary expenditures. The reserved portion represents amounts that are legally segregated for a specific use; the remaining portion of fund balance should be reported as unreserved. Designated unreserved fund balances represent management's tentative plans for future use of financial resources. All other current resources are shown as unreserved, undesignated on the balance sheet.

**Contributed Support**

Contributed support consisting of expenditures incurred on behalf of the entity is recorded as revenues and expenditures in the general fund as services are provided. The principal portion of contributed support is provided by the ETV Endowment of South Carolina. Support by these entities includes payments on behalf of the Commission, primarily for program production or purchase, such as advertising, project development, general and administrative expenditures and fund raising expenditures which are reported primarily in cultural and performing arts general support and service expenditures by the Commission at a value equal to the actual cost to the contributing entity. Contributed support also includes approximately \$102,000 in contributed equipment and supplies.

**Interfund Transactions**

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers in the period in which the interfund receivable or payable arises. The general fund transferred \$209,000 to the capital projects fund to complete renovations on the telecommunications building during the fiscal year ended June 30, 2001.

**Program Library**

The Commission maintains a collection of all programs telecast by the Commission since inception. As records and values for the cost associated with these programs do not exist, the Commission does not capitalize the collection in its general fixed assets account group.

**Deferred Revenue**

Deferred revenue in the general fund is recorded for the accounts receivable that are measurable but not available at year-end. Deferred revenue reflected within the special revenue funds consist of certain EIA and private grant contract revenue received before services required by the grantor or donor have been rendered.

**CPB Grants**

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**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 and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. BUDGETARY REPORTING BASIS:**

The financial statements prepared on the legally enacted basis differ from the GAAP basis statements. Not all of the Commission's accounts and funds are included in the Commissions total funds authorized by the General Assembly. Consequently, the statement of expenditures – budget and actual – total budgeted funds presents only those funds for which a legal basis budget was enacted. Because the contributed support accounts of the General Fund are unbudgeted, they are not included in the budgetary comparison statements. Otherwise, the statement includes the General Fund, Special Revenue Funds and Capital Projects Funds.

Adjustments from the GAAP basis of accounting to the budgetary basis of accounting consist principally of reclassification from financial statement fund types to budgetary fund categories, reversals of payroll accruals and the related fringe benefits and removal of unbudgeted amounts.

	Financial Statement			Budgetary	
	General	Special Revenue	Capital Projects	General Fund	Other
Expenditures on GAAP	\$ 36,171,673	\$ 830,487	\$ 4,520,454	\$	\$
Fund classifications:					
State appropriation	(21,146,507)			21,146,507	
Grants	(2,854,308)	(830,487)	(400,710)		4,085,505
Other	(5,708,503)		(4,119,744)		9,828,247
Unbudgeted	(6,462,355)				
Net accruals:					
Personal services and employer contributions				(114,577)	536
Expenditures on legal basis	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,031,930</u>	<u>13,914,288</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 3. STATE APPROPRIATIONS:**

The following represents a reconciliation of the Appropriations Act for the period ended June 30, 2001 as originally enacted by the General Assembly to State appropriation revenue as reported in the general fund.

Original appropriation	\$ 20,345,783
Allocations by State Budget & Control Board:	
Employee base pay increase (Proviso 63C.9)	536,437
Deferred compensation match	46,475
1% State budget mid-year reduction	(208,515)
Appropriations transfer from Department of Education for K-12 school technology initiative	4,766,858
Adjusted Appropriation, Budgetary Basis	25,487,038
Accrual adjustments:	
Funding for personal services and employer contributions	114,577
Accrual basis State appropriation revenue	\$ 25,601,615

The total amount of 2001 State appropriated funds authorized to be carried forward to fiscal year 2002 was \$4,317,277. The Commission carried forward \$33,330 of the supplemental appropriations received in fiscal year 2000 from fiscal year 1999 surplus State General fund appropriations for Partnership for Distance Education as allowed by Part IV of the 2000 Appropriations Act. Pursuant to Proviso 6.5 of the 2001-2002 Appropriations Act, the Commission carried forward \$4,283,947 of the appropriations transfer from the Department of Education for the K-12 School Technology Initiative.

Proviso 72.43 of the 2001-2002 Appropriations Act authorizes the Commission to carry forward unspent fiscal year 2001 appropriations up to a maximum 10% of the original appropriation less any reduction to the 2002 fiscal year excluding amounts carried forward under separate carry forward authority. Unspent fiscal year 2001 appropriations amounted to \$610,847 as of June 30, 2001. The proviso also provided for the provision to be suspended if necessary to avoid a fiscal year-end State General Fund deficit. Due to the State General Fund's budget deficit, these funds lapsed back to the State's General Fund and the above amount is shown as a liability on the financial statements.

The amount of 2000 State General Fund appropriations authorized to be brought forward to fiscal year 2001 was \$463,842. Pursuant to Proviso 72.44 of the 2000-2001 Appropriations Act, the Commission brought forward \$136,814. The proviso allowed for a carry forward of up to a maximum of 10% of its original appropriation less any reductions. The Commission also brought forward \$327,028 of the Partnership for Distance Education supplemental appropriation as allowed by Part IV of the 2000 Appropriations Act.

**NOTE 4. DEPOSITS:**

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

The following schedule reconciles deposits within the footnotes to the balance sheet amounts:

<u>Balance Sheet</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$10,492,166	Petty Cash	\$ 200
		Deposits Held by State Treasurer	10,491,966
Totals	\$10,492,166	Totals	\$10,492,166

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2001**

**NOTE 4. DEPOSITS: (CONTINUED)**

**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.

Cash and cash equivalents reported on the balance sheet and interest/investment income reported on the statement of revenues, expenditures and changes in fund balance include \$5 in unrealized gains as of June 30, 2001.

**NOTE 5. CHANGES IN GENERAL FIXED ASSETS:**

A summary of changes in general fixed assets for the fiscal year ended June 30, 2001 follows:

	Balances, June 30, 2000	Additions	Deletions	Balances, June 30, 2001
Land and improvements	\$ 493,132	\$	\$	\$ 493,132
Buildings and improvements	34,602,226	965,273		35,567,499
Equipment	71,975,939	5,196,063	1,242,966	75,929,036
	\$ 107,071,297	\$ 6,161,336	\$ 1,242,966	\$ 111,989,667

Additions includes \$86,709 of equipment contributed by the South Carolina State Senate and \$4,224 from other parties. Approximately \$1,560,000 of fixed asset additions were recorded as expenditures in the general and special revenue funds in the applicable program expenditure category.

**NOTE 6. DUE FROM THE GENERAL FUND OF THE STATE:**

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 7. LEASES:**

**Capital Leases**

The capital lease payable as of June 30, 2001 consists of a capital lease obligation due to commercial lenders for the purchases of an AT&T satellite and a saddle stitch system.

The satellite obligation as executed on December 30, 1993 requires annual installments of \$1,311,022 on July 15<sup>th</sup> of each year, with a final maturity on July 15, 2001. The obligation bears an effective interest rate of 4.25% per annum and is collateralized by a satellite costing \$10,400,000. The final payment, made on July 15, 2001, consisted of \$1,257,551 in principal and \$53,471 in interest. The satellite was launched in December 1993 and is guaranteed by AT&T against failure for a period of 12 years. In the event such failure occurs, AT&T has agreed to replace the satellite. There is no commitment on the part of the Commission to repair or maintain the satellite.

The saddle stitch system obligation of \$111,310 from Bank of America as executed on June 29, 2001 requires annual installments of \$24,948 on July 15<sup>th</sup> of each year, beginning on July 15, 2002 with a final maturity on July 15, 2006. The obligation bears an effective interest rate of 3.92% per annum and is collateralized by the equipment. An interest payment of \$194 is due on July 15, 2001.

As of June 30, 2001, the present value of the future minimum capital lease obligations and minimum annual lease payments for the capital leases follows:

Fiscal year ending June 30,	
2002	\$ 1,311,216
2003	24,948
2004	24,948
2005	24,948
2006	24,948
Thereafter	<u>24,948</u>
	1,435,956
Less: Interest costs	<u>67,095</u>
Present value of net minimum payments	<u>\$ 1,368,861</u>

For capital lease expenditures for fiscal year 2001, debt service was funded from State General Fund appropriations. Total interest expenditures incurred by the Commission for the capital leases for the year ended June 30, 2001 was \$104,761.

**Operating Leases**

The Commission conducts part of its operations from leased facilities which include towers and office space. These leases expire beginning with fiscal year 2002 and continue through fiscal year 2008. The Commission has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Commission should the General Assembly not provide funding for these leases. The Commission also leases equipment on a month to month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases. The Commission is responsible for maintenance on most leased property. Rental expenditures under all operating leases totaled approximately \$405,000 for the year ended June 30, 2001.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 7. LEASES: (CONTINUED)**

At June 30, 2001, the Commission's obligations under noncancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2002	\$ 314,674
2003	304,399
2004	289,467
2005	234,435
2006	105,654
Thereafter	<u>61,990</u>
Total	<u><u>\$1,310,619</u></u>

**NOTE 8. NOTE PAYABLE:**

On May 25, 1999, the Commission borrowed \$7,400,000 under a note payable from a financial institution. Annual payments of \$1,263,058 including interest at 4.66% are due each May 28<sup>th</sup> with final maturity on May 28, 2006. The note is secured by equipment with an original cost of approximately \$17,500,000.

Total principal and interest payments on the note payable during the fiscal year were \$961,149 and \$301,909 respectively.

Details of annual debt service, including interest, for each year are as follows:

Year ending June 30,	Principal	Interest	Total
2002	\$ 1,005,919	\$ 257,139	\$ 1,263,058
2003	1,052,773	210,285	1,263,058
2004	1,101,811	161,247	1,263,058
2005	1,153,132	109,926	1,263,058
2006	1,206,844	56,214	1,263,058
Total debt service obligations	<u>\$ 5,520,479</u>	<u>\$ 794,811</u>	<u>\$ 6,315,290</u>

**NOTE 9. CHANGES IN GENERAL LONG-TERM DEBT:**

A summary of changes in long-term debt for the year ended June 30, 2001 was:

The change in accrued compensated absences and related benefits is reported at net since the amounts for gross additions/retirements are not available.

	Balance, July 1, 2000	Additions	Retirements	Balance June 30, 2001
Note payable	\$ 6,481,628	\$	\$ 961,149	\$ 5,520,479
Obligation under capital lease	2,463,811	111,310	1,206,260	1,368,861
Accrued compensated absences and related benefits	1,907,071		171,832	1,735,239
	<u>\$ 10,852,510</u>	<u>\$ 111,310</u>	<u>\$ 2,339,241</u>	<u>\$ 8,624,579</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 10. STATE CAPITAL IMPROVEMENT BOND PROCEEDS RECEIVABLE:**

In prior years, the State authorized funds for improvements and expansion of facilities and for debt service using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. The Commission records the proceeds as revenue in the capital projects fund when the monies must be spent for the acquisition of capital assets when the bonds are authorized. The Commission is not obligated to repay state capital improvement bonds. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The total balance receivable for the undrawn portions of the authorizations are reported in the balance sheet as "State capital improvement bond proceeds receivable".

A summary of the balances receivable from these authorizations as of June 30, 2001 follows:

Act	Total Authorized	Amount Drawn in Prior Years	Amount Drawn in Fiscal Year Ended June 30, 2001	Balance Authorized June 30, 2001
518 of 1980	\$ 2,621,646	\$ 2,614,028	\$ 3,626	\$ 3,992
28 of 1999	<u>10,000,000</u>	<u>3,411,403</u>	<u>2,921,799</u>	<u>3,666,798</u>
	<u>\$ 12,621,646</u>	<u>\$ 6,025,431</u>	<u>\$ 2,925,425</u>	<u>\$ 3,670,790</u>

**NOTE 11. DUE FROM CAPITAL RESERVE FUND:**

In fiscal year 1997, the Commission received a transfer of \$3,500,000 of Capital Reserve Funds from the State Budget and Control Board (B&CB) for Instructional Television Fixed Service (IFTS) Expansion. An additional \$3,500,000 was received in fiscal year 1999 for the same purpose as the 1997 appropriation. In fiscal year 2001, the Commission received \$250,000 for the Charleston Regional Station expansion and \$37,500 for the Plastics Learning Network pursuant to fiscal year 2000 Joint Resolution R467,H4776. The unspent portion at June 30, 2001 from each of the appropriations described above is restricted to expenditure for the purpose for which the funds were originally appropriated and the total balance is reported as an asset in the Capital Projects Fund. The Commission can request these funds as capital expenditures are made.

For the IFTS appropriations, as provided by Proviso 6.5 of the 2001 Appropriations Act, the Commission brought forward the unexpended balance of those funds of \$21,746 and \$1,349,047 at June 30, 2000 to fiscal year 2001 for K-12 school technology funding. As provided by Proviso 6.5 of the 2002 Appropriations Act, the Commission carried forward the \$20,879 and \$741,459 to fiscal year 2002 for K-12 school technology funding.

For the Charleston regional station expansion, as provided by Section 2 of Appropriations Bill 4776, the Commission carried forward \$237,808 to fiscal year 2002.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 11. DUE FROM CAPITAL RESERVE FUND: (CONTINUED)**

A summary of the activity for these funds as of June 30, 2001 follows:

<u>Total Appropriation</u>	<u>Amount Drawn in Prior Years</u>	<u>Amount Drawn in Fiscal Year Ended June 30, 2001</u>	<u>Balance of Appropriation to Be Drawn</u>
\$ 3,500,000	\$3,478,254	\$ 867	\$ 20,879
3,500,000	2,150,953	607,588	741,459
250,000		12,192	237,808
<u>37,500</u>	<u>                    </u>	<u>37,500</u>	<u>                    </u>
<u>\$ 7,287,500</u>	<u>\$5,629,207</u>	<u>\$ 658,147</u>	<u>\$ 1,000,146</u>

In fiscal year 1990, the Commission received a capital reserve appropriation of \$4,000,000 for construction and new equipment for its new facility. At the end of fiscal year 2000, \$8,826 was the remaining balance of this appropriation and the Commission had no carryover authority. During fiscal year 2001, the remaining \$8,826 was remitted back to the state.

**NOTE 12. RELATED PARTY:**

A major portion of the funding of the Commission is provided by the ETV Endowment of South Carolina, Inc. (the Endowment), a separately chartered eleemosynary corporation governed by an independent board of trustees over whom the Commission exercises no control. The Endowment provides support services for the Commission through the purchasing and underwriting of various programming. During the year ended June 30, 2001, the Endowment disbursed \$6,298,623 on behalf of the Commission for programs, development, advertising and other costs. The disbursements have been recorded as revenue under contributed support and expenditures under Cultural and Performing Arts General Support and Services, Public Affairs General Support and Services and Community Education General Support and Services in the General Fund. In addition, the Commission received \$1,532,162 from the Endowment which is reported primarily as program sales.

Summarized financial information for the Endowment as of and for the year ended June 30, 2001 is as follows:

As of June 30, 2001	
Current assets	\$12,738,722
Other assets	<u>661,863</u>
Total assets	<u>\$13,400,585</u>
Current liabilities	\$ 1,399,513
Total net assets	<u>12,001,072</u>
Total liabilities and net assets	<u>\$13,400,585</u>
For year ended June 30, 2001	
Revenues	\$11,048,363
Expenses	<u>10,463,863</u>
Change in net assets	<u>\$ 584,500</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 13. TRANSACTIONS WITH OTHER STATE AGENCIES:**

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

Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the State Budget and Control Board include retirement plan administration, insurance plan administration, procurement services, grant services, audit services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

The Commission had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plan contributions, vehicle rental, insurance coverage, office supplies, printing, telephone, and interagency mail. Significant payments were also made during the year to the State Accident Fund and the Employment Security Commission for worker's compensation and unemployment insurance, respectively. The fiscal year expenditures applicable to these transactions are not readily available.

During the fiscal year, the South Carolina State Senate purchased closed captioning equipment and supplies and donated them to the Commission. The acquisition cost to the Senate was to \$97,998. This amount is shown as revenue under Contributed Support and the related expenditure is reported under General Support and Services under the classification of community education. \$86,709 of the donation was capitalized in the Commission's general fixed assets account group.

The Commission provided no services free of charge to other State agencies during the fiscal year. Program sales revenues include fees charged for services provided to the following State agencies which include programming, production, and broadcasting:

<u>Name of Agency</u>		
Commission for Higher Education	\$	139,997
University of South Carolina		108,016
Medical University of South Carolina		103,817
Department of Mental Health		55,039
Clemson University		51,435
Department of Education		46,429
Department of Juvenile Justice		33,739
SC Budget and Control Board		26,593
Department of Health and Environmental Control		24,921
Department of Parks, Recreation and Tourism		19,391
Department of Public Safety		16,900
South Carolina State University		16,252
Winthrop University		15,860
SC State Ports Authority		13,340
Coastal Carolina University		13,306
Department of Natural Resources		11,946
Department of Commerce		11,437
Other State agencies less than \$10,000		61,617
	<u>\$</u>	<u>770,035</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 13. TRANSACTIONS WITH OTHER STATE AGENCIES: (CONTINUED)**

During the year, the Commission purchased services from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance telecommunications and other contracted services and were paid to the following State agencies:

Name of Agency

Department of Revenue and Taxation	\$ 98,162
University of South Carolina	62,030
Medical University of South Carolina	20,859
Department of Education	20,158
SC Budget and Control Board	2,720,386
Comptroller General	12,874
State Accident Fund	86,558
Other state agencies under \$10,000	9,045
Total	<u>\$ 3,030,072</u>

**NOTE 14. PENSION PLAN AND OTHER EMPLOYEE BENEFITS:**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the Commission are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all state employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years of service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. (This requirement does not apply if the disability is a result of a job related injury.) A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

#### NOTE 14. PENSION PLAN AND OTHER EMPLOYEE BENEFITS: (CONTINUED)

Under SCRS employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the System is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of 5 years of credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

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

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 2000, the employer contribution rate became 10.07 percent which included a 2.52 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2001, 2000, and 1999, were approximately \$874,000, \$844,000, and \$814,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately \$17,400 in the current fiscal year at the rate of .15 percent of compensation.

The amounts paid by the Commission for pension and group-life benefits are included as personal services expenses..

Article X, Section 16 of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

#### **NOTE 14. PENSION PLAN AND OTHER EMPLOYEE BENEFITS: (CONTINUED)**

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

#### **NOTE 15. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS:**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the Commission are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the Commission for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the Fund for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,000 State retirees met these eligibility requirements as of June 30, 2000.

The Commission recorded employer contribution expenses applicable to these insurance benefits for active employees in the amount of approximately \$1,011,000 for the year ended June 30, 2001. As discussed in Note 14, the Fund paid approximately \$292,000 applicable to the 2.52 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits. Information regarding the cost of insurance benefits applicable to Commission retirees is not available. By State law, the Fund has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements. In addition, the South Carolina General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the South Carolina General Fund annually.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

#### **NOTE 16. DEFERRED COMPENSATION PLANS:**

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

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

The State authorized deferred compensation matching contributions for fiscal year 2000 – 2001. The State appropriated funds from unspent fiscal year 1999-2000 appropriations for the contributions paid from State General Funds to 401(k) accounts of eligible state employees. In addition, the 2000 Appropriations Act required State Institutions and agencies to match certain 401(k) contributions by employees whose salaries are funded from its other revenue sources. The contributions are funded from various funding sources based on the same percentages used for employees' salaries. The 401(k) match is limited to \$300. To be eligible an employee must be a permanent full-time State employee or temporary grant employee who is actually contributing to a 401(k), 457, or 403(b) account on the date of distribution. Permanent full time employees making less than \$20,000 as of July 1, 2000 are not required to contribute in order to receive the match.

The Commission contributed \$25 per participant per pay period beginning January 1, 2001. The total contribution for the fiscal year was approximately \$54,000.

#### **NOTE 17. RETIREMENT INCENTIVE**

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Each participant is entitled to be paid up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period.

The Commission recorded expenditures of approximately \$242,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2001. These expenditures are reported in the applicable program categories in which the payroll costs for the respective employees are recorded. No accrued payroll liability was reported at June 30, 2001 for related disbursements to be made in fiscal year 2002. The compensated absences liability related to eligible employees who have not elected to participate as of June 30, 2001 is approximately \$168,000.

## SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

#### NOTE 18. RISK MANAGEMENT:

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

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

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

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

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

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

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

The Commission obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$25,000 per incident. The Commission self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2001

The Commission obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of \$1,000,000 with a \$5,000 deductible.

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

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 18. RISK MANAGEMENT: (CONTINUED)**

The Commission has not reported an estimated claims loss expenditure, and the related liability at June 30, 2001, 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, 2001 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2001, the Commission was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Commission's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Commission does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Commission is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2001, the Commission did not experience any losses as a result of business interruption.

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

**NOTE 19. COMMITMENTS:**

As of June 30, 2001, the Commission had approximately \$1,360,000 in outstanding commitments primarily for purchases of supplies and equipment. The funding sources for these commitments consist primarily of capital improvement bond proceeds, State Capital Reserve Fund appropriations, EIA funds, and other operating sources.

**NOTE 20. CONTINGENCIES:**

During fiscal year 2001, the Corporation for Public Broadcasting (CPB) performed an audit of the Commission's Non-Federal Financial Support (NFFS) for the fiscal years 1998, 1999 and 2000. The CPB bases its annual grant to the Commission on the Commission's NFFS.

According to the CPB's Inspector General's audit findings, the Commission had overstated its NFFS which resulted in higher grant awards from the CPB. The Commission included in-kind local productions in calculating the NFFS. In 1996, the CPB simplified its grants process and no longer accepted donated local or national programming for NFFS purposes. These audit findings led to the prior period adjustment outlined in Note 22.

The audit findings went further and recalculated the grant awards received by the Commission in fiscal years 2000 and 2001 which are based on the Commission's NFFS for fiscal years 1998 and 1999, respectively. The CPB has requested a reimbursement for the difference of \$775,841.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 20. CONTINGENCIES: (CONTINUED)**

The Commission, in a letter dated in October of 2001, asked that the amount due be relieved. As of the date of this report, the CPB has made no response. The Commission has recorded a liability for the \$775,841. The Commission recorded the amount attributable to current year revenue of \$397,647 as a reduction of CPB grant revenue and recorded the amount attributable to fiscal year 2000 revenue of \$378,194 as a refund to grantor.

In connection with the above, National Public Radio (NPR) and the Public Broadcasting System (PBS) bases the fees it charges the Commission for programming services on the Commission's CPB grant award. The higher the CPB award, the higher programming rates are charged. The Commission has contacted both entities requesting and receiving refunds on 2000 and 2001 programming services.

The Commission received a refund of \$22,852 from NPR in August of 2001 and a refund of \$245,659 from PBS in September of 2001. Both amounts were recorded as receivables as of June 30, 2001. These amounts included \$78,288 paid by the Commission in fiscal year 2000 which is included in deferred revenue since it was not received in time to be available to fund fiscal year 2001 expenditures. The \$190,223 refund attributable to amounts paid in the current fiscal year were recorded as a reduction of expenditures based on the allocation of the original expenditures to the various programs.

During fiscal year 2000, the Commission sold its Millwood Avenue property. In fiscal year 2001, the Commission was served a complaint by the purchaser of that property regarding an asbestos problem. The case is going through the discovery process for both sides and the Commission is vigorously contesting the case. As of the date of the audit report, the outcome of this case cannot be determined.

**NOTE 21 FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS:**

The Governmental Accounting Standards Board has issued Statement No. 34 Basis Financial Statements and Management's Discussion and Analysis – for State and Local Governments. The new accounting and reporting standards will impact the revenue and expenditure recognition and assets, liabilities, and fund equity reporting for the fiscal year beginning July 1, 2001. The financial statements will be reformatted and some beginning balances will be restated for the fiscal year ending June 30, 2002.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001**

**NOTE 22. PRIOR PERIOD ADJUSTMENTS/RECLASSIFICATIONS:**

In prior years, the Commission recorded as contributed support revenue and expenditures for in-kind contributions primarily from State Universities and school districts in the general fund. These services did not meet the GAAP criteria because they were not services the Commission would have paid for if they had not been provided. The contributed support revenue and related expenditures recorded for the year ended June 30, 2001 were each \$3,750,538. The effect on the prior years amounts are as follows:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Revenues:			
Contributed support	<u>\$ 12,234,021</u>	<u>\$ (3,750,538)</u>	<u>\$ 8,483,483</u>
Total revenues	<u>\$ 41,556,537</u>	<u>\$ (3,750,538)</u>	<u>\$37,805,999</u>
Expenditures:			
Public Education:			
General support and services	<u>\$ 8,862,661</u>	<u>\$ (1,463,226)</u>	<u>\$ 7,399,435</u>
Higher education general support and services	4,227,394	(2,171,884)	2,055,510
Agency Services:			
Local government and business services	212,183	(40,703)	171,480
General support and services	2,133,099	(73,925)	2,059,174
Community education general support and services	<u>4,955,618</u>	<u>(800)</u>	<u>4,954,818</u>
Total Expenditures	<u>\$ 40,973,205</u>	<u>\$ (3,750,538)</u>	<u>\$37,222,667</u>

Reclassifications of amounts reported in the capital projects fund in the financial statements for the year ended June 30, 2001 related to the balance of unspent State Capital Reserve Fund appropriations and fiscal year 2000 expenditures from these funds are as follows:

Combined Balance Sheet

Fund Equity and Other Credits:

Fund Balances:

Reserved for capital projects and equipment	\$ 8,485,722	\$(1,370,793)	\$7,114,929
Reserved for K-12 schools technology initiative	\$ -0-	\$ 1,370,793	\$1,370,793

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances

Expenditures:

K-12 school technology initiative	\$ -0-	\$ 2,164,012	\$2,164,012
Equipment purchased and permanent improvements	\$ 6,046,623	\$(2,164,012)	\$3,882,611



# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the financial statements of the South Carolina Educational Television Commission (the Commission) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements begin audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Commission as detailed on page 29.

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

*Rogers & Laban, PA*

November 26, 2001

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**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
MANAGEMENT LETTER COMMENTS**

**FOR THE YEAR ENDED JUNE 30, 2001**

**LACK OF RECEIVABLES COLLECTION POLICY**

The Commission does not have a formal, written collection policy in place in regards to accounts receivable. In testing the miscellaneous receivables closing package, it was noted that accounts over 120 days old encompassed over 29% of the year-end receivables balance. Numerous adjustments were made to reconcile the final balance. Also, the Commission does not have a formalized policy regarding the write-off of accounts receivable.

We recommend that the Board of Commissioners establish a formal collection policy which details step-by-step the Commission's collection process as well as outlining the authority as who may write off past due accounts. The step-by-step process should outline different intervals based on the age of the receivables of what action the Commission in the collection of past due accounts. This process should leave an audit trail of written documentation.

**OPERATING LEASE DEFICIENCIES**

In testing operating leases, the agency could not locate copies of several leases for us. The renewals for two tower leases were missing. The copy of a third tower lease did not coincide with the State Budget and Control Board's information as to the term of the lease. It appears that the copy of this third lease in the Commission's files is not the final version of the agreement. Also, the operating leases closing package prepared by the Commission and submitted to the Comptroller General did not report two leases and had the incorrect starting date for one lease.

We recommend that the Commission maintain a file which has copies of all current operating leases and responsibility should be placed on one employee to update the file on an as needed basis. Also, additional care should be taken to ensure that the information contained in the closing package is accurate.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2001**

During our current audit, we reviewed the status of corrective action taken on the findings we reported in our report on the financial statements of the Commission dated December 6, 2000, resulting from the audit of the financial statements for the year ended June 30, 2000. We found that adequate corrective action has been taken on the comments regarding (1) reconciliations not being performed and (2) the accrued compensated absences report not being accurate.

**MANAGEMENT'S RESPONSE**

**APPENDIX A**



1101 George Rogers Boulevard  
Post Office Box 11000  
Columbia, South Carolina 29211

December 18, 2001

Mr. Barry S. Laban, CPA  
Rogers and Laban, PA  
1529 Hampton Street  
Columbia, South Carolina 29201

Dear Mr. Laban:

This is in response to the Management Letter comments for the audit period ending June 30, 2001 for SC Educational Television.

**Management Letter Comment:** The Commission does not have a formal, written collection policy in place in regards to accounts receivable. In testing the miscellaneous receivables closing package, it was noted that accounts over 120 days old encompassed over 29% of the year-end receivables balance. Numerous adjustments were made to reconcile the final balance. Also, the Commission does not have a formalized policy regarding the write-off of accounts receivable.

We recommend that the Board of Commissioners establish a formal collection policy which details step-by-step the Commission's collection process as well as outlining the authority as who may write off past due accounts.

**Management's Response:** We concur with this finding. We will develop a formal collection policy for the Board's approval.

**Management Letter Comment:** In testing operating leases, copies of several leases could not be located. The renewals for two tower leases were missing. The copy of a third tower lease did not coincide with the State Budget and Control Board's information as to the term of the lease. It appears that the copy of this third lease is not the final version of the agreement. Also, the closing package submitted to the Comptroller General for operating leases omitted two leases and had the incorrect starting date for one lease.

We recommend that the Commission maintain a file which has copies of all current operating leases and responsibility should be placed on one employee to update the file on an as needed basis. Also, additional care should be taken to ensure that the information contained in the closing package is accurate.

**Management's Response:** We concur with this finding. Procedures have been implemented to ensure that operating leases are updated on a timely basis and the closing package is accurate.

Sincerely,

A handwritten signature in black ink, appearing to read 'Maurice Bresnahan', with a long horizontal line extending to the right.

Maurice "Moss" Bresnahan  
President and CEO