

**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION
COLUMBIA, SOUTH CAROLINA
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2014**

State of South Carolina



Office of the State Auditor

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February 13, 2015

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

This report on the audit of the basic financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2014, was issued by Scott and Company, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

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

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

RHGjr/trb

Contents

	<u>Pages</u>
Independent Auditor's Report	1-2
Required Supplementary Information:	
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Governmental Fund Balance to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Fund Balance to the Statement of Activities	15
Notes to Financial Statements	16-30
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 <i>Government Auditing Standards</i>	31-32
Schedule of Findings	33-34
Summary Schedule of Prior Audit Findings	35
Management's Response	APPENDIX A



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Commission") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-9 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 February 13, 2015, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.



Columbia, South Carolina
February 13, 2015

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

As management of the South Carolina Educational Television Commission ("the Commission"), we provide this Management's Discussion and Analysis of South Carolina Educational Television's Financial Statements for the fiscal year ended June 30, 2014 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

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

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

The *Government-wide Financial Statements* provide a broad overview of the Commission's operations and include two statements: the Statement of Net Position and the Statement of Activities.

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

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

Government-wide Financial Statements

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

Statement of Net Position:

The Statement of Net Position presents information reflecting the Commission's assets, liabilities and net position as of the end of the fiscal year. This statement provides the reader with a fiscal snapshot of the Commission. The Statement of Net Position presents end of year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Position (Assets minus Liabilities). Current assets and liabilities are those with immediate

liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Over time, increases or decreases in the Commission's net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The assets of the Commission exceeded its liabilities by approximately \$26.1 million at fiscal year ending June 30, 2014 (See Table 1 below for a summary of net position for fiscal years 2013-2014 and 2012-2013). Of this amount, approximately \$3.5 million was reported as "unrestricted net position." Unrestricted net position represents the amount available to be used to meet the Commission's ongoing obligations.

Condensed Statement of Net Position	2014	2013	Increase / (Decrease)	Percent Change
ASSETS				
Current assets, net of prepaid items	\$ 7,868,675	\$ 8,829,382	\$ (960,707)	(10.88%)
Capital assets, net of accumulated depreciation	21,620,082	21,506,055	114,027	0.53%
Prepaid items, net of current portion	71,962	70,027	1,935	2.76%
Total Assets	<u>\$ 29,560,719</u>	<u>\$ 30,405,464</u>	<u>\$ (844,745)</u>	(2.78%)
LIABILITIES				
Current liabilities	\$ 3,215,632	\$ 2,753,838	\$ 461,794	16.77%
Noncurrent liabilities	231,089	347,838	(116,749)	(33.56%)
Total Liabilities	<u>3,446,721</u>	<u>3,101,676</u>	<u>345,045</u>	11.12%
NET POSITION				
Net investment in capital assets	21,620,082	21,446,862	173,220	0.81%
Restricted for expendable purposes:				
Capital projects	1,019,903	3,245,790	(2,225,887)	(68.58%)
K12 Technology	93	1,120	(1,027)	(91.70%)
Unrestricted	3,473,920	2,610,016	863,904	33.10%
Total Net Position	<u>26,113,998</u>	<u>27,303,788</u>	<u>(1,189,790)</u>	(4.36%)
Total Liabilities and Net Position	<u>\$ 29,560,719</u>	<u>\$ 30,405,464</u>	<u>\$ (844,745)</u>	(2.78%)

Total assets of the Commission decreased approximately \$845,000. Current assets decreased approximately \$889,000. Cash and cash equivalents and restricted cash decreased approximately \$812,000 over the previous year. The decrease in cash and cash equivalents can be attributed to construction and renovation of the Commission's Telecommunications Center. The proceeds, received in Fiscal Year 2011-12, from the sale of the Commission's Key Road properties, are being used to fund this capital project. Accounts and intergovernmental receivables increased approximately \$366,000. Accounts receivable decreased by approximately \$95,000 as the result of increased collection efforts. Intergovernmental receivables increased due to the receipt of a federal grant in the current year that was not

received in the prior year. Prepaid items decreased approximately \$513,000 due to the end of a contract for content streaming.

The increase of approximately \$462,000 in current liabilities is attributable to an approximately \$88,000 decrease in accounts payable, an approximately \$715,000 increase in unearned revenue due to grant money received before the end of the fiscal year but not earned until July 2014, and an approximately \$76,000 decrease in the current portion of capital leases and notes payable within the past twelve months. The decrease in non-current liabilities of approximately \$117,000 can be attributed to a decrease in compensated absences due to a reduction in amounts accrued and used because of new employees and some employees retiring.

Net position of the Commission decreased during the year by approximately \$1.2 million. Restricted for expendable purposes asset balances related to general fund appropriations carried forward to SFY 2014-15 for K-12 Technology initiatives (\$93) and the remaining sale proceeds from the Key Road properties that are restricted to the renovation of the Telecommunication Center (approximately \$1.0 million). Unrestricted net position used to meet the Commission's ongoing obligations showed an increase of approximately \$864,000.

Statement of Activities:

This statement represents the program revenues and expenses, as well as any general revenue that the Commission receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2014.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2013-2014 and 2012-2013).

Table 2				
Statement of Activities				
	2014	2013	Increase / (Decrease)	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 2,226,581	\$ 2,681,012	\$ (454,431)	(16.95%)
Operating grants & contributions	7,392,344	8,251,737	(859,393)	(10.41%)
Capital grants & contributions	479,875	20,785	459,090	2,208.76%
General Revenues:				
Contributions	5,248,879	5,094,408	154,471	3.03%
Gain on sale of capital assets	-	6,840	(6,840)	(100%)
Intergovernmental - State agencies	4,226,811	3,066,687	1,160,124	37.83%
Other	-	12,413	(12,413)	(100%)
Total Revenues and Transfers	19,574,490	19,133,882	440,608	2.30%
EXPENSES				
Educational Broadcasting:				
Personal Services	8,116,522	8,444,357	(327,835)	(3.88%)
Other operating costs	10,852,309	9,771,151	1,081,158	11.06%
Interest	1,754	3,458	(1,704)	(49.28%)
Depreciation	1,793,695	2,030,212	(236,517)	(11.65%)
Total Expenses	20,764,280	20,249,178	515,102	2.54%
Decrease in Net Position	(1,189,790)	(1,115,296)	(74,494)	6.68%
Net Position - beginning of year	27,303,788	28,419,084	(1,115,296)	(3.92%)
Net Position - end of year	<u>\$ 26,113,998</u>	<u>\$ 27,303,788</u>	<u>\$ (1,189,790)</u>	<u>(4.36%)</u>

General revenue for the 2014 fiscal year totaled \$9.5 million. Contributions include support received directly from the ETV Endowment and contributed support from the ETV Endowment. Contributions increased from the previous year by approximately \$154,000 due to an increase in direct support from the ETV Endowment.

The Commission did not receive a State Appropriation for SFY 2013-14 but was instead funded through budget provisions and Education Improvement Act funds in the 2013-14 Appropriations Act. Included in intergovernmental revenue is \$1.2 million transferred to the Commission pursuant to Proviso 117.97 by the Law Enforcement Training Council and the Budget and Control Board, and \$450,000 from the Budget and Control Board pursuant to Proviso 101.4.

Program revenues for the Commission are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services

to the various customers and constituencies of the Commission. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Commission. Capital grants are related to capital equipment and construction projects.

Program revenue from all sources during the fiscal year totaled approximately \$10.7 million. Effective February 2013, the Commission began receiving the lease revenue directly from the lessee pursuant to Proviso 117.87 in the amount of \$2.9 million. An amount of approximately \$4.4 million in Education Improvement Act funds is recorded under program revenues as operating grants and contributions. Corporation for Public Broadcasting grant awards decreased by approximately \$164,000 over the previous fiscal year.

General revenues increased approximately \$1.3 million over the previous fiscal year. The increase in general revenue from the previous fiscal year is the result of the lease revenue that is classified as intergovernmental revenue, pursuant to Proviso 117.87.

Expenses for the Commission are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating Costs, Interest and Depreciation. Personal Service costs were approximately \$8.1 million (39%). Other operating costs totaled approximately \$10.8 million (52%). Depreciation costs totaled approximately \$1.8 million (9%). The Statement of Activities reflects a decrease in net position for the current fiscal year.

Total expenses increased approximately 2.5% over the previous fiscal year. Personal services decreased by approximately \$328,000 (4%). Personal service decreases can be attributed to a reduction in full time positions implemented in February, 2012. Other operating costs increased approximately \$1.1 million (11%) due to increases in grants from the federal government as well as endowment support. Depreciation expense decreased approximately \$236,000.

The Commission's net position decreased approximately \$1.2 million from the previous fiscal year. The reduction in net position can be attributed to the reduction in the Commission's operating grants from the Corporation for Public Broadcasting and a decrease in charges for services.

Fund Financial Analysis

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

Governmental Funds:

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of approximately \$5.6 million, a decrease of approximately \$1.5 million for the year. This decrease is largely driven by capital outlay incurred during FY 2014 of approximately \$1.9 million, for the renovation of the Commission's Telecommunications building.

Unassigned fund balance accounts for approximately 80.4%, or \$4.5 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 18.3%, or \$1.0 million, of ending fund balance, and includes amounts that can only be spent for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Commission's restricted fund balance consists primarily of amounts restricted for capital projects.

Non-spendable fund balance accounts for approximately 1.3%, or \$71,962, of ending fund balance, and represents prepaid items.

Capital Assets and Debt Administration

The Commission's Capital Assets net of depreciation were approximately \$21.6 million at June 30, 2014. 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, 2014 and June 30, 2013.

Table 3		
SC ETV Capital Assets		
	<u>2014</u>	<u>2013</u>
Land & Improvements	\$ 583,269	\$ 583,269
Building & Improvements	19,285,035	15,598,828
Equipment & Furniture	71,922,818	71,748,763
Vehicles	1,213,902	1,147,641
Construction in Progress	<u>27,147</u>	<u>2,045,948</u>
Total Cost	93,032,171	91,124,449
Less: Accumulated Depreciation	<u>71,412,089</u>	<u>69,618,394</u>
Net Capital Assets	<u>\$ 21,620,082</u>	<u>\$ 21,506,055</u>

The net increase in the Commission's investment in capital assets for the current fiscal year was approximately \$173,000. Actual expenditures to purchase or construct capital assets were approximately \$1.9 million and depreciation expense totaled approximately \$1.79 million. Current additions mostly consisted of the renovation of the Commission's Telecommunications building.

Debt activity during the year consisted of principal payments on the capital lease and note payable totaling \$76,301.

Economic Outlook

The Commission continues to look for ways to increase non-state sources of revenue and improve its operating efficiencies. The Commission did not receive a State general fund appropriation in the 2014-15 Appropriations Act and is being funded through two budget provisions and Education Improvement Act (EIA) funds. Proviso 117.94 directs the Budget & Control Board and the Law Enforcement Training Council to transfer funds to the Commission for the continuation of services as provided in previous fiscal years. The Commission received an additional \$150,000 in the 2014-15 Appropriations Act for its government transparency efforts. The above agencies were given a line item appropriation in their budgets for the Commission and the funds were transferred in July, 2014. The Commission is receiving EIA funds in the amount of approximately \$4.4 million to continue its educational efforts. Proviso 117.84 directs the proceeds from the broadband spectrum lease to the Commission. This lease was entered into by the Commission, the Budget & Control Board and two private vendors in November, 2009. The lease proceeds are generated from the Commission's ITFS licenses and previously went directly to the general fund. This new funding model, while aligning the lease revenue with the Commission's assets, creates an element of risk. The licenses are now held by one vendor and should the company default on lease payments, up to \$3 million in annual lease revenue would be lost. The Commission consolidated all of its operations in the Telecommunications Center in January, 2014. Pursuant to Proviso 101.23 the Commission was allowed to retain 100% of the sale proceeds for the purpose of renovating the Telecommunications facility as well as for other maintenance and operating costs of the Commission.

Requests for Information

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 6,458,225
Restricted cash	555,869
Accounts receivable, net of allowance for doubtful accounts of \$6,084	363,309
Intergovernmental receivables:	
State agencies	90
Federal government	491,182
Prepaid items	71,962
Total current assets	<u>7,940,637</u>
Non-current assets	
Capital assets, net of accumulated depreciation	21,620,082
Total non-current assets	<u>21,620,082</u>
Total assets	<u><u>\$ 29,560,719</u></u>
 LIABILITIES AND NET POSITION	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 109,685
Accrued salaries and related benefits	597,514
Unearned revenue	1,608,433
Current portion of accrued compensated absences and related benefits	900,000
Total current liabilities	<u>3,215,632</u>
Noncurrent liabilities:	
Accrued compensated absences and related benefits, net of current portion	231,089
Total noncurrent liabilities	<u>231,089</u>
Total liabilities	<u>3,446,721</u>
Net Position:	
Net investment in capital assets	21,620,082
Restricted for expendable purposes:	
Capital projects	1,019,903
K12 Technology	93
Unrestricted	3,473,920
Total net position	<u>26,113,998</u>
Total liabilities and net position	<u><u>\$ 29,560,719</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities</u>
Expenses:	
Educational broadcasting:	
Personal services	\$ 8,116,522
Other operating costs	10,852,309
Interest expense	1,754
Depreciation	<u>1,793,695</u>
Total program expenses	20,764,280
Program revenues:	
Charges for services	2,226,581
Operating grants and contributions	7,392,344
Capital grants and contributions	<u>479,875</u>
Net program expenses	<u>10,665,480</u>
General revenues:	
Contributions	5,248,879
Intergovernmental -State agencies	<u>4,226,811</u>
Total general revenues and transfers	<u>9,475,690</u>
Decrease in net position	(1,189,790)
Net position - beginning of year	<u>27,303,788</u>
Net position - end of year	<u><u>\$ 26,113,998</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

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

See accompanying Notes to Financial Statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Reconciliation to the Statement of Net Position:

Fund balances - governmental funds		\$ 5,560,410
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	<u>(1,131,089)</u>	(1,131,089)
Accounts receivable not available for expenditures, therefore, are not recorded as revenues in the governmental funds		64,596
Assets are capitalized and depreciated or amortized in statement of net position and are charged to expenditures in the governmental funds:		
Capital assets, net of accumulated depreciation		<u>21,620,082</u>
Net position - governmental activities		<u><u>\$ 26,113,998</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

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

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

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,476,501)
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	1,907,722
Depreciation of capital assets is reported as an expense in the statement of activities	(1,793,695)
Certain receivables are not recorded in the governmental funds because they are not considered available	(18,366)
Repayments of long term debt are reported as expenditures in the governmental funds, but the repayments are reported as a reduction of liabilities in the statement of net position	76,301
Decrease in accrued compensated absences and related benefits is reported as a reduction to expense in the statement of activities	<u>114,749</u>
DECREASE IN NET POSITION	<u><u>\$ (1,189,790)</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

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

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

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

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

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 Commission reports the following major funds:

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

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

Non Federal Grants – This fund accounts for private grants.

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

Government-wide and Fund Financial Statements

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 Commission uses different availability periods for recognizing these revenues. Grant revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from sales of goods and services are recognized if received within one month after fiscal year-end. Other revenues are recognized if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues – Exchange and Non-Exchange Transactions

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

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

Capital Assets

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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.

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 internal 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 internal 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. The pool operates as a demand deposit. For credit risk information pertaining to the internal cash management pool, see the deposits disclosure in Note 3.

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

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

Restricted Cash

At June 30, 2014, approximately \$556,000 is restricted for payment of capital project expenses.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Accounts Receivable

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Commission established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The balance on the financial statements is shown net of the allowance.

Due From/To Other Funds

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

Prepaid Items

Prepaid items are accounted for using the consumption method. Prepaid items consist primarily of payments made for a contract for the streaming of educational content to K12 schools through the internet that reflect cost applicable to future accounting periods. In the fund financial statement, prepaid items are offset by a nonspendable fund balance account because the asset does not represent resources available for expenditure.

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 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, 2014. The Commission calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net position.

Net Position / Fund Balances

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Net Position / Fund Balances (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 in the near future.

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

Unearned Revenues

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

CPB Grants

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

Use of Estimates

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

NOTE 2. STATE APPROPRIATION AND OTHER STATE FUNDING:

The Commission did not receive a State appropriation in the 2013-14 Appropriations Act. Pursuant to Proviso 117.97 of the 2013-14 State Appropriations Act, the Commission received \$1,262,513 from the Criminal Justice Academy and the Budget & Control Board. The budget provision directed the agencies to transfer the funds to the Commission.

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

Pursuant to Proviso 117.87 of the 2013-14 State Appropriations Act, the Commission received \$2,964,298 for the 30 year Broadband Spectrum Lease executed in 2009.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2. STATE APPROPRIATION AND OTHER STATE FUNDING (continued):

The Commission carried forward from fiscal year 2008 Capital Reserve Funds of \$9,490 from the State Department of Education for the K-12 School Technology Initiative carried over pursuant to Proviso 89.31 of the 2012-13 Appropriation Act. The Commission incurred expenditures of \$8,370 in the prior year and carried forward \$1,120 pursuant to Proviso 117.29 of the 2013-14 Appropriation Act. The Commission incurred expenditures of \$1,027 in the current year and carried forward \$93 pursuant to Proviso 117.29 of the 2014-15 Appropriations Act.

NOTE 3. DEPOSITS:

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

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

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and cash Equivalents	\$ 6,458,225	Petty cash	\$ 200
Restricted cash	<u>555,869</u>	Deposits held by State Treasurer	<u>7,013,894</u>
Totals	<u>\$ 7,014,094</u>	Totals	<u>\$ 7,014,094</u>

Deposits Held by State Treasurer

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4. CAPITAL ASSETS:

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

	Beginning Balances June 30, 2013	Increases	Decreases	Ending Balances June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	2,045,948	1,667,406	(3,686,207)	27,147
Total capital assets not being depreciated	<u>2,629,217</u>	<u>1,667,406</u>	<u>(3,686,207)</u>	<u>610,416</u>
Capital assets being depreciated:				
Buildings and improvements	15,598,828	3,686,207	-	19,285,035
Equipment and furniture	71,748,763	174,055	-	71,922,818
Vehicles	1,147,641	66,261	-	1,213,902
Total capital assets being depreciated	<u>88,495,232</u>	<u>3,926,523</u>	<u>-</u>	<u>92,421,755</u>
Less accumulated depreciation for:				
Buildings and improvements	6,176,945	462,957	-	6,639,902
Equipment and furniture	62,328,516	1,312,446	-	63,640,962
Vehicles	1,112,933	18,292	-	1,131,225
Total accumulated depreciation	<u>69,618,394</u>	<u>1,793,695</u>	<u>-</u>	<u>71,412,089</u>
Total capital assets being depreciated, net	<u>18,876,838</u>	<u>2,132,828</u>	<u>-</u>	<u>21,009,667</u>
Total capital assets, net	<u>\$21,506,055</u>	<u>\$ 3,800,234</u>	<u>\$(3,686,207)</u>	<u>21,620,082</u>

Depreciation expense for the year ended June 30, 2014 was approximately \$1.8 million. Construction in progress consists of costs incurred for the renovation of the Commission's Telecommunications building. Construction was completed and associated costs were settled during the fiscal year.

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

NOTE 5. LEASES:

Operating Leases

The Commission conducts part of its operations from leased facilities which include towers and office space. The Commission also leases mailroom equipment and copiers. All leases are with external parties. The leases expire beginning with fiscal year 2015 and continue through fiscal year 2018. The Commission has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Commission should the General Assembly not provide funding for these leases. The Commission also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases. The Commission is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$280,000 for the year ended June 30, 2014.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5. LEASES (continued):

Operating Leases (continued)

At June 30, 2014, the Commission's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2015	\$ 339,498
2016	296,631
2017	280,685
2018	80,970
Total	<u>\$ 997,784</u>

The Commission subleases various properties to external parties. Under these lease agreements for the fiscal year ended June 30, 2014 the Commission received rent of \$194,958.

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

Fiscal year ending June 30,

2015	\$143,037
2016	144,899
2017	136,181
2018	54,068
2019	45,900
2020-2024	229,500
2025-2029	229,500
2030-2034	198,900
Total	<u>\$1,181,985</u>

NOTE 6. LONG-TERM LIABILITIES:

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

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. CONCENTRATION OF REVENUE:

A major portion of the funding of the Commission is provided by the ETV Endowment of South Carolina, Inc. (the Endowment) and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Commission exercises no control. The Endowment/Communications provides support services for the Commission through the purchasing and underwriting of various programming. The Commission recorded approximately \$5,500,000 from the Endowment/Communications which is reported as contribution revenue. Approximately \$13,000 was received as reimbursement of expenses.

NOTE 8. 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 South Carolina Budget and Control Board (BCB) include procurement services, grant services, personnel management, assistance in the preparation of the State budget, property management and recording, review and approval of certain budget amendments and other centralized functions. The South Carolina Public Employee Benefit Authority (PEBA) provided retirement plan administration and health insurance plan administration to the Commission at no cost.

The Commission had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of PEBA for retirement and insurance plan contributions; and to divisions of the BCB for insurance coverage, printing, telephone, and interagency mail. Approximately \$99,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the year.

The Commission provided no services free of charge to other State agencies during the fiscal year. Revenues of approximately \$2,300,000 were received from various State agencies. Included in this amount was approximately \$1,659,000 transferred pursuant to Proviso 117.94 and Proviso 101.4 of the 2013-14 Appropriation Act.

During the fiscal year, the Commission purchased services with a total cost of approximately \$607,000 from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance, telecommunications and other contracted services.

NOTE 9. PENSION PLAN:

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 9. PENSION PLAN (continued):

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 highest consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 highest consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. Teacher and Employee Retention Incentive (TERI) program participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the 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 benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9. PENSION PLAN (continued):

years ended June 30, 2014, 2013, and 2012 were approximately \$594,000, \$623,000, and \$624,000, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2014, 10.45% for 2013, and 9.385% for 2012. Also, the Commission paid employer incidental death program contributions of approximately \$8,500, \$8,900, and \$10,000, at the rate of .15% of compensation for the current fiscal years ended June 30, 2014, 2013, and 2012, respectively.

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

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

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for financial statements for periods beginning after June 15, 2014. This statement improves financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources and expenditures for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pension. State and local governments will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the Commission's financial obligations to current and former employees for past services rendered.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Commission contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid approximately \$294,000 and \$285,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2014 and 2013.

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

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to PEBA Insurance Benefits Division, P.O. Box 11960, Columbia, SC 29211-1960.

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 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.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 11. DEFERRED COMPENSATION PLANS (continued):

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 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. 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 is through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

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

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

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

The Commission obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Commission self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2014.

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

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12. RISK MANAGEMENT (continued):

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

The Commission has not reported an estimated claims loss expenditure, and the related liability at June 30, 2014, 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, 2014 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2014, 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, 2014, 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 13. BROADBAND SPECTRUM LEASE:

Effective January, 2010 the State of South Carolina entered into a 30 year lease for the lease of excess spectrum capacity of licenses obtained from the Federal Communications Commission which were owned by the Commission. The Commission received lease payments from the Broadband Spectrum lease beginning February, 2013. Prior to this date, the payments were received by the State Budget and Control Board and were transferred to the Commission monthly. The Commission received \$2,964,298 during the current fiscal year which is included in intergovernmental revenue.

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

Fiscal year ending June 30,

2015	\$ 3,408,943
2016	3,408,943
2017	3,408,943
2018	3,408,943
2019	3,408,943
2020-2024	19,601,422
2025-2029	22,541,635
2030-2034	25,922,880
2035-2039	<u>30,270,550</u>
Total	<u>\$115,381,202</u>

**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. Richard H. Gilbert, Jr., CPA
Deputy 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 "Commission") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2014-1 to be a material weakness. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. However, we did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The Commission'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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
February 13, 2015

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

Year Ended June 30, 2014

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued an unmodified opinion dated February 13, 2015 on the basic financial statements of the South Carolina Educational Television Commission.

Internal control over financial reporting:

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

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

Year Ended June 30, 2014

Section II- Financial Statement Findings:

Condition Considered to be a Material Weakness:

2014-1: Errors in Financial Statement Note Disclosures

Condition:

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

Cause:

The minimum lease payments were understated because they did not provide for annual rent increases based on the consumer price index. Minimum lease receipts were not disclosed and did not include additional years of expected receipts based on lease extension amendment.

Effect:

Misstatement of the future minimum lease payments footnote disclosures.

Criteria:

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

Recommendation:

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

Summary Schedule of Prior Audit Findings:

During our current audit, we reviewed the status of corrective action taken on the findings reported by other auditors resulting from their audit of the Commission's financial statements for the year ended June 30, 2013, dated January 16, 2014. The following findings were reported:

- 2013-1 Error in Calculation of Prepaid Expenses
- 2013-2 Errors in Financial Statement Note Disclosures
- 2013-3 Error in Recording Revenue
- 2013-4 Errors in Accrued Compensated Absences Calculations
- 2013-5 Inadequate Controls Over Procurement Cards

We found that corrective action was taken on all of the findings except for item 2013-2, which has been repeated as 2014-1.

**South Carolina Educational Television Commission
Management Response**

February 13, 2015

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2014.

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

Audit Period: July 1, 2013 – June 30, 2014

The finding is discussed below.

2014-1: Errors in Financial Statement Note Disclosures

Recommendation:

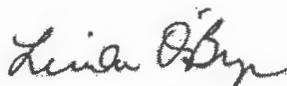
The Commission should implement procedures to ensure that all financial statement note disclosures are properly reported.

Action Taken:

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

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

Sincerely,



Linda O'Bryon
President & CEO